AerCap Holdings N.V. Dutch GAAP Annual Report

For the year ended December 31, 2016

INDEX TO ANNUAL REPORT

AerCap Holdings N.V. Annual Report 2016

TABLE OF DEFINITIONS

ACSAL	ACSAL HOLDCO, LLC
AeroTurbine	AeroTurbine, Inc.
AerCap, We or the Company	AerCap Holdings N.V. and its subsidiaries
AerCap Ireland	AerCap Ireland Limited
AerCap Trust	AerCap Global Aviation Trust
AerLift	AerLift Leasing Ltd.
AICDC	AerCap Ireland Capital Designated Activity Company (formerly registered as AerCap Ireland Capital Limited), a designated activity company with limited liability incorporated under the laws of Ireland
AIG	American International Group, Inc.
Airbus	Airbus S.A.S.
ALS II	Aircraft Lease Securitisation II Limited
ALS Transaction	The sale of our equity interest (E-Notes) in Aircraft Lease Securitisation Limited to Guggenheim Partners, LLC on November 14, 2012
Boeing	The Boeing Company
ECA	Export Credit Agency
ECAPS	Enhanced Capital Advantaged Preferred Securities
Embraer	Embraer S.A.
EOL	End of lease
Ex-Im	Export-Import Bank of the United States
GECC	General Electric Capital Corporation
ILFC	International Lease Finance Corporation
ILFC Transaction	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
Junior Subordinated Notes	$500 million of junior subordinated notes due 2045
LIBOR	London Interbank Offered Rates
MR	Maintenance reserved
Part-out	Disassembly of an aircraft for the sale of its parts
PB	Primary beneficiary—when the Company controls and has the ability to affect returns through its power over the investee.
SEC	U.S. Securities and Exchange Commission

Share Repurchase from AIG	The repurchase by AerCap of 15,698,588 of its ordinary shares from AIG for consideration equal to $750 million on June 9, 2015
SPE	Special purpose entity
Waha	Waha Capital PJSC

REPORT OF THE BOARD OF DIRECTORS

History and development of the company

AerCap Holdings N.V. is incorporated in the Netherlands as a public limited liability company ("naamloze vennootschap" or "N.V.") on July 10, 2006. On November 27, 2006, we completed the initial public offering of 26.1 million of our ordinary shares on the New York Stock Exchange (the "NYSE"). On August 6, 2007, we completed the secondary offering of 20.0 million additional ordinary shares on the NYSE. Pursuant to our recent migration from the Netherlands to Ireland, we moved our headquarters and executive officers from Amsterdam to Dublin, effective as of February 1, 2016. We continue to have offices in Amsterdam, Los Angeles, Shannon, Fort Lauderdale, Miami, Singapore, Shanghai and Abu Dhabi. We also have representative offices at the world's largest aircraft manufacturers, Boeing in Seattle and Airbus in Toulouse.

On May 14, 2014 (the "Closing Date"), we issued 97,560,976 new ordinary shares and paid $2.4 billion in cash to AIG to successfully complete the ILFC Transaction. Immediately following the ILFC Transaction, AIG owned approximately 46% of AerCap. Following the ILFC Transaction, we effected a reorganization of ILFC's corporate structure and assets, pursuant to which ILFC transferred its assets substantially as an entirety to AerCap Trust, a legal entity formed on February 5, 2014, and AerCap Trust assumed substantially all the liabilities of ILFC, including liabilities in respect of ILFC's indebtedness.

On June 9, 2015, AIG sold 71,184,686 of its AerCap ordinary shares in a secondary public offering and AerCap completed the Share Repurchase from AIG of 15,698,588 ordinary shares. On August 24, 2015, AIG sold 10,677,702 of its AerCap ordinary shares in a secondary public offering. Following this sale, AIG no longer owns any of our outstanding ordinary shares and has no designees on our Board of Directors.

As of December 31, 2016, we had 187,847,345 ordinary shares issued, including 176,247,154 ordinary shares issued and outstanding, and 11,600,191 ordinary shares held as treasury shares. Our issued and outstanding ordinary shares included 3,426,810 unvested restricted stock.

Description of business

We are the world's largest independent aircraft leasing company. We focus on acquiring in-demand aircraft at attractive prices, funding them efficiently, hedging interest rate risk conservatively 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 lease most of our aircraft to airlines under operating leases. Under an operating lease, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the equipment at the end of the lease.

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, 2016, we executed 458 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, 2016, our weighted average owned aircraft utilization rate was 99.5%, calculated based on the number of days each aircraft was on lease during the year, weighted by the net book value of the aircraft.

Our business strategy

We develop 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

Manage the profitability of our aircraft portfolio by selectively:

- purchasing aircraft directly from manufacturers;
- entering into purchase and leaseback transactions with aircraft operators;
- 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 select aircraft; and
- providing management services to securitization vehicles, our joint ventures and other aircraft owners at limited incremental cost to us.

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 secure long-term funding for such acquisitions, lease aircraft at profitable rates, minimize downtime between leases and associated technical expenses and opportunistically sell aircraft.

Efficiently manage our liquidity

Our management analyzes 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, and since 2010, we have raised approximately $31 billion of financing, including through bank debt, revolving credit facilities, governmental secured debt, securitization and note issuances in the debt 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 purchasing opportunities that arise in the market. As of December 31, 2016, we had approximately $7.3 billion of undrawn lines of credit available under our credit and term loan facilities and $2.0 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, securitization structures, note issuance and export credit, including ECA guaranteed loans, in order to maximize our financial flexibility. We also leverage our long-standing relationships with the major aircraft financers and lenders to secure access to capital. In addition, we attempt to maximize the cash flows and continue to pursue the sale of aircraft to generate additional cash flows. Please refer to Note 15—*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 through the airlines, assisting airlines with refleetings, and through other opportunistic transactions. We will rely on our experienced team of portfolio management professionals to identify and purchase assets we believe are being sold at attractive prices or that we believe will experience an increase in demand and value. 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 currently lease our owned and managed aircraft to approximately 200 commercial airline and cargo operator customers in approximately 80 countries. We monitor our exposure concentrations by both lessee and country jurisdiction and intend to maintain a well-diversified customer base. We believe we offer a quality product, both in terms of asset and customer service, to all of our customers. We have successfully worked with many airlines 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:

- order new aircraft in larger quantities to increase our buying power and economic leverage;
- increase the geographical and product diversity of our portfolio;
- obtain stable servicing revenues; and
- diversify our exposure to the economic risks related to aircraft.

Please refer to Note 27—*Special purpose entities* to our Consolidated Financial Statements included in this Annual Report for a detailed description of our joint ventures.

Relationship with Airbus and Boeing and other manufacturers

We are one of the largest customers of Airbus and Boeing measured by deliveries of aircraft through 2016 and our order backlog. We are also the launch customer of the Embraer E2 program, with an order for 50 E-Jets E2 aircraft which are scheduled for entry into service in 2018. 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 terms and conditions, including 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, including additional orders, purchasing selective new aircraft on short notice, and facilitating manufacturer targets by purchasing used aircraft from airlines seeking to renew their fleets.

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 the "Committees of the Board of Directors" section included in this Annual Report. 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.

Risk appetite

Pursuing business strategy objectives inevitably leads to taking risks. Risks can jeopardize those objectives in various ways. Risks are addressed in a manner and with the intensity that matches the nature and size of the risk in relation to the Company's risk appetite. The risk appetite is the total residual impact of risks that we are willing to accept in the pursuit of our objectives. Effective risk management is a key success factor for realizing the Company's strategic objectives. Risk areas with a low-risk appetite and thus a low acceptable residual risk require strong risk management and strong internal controls. Risk areas with a high-risk appetite require relatively less risk management and internal control effort.

Primary risks and mitigating measures

Our business is subject to various risks relating to changing competitive, economic, political, regulatory, legal, social, industrial, business and financial conditions. The following table includes our primary risks which could harm the realization of our strategic business objectives, our financial condition and operating results, adversely affect our revenues and profitability, and possibly impact our share price, and their mitigation measures. For other risks that may affect us, we refer to our filings with the SEC which are accessible through our website www.aercap.com.

Risks	Mitigating Measures
Industry Specific Risks	
Cyclical movements in the aircraft leasing industry and lease rates	• Highly diversified customer base • Security deposit and maintenance reserves • Proactive risk management
Aircraft valuation	• Focus on in-demand liquid aircraft types • Continually optimize portfolio through aircraft acquisitions and disposals
Funding / Capital Structure Risks	
Availability of cost effective funds	• Focus on highly diversified, long-term funding to match fund long-term assets • Appropriate mix of funding in capital markets and secured debt markets • Long-standing relationships with the major aircraft financiers and lenders • Flexible repayment profiles • Conservative leverage
Interest Rate Exposure	
Increased cost of borrowing and changes in interest rates	• Hedge through a mix of interest rate caps, swaps and fixed-rate loans to benefit from decreasing interest rates, while protecting against increasing interest rates

Risk that materialized in 2016

We believe that our primary risks are sufficiently mitigated based on above countermeasures. None of these risks materialized in such a way that it had a material impact on our 2016 results.

Other elements of our internal risk management and control framework include:

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 of 2002, as amended (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.

Controls and procedures statement under the Sarbanes-Oxley Act

As of December 31, 2016, our management (with the participation of our Chief Executive Officer and Chief Financial Officer) conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures and our internal control over financial reporting pursuant to the Sections 302 and 404 of the Sarbanes-Oxley Act and Rules 13a-15(e) and 13a-15(f) of the Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2016, such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

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.

Code of Conduct and Whistleblower Policy

Our Code of Conduct is applicable to all our employees, including the Chief Executive Officer, Chief Financial Officer and controllers. 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

AerCap has 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 and anti-trust procedures. AerCap's compliance officer is responsible for the design and effective operation of the compliance procedures and programs. The procedures are subject to regular audits by, or on behalf of, the internal audit function.

2016 financial and operating review

Major developments in 2016

- In January 2016, AerCap executed its first placement of ten Boeing 737MAX aircraft from its order book, leased to Travel Service, the largest airline in the Czech Republic.
- In February 2016, AerCap announced a new $400 million share repurchase program. The share repurchase program was completed on June 1, 2016.
- In April 2016, AerCap closed a new $0.7 billion secured credit facility, which will be used to finance nine aircraft.
- In May 2016, AerCap Trust and AICDC co-issued $1.0 billion aggregate principal amount of senior unsecured notes due 2022.
- In May 2016, AerCap announced a new $250 million share repurchase program. The share repurchase program was completed on September 7, 2016.
- In July 2016, AerCap closed a $0.7 billion secured credit facility, which will be used to finance 13 aircraft.
- In August 2016, AerCap announced a new $250 million share repurchase program. The share repurchase program was completed on December 8, 2016.
- In September 2016, AerCap delivered its first Airbus A320neo on lease to Volaris, making the airline the first carrier in North America to operate the aircraft type.
- In September 2016, AerCap executed the placement of three Embraer E190-E2 aircraft and two E195-E2 aircraft to Turkish carrier, Borajet Airlines.
- In November 2016, AerCap announced a new $250 million share repurchase program. The share repurchase program was completed on March 6, 2017.
- In November 2016, AerCap closed a $0.6 billion secured credit facility, which will be used to finance eight aircraft.
- During 2016, AerCap executed portfolio sale transactions for the sale of 72 aircraft at an aggregate sale price of approximately $2 billion.

Results of operations

Net income attributable to AerCap Holdings N.V. for the year ended December 31, 2016 was $914.5 million, as compared to $1,078.5 million for the year ended December 31, 2015. Our total revenues and other income decreased by $ 0.1 billion, or 2%, to $5.2 billion for the year ended December 31, 2016 from $5.3 billion for the year ended December 31, 2015. For the year ended December 31, 2016, diluted earnings per share was $4.82. The weighted average number of diluted shares outstanding was 190 million for the year ended December 31, 2016.

Aviation assets

During the year ended December 31, 2016, we acquired $3.9 billion of aviation assets, primarily related to the acquisition of 38 aircraft. As of December 31, 2016, we owned 1,022 aircraft, including 966 aircraft under operating leases, 50 aircraft under finance and sales-type leases and six aircraft that met the criteria for being classified as held for sale. AeroTurbine did not own any aircraft as of December 31, 2016. In addition, we managed 95 aircraft and AerDragon, a non-consolidated joint venture, owned another 29 aircraft. The average age of our 1,022 owned aircraft fleet, weighted by net book value, was 7.4 years as of December 31, 2016. We operate our business on a global basis and as of December 31, 2016, our 1,022 owned aircraft were on lease to 181 customers in 77 countries, with no lessee accounting for more than 10% of total lease revenue for the year ended December 31, 2016. As of December 31, 2016, our owned aircraft portfolio included seven aircraft that were off-lease, six of these aircraft were classified as held for operating leases and one aircraft was classified as held for sale. As of March 15, 2017, five of the off-lease aircraft were re-leased or under commitments for re-lease, one aircraft was sold and one aircraft was designated for part-out.

As of December 31, 2016, we also had 420 new aircraft on order, which included 204 Airbus A320neo Family aircraft, 109 Boeing 737MAX aircraft, 50 Embraer E-Jets E2 aircraft, 38 Boeing 787 aircraft and 19 Airbus A350 aircraft.

Liquidity and capital resources

Our cash balance as of December 31, 2016 was $2.4 billion, including unrestricted cash of $2.0 billion. As of December 31, 2016, we had approximately $7.3 billion of undrawn lines of credit available under our credit and term loan facilities. Our total available liquidity, including undrawn lines of credit, unrestricted cash, cash flows from contracted asset sales and other sources of funding, was $9.5 billion as of December 31, 2016. Our debt, including fair value adjustments of $0.5 billion and net of debt issuance costs and debt discounts of $0.2 billion, was $27.7 billion as of December 31, 2016 and our average cost of debt, excluding the effect of mark-to-market movements on our interest rate caps and swaps, was 3.7% during the year ended December 31, 2016. Our adjusted debt to equity ratio was 2.7 to 1 as of December 31, 2016. Adjusted debt to equity ratio is obtained by dividing adjusted debt by adjusted equity. Adjusted debt means consolidated total debt less cash and cash equivalents, and less 50% equity credit with respect to $1.5 billion of subordinated debt. Adjusted equity means total equity, plus the 50% equity credit.

Our existing sources of liquidity of $12.8 billion as of December 31, 2016, were sufficient to operate our business and cover at least 1.2x of our debt maturities and contracted capital requirements for the next 12 months. Our sources of liquidity include undrawn lines of credit, unrestricted cash, estimated operating cash flows, cash flows from contracted asset sales and other sources of funding.

Interest rate risk

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, 2016. 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.

	2017	2018	2019	2020	2021	Thereafter	Fair value
			(U.S. dollar amounts in millions)				
Interest rate caps							
Average notional amounts . . .	$3,105.2	$2,420.5	$1,732.4	$1,086.5	$706.4	$192.7	$30.4
Weighted average strike rate .	2.2%	2.3%	2.2%	2.2%	2.2%	2.0%	

	2017	2018	2019	2020	2021	Thereafter	Fair value
			(U.S. dollar amounts in millions)				
Interest rate swaps							
Average notional amounts . . .	$ 409.1	$ 379.3	$ 349.5	$ 320.9	$ —	$ —	$ 6.8
Weighted average pay rate . . .	1.1%	1.1%	1.1%	1.1%	—%	—%	

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

Personnel

As of December 31, 2016, we had 398 permanent employees relating to our aircraft leasing business, including ten part-time employees. As of December 31, 2015, we had 385 permanent employees relating to our aircraft leasing business, including seven part-time employees. We expect that the number of personnel will remain relatively constant throughout 2017.

In addition, AeroTurbine, which is in the process of a downsizing, had 160 and 411 employees as of December 31, 2016 and 2015, respectively. We expect that the number of personnel at AeroTurbine will decrease further as a result of the downsizing.

Financial outlook

As presented at our investor day on November 16, 2016, our financial outlook for the year 2017 is diluted earnings per share of $5.60 - $5.80, and includes adjustments for the impact of maintenance rights amortization, mark-to-market on interest rate caps and swaps and AeroTurbine results, including restructuring related expenses. This outlook could be subject to change, in light of highly fluid market conditions and other factors.

For 2017, we had already committed to $5.1 billion of aircraft purchases. Sources of new debt finance for these capital expenditures would be through access to capital markets, including one or more of the unsecured and secured bond markets, the commercial bank market, export credit and the asset-backed securities market.

Factors affecting our results

Our results of operations can be affected by a variety of other factors, primarily:

- 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 and aviation assets;
- 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 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 overhaul 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.

Corporate governance

As we are listed on the NYSE and incorporated in the Netherlands as a public limited company ("*naamloze vennootschap*" or "N.V."), we are required to comply with the Sarbanes-Oxley Act and certain corporate governance requirements and best practices set out by the NYSE, the SEC and the Dutch Corporate Governance Code (the "Code"). We have elected to be exempt from the NYSE rules on directors' independence as a foreign private issuer. For further information and the full text of the Code please refer to: *www.commissiecorporategovernance.nl*.

At AerCap, we are committed to upholding the highest standard in corporate governance and ethic practices. We believe our numerous internal policies and procedures provide a structure for the operation of the Company that is consistent with the best interests of our shareholders and customers, as well as requirements of applicable law and modern standards of corporate governance. We endeavor to ensure our policies and procedures comply with both U.S. and Dutch corporate governance requirements, to the extent possible and desirable. The 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 Code or to explain why they deviate from these best practice provisions.

Corporate governance related documents, including our articles of association, the Rules for the Board of Directors including its Committees (also referred to herein as the "Board Rules"), the Code of Conduct, the Whistleblower Procedure and our Insider Trading Rules, are available on our website.

Board of Directors

Responsibilities

Under our articles of association, the Board Rules, 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.

Our Board of Directors has a one-tier structure and currently consists of ten directors, including one executive director. 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 Board Rules. 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 Board has appointed from among its non-executive directors the Chairman and the Vice Chairman of the Board of Directors.

The Chairman of the Board of Directors is obligated to ensure, 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. The Vice Chairman of the Board of Directors shall be charged with the Chairman's tasks, should the latter become temporarily or permanently incapacitated or prevented from acting. The internal affairs of the Board of Directors are governed by our Board Rules.

Our current directors are:

Name	Age	Nationality	Gender	Position	Initial Appointment	End of Current Term(a)
Pieter Korteweg	75	The Netherlands	M	Non-Executive Chairman of the Board of Directors	2006	2018
Aengus Kelly	43	Ireland	M	Executive Director and Chief Executive Officer	2011	2019
Salem Al Noaimi	41	United Arab Emirates	M	Non-Executive Director	2011	2017
Homaid Al Shimmari	49	United Arab Emirates	M	Non-Executive Director	2011	2017
James (Jim) Chapman	54	United States of America	M	Non-Executive Director	2006	2017
Paul Dacier	59	United States of America	M	Non-Executive Director and Vice Chairman	2010	2018
Richard (Michael) Gradon	57	United Kingdom	M	Non-Executive Director	2010	2018
Marius Jonkhart	67	The Netherlands	M	Non-Executive Director	2006	2017
Walter McLallen	51	United States of America	M	Non-Executive Director	2016	2020
Robert (Bob) Warden	44	United States of America	M	Non-Executive Director	2006	2018

(a) The term for each director ends at the Annual General Meeting typically held in April or May of each year.

Pieter Korteweg. Mr. Korteweg has been a Director of AerCap since September 27, 2006. He serves as Vice Chairman of Cerberus Global Investment Advisors, LLC, and Director of Cerberus entities in the Netherlands. In addition, he serves as Member of the Supervisory Board of Bawag PSK Bank (Vienna) and Non-Executive Member of the Board of Haya Real Estate S.L.U. (Madrid). He currently also serves as senior advisor to Anthos B.V. Mr. Korteweg previously served, amongst others, as Chairman of the Board of Capital Home Loans Ltd., Member of the Supervisory Board of Mercedes Benz Nederland B.V., Non-Executive Member of the Board of Aozora Bank Ltd. (Tokyo), Chairman of the Supervisory Board of Pensions and Insurance Supervisory Authority of the Netherlands, Chairman of the Supervisory Board of the Dutch Central Bureau of Statistics and Vice Chairman of the Supervisory Board of De Nederlandsche Bank. From 1987 to 2001, Mr. Korteweg was President and Chief Executive Officer of Robeco Group in Rotterdam. From 1981 to 1986, he was Treasurer General at the Dutch Ministry of Finance. Mr. Korteweg was a professor of economics from 1971 to 1998 at Erasmus University Rotterdam in the Netherlands. He holds a PhD in Economics from Erasmus University Rotterdam.

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 since January 2008 and was 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 in 1998 and has 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.

Salem Al Noaimi. Mr. Al Noaimi has been a Director of AerCap since May 18, 2011. Mr. Al Noaimi is also Waha Capital's Chief Executive Officer and Managing Director, responsible for leading the company's overall strategy across its business lines. Mr. Al Noaimi has served as Waha's CEO over the past eight years, with previous roles including Deputy CEO of Waha, and CEO of Waha Leasing. Earlier in his career, Mr. Al Noaimi held various positions at Dubai Islamic Bank, the UAE Central Bank, the Abu Dhabi Fund for Development and Kraft Foods. He chairs and sits on the Board of a number of companies, including Abu Dhabi Ship Building, Dunia Finance, Anglo Arabian Healthcare, Al Dhafra Insurance Company and Bahrain's ADDAX Bank. Mr. Al Noaimi is a UAE national with a degree in Finance and International Business from Northeastern University in Boston.

Homaid Al Shimmari. Mr. Al Shimmari has been a Director of AerCap since May 18, 2011. Mr. Al Shimmari is also the Chief Executive Officer of Mubadala Aerospace & Engineering Services and member of the Investment Committee at Mubadala. He holds prominent roles with key aerospace, communications technology, defense and energy companies and organizations, including Chairman of Emirates Defence Industries Company ("EDIC"), Maximus Air Cargo, Abu Dhabi Autonomous Systems Investment ("ADASI") and Abu Dhabi Ship Building, and currently holds board positions with Mubadala Petroleum, Masdar, Global Foundries, Abu Dhabi Aviation, Royal Jet, du-Emirates Integrated Telecommunications Company PJSC and SR Technics Holdco 1 GmbH. Mr. Al Shimmari is also a Board Member of the UAE University Board of Trustees and Chairman of the Advisory Board of Etihad Airways Engineering LLC. Before joining Mubadala, Mr. Al Shimmari was a Lieutenant Colonel in the UAE Armed Forces serving in the areas of military aviation, maintenance, procurement and logistics. Mr. Al Shimmari holds a Bachelor of Science in Aeronautical Engineering from Embry Riddle Aeronautical University in Daytona Beach, Florida, and holds a black belt in six sigma from General Electric, a highly disciplined leadership program.

James (Jim) Chapman. Mr. Chapman has been a Director of AerCap since July 26, 2006. Mr. Chapman serves as a Non-Executive Advisory Director of SkyWorks Capital, LLC, an aviation and aerospace management consulting services company based in Greenwich, Connecticut, which he joined in December 2004. Prior to SkyWorks, Mr. Chapman joined Regiment Capital Advisors, an investment advisor based in Boston specializing in high yield investments, which he joined in January 2003. Prior to Regiment, Mr. Chapman was a capital markets and strategic planning consultant and worked with private and public companies as well as hedge funds (including Regiment) across a range of industries. Mr. Chapman was affiliated with The Renco Group, Inc. from December 1996 to December 2001. Prior to Renco, Mr. Chapman worked in the financial services industry at Fieldstone Private Capital Group from 1990 through 1996 and Bankers Trust Company from 1985 through 1990. Presently, Mr. Chapman serves as a member of the Board of Directors of Arch Coal, Inc., Tembec Inc. and Tower International, Inc. Mr. Chapman received an MBA with distinction from Dartmouth College and was elected as an Edward Tuck Scholar. He received his BA, with distinction, magna cum laude, from Dartmouth College and was elected to Phi Beta Kappa, in addition to being a Rufus Choate Scholar.

Paul Dacier. Mr. Dacier has been a Director of AerCap since May 27, 2010. He is also currently a Non-Executive Director of GTI Technology Holdings Inc. (a technology holding 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 since 1990. He was a Non-Executive Director of Genesis from November 2007 until the date of the amalgamation with AerCap International Bermuda Limited. 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 BA in history and a JD in 1983 from Marquette University. He is admitted to practice law in the Commonwealth of Massachusetts and the state of Wisconsin.

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, and is on the Board of Directors of The All England Lawn Tennis Ground PLC, The All England Lawn Tennis Club and The Wimbledon Championships. He was a Non-Executive Director of Genesis from November 2007 until the date of the amalgamation with AerCap International Bermuda Limited. 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. 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 MA degree in law from Cambridge University.

Marius Jonkhart. Mr. Jonkhart has been a Director of AerCap since July 26, 2006. He is also currently a member of the Supervisory Boards of Ecorys Holding, Orco Bank International and Tata Steel Nederland. He was previously the Chief Executive Officer of De Nationale Investeringsbank (NIBC) and the Chief Executive Officer of NOB Holding. He also served as the Director of monetary affairs of the Dutch Ministry of Finance. In addition, he has been a professor of finance at Erasmus University Rotterdam. He has served as a member of a number of Supervisory Boards, including the Supervisory Boards of BAWAG PSK Bank, Staatsbosbeheer, Connexxion Holding, European Investment Bank, Bank Nederlandse Gemeenten, Postbank, NPM Capital, Kema, AM Holding and De Nederlandsche Bank. He has also served as a Non-Executive Director of Aozora Bank, Chairman of the Investment Board of ABP Pension Fund and several other funds. Mr. Jonkhart holds a Master's degree in Business Administration, a Master's degree in Business Economics and a PhD in Economics from Erasmus University Rotterdam.

Walter McLallen. Mr. McLallen has been a Director of AerCap since May 11, 2016. He is also currently the principal of Meritage Capital Advisors, advising corporations in structuring debt and private equity transactions and providing strategic consulting, since 2004. Presently, Mr. McLallen serves as a member of the board of directors of Differential Brands Group Inc., as well as a number of private companies. He was also an advisor to and director of the Remington Outdoor Company and its predecessors from 2006 through June 2015 and served as chairman or vice chairman of the board of directors for the last five years of such period. Mr. McLallen was a managing director of CIBC World Markets from 1995 to 2004, during which he was Head of Debt Capital Markets from 1997 to 2004, as well as Head of High Yield Distribution from 2001 to 2004. Mr. McLallen held Associate and Vice President positions at The Argosy Group from 1990 through 1995 and was an analyst in the mergers and acquisitions department at Drexel Burnham Lambert from 1988 to 1990. Mr. McLallen received his BA in Economics and Finance from the University of Illinois at Urbana-Champaign in 1988.

Robert (Bob) Warden. Mr. Warden has been a Director of AerCap since July 26, 2006. He is also currently a Partner at Pamplona Capital Management, a private equity investment firm, which he joined in August 2012. Mr. Warden serves as a director for several private companies affiliated with Pamplona. Prior to joining Pamplona, Mr. Warden was Managing Director at Cerberus Capital Management, L.P. from February 2003 to August 2012, a Vice President at J.H. Whitney from May 2000 to February 2003, a Principal at Cornerstone Equity Investors LLC from July 1998 to May 2000 and an Associate at Donaldson, Lufkin & Jenrette from July 1995 to July 1998. Mr. Warden received his A.B. from Brown University.

Board meetings

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, the Vice 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 our Board of Directors, or in his absence, the Vice Chairman. 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 2016, the Board of Directors met on 11 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 Report for the financial year 2015 comprising the annual accounts and the report of the Board of Directors, topics for the Annual General Meeting 2016, secured and unsecured financing transactions and AerCap's liquidity position, AerCap's hedging policies, optimization of AerCap's portfolio of aircraft, global and regional macroeconomics, monetary and political developments and impact on the industry, AerCap key customer developments, emerging market risks and opportunities, 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, completion of the relocation of the Company's principal place of business to Dublin, the AeroTurbine downsizing, reports from the various Board committees, the budget for 2017, remuneration and compensation, directors and officers succession planning, regulatory compliance, corporate social responsibility, governance and risk management and control, including but not limited to compliance with the Sarbanes-Oxley Act.

The non-executive directors of the Board also met to perform a self-assessment of the Board's performance. It assessed its own functioning and that of its individual members. The outcome of the self-assessment was that Board and its individual members functioned and continue to function satisfactorily. The Board maintains an introduction program for new non-executive directors with the purpose to familiarize them with the relevant AerCap business, governance and compliance aspects. The Board has determined a profile for its non-executive directors which has been made available on the Company's website.

Conflicts of interest

In accordance with Board rules, each director shall immediately report any potential conflict of interest concerning a director to the Chairman of the Board of Directors. The director with such conflict of interests shall in such case provide the Chairman with all information relevant to the conflict. Also, a director may not participate in the discussions and/or the decision making process on a transaction or subject in relation to which he or she has a conflict of interest with the Company and its enterprise.

Appointment, suspension and dismissal

The directors are appointed by the General Meeting of 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.

In 2016, the Company did not apply provision IV.1.1 of the Code in so far it deals with the lifting of quorum requirements related to proposed directors' dismissals, since this provision is written for general meetings with a high degree of absenteeism, whereas absenteeism at the Company's shareholders' meetings is relatively low.

Board independence

In 2016, our Board of Directors has assessed its independence under the provisions III.2.2 and III.8.4 of the Code and has concluded that it continued to meet the applicable independence requirements.

Committees of the Board of Directors

In order to more efficiently fulfill its role, and in compliance with the Code, the Board has established committees including: 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.

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. The current members of our Audit Committee are James (Jim) Chapman (Chairman), Marius Jonkhart, Richard (Michael) Gradon and Walter McLallen. Our Board of Directors has determined that James (Jim) Chapman and Marius Jonkhart are "audit committee financial experts", as that term is defined by SEC rules and Dutch law.

In 2016, the Audit Committee met on eight 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 2016, approval of other services rendered by the external auditor, internal audit reports, the internal auditor's audit plan for 2017, 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, the functioning of the Audit Committee, the audit committee charter and the audit committee cycle. The Audit Committee had several separate sessions with the external 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. The current members of our Nomination and Compensation Committee are Pieter Korteweg (Chairman), Salem Al Noaimi, Paul Dacier and Robert (Bob) Warden.

The Code requires the Board to have three committees: an audit committee, a compensation committee and a nomination committee. For efficiency reasons, including the fact that we have only one executive director, we have combined the functions of the compensation committee with those of the nomination committee into one Nomination and Compensation Committee. Under the Code, the Chairman of the Board shall not chair the compensation committee; he may, however, chair the nomination committee. Given the fact that we have combined both committees and also having regard to the fact that the Chairman of the Board is very familiar with international executive compensation, we believe that the Chairman of the Board is the best person to chair our Nomination and Compensation Committee.

In 2016, the Nomination and Compensation Committee met on two 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 line with the Code, the Company has provided the 2016 Remuneration Report in this Annual Report. 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.

Profile of the Board

Our Board of Directors maintains a profile of the non-executive directors containing guidance and requirements with respect to composition of the Board and competences and experience of its non-executive directors. The profile is available on the website of the Company. In 2016, the Board has carried out an assessment on the basis of which it has determined that the requirements of the profile of the non-executive directors continue to be met. In addition, any (re)appointment of the non-executive director to the Board shall be based on consistency with the profile. With respect to the composition of the Board of Directors, it is noted that the directors have been and will continue to be selected on the basis of their professional backgrounds and skills in line with the global nature and identity of the Company and its business. Within these parameters, the Board of Directors pays attention to gender diversity in accordance with article 2:166 of the Dutch Civil Code, although so far this has not resulted in increased gender diversity in the Board.

Officers

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 the Board Rules.

Our Group Executive Committee assists the Chief Executive Officer with regards to 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. The current members of our Group Executive Committee are Aengus Kelly (Chief Executive Officer), Wouter (Erwin) den Dikken (Chief Operating Officer), Keith Helming (Chief Financial Officer) and Philip Scruggs (President & Chief Commercial Officer). 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.

The current officers (in addition to Aengus Kelly who is our executive director and Chief Executive Officer, as described above) are:

Name	Age	Nationality	Gender	Position
Wouter (Erwin) den Dikken .	49	The Netherlands	M	Chief Operating Officer and Chief Legal Officer
Keith Helming	58	United States of America	M	Chief Financial Officer
Philip G. Scruggs	52	United States of America	M	Chief Commercial Officer and President
Peter Anderson	41	Australia	M	Head of Asia Pacific
Peter Juhas	45	United States of America	M	Deputy Chief Financial Officer
Tom Kelly	53	Ireland	M	Chief Executive Officer, AerCap Ireland Limited
Edward (Ted) O'Byrne	45	France	M	Chief Investment Officer
Martin Olson	54	United States of America	M	Head of OEM Relations
Paul Rofe	57	United Kingdom	M	Group Treasurer
Sean Sullivan	48	United States of America	M	Head of Americas
Joe Venuto	57	United States of America	M	Chief Technical Officer
Kenneth Wigmore	48	United States of America	M	Head of EMEA

Wouter (Erwin) den Dikken. Mr. den Dikken was appointed Chief Operating Officer of AerCap in 2010 in addition to his role as Chief Legal Officer to which role he was appointed in 2005. Mr. den Dikken also previously served as the Chief Executive Officer of AerCap's Irish operations. He joined AerCap's legal department in 1998. Prior to joining AerCap, Mr. den Dikken worked for an international packaging company in Germany as Senior Legal Counsel where he focused on mergers and acquisitions. Mr. den Dikken holds a law degree from Utrecht University.

Keith Helming. Mr. Helming assumed the position of Chief Financial Officer of AerCap in 2006. Prior to joining AerCap, he was a long standing executive at GE Capital Corporation, including serving for five years as Chief Financial Officer at aircraft lessor GECAS. He was with General Electric Company for over 25 years, beginning with their Financial Management Program in 1981. In addition to the GECAS role, Mr. Helming served as the Chief Financial Officer of GE Corporate Financial Services, GE Fleet Services and GE Consumer Finance in the United Kingdom, and also held a variety of other financial positions throughout his career at GECC. Mr. Helming holds a Bachelor of Science degree in Finance from Indiana University. On December 19, 2016, we announced that Peter Juhas will become our Chief Financial Officer in 2017. Mr. Helming will remain with AerCap through May 2017.

Philip Scruggs. Mr. Scruggs assumed the position of President and Chief Commercial Officer of AerCap upon the consummation of the ILFC Transaction, previously serving in the role of Executive Vice President and Chief Marketing Officer at ILFC where he has had a 20 year career. As Chief Marketing Officer of ILFC, Mr. Scruggs oversaw ILFC's worldwide leasing business, including the marketing, pricing, credit, commercial execution, and contracts functions within the company, together with ILFC's fleet management services to third party investors. 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 Anderson. Mr. Anderson assumed the position of Senior Vice President Marketing and Head of Asia Pacific upon the consummation of the ILFC Transaction, previously serving in the role of Vice President Marketing and Deputy Head of APAC at ILFC. Mr. Anderson was responsible for managing ILFC's relationships with key airline customers in South East Asia, Japan and Korea. Prior to ILFC, Mr. Anderson was Asia Pacific Director of Sales and Marketing for Hong Kong Aviation Capital (HKAC), transitioning the Allco Finance Group Ltd. aviation assets into the HKAC business and managing those assets across Asia. Prior to HKAC, Mr. Anderson spent eight years at Allco Finance Group Ltd. in both Sydney and London, specializing in aircraft leasing, structured finance (for aviation assets) and mortgage and equipment lease securitization. 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.

Peter Juhas. Mr. Juhas was appointed Deputy Chief Financial Officer of AerCap in September 2015. Prior to joining AerCap, Mr. Juhas was the Global Head of Strategic Planning at 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. On December 19, 2016, we announced that Mr. Juhas will become our Chief Financial Officer in 2017. Mr. Helming will remain with AerCap through May 2017.

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 GECAS where his last roles were as Chief Financial Officer and director of GECAS Limited, 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, acting as a Senior Manager in their financial services practice. Mr. Kelly is a Chartered Accountant and holds a Bachelor of Commerce degree from University College Dublin.

Edward (Ted) O'Byrne. Mr. O'Byrne was appointed Chief Investment Officer of AerCap in January 2011. Previously he held the position of Head of Portfolio Management overseeing aircraft trading, OEM relationships and portfolio management activities. Mr. O'Byrne joined AerCap in July 2007 as Vice President of Portfolio Management and Trading. Prior to joining AerCap, he worked as Airline Marketing Manager at Airbus North America and later as Director, Sales Contracts for Airbus Leasing Markets in Toulouse, France. Mr. O'Byrne received his MBA from the University of Chicago Booth School of Business and his B.A. from EuroMed in France.

Martin Olson. Mr. Olson assumed the position of Head of OEM Relations upon the consummation of the ILFC Transaction, previously serving in the role of Senior Vice President at ILFC. Mr. Olson headed ILFC's Aircraft Sales and Acquisitions Department, responsible for purchasing new aircraft and engines. Mr. Olson joined ILFC in 1995 after ten years with McDonnell Douglas Aircraft Corporation. Mr. Olson is a graduate of California State University, Fullerton. He also received a Master's Degree in Business Administration from the University of Southern California.

Paul Rofe. Mr. Rofe was appointed Group Treasurer of AerCap in January 2008, previously serving in the role of Vice President Corporate Group Treasury, since joining the company in September of 2006. He began his career in the aviation leasing and financing business with a Kleinwort Benson subsidiary in 1995, and then moved to BAE Systems for seven years, where he held the positions of Director Asset Management and General Manager—Portfolio Management. Mr. Rofe qualified as an accountant in 1986 in the United Kingdom.

Sean Sullivan. Mr. Sullivan assumed the position of Head of Americas upon the consummation of the ILFC Transaction, previously serving in the role of Senior Vice President and Head of ILFC Americas. In this role, Mr. Sullivan was involved in ILFC's purchase and leaseback business, including strategic direction of the business, pricing and analysis tools, critical support, and customer evaluation and processes. Mr. Sullivan has more than 20 years of experience in negotiating and managing complicated transactions. Prior to ILFC, Mr. Sullivan was Director of Allco Aviation, where he oversaw strategic direction and creation of the business plan, focused on growth through purchase and leaseback transactions. Previously, Mr. Sullivan also held the position of Vice President at the Bank of America in the Leasing and Capital group, focused on aviation finance.

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 was the Senior Vice President Operations at AeroTurbine responsible for all technical related issues. Prior to joining AeroTurbine, 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 & Powerplant technician for Eastern Airlines. Mr. Venuto is a graduate of the College of Aeronautics and a licensed FAA Airframe and Powerplant Technician.

Kenneth Wigmore. Mr. Wigmore assumed the position of Head of Europe, Middle East and Africa ("EMEA") upon the consummation of the ILFC Transaction. Previously he held the positions in AerCap of Chief Marketing Officer and Head of Marketing for the Americas, overseeing customer relationships in North and South America for AerCap since January 2008. Mr. Wigmore joined AerCap in April 2003 as Vice President, Airline Marketing. Prior to joining AerCap, he worked as an Airline Analyst and later as Sales Director, China over a nine year period with the aircraft manufacturer Fairchild Dornier. Mr. Wigmore holds a Bachelor of Science degree from Mount Saint Mary's University in Maryland.

Officer compensation

The aircraft leasing business is highly competitive. As the world's largest independent company in this industry, 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 on our strategy and deliver attractive returns for our shareholders. We have designed our compensation plans to meet these objectives.

Compensation goal	How goal is accomplished
Attract and retain leading executive talent	• Design compensation elements to enable us to compete effectively for executive talent • Selectively retain executives acquired through business transactions considering industry and functional knowledge, leadership abilities and fit with Company culture • Perform market analysis to stay informed of compensation trends and practices
Align executive pay with shareholder interest	• Concentrate executive pay heavily in equity compensation • Require robust equity ownership and retention • Motivate senior executives with meaningful incentives to generate long-term returns
Pay for performance	• Pay annual bonuses based on performance against one-year budgeted target set by the Nomination and Compensation Committee • Tie long-term incentive program awards to the achievement of multi-year earnings per share targets approved by the Nomination and Compensation Committee • Reward high-performers with above-target pay when predetermined goals are exceeded • Evaluate and adjust, if considered appropriate, for the impact of unanticipated favorable or unfavorable transactions/events on compensation payouts
Manage risk	• Prohibit hedging of Company securities and pledging of AerCap equity prior to vesting • Emphasize long-term performance by designing equity award opportunities to minimize short-term focus and influence on compensation payouts • Incentive compensation is subject to clawback provisions for the executive director in place for Netherlands-based companies

During the year ended December 31, 2016, we paid an aggregate of approximately $8.3 million in cash (base salary and bonuses) and benefits as compensation to our Group Executive Committee members (Aengus Kelly, Wouter (Erwin) den Dikken, Keith Helming and Philip Scruggs), including $0.5 million as part of their retirement and pension plans. Due to changes in the Dutch pension system as of January 1, 2015, amounts paid by the Company to fund retirement annuities for annual salary amounts in excess of €101,519 were paid directly to our Dutch tax resident officers (and other Dutch tax resident employees) as a separate component of salary instead of paid to a third party and applied towards a supplemental premium.

The compensation packages of our Group Executive Committee members and certain other officers, consisting of base salary, annual bonus and, for some officers, annual grants of AerCap equity instruments ("Annual Equity Awards"), along with other benefits, are determined by the Nomination and Compensation Committee upon recommendation of the Chief Executive Officer (other than with respect to his own compensation package) on an annual basis. The annual compensation package of our Chief Executive Officer, consisting of base salary, bonus and Annual Equity Awards, along with other benefits, is determined by the Board of Directors, upon recommendation of the Nomination and Compensation Committee. In addition, the Nomination and Compensation Committee (or, in the case of our Chief Executive Officer, the Board of Directors, upon recommendation of the Nomination and Compensation Committee) may grant AerCap equity incentive awards to our officers on a non-recurring basis ("Other Equity Awards") under our equity incentive plans, as further outlined below.

The amount of the annual bonus and, if applicable, the number of Annual Equity Awards granted to our Group Executive Committee members and other participating officers are dependent on the target bonus level and, if applicable, the target Annual Equity Awards level, established before the performance period begins by the Nomination and Compensation Committee (or, in the case of our Chief Executive Officer, the Board of Directors, upon recommendation of the Nomination and Compensation Committee), in combination with our actual performance relative to our internal budget for the past financial year, as approved by the Board of Directors each year, and the personal performance of the individual Group Executive Committee member or other officer involved. The annual bonuses are paid in arrears. Actual bonuses will not exceed target bonus levels as long as our budget for the relevant year has not been met, subject to exceptions and approval by the Nomination and Compensation Committee (or, in the case of our Chief Executive Officer, the Board of Directors upon recommendation of the Nomination and Compensation Committee) which, if applicable, will be disclosed in this Annual Report. As a matter of policy, actual bonuses will be determined below target level in years that our budget is not met, unless specific circumstances require otherwise. The Annual Equity Awards are granted in arrears. The Annual Equity Awards are time-based with a three-year vesting period, subject to certain exceptions.

The Other Equity Awards granted to our officers in 2014, 2015 and 2016, subject to certain exceptions, have vesting periods ranging between three years and five years and are subject to vesting criteria based on our average performance, relative to our internal budget, over a number of years in order to promote and encourage good performance over a prolonged period of time. All equity awards contain change of control provisions causing immediate vesting of all equity awards, to the extent not yet forfeited, in the case of a change of control in accordance with the respective equity award agreements.

Severance payments are part of the employment agreements with our Group Executive Committee members. The amount of the pre-agreed severance is based upon calculations in accordance with their respective age and years of service.

The Company is subject to the Netherlands' Clawback of Bonuses Act that went into effect as of January 1, 2014. 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, 2016, 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 stock options to directors, officers and employees in order to enable us to attract, retain and motivate such people and to align their interests with ours, including but not limited to retention and motivation in relation to the implementation of the ILFC Transaction.

We require our Group Executive Committee members to own Company ordinary shares having a value equal to at least ten times their annual base salary, 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 50% of the net shares (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 ordinary share price and in compliance with laws and regulations. Each executive 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 22—*Share-based compensation* to our Consolidated Financial Statements included in this Annual Report for more details on our equity incentive plans.

Corporate social responsibility

During 2016, the Board discussed and reviewed our corporate social responsibility ("CSR") objectives and activities. Although our aircraft are generally used for activities that have significant impact on the environment, updating 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 generate significantly less pollution than older aircraft and engines. In addition, the Board discussed our participation in a number of industry related educational schemes and charitable donations. In addition, the Board discussed and reviewed our activities and conduct as they relate to ethics, labor environment, citizenship, governance and transparency and financial reporting.

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 in charge of the audit activities is subject to rotation requirements. The current signing partner will rotate off after 2017.

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.

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

AerCap Cash Manager Limited and AerCap Cash Manager II Limited, which are members of the AerCap group, are 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 forth below. The following disclosure is for informational 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 Communities (Markets in Financial Instruments) Regulations 2007 (as amended) (the "MiFID 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 either or both of our entities subject to the regulation by the Central Bank of Ireland.

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 section 181 of the MiFID 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 disposition of ordinary shares in AerCap, except that, in such case, no approval is required, but prior notice of the disposition must be given to the Central Bank of Ireland. The relevant regulated entities of the AerCap group are required under Irish law to notify the Central Bank of Ireland of relevant acquisitions or disposals of which they become 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 Annual General Meeting held in 2016, 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 Annual General Meeting held in 2016, 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 Annual General Meeting held in 2016, 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 Annual General Meeting held in 2016, 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 of the exact number of ordinary shares to be cancelled. During 2016, we have cancelled 15,563,862 ordinary shares that were repurchased. In March 2017, we cancelled 5,000,000 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 annual General Meeting of Shareholders ("AGM") and any extraordinary General Meeting of Shareholders are convoked. At least one annual General Meeting of Shareholders 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 ("*Boek 2 van het Burgerlijk Wetboek*").

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

The Annual General Meeting of shareholders was held on May 11, 2016. The Annual General Meeting of shareholders adopted the 2015 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 except as set forth above. 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 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 holds in total 95% 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.

Adoption of annual accounts and discharge of management liability

Each year, our Board of Directors must prepare annual accounts within four months after the end of our financial year. The annual accounts must be made available for inspection by shareholders at our offices within the same period. 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 release 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.

Disclosure of insider transactions

Members of our Board of Directors and our reporting officers report their transactions in AerCap equity interests to the SEC on a voluntary basis.

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.

Protective measures

There are no protective devices against takeovers in place.

Remuneration Report

This Remuneration Report is based on the remuneration policy for members of our Board of Directors, as adopted by the General Meeting of Shareholders on May 2, 2013. The remuneration policy is posted on our website.

The objective of the remuneration policy is to recruit and retain highly qualified members of our Board of Directors, who possess the required core competencies, professional backgrounds and skill sets in line with the global nature and identity of the Company and its business. The remuneration policy is determined by the General Meeting of Shareholders upon proposal by the Board of Directors. The remuneration of directors is determined by our Board of Directors in accordance with the general remuneration policy upon proposal by the Nomination and Compensation Committee.

Our Equity Incentive Plan 2014, which was approved by the General Meeting of Shareholders on February 13, 2014, provides for the grant of equity awards in the form of shares, share options, restricted stocks, restricted stock units or other equity instruments to our directors and other potential participants. The Equity Incentive Plan 2014 states the maximum number of shares, stock options, restricted stocks, restricted stock units or other equity instruments available under the plan and the criteria that apply to the granting or altering of such arrangements.

For further details regarding the remuneration of our directors, reference is made to the remuneration policy as referred to above (available on our website), to the paragraph AerCap Equity Incentive Plans earlier in this Annual Report, to Note 22—*Share-based compensation* to our Consolidated Financial Statements included in this Annual Report and to Note 31—*Directors' Remuneration* to our Consolidated Financial Statements included in this Annual Report.

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 €115,000 for the Vice Chairman) 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 will receive 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 will receive 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. All members of the Board of Directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our Board of Directors.

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. As of December 31, 2016, our non-executive directors hold options to acquire a total of 22,941 AerCap ordinary shares, 27,810 shares of restricted stock and 28,981 restricted stock units, which equity awards have been granted under the AerCap equity incentive plans.

Although strictly not in line with the best practice provisions of the Code, we believe these numbers of equity awards are an effective means to further complement our non-executive directors' remuneration in accordance with the conducted market compensation analysis, whereas they do not go against the spirit of the corresponding provision in the Code. In addition, it should be noted that granting equity to non-executive directors is consistent with corporate practice in the United States, the jurisdiction where our shares are publicly listed which, to a certain extent, drives our corporate governance in addition to Dutch corporate governance rules.

Executive director

During 2016, we paid Mr. Aengus Kelly, our only executive director, an annual compensation consisting of base salary, cash bonus and annual equity award. Mr. Aengus Kelly's compensation package was derived based on our understanding of comparable compensation packages for competitors of similar size and profitability in the aircraft leasing industry and the overall financial services industry. The annual bonuses are paid in arrears. The actual bonus amounts will not exceed target bonus levels as long as our budget for the relevant year has not been met, subject to exceptions and approval by the Board of Directors upon recommendation of the Nomination and Compensation Committee which, if so, will be disclosed in this Annual Report. As a matter of policy, the actual bonuses will be determined below target level in years that our budget is not met, unless specific circumstances require otherwise which, if so, will be disclosed in this Annual Report. The annual equity bonus is time based with vesting after three years or, if earlier, the end of his employment term. The bonus targets are based on earnings per share. We believe that the ratio of fixed and variable/incentive compensation is reasonable and provides an appropriate level of incentive compensation to promote the achievement of established targets.

In addition to annual compensation, Mr. Aengus Kelly participates in a long term incentive scheme that is partially subject to vesting criteria related to our average performance over a number of years in order to promote and encourage good performance over a prolonged period of time. All equity awards contain change of control provisions causing immediate vesting of all equity awards, to the extent not yet forfeited, in case of a change of control as defined in the respective equity award agreements as per customary practice.

In addition, Mr. Aengus Kelly participates in the Company's defined benefit pension plan. Mr. Aengus Kelly also receives other employment benefits. Mr. Aengus Kelly's employment contract expires on the day following the 2019 General Meeting of Shareholders, scheduled to be held in May 2019. His employment contract includes a severance clause with a pre-agreed severance amount, which is deemed reasonable in view of his long term employment history with the Company. The severance will be paid in the event that his employment is not renewed at expiration or is terminated without cause or in case of voluntarily leave for good reason (as such terms are defined in the employment agreement).

AerCap Equity Incentive Plans

Please refer to AerCap Equity Incentive Plans earlier in this Annual Report, and to Note 22—*Share-based compensation* to our Consolidated Financial Statements included in this Annual Report for more details on our equity incentive plans.

Dublin, March 20, 2017

Pieter Korteweg
Aengus Kelly
Salem Al Noaimi
Homaid Al Shimmari
James (Jim) Chapman
Paul Dacier
Richard (Michael) Gradon
Marius Jonkhart
Walter McLallen
Robert (Bob) Warden

AerCap Holdings N.V. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2016 and 2015

(After proposed profit appropriation)

	Note	As of December 31, 2016	As of December 31, 2015
		(U.S. dollar amounts in thousands, except share data)	
Assets			
Cash and cash equivalents		$ 2,035,447	$ 2,403,098
Restricted cash	4	329,180	419,447
Trade receivables		64,923	106,794
Flight equipment held for operating leases, net	5	31,445,543	32,211,353
Net investment in finance and sales-type leases	6	755,882	469,198
Maintenance rights intangible and lease premium, net	7	2,167,925	3,139,045
Flight equipment held for sale	8	107,392	71,055
Prepayments on flight equipment	29	3,265,979	3,300,426
Other intangibles, net	9	414,410	483,560
Deferred income tax assets	16	250,522	195,349
Other assets	10	745,506	953,219
Total Assets		**$41,582,709**	**$43,752,544**
Liabilities and Equity			
Accounts payable, accrued expenses and other liabilities	13	$ 1,132,536	$ 1,239,199
Accrued maintenance liability	14	3,137,904	3,475,567
Lessee deposit liability		859,099	891,454
Debt	15	27,683,299	29,596,339
Deferred income tax liabilities	16	530,152	328,028
Negative goodwill		20,014	26,540
Total Liabilities		33,363,004	35,557,127
Ordinary share capital, €0.01 par value, 350,000,000 ordinary shares authorized as of December 31, 2016 and 2015; 187,847,345 and 203,411,207 ordinary shares issued and 176,247,154 and 200,342,204 ordinary shares outstanding (including 3,426,810 and 3,030,724 unvested restricted stock) as of December 31, 2016 and 2015, respectively	17, 26	2,282	2,457
Additional paid-in capital	17	4,381,894	4,959,861
Treasury shares, at cost (11,600,191 and 3,069,003 ordinary shares as of December 31, 2016 and 2015, respectively)	17	(490,092)	(146,312)
Revaluation reserves	17	(1,769)	(6,307)
Accumulated retained earnings(a)	17	4,269,573	3,308,872
Total AerCap Holdings N.V. shareholders' equity		8,161,888	8,118,571
Non-controlling interest	17	57,817	76,846
Total Group Equity		8,219,705	8,195,417
Total Liabilities and Equity		**$41,582,709**	**$43,752,544**

(a) Includes $38.4 million and $34.4 million of legal reserves as of December 31, 2016 and 2015, respectively, which are not free to distribute.

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, 2016 and 2015

	Note	Year Ended December 31, 2016	Year Ended December 31, 2015
		(U.S. dollar amounts in thousands, except share data)	
Revenues and other income			
Lease revenue	18, 19	$ 4,867,623	$ 4,991,551
Net gain on sale of assets		148,279	197,249
Other income	20	145,986	112,676
Total Revenues and other income		**5,161,888**	**5,301,476**
Expenses			
Depreciation and amortization	5, 9	1,796,581	1,848,248
Asset impairment and reversal	21	121,302	44,333
Interest expense	15	1,091,861	1,099,884
Leasing expenses		689,842	624,319
Selling, general and administrative expenses	22, 23, 24, 25	404,401	440,221
Total Expenses		**4,103,987**	**4,057,005**
Income before income taxes and income of investments accounted for at net asset value		**1,057,901**	**1,244,471**
Provision for income taxes	16	(163,168)	(168,809)
Equity in net earnings of investments accounted for at net asset value		12,616	1,278
Net income		**907,349**	**1,076,940**
Net loss attributable to non-controlling interest, net of taxes		7,114	1,558
Net income attributable to equity holders of AerCap Holdings N.V.		**$ 914,463**	**$ 1,078,498**
Basic earnings per share	26	$ 4.93	$ 5.29
Diluted earnings per share	26	$ 4.82	$ 5.23
Weighted average shares outstanding—basic		185,514,370	203,850,828
Weighted average shares outstanding—diluted		189,682,036	206,224,135

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

AerCap Holdings N.V. and Subsidiaries

Statements of Total Results of the Group

For the Years Ended December 31, 2016 and 2015

	Year Ended December 31,	
	2016	2015
	(U.S. dollar amounts in thousands)	
Net income attributable to equity holders of AerCap Holdings N.V.	**$914,463**	**$1,078,498**
Net change in fair value of derivatives (Note 12), net of tax of $(856) and $(47), respectively	5,990	338
Actuarial (loss) gain on pension obligations, (Note 23), net of tax of $200 and $(4), respectively	(1,452)	250
Total direct movements in group equity	4,538	588
Total result of the group	**$919,001**	**$1,079,086**

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, 2016 and 2015

	Note	Year Ended December 31, 2016	Year Ended December 31, 2015
		(U.S. dollar amounts in thousands)	
Net income		$ 907,349	$ 1,076,940
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5, 9	1,796,581	1,848,248
Asset impairment and reversal	21	121,302	44,333
Amortization of debt issuance costs and debt discount	15	55,768	45,582
Amortization of lease premium intangibles	7	19,836	23,042
Amortization of fair value adjustments on debt		(335,998)	(442,972)
Accretion of fair value adjustments on deposits and maintenance liabilities		55,210	76,246
Maintenance rights write off(a)	7	652,111	628,643
Maintenance liability release to income	14	(421,332)	(243,809)
Net gain on sale of assets		(148,279)	(197,249)
Deferred income taxes	16	151,012	89,357
Restructuring related expenses	25	33,588	49,311
Other		121,700	90,074
Changes in operating assets and liabilities:			
Trade receivables		40,065	48,468
Other assets	10	257,190	88,418
Accounts payable, accrued expenses and other liabilities	13	75,129	135,408
Net cash provided by operating activities		**3,381,232**	**3,360,040**
Purchase of flight equipment	5	(2,892,731)	(2,772,110)
Proceeds from sale or disposal of assets	5	2,366,242	1,568,235
Prepayments on flight equipment	29	(947,419)	(791,546)
Collections of finance and sales-type leases	6	74,207	54,975
Movement in restricted cash		90,267	297,941
Other		(21,678)	(73,400)(b)
Net cash used in investing activities		**(1,331,112)**	**(1,715,905)**
Issuance of debt	15	3,642,166	3,913,840
Repayment of debt	15	(5,213,724)	(4,043,743)
Debt issuance costs paid	15	(34,687)	(49,417)
Maintenance payments received	14	794,711	776,488
Maintenance payments returned	14	(505,407)	(558,477)
Security deposits received		201,970	171,408
Security deposits returned		(270,575)	(144,445)
Dividend paid to non-controlling interest holders		(10,501)	—
Repurchase of shares and tax withholdings on share-based compensation		(1,021,119)	(793,945)(c)
Net cash used in financing activities		**(2,417,166)**	**(728,291)**
Net (decrease) increase in cash and cash equivalents		(367,046)	915,844
Effect of exchange rate changes		(605)	(3,115)
Cash and cash equivalents at beginning of period		2,403,098	1,490,369
Cash and cash equivalents at end of period		**$ 2,035,447**	**$ 2,403,098**

AerCap Holdings N.V. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2016 and 2015

	Note	Year Ended December 31, 2016	Year Ended December 31, 2015
		(U.S. dollar amounts in thousands)	
Supplemental cash flow information:(d)			
Interest paid, net of amounts capitalized		$ 1,339,095	$ 1,409,860
Income taxes paid, net		61,834	20,178

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

	2016	2015
EOL and MR contract maintenance rights expense	$ 381,637	$ 348,366
EOL contract maintenance rights write off due to cash receipt	96,503	118,438
MR contract maintenance rights write off due to maintenance liability release	173,971	161,839
Maintenance rights write off	**$ 652,111**	**$ 628,643**

(b) Relates to the settlement of three asset value guarantees during the year ended December 31, 2015. Refer to Note 29—*Commitments and contingencies*.

(c) Includes the Share Repurchase from AIG and $11.2 million of related expenses. Refer to Note 17—*Equity* and Note 28—*Related party transactions* for further details.

(d) These cash flows are part of net cash provided by operating activities.

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, 2016 and 2015

Non-Cash Investing and Financing Activities

Year ended December 31, 2016:

Flight equipment held for operating leases in the amount of $442.2 million was reclassified to net investment in finance and sales-type leases.

Flight equipment held for operating leases in the amount of $87.8 million was reclassified to inventory, which is included in other assets.

Net investment in finance and sales-type leases in the amount of $18.4 million was reclassified to flight equipment held for operating leases.

Accrued maintenance liability in the amount of $350.9 million was settled with buyers upon sale or disposal of assets.

Year ended December 31, 2015:

Flight equipment in the amount of $152.2 million was reclassified to net investment in finance and sales-type leases.

Flight equipment in the amount of $49.6 million was reclassified to inventory, which is included in other assets.

Accrued maintenance liability in the amount of $49.1 million was settled with buyers upon sale or disposal of assets.

AerCap Holdings N.V. and Subsidiaries
Consolidated Statements of Equity
For the Years Ended December 31, 2016 and 2015

	Number of ordinary shares issued	Ordinary share capital	Additional paid-in capital	Treasury shares	Revaluation reserves	Accumulated retained earnings	AerCap Holdings N.V. shareholders' equity
		(U.S. dollar amounts in thousands, except share data)					
Balance as of December 31, 2014	**212,318,291**	**$2,559**	**$5,434,328**	**$ —**	**$(6,895)**	**$2,303,625**	**$7,733,617**
Repurchase of shares (Note 17)	—	—	—	(761,228)	—	—	(761,228)
Share cancellation (Note 17)	(9,698,588)	(111)	(474,467)	474,578	—	—	—
Total direct movements in group equity	—	—	—	—	588	—	588
Ordinary shares issued, net of tax withholdings	791,504	9	—	140,338	—	(173,413)	(33,066)
Share-based compensation (Note 22)	—	—	—	—	—	100,162	100,162
Net income attributable to equity holders of AerCap Holdings N.V.	—	—	—	—	—	1,078,498	1,078,498
Balance as of December 31, 2015	**203,411,207**	**$2,457**	**$4,959,861**	**$(146,312)**	**$(6,307)**	**$3,308,872**	**$8,118,571**
Repurchase of shares (Note 17)	—	—	—	(965,982)	—	—	(965,982)
Share cancellation (Note 17)	(15,563,862)	(175)	(577,967)	578,142	—	—	—
Total direct movements in group equity	—	—	—	—	4,538	—	4,538
Ordinary shares issued, net of tax withholdings	—	—	—	44,060	—	(56,605)	(12,545)
Share-based compensation (Note 22)	—	—	—	—	—	102,843	102,843
Net income attributable to equity holders of AerCap Holdings N.V.	—	—	—	—	—	914,463	914,463
Balance as of December 31, 2016	**187,847,345**	**$2,282**	**$4,381,894**	**$(490,092)**	**$(1,769)**	**$4,269,573**	**$8,161,888**

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. dollar amounts in thousands or as otherwise stated, except share data)

1. General

The Company

We are an independent aircraft leasing company with total assets of $41.6 billion, primarily consisting of 1,022 owned aircraft as of December 31, 2016. Our ordinary shares are listed on the New York Stock Exchange (AER). Pursuant to our recent migration from the Netherlands to Ireland, we moved our headquarters and executive officers from Amsterdam to Dublin, effective as of February 1, 2016. We continue to have offices in Amsterdam, Los Angeles, Shannon, Fort Lauderdale, Miami, Singapore, Shanghai and Abu Dhabi. We also have representative offices at the world's largest aircraft manufacturers, Boeing in Seattle and Airbus in Toulouse.

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

The Chamber of Commerce registration number for AerCap Holdings N.V. is 34251954 and the corporate seat is Amsterdam.

AIG offering and the Share Repurchase from AIG

On June 9, 2015, AIG sold 71,184,686 of its AerCap ordinary shares in a secondary public offering and AerCap completed the Share Repurchase from AIG of 15,698,588 ordinary shares. On August 24, 2015, AIG sold 10,677,702 of its AerCap ordinary shares in a secondary public offering. Following this sale, AIG no longer owns any of our outstanding ordinary shares and has no designees on our Board of Directors.

Risks and uncertainties

Aircraft leasing is a capital intensive business and we have significant capital requirements. In order to meet our forward purchase commitments, we will need to access committed debt facilities, secure additional financing for pre-delivery payment obligations, use our existing available cash balances, cash generated from aircraft leasing and sales, and, if necessary, the proceeds from potential capital market transactions. If we cannot meet our obligations under our forward purchase commitments, we will not recover the value of prepayments on flight equipment on our Consolidated Balance Sheets and may be subject to other contract breach damages.

We are dependent upon the viability of the commercial aviation industry, which determines our ability to service existing and future operating leases of our aircraft. Although the aviation market recovered significantly from late 2009, a deterioration of economic conditions could cause our lessees to default under their leases with us, which could negatively impact our cash flows and results of operations. Furthermore, the value of the largest asset in our Consolidated Balance Sheets, flight equipment held for operating leases, is subject to fluctuations in values of commercial aircraft worldwide. A material decrease in aircraft values could have a downward effect on lease rentals and residual values and may require that the carrying value of our flight equipment be materially reduced.

The values of trade receivables, notes receivables and intangible lease premium assets are dependent upon the financial viability of related lessees, which is directly tied to the health of the commercial aviation market worldwide.

1. General (Continued)

We have significant tax losses carried forward in some of our subsidiaries, which are recognized as tax assets in our Consolidated Balance Sheets. The recoverability of these assets is dependent upon the ability of the related entities to generate a certain level of taxable income in the future. If those entities cannot generate such taxable income, we will not realize the value of those tax assets and a corresponding valuation allowance and tax charge will be required.

We periodically perform reviews of the carrying values of our aircraft, customer receivables and inventory, the recoverable value of deferred tax assets and the sufficiency of accruals and provisions, substantially all of which are sensitive to the above risks and uncertainties.

Related parties

All group companies and related parties mentioned in Note 11—*Investments,* Note 20—*Other income*, Note 27—*Special purpose entities* and Note 28—*Related party transactions* are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

Note to the Consolidated Statements of Cash Flows

The Consolidated Statements of Cash Flows have been prepared using the indirect method. The cash and cash equivalents in our Consolidated Statements of Cash Flows comprise the Consolidated Balance Sheet item cash and cash equivalents. Cash flows denominated in currencies other than U.S. dollars are translated at average exchange rates.

Receipts and payments of interest, dividends received and income taxes paid are included in cash flow provided by operating activities.

2. Basis of presentation

General

Our Consolidated Financial Statements were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards as issued by the Dutch Accounting Standards Board. The annual accounts are denominated in U.S. dollars, which is our functional and reporting currency.

Based on Part 9 Book 2 Art. 362.4 of the Dutch Civil Code, the Company did not adopt the model formats for the balance sheets, the income statements or the statements of cash flows as prescribed by the Dutch Civil Code. The current presentation of our primary statements is applied by our peers and we believe the use of these primary statements is necessary to provide sound judgment on the financial position and results of the Company. This presentation has no impact on the net income or equity of the Company.

In general, assets and liabilities (except for group equity) are stated at the amounts at which they were acquired or incurred, with exception of derivatives which are measured at fair value. The Consolidated Balance Sheets, Consolidated Income Statements and Consolidated Statements of Cash Flows include references to the notes.

The principles of valuation and determination of result remain unchanged compared to the prior year.

2. Basis of presentation (Continued)

Use of estimates

The preparation of Consolidated Financial Statements in conformity with generally accepted accounting principles ("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, intangibles, investments, trade and notes receivables, deferred income tax assets and accruals and reserves. We consider information available from professional appraisers, where possible, to support our estimates, particularly with respect to flight equipment. Actual results may differ from our estimates under different conditions, sometimes materially.

During the years ended December 31, 2016 and 2015, we changed our estimates of useful lives and residual values of certain aircraft. The changes in estimates are a result of the current market conditions or other factors that have affected the useful lives and residual values for such aircraft. The effect for the years ended December 31, 2016 and 2015 was to reduce net income by $14.4 million and $35.8 million, respectively, basic earnings per share by $0.08 and $0.18, respectively, and diluted earnings per share by $0.08 and $0.17, respectively.

3. Summary of significant accounting policies

Foreign currency

Foreign currency transactions are translated into U.S. dollars, which is the currency of the primary economic environment in which the group operates, at the exchange rate prevailing at the time the transaction took place or at the rates of exchange under related forward contracts where such contracts exist. Monetary items denominated in foreign currency are remeasured into U.S. dollars at the exchange rate prevailing at the balance sheet date. Translation differences on non-monetary items held at cost are recognized using the exchange rates prevailing at the dates of the transactions (or the approximated rates). All resulting exchange gains and losses are recorded in selling, general and administrative expenses in our Consolidated Income Statements. All group companies have the U.S. dollar as their functional currency, given the nature of the business.

Consolidation

The consolidation includes the financial information of AerCap Holdings N.V., its group companies and other entities in which it exercises control or whose central management it conducts. Group companies are entities in which AerCap Holdings N.V. exercises direct or indirect dominant control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it otherwise has the power to govern. Potential voting rights that can directly be exercised at the balance sheet date are also taken into account.

Group companies and other entities in which AerCap Holdings N.V. exercises control or whose central management it conducts are consolidated in full. Companies are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Non-controlling interests in group equity and group profit are disclosed separately.

3. Summary of significant accounting policies (Continued)

Intercompany transactions, profits and balances among group companies and other consolidated legal persons are eliminated. Unrealized losses on intercompany transactions are eliminated as well, unless such a loss qualifies as impairment. The accounting policies of group companies and other consolidated legal entities were changed where necessary, in order to align them to the prevailing group accounting policies.

Since the income statement for year ended December 31, 2016 of AerCap Holdings N.V. is included in our Consolidated Financial Statements, an abridged income statement has been disclosed (in the company financial statements) in accordance with Section 402, Book 2, of the Dutch Civil Code.

For a listing of consolidated companies, please refer to Note 32—*Subsidiary undertakings*.

Non-controlling interest

The non-controlling interest in group equity is carried at the amount of the net interest in the group companies concerned. Insofar as the group company concerned has a negative net asset value, the negative value and other future losses are not allocated to the non-controlling interest, unless the third party shareholders have a constructive actual obligation, and are capable, to clear the losses. As soon as the net asset value of the group company is positive again, profits are again allocated to the non-controlling interest. Transactions between AerCap and its non-controlling interests are eliminated. Gains and losses arising from acquisitions and disposals of non-controlling interests are recognized through shareholder's equity.

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.

Trade receivables

Trade receivables represent unpaid, current lessee obligations under existing lease contracts or receivables related to inventory sales. An allowance for credit losses on trade receivables is established when the risk of non-recovery is probable. The risk of non-recovery is primarily based on the extent to which amounts outstanding exceed the value of security held, together with an assessment of the financial strength and condition of a debtor and the economic conditions persisting in the debtor's operating environment. The allowance for credit losses is classified as leasing expenses in our Consolidated Income Statements.

3. Summary of significant accounting policies (Continued)

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 expensed unless the improvement increases the long-term value or extends the useful life of the flight equipment. 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 standard price, except where more relevant information indicates a different residual value is more appropriate.

We periodically review the estimated useful lives and residual values of our flight equipment based on our knowledge of the industry, 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 aircraft by aircraft basis, as necessary.

We perform recoverability assessments of our long-lived assets when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The review of recoverability includes an assessment of the estimated future cash flows associated with the use of an asset and its eventual disposal. The assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets, which includes the individual aircraft and the lease-related assets and liabilities of that aircraft (the "Cash Generating Unit"). If the sum of the expected discounted future cash flows is less than the aggregate net book value of the Cash Generating Unit, an impairment loss is recognized. The loss is measured as the excess of the carrying amount of the impaired Cash Generating Unit over its realizable value.

Realizable value reflects the present value of cash expected to be generated from the aircraft in the future, including its expected residual value, discounted at a rate commensurate with the associated risk. Future cash flows are assumed to occur under the 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, appraisal data and industry trends.

Capitalization of interest

We capitalize interest on prepayments of forward order flight equipment and add such amount to prepayments on flight equipment. The amount of interest capitalized is the actual interest costs incurred on the debt specific to the prepayments, if any, or the amount of interest costs which could have been avoided in the absence of such prepayments.

3. Summary of significant accounting policies (Continued)

Net investment in finance and sales-type leases

If a lease meets specific criteria, we recognize the lease in net investment in finance and sales-type leases in our Consolidated Balance Sheets and de-recognize the aircraft from flight equipment held for operating leases. For finance and sales-type leases, we recognize the difference between the aircraft carrying value and the amount recognized in net investment in finance and sales-type leases 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. Expected unguaranteed residual values are based on our assessment of the values of the flight equipment at expiration of the lease. The unearned income is recognized as lease revenue in our Consolidated Income Statements over the lease term, in a manner that produces a constant rate of return on 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 intangible and lease premium, net

Maintenance rights intangible assets are recognized when we acquire aircraft subject to existing leases, primarily as a result of the ILFC Transaction. These intangible assets represent the contractual right to receive the aircraft in a specified maintenance condition at the end of the lease (EOL contracts) or our right to receive an 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 (MR contracts), or through a lessor contribution to the lessee.

For EOL contracts, to the extent the lease end cash compensation paid to us is less than the maintenance rights intangible asset, we recognize the difference between these two amounts as maintenance rights expense upon lease termination. Maintenance rights expense is included in leasing expenses in our Consolidated Income Statements. To the extent the lease end cash compensation paid to us is more than the maintenance rights intangible asset, we recognize the difference between these two amounts as lease revenue in our Consolidated Income Statements upon lease termination. For MR contracts, 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 in our Consolidated Income Statements.

3. Summary of significant accounting policies (Continued)

Other definite-lived intangible assets (including goodwill)

Other definite-lived intangible assets primarily consist of customer relationships recorded at fair value on the Closing Date and goodwill as a result of the ILFC Transaction. These intangible assets are amortized over the period which we expect to derive economic benefits from such assets. The associated benefit from goodwill is expected to be realized over a 17 year period based upon forecasted cash flows and is as such amortized over 17 years. The amortization expense is recorded in depreciation and amortization in our Consolidated Income Statements. We evaluate all definite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

Other assets

Other assets consist of inventory, notes receivables, investments, derivative financial instruments, lease incentives, other tangible fixed assets, and straight-line rents, prepaid expenses and other receivables.

Inventory

Inventory consists primarily of engine and airframe parts and rotable and consumable parts we sell through our subsidiary, AeroTurbine, which we are downsizing. We value our inventory at the lower of cost or market value. Cost is primarily determined using the specific identification method for individual part purchases and on an allocated basis for engines and aircraft purchased for disassembly and for bulk purchases. Costs are allocated using the relationship of the cost of the engine, aircraft, or bulk inventory purchase to the estimated retail sales value at the time of purchase. At the time of sale, this ratio is applied to the sales price of each individual part to determine its cost. We periodically evaluate this ratio and, if necessary, update sales estimates and make adjustments to this ratio. Generally, inventory that is held for more than four years is considered excess inventory and its carrying value is reduced to zero.

Notes receivables

Notes receivables represent amounts advanced in the normal course of our operations and also arise from the restructuring and deferral of trade receivables from lessees experiencing financial difficulties. An allowance for credit losses on notes receivables is established when the risk of non-recovery is probable. The assessment of the risk of non-recovery where lessees are experiencing financial difficulties is primarily based on the extent to which amounts outstanding exceed the value of security held, together with an assessment of the financial strength and condition of the debtor and the economic conditions persisting in the debtor's operating environment. The note receivable as a result of the ALS Transaction was recorded at fair value and was subsequently measured at amortized cost using the retrospective effective interest method.

Investments

Investments over which we have significant influence but not a controlling interest, joint ventures or SPEs for which we are not the PB are reported using net asset value. Under net asset value, we include our share of earnings and losses of such investments in equity in net earnings (losses) of investments accounted for at net asset value.

3. Summary of significant accounting policies (Continued)

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 revaluation reserves, and the ineffective portion is recognized immediately in interest expense. Amounts reflected in revaluation reserves 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 revaluation reserves at the time we discontinue hedge accounting is not recognized in our Consolidated Income Statements unless it is probable that the forecasted transaction 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 in any reporting period is classified as operating cash flows in our Consolidated Statements of Cash Flows.

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 in lease revenue in our Consolidated Income Statements.

Other tangible fixed assets

Other tangible fixed assets consist primarily of computer equipment, leasehold improvements and office furniture, and are valued at 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. See Note 30—*Fair values of financial instruments*.

Income taxes

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. 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.

3. Summary of significant accounting policies (Continued)

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.

Accounts payable, accrued expenses and other liabilities

On initial recognition accounts payable, accrued expenses and other liabilities are recognized at fair value. After initial recognition they are recognized at amortized cost price. This usually is the nominal value.

Guarantees

We have potential obligations under guarantee contracts that we have entered into with third parties. See Note 29—*Commitments and contingencies*. We initially recognize guarantees at fair value. Subsequently, if it becomes probable that we will be required to perform under a guarantee, we accrue a liability based on an estimate of the loss we will incur to perform under the guarantee. The estimate of the loss is generally measured as the amount by which the contractual guaranteed value exceeds the fair market value or future lease cash flows of the underlying aircraft.

Accrued maintenance liability

Under our aircraft leases, the lessee is responsible for maintenance and repairs and other operating expenses related to the flight equipment during the term of the lease. In certain instances, such as when an aircraft is not subject to a lease, we may incur maintenance and repair expenses for our aircraft. Maintenance and repair expenses are recorded in leasing expenses in our Consolidated Income Statements, to the extent such expenses are incurred by us.

We may be obligated to make additional payments to the lessee for maintenance related expenses, primarily related to usage of major life-limited components existing at the inception of the lease ("lessor maintenance contributions"). For all lease contracts, we expense planned major maintenance activities, such as lessor maintenance contributions, when incurred. The expense is recorded in leasing expenses in our Consolidated Income Statements. In the case we have established an accrual as an assumed liability for such payment in connection with the purchase of an aircraft with a lease attached, such payments are charged against the existing accrual.

For all lease contracts acquired as part of the 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.

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 or 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. The coupon liability as a result of the ALS Transaction was recorded at fair value and was subsequently measured at amortized cost using the retrospective effective interest method.

Lessee security deposits

For all lessee deposits assumed as part of the ILFC Transaction, we discounted the lessee security deposit amounts to their respective present values. We accrete the discounted security deposit amounts to their respective nominal values over the period we expect to refund the security deposits to each lessee, using the effective interest method, recognizing an increase in interest expense.

Revenue recognition

We lease flight equipment principally under operating leases and recognize rental 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 difference between rental revenue recognized and cash received is included in our Consolidated Balance Sheets in other assets, or in the event it is a liability, in accounts payable, accrued expenses and other liabilities. In certain cases, leases provide for rentals contingent on usage. The usage may be calculated based on hourly usage or on the number of cycles operated, depending on the lease contract. Revenue contingent on usage is recognized at the time the lessee reports the usage to us.

Lease agreements for which base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate that existed at the inception of the lease; and any 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 cease revenue recognition on a lease contract when the collectability of such rentals is no longer reasonably assured. For past-due rentals that exceed related security deposits held, which have been recognized as revenue, we establish provisions on the basis of management's assessment of collectability. Such provisions are recorded in leasing expenses in our Consolidated Income Statements.

3. Summary of significant accounting policies (Continued)

Revenue from net investment in finance and sales-type leases is included in lease revenue in our Consolidated Income Statements and is recognized using the interest method to produce a constant yield over the life of the lease.

Most of our lease contracts require payment in advance. Rental payments received but unearned under these lease agreements 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 related to our flight equipment 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 lessees. We estimate the total amount of maintenance reimbursements for the entire lease and only record revenue after we have received sufficient maintenance rents under a particular lease 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. We recognize receipts of EOL cash compensation as lease revenue when received to the extent those receipts exceed the EOL contract maintenance rights intangible asset, and we recognize leasing expenses when the EOL contract maintenance rights intangible asset exceeds the EOL cash receipts.

Accrued maintenance liability existing at the end of a lease is released and recognized as lease revenue at lease termination to the extent that the maintenance liability exceeds the MR contract maintenance rights intangible asset. If the maintenance liability does not exceed the MR contract maintenance rights intangible asset, we recognize the difference as a leasing expense. When flight equipment is sold, the portion of the accrued maintenance liability which is not specifically assigned to the buyer is released from our Consolidated Balance Sheets, net of any maintenance rights intangible asset balance, and recognized as part of the sale of the flight equipment as gain or loss in net gain on sale of assets in our Consolidated Income Statements.

Net gain or loss on sale of assets originates primarily from the sale of aircraft and engines. The sale is recognized when the relevant asset is delivered, the risk of loss has transferred to the buyer, and we no longer have significant ownership risk in the asset sold.

Other income consists of interest income, management fees, lease termination penalties, inventory part sales and net gain on sale of equity investments accounted for under the equity method, insurance proceeds, and other miscellaneous activities. Income from secured loans, notes receivables and other interest bearing instruments is recognized using the effective yield method as interest accrues under the associated contracts. Lease management fees are recognized as income as they accrue 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.

3. Summary of significant accounting policies (Continued)

Pension

We operate a defined benefit pension plan for our Dutch employees and some of our Irish employees. As required by ASC 715 under U.S. GAAP, we recognize net periodic pension costs associated with these plans in selling, general and administrative expenses and recognize the unfunded status of the plan, if any, in accounts payable, accrued expenses and other liabilities. The change in fair value of the funded pension liability that is not related to the net periodic pension cost is recorded in revaluation reserves. The projection of benefit obligation and fair value of plan assets require the use of assumptions and estimates, including discount rates. Actual results could differ from those estimates. Furthermore, we operate defined contribution plans for the employees who do not fall under the defined benefit pension plans. We recognize an expense for contributions to the defined contribution plans in selling, general and administrative expenses in the period the contributions are made.

Share-based compensation

Certain employees receive AerCap share-based awards, consisting of restricted stock units and 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 in our Consolidated Income Statements.

Earnings per share

Basic earnings per share 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 earnings per share, 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.

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.

Negative goodwill

Negative goodwill arising from the acquisition of subsidiaries is recognized as a liability in our Consolidated Balance Sheets. Negative goodwill is released to income in accordance with the weighted average remaining life of the depreciable or amortizable assets acquired. In the event of a disposal of an asset a relative portion of the negative goodwill based on the weighted average book value of the acquired asset is released to our Consolidated Income Statements.

Shareholders' equity

Expenses directly related to the purchase, sale and/or issue of new shares, net of tax, are directly charged against shareholders' equity. Other direct changes in shareholders' equity are also recognized after processing of the relevant profit tax effects.

3. Summary of significant accounting policies (Continued)

Provisions

Provisions are recognized for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations as of the balance sheet date.

Provisions are stated at the present value of the expenditure expected to be required to settle the obligations. If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset in our Consolidated Balance Sheets if it is likely to be received upon settlement of the obligation.

Financial instruments and risk management

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 12—*Derivative assets and liabilities* and Note 15—*Debt* which provide further information on our derivative financial instruments and debt.

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 the 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, interest rate swaps and interest rate floors 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.

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.

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.

3. Summary of significant accounting policies (Continued)

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.

Credit risk

The values of trade receivables and notes receivables are dependent upon the financial viability of related lessees, which is directly tied to the health of the commercial aviation market worldwide. We perform a credit evaluation on all lease counterparties with whom we conduct material business. We also actively monitor the creditworthiness of significant lessees to minimize the cost to us of lessee defaults.

Inflation

Inflation generally affects our 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.

Liquidity

Our cash balance as of December 31, 2016 was $2.4 billion, including unrestricted cash of $2.0 billion. As of December 31, 2016, we had approximately $7.3 billion of undrawn lines of credit available under our credit and term loan facilities. Our total available liquidity, including undrawn lines of credit, unrestricted cash, cash flows from contracted asset sales and other sources of funding, was $9.5 billion as of December 31, 2016. As of December 31, 2016, the principal amount of our outstanding indebtedness, which excludes fair value adjustments of $0.5 billion and debt issuance costs and debt discounts of $0.2 billion, totaled $27.4 billion and primarily consisted of senior unsecured, subordinated and senior secured notes, export credit facilities, commercial bank debt, revolving credit debt, securitization debt and capital lease structures.

Our existing sources of liquidity of $12.8 billion as of December 31, 2016, were sufficient to operate our business and cover at least 1.2x of our debt maturities and contracted capital requirements for the next 12 months. Our sources of liquidity include undrawn lines of credit, unrestricted cash, estimated operating cash flows, cash flows from contracted asset sales and other sources of funding.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

4. Restricted cash

Our restricted cash balance was $329.2 million and $419.4 million as of December 31, 2016 and 2015, respectively. It is primarily related to our ECA financings, our Ex-Im financings, our AerFunding revolving credit facility and other debt. See Note 15—*Debt*.

5. Flight equipment held for operating leases, net

Movements in flight equipment held for operating leases during the years ended December 31, 2016 and 2015 were as follows:

	Year Ended December 31,	
	2016	2015
Net book value at beginning of period	$32,211,353	$32,007,819
Additions	3,863,905	3,604,122
Depreciation	(1,759,415)	(1,806,419)
Impairment and reversal (Note 21)	(118,030)	(44,320)
AeroTurbine restructuring (Note 25)	(15,392)	(22,402)
Disposals/Transfers to held for sale	(2,249,578)	(1,325,626)
Transfers from held for sale	24,393	—
Transfers to net investment in finance and sales-type leases/inventory	(530,093)	(201,821)
Transfers from net investment in finance and sales-type leases	18,400	—
Net book value at end of period	**$31,445,543**	**$32,211,353**
Accumulated depreciation as of December 31, 2016 and 2015, respectively	$(5,124,545)	$(3,969,274)

6. Net investment in finance and sales-type leases

Components of net investment in finance and sales-type leases as of December 31, 2016 and 2015 were as follows:

	As of December 31,	
	2016	2015
Future minimum lease payments to be received	$ 708,934	$ 533,879
Estimated residual values of leased flight equipment (unguaranteed)	321,739	164,123
Less: Unearned income	(274,791)	(228,804)
	$ 755,882	$ 469,198
Less: Allowance for credit losses	—(a)	—
	$ 755,882	**$ 469,198**

(a) During the year ended December 31, 2016, we recognized a direct write-off for credit losses on four finance leases of $11.1 million, which was recorded in leasing expenses in our Consolidated Income Statement.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

6. Net investment in finance and sales-type leases (Continued)

As of December 31, 2016, future minimum lease payments to be received on finance and sales-type leases were as follows:

	Future minimum lease payments to be received
2017	$137,388
2018	120,216
2019	106,209
2020	82,116
2021	67,271
Thereafter	195,734
	$708,934

7. Maintenance rights intangible and lease premium, net

Maintenance rights intangible and lease premium consisted of the following as of December 31, 2016 and 2015:

	As of December 31,	
	2016	2015
Maintenance rights intangible	$2,117,034	$3,068,318
Lease premium, net	50,891	70,727
	$2,167,925	**$3,139,045**

Movements in maintenance rights intangible during the years ended December 31, 2016 and 2015 were as follows:

	Year Ended December 31,	
	2016	2015
Maintenance rights intangible at beginning of period	$3,068,318	$3,812,259
EOL and MR contract maintenance rights expense	(381,637)	(348,366)
MR contract maintenance rights write off due to maintenance liability release	(173,971)	(161,839)
EOL contract maintenance rights write off due to cash receipt	(96,503)	(118,438)
EOL and MR contract intangible write off due to sale of aircraft	(284,411)	(115,298)
Transfer to other assets	(17,162)	—
Additions due to aircraft acquisitions	2,400	—
Maintenance rights intangible at end of period	**$2,117,034**	**$3,068,318**

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

7. Maintenance rights intangible and lease premium, net (Continued)

The following tables present details of lease premium and related accumulated amortization as of December 31, 2016 and 2015:

	As of December 31, 2016			
	Remaining weighted-average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Lease premium	3.8	$94,959	$(44,068)	$50,891

	As of December 31, 2015			
	Remaining weighted-average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Lease premium	5.0	$107,140	$(36,413)	$70,727

Lease premiums that are fully amortized are removed from the gross carrying amount and accumulated amortization columns in the tables above.

During the years ended December 31, 2016 and 2015, we recorded amortization expense for lease premium of $19.8 million and $23.0 million, respectively.

As of December 31, 2016, the estimated future amortization expense for lease premium was as follows:

	Estimated amortization expense
2017	$13,633
2018	11,219
2019	10,466
2020	7,727
2021	5,394
Thereafter	2,452
	$50,891

8. Flight equipment held for sale

Generally, an aircraft is classified as held for sale when the sale is probable and is expected to be sold within one year. Aircraft are reclassified from flight equipment held for operating leases to flight equipment held for sale at the lower of the aircraft carrying value or fair value, less costs to sell. Depreciation is no longer recognized for aircraft classified as held for sale.

As of December 31, 2016, six aircraft and four engines met the held for sale criteria and were classified as flight equipment held for sale in our Consolidated Balance Sheet. As of December 31, 2015, we had five aircraft classified as flight equipment held for sale in our Consolidated Balance Sheet, and the sale of those aircraft closed during the first quarter of 2016.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

9. Other intangibles, net

Other intangibles consisted of the following as of December 31, 2016 and 2015:

	As of December 31,	
	2016	2015
Goodwill, net	$ 75,403	$ 80,648
Customer relationships, net	304,294	325,471
Contractual vendor intangible assets	21,019	38,775
Tradename and other intangible assets, net	13,694	38,666
	$414,410	**$483,560**

The following tables present details of goodwill, customer relationships and tradename and other intangible assets and related accumulated amortization as of December 31, 2016 and 2015:

	As of December 31, 2016			
	Remaining weighted-average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Goodwill	14.4	$ 89,172	$(13,769)	$ 75,403
Customer relationships	14.4	360,000	(55,706)	304,294
Tradename and other intangible assets	7.1	40,000	(26,306)	13,694
		$489,172	**$(95,781)**	**$393,391**

	As of December 31, 2015			
	Remaining weighted-average amortization period (in years)	Gross carrying amount	Accumulated amortization	Net carrying amount
Goodwill	15.4	$ 89,172	$ (8,524)	$ 80,648
Customer relationships	15.4	360,000	(34,529)	325,471
Tradename and other intangible assets	8.1	56,465	(17,799)	38,666
		$505,637	**$(60,852)**	**$444,785**

During the years ended December 31, 2016 and 2015, we recorded amortization expense for goodwill, customer relationships and tradename and other intangible assets of $37.1 million and $38.9 million, respectively.

During the years ended December 31, 2016 and 2015, we recorded additions to other intangible assets of nil and $4.6 million, respectively. During the years ended December 31, 2016 and 2015, we recognized impairment charges of $14.9 million and $24.8 million, respectively, of tradename and other intangible assets related to the downsizing of AeroTurbine. The impairment was recorded in selling, general and administrative expenses in our Consolidated Income Statement. Please refer to Note 25—*AeroTurbine restructuring* for further details.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

9. Other intangibles, net (Continued)

During the years ended December 31, 2016 and 2015, we utilized $17.8 million and $8.8 million, respectively, of contractual vendor intangible assets to reduce the cash outlay related to purchases of goods and services from our vendors.

As of December 31, 2016, the estimated future amortization expense for goodwill, customer relationships and tradename and other intangible assets was as follows:

	Estimated amortization expense
2017	$ 36,422
2018	30,116
2019	26,421
2020	26,421
2021	26,421
Thereafter	247,590
	$393,391

10. Other assets

Other assets consisted of the following as of December 31, 2016 and 2015:

	As of December 31,	
	2016	2015
Inventory	$ 52,673	$260,269
Lease incentives	177,128	162,277
Other receivables	188,759	174,841
Investments (Note 11)	118,783	114,711
Notes receivables	23,359(a)(b)	116,197(c)
Derivative assets (Note 12)	37,187	18,965
Other tangible fixed assets	36,427	20,845
Straight-line rents, prepaid expenses and other	111,190	85,114
	$745,506	**$953,219**

(a) As of December 31, 2016, we did not have an allowance for credit losses on notes receivables and there was no activity recorded for credit losses during the year ended December 31, 2016.

(b) In December 2016, the ALS Note Receivable was repaid. Please refer to Note 27—Special purpose entities for further details.

(c) As of December 31, 2015, we did not have an allowance for credit losses on notes receivables. We recognized a $2.0 million provision, which was used upon termination of the related leases during the year ended December 31, 2015.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

11. Investments

Investments consisted of the following as of December 31, 2016 and 2015:

	Ownership as of December 31, 2016 (%)	As of December 31, 2016	2015
Equity investment in unconsolidated entity (AerDragon)(a)	17	$ 60,124	$ 55,430
Equity investment in unconsolidated entity (AerLift)	39	45,087	47,352
Equity investment in unconsolidated entity (ACSAL)(a)	19	13,566	11,923
Other investments at cost	NA	6	6
		$118,783	**$114,711**

(a) AerDragon and ACSAL are SPEs for which we are not the PB but do have significant influence. Therefore they are accounted for at net asset value.

Movements in investments during the years ended December 31, 2016 and 2015 were as follows:

	Year Ended December 31, 2016	2015
Equity investment in unconsolidated entities at beginning of period	$114,711	$115,554
Share in undistributed earnings	13,208	1,808
Dividend	(9,136)	(2,651)
Equity investment in unconsolidated entities at end of period	**$118,783**	**$114,711**

Our share of undistributed earnings of investments in which our ownership interest is less than 50% was $38.4 million and $34.4 million as of December 31, 2016 and 2015, respectively. Our equity investments in our unconsolidated entities, AerDragon, AerLift and ACSAL, are accounted for at net asset value.

12. Derivative assets and liabilities

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, 2016, we had interest rate caps and swaps outstanding, with underlying variable benchmark interest rates ranging from one to three-month U.S. dollar LIBOR.

None of our derivatives that were outstanding as of December 31, 2016, were subject to master netting agreements, which would allow the netting of derivative assets and liabilities in the case of default under any one contract.

Some of our agreements with derivative counterparties require a two-way cash collateralization of derivative fair values. As of December 31, 2016 and 2015, we had cash collateral of $8.6 million and $4.5 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, 2016 or 2015.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

12. Derivative assets and liabilities (Continued)

The counterparties to our interest rate derivatives are 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 material 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, 2016 and 2015:

	As of December 31,			
	2016		2015	
	Notional amount	Fair value	Notional amount	Fair value
Derivative assets not designated as hedges:				
Interest rate caps	$2,911,220	$30,362	$2,194,210	$18,965
Derivative assets designated as cash flow hedges:				
Interest rate swaps	$ 425,612	$ 6,825	—	—
Total derivative assets		**$37,187**		**$18,965**

	As of December 31,			
	2016		2015	
	Notional amount	Fair value	Notional amount	Fair value
Derivative liabilities designated as cash flow hedges:				
Interest rate swaps	$—	$—	$23,223	$21
Total derivative liabilities		**$—**		**$21**

We recorded the following in revaluation reserves related to derivative financial instruments for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Gain (Loss)		
Effective portion of change in fair market value of derivatives designated as cash flow hedges:		
Interest rate swaps	$6,846	$385
Income tax effect	(856)	(47)
Net changes in cash flow hedges, net of tax	**$5,990**	**$338**

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

12. Derivative assets and liabilities (Continued)

The following table presents the effect of derivatives recorded in interest expense in our Consolidated Income Statements for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Loss (Gain)		
Derivatives not designated as hedges:		
Interest rate caps and swaps	$1,628	$18,118
Effect from derivatives	**$1,628**	**$18,118**

13. Accounts payable, accrued expenses and other liabilities

Accounts payable, accrued expenses and other liabilities consisted of the following as of December 31, 2016 and 2015:

	As of December 31,	
	2016	2015
Accounts payable and accrued expenses	$ 330,437	$ 417,892
Deferred revenue	463,090	463,167
Accrued interest	287,205	310,739
Guarantees (Note 29)	51,804	47,380
Derivative liabilities (Note 12)	—	21
	$1,132,536	**$1,239,199**

14. Accrued maintenance liability

Movements in accrued maintenance liability during the years ended December 31, 2016 and 2015 were as follows:

	Year Ended December 31,	
	2016	2015
Accrued maintenance liability at beginning of period	$3,475,567	$3,396,153
Maintenance payments received	794,711	776,488
Maintenance payments returned	(505,407)	(558,477)
Release to income other than upon sale	(421,332)	(243,809)
Release to income upon sale	(350,918)	(49,077)
Lessor contribution, top ups and other	115,627	106,388
Interest accretion	26,563	47,901
Additions due to aircraft acquisitions	3,093	—
Accrued maintenance liability at end of period	**$3,137,904**	**$3,475,567**

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

15. Debt

As of December 31, 2016, the principal amount of our outstanding indebtedness totaled $27.4 billion, which excluded fair value adjustments of $0.5 billion and debt issuance costs and debt discounts of $0.2 billion. As of December 31, 2016, our undrawn lines of credit were approximately $7.3 billion, subject to certain conditions, including compliance with certain financial covenants.

As of December 31, 2016, we remained in compliance with the respective financial covenants across our various debt obligations.

The following table provides a summary of our indebtedness as of December 31, 2016 and 2015:

	As of December 31,						
	2016						2015
Debt Obligation	Collateral (Number of aircraft)	Commitment	Undrawn amounts	Outstanding	Weighted average interest rate(a)	Maturity	Outstanding
Unsecured							
ILFC Legacy Notes		$ 7,670,000	$ —	$ 7,670,000	6.96%	2017 - 2022	$ 9,220,000
AerCap Aviation Notes		300,000	—	300,000	6.38%	2017	300,000
AerCap Trust & AICDC Notes		6,399,864	—	6,399,864	4.25%	2017 - 2022	5,399,864
Asia revolving credit facility		600,000	600,000	—	—	2020	—
Citi revolving credit facility		3,000,000	3,000,000	—	—	2018	—
AIG revolving credit facility		500,000	500,000	—	—	2019	—
Other unsecured debt		—	—	—	—	NA	27,959
Fair value adjustment		NA	NA	430,348	NA	NA	671,687
TOTAL UNSECURED		**18,469,864**	**4,100,000**	**14,800,212**			**15,619,510**
Secured							
Export credit facilities	85	1,722,376	—	1,722,376	2.52%	2017 - 2027	2,292,686
Senior Secured Notes	85	1,275,000	—	1,275,000	7.13%	2018	2,550,000
Institutional secured term loans & secured portfolio loans	221	6,484,123	1,455,500	5,028,623	3.16%	2020 - 2024	3,269,822
ALS II debt	26	17,746	—	17,746	2.55%	2038	210,557
AerFunding revolving credit facility	15	2,160,000	1,563,181	596,819	2.92%	2019	1,058,294
AeroTurbine revolving credit agreement(b)		200,000	75,000	125,000	3.27%	2019	321,603
Other secured debt	108	2,814,826	144,500	2,670,325	3.57%	2017 - 2034	2,745,423
Fair value adjustment		NA	NA	82,251	NA	NA	174,903
TOTAL SECURED		**14,674,071**	**3,238,181**	**11,518,140**			**12,623,288**
Subordinated							
ECAPS subordinated notes		1,000,000	—	1,000,000	4.77%	2065	1,000,000
Junior Subordinated Notes		500,000	—	500,000	6.50%	2045	500,000
Subordinated debt joint ventures partners		55,780	—	55,780	2.26%	2022	64,280
Fair value adjustment		NA	NA	(232)	NA	NA	(235)
TOTAL SUBORDINATED		**1,555,780**	**—**	**1,555,548**			**1,564,045**
Debt issuance costs and debt discounts		NA	NA	(190,601)			(210,504)
	540	**$34,699,715**	**$7,338,181**	**$27,683,299**			**$29,596,339**

(a) The weighted average interest rate for our floating rate debt is calculated based on the U.S. dollar LIBOR rate as of the last 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 and debt discounts.

(b) AeroTurbine's assets served as collateral for the AeroTurbine revolving credit agreement.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

15. Debt (Continued)

As of December 31, 2016, all debt was guaranteed by us with the exception of the ALS II debt, the AerFunding revolving credit facility and the Glide Funding term loan facility. As of December 31, 2016, a further $209.5 million included in other secured debt was limited recourse in nature.

Maturities of our debt financings (excluding fair value adjustments, debt issuance costs and debt discounts) as of December 31, 2016 were as follows:

	Maturities of debt financing
2017	$ 3,755,193
2018	3,123,579
2019	4,616,811
2020	3,687,839
2021	4,952,852
Thereafter	7,225,259
	$27,361,533

During the years ended December 31, 2016 and 2015, we recorded amortization expense for debt issuance costs and debt discounts of $55.8 million and $45.6 million, respectively. The unamortized debt issuance costs and debt discounts as of December 31, 2016 are expected to be amortized through 2045.

ILFC Legacy Notes

As of December 31, 2016, we had an aggregate outstanding principal amount of senior unsecured notes of $7.7 billion issued by ILFC prior to the ILFC Transaction (the "ILFC Legacy Notes"). The ILFC Legacy Notes have maturities ranging through 2022. The fixed rate notes bear interest at rates ranging from 3.875% to 8.875%. The notes are not subject to redemption prior to their stated maturity and there are no sinking fund requirements.

The indentures governing the ILFC Legacy Notes contain customary covenants that, among other things, restrict our, and our restricted subsidiaries', ability to *(i)* incur liens on assets; *(ii)* declare or pay dividends or acquire or retire shares of our capital stock during certain events of default; *(iii)* designate restricted subsidiaries as unrestricted subsidiaries or designate unrestricted subsidiaries; *(iv)* make investments in or transfer assets to unrestricted subsidiaries; and *(v)* 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 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.

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.

15. Debt (Continued)

AerCap Aviation Notes

In May 2012, AerCap Aviation Solutions B.V. issued $300.0 million of 6.375% senior unsecured notes due 2017 (the "AerCap Aviation Notes"). The proceeds from the offering were used for general corporate purposes. The AerCap Aviation Notes are guaranteed by AerCap Holdings N.V. and AerCap Ireland.

The AerCap Aviation Notes contain customary covenants that, among other things, limit our, and our restricted subsidiaries', ability to incur additional indebtedness, enter into certain mergers or consolidations, incur certain liens and engage in certain transactions with our affiliates. In addition, the indenture governing the AerCap Aviation Notes restricts our, and our restricted subsidiaries', ability to pay dividends or make certain restricted payments, subject to certain exceptions, unless certain conditions are met.

AerCap Trust & AICDC Notes

In May 2014, AerCap Trust and AICDC co-issued $2.6 billion aggregate principal amount of senior unsecured notes, consisting of $400.0 million of 2.75% notes due 2017, $1.1 billion of 3.75% notes due 2019, and $1.1 billion of 4.50% notes due 2021 (collectively, the "Acquisition Notes"). The proceeds from the offering were used to finance in part the consideration payable in connection with the ILFC Transaction.

In September 2014, AerCap Trust and AICDC co-issued $800.0 million aggregate principal amount of 5.00% senior notes due 2021 (the "September 2014 Notes"). The proceeds from the offering were used for general corporate purposes.

In June 2015, AerCap Trust and AICDC co-issued $1.0 billion aggregate principal amount of senior unsecured notes, consisting of $500.0 million of 4.25% notes due 2020 and $500.0 million of 4.625% notes due 2022 (collectively, the "June 2015 Notes"). The proceeds from the offering were used for general corporate purposes.

In October 2015, AerCap Trust and AICDC co-issued $1.0 billion aggregate principal amount of 4.625% senior unsecured notes due 2020 (the "October 2015 Notes"). The proceeds from the offering were used for general corporate purposes.

In May 2016, AerCap Trust and AICDC co-issued $1.0 billion aggregate principal amount of 3.95% senior unsecured notes due 2022 (the "May 2016 Notes"). The proceeds from the offering were used for general corporate purposes.

In January 2017, AerCap Trust and AICDC co-issued $600.0 million aggregate principal amount of 3.50% senior unsecured notes due 2022 (the "January 2017 Notes", and together with the Acquisition Notes, the September 2014 Notes, the June 2015 Notes, the October 2015 Notes and the May 2016 Notes, the "AGAT/AICDC Notes"). The proceeds from the offering were used for general corporate purposes.

15. Debt (Continued)

The AGAT/AICDC Notes are registered with the SEC. The AGAT/AICDC Notes are jointly and severally and fully and unconditionally guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. 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 "make-whole" premium is the excess of:

(i) the sum of the present value at such redemption date of all remaining scheduled payments of principal and interest on such note through the stated maturity date of the notes (excluding accrued but unpaid interest to the redemption date), discounted to the date of redemption using a discount rate equal to the treasury rate plus 50 basis points; over

(ii) the principal amount of the notes to be redeemed.

The indentures governing the AGAT/AICDC Notes contain customary covenants that, among other things, restrict our, and our restricted subsidiaries', ability to *(i)* incur liens on assets; *(ii)* designate restricted subsidiaries as unrestricted subsidiaries or designate unrestricted subsidiaries; *(iii)* consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets; and, in certain cases, *(iv)* declare or pay dividends or acquire or retire shares of our capital stock during certain events of default; and *(v)* make investments in or transfer assets to unrestricted subsidiaries. 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.

Asia revolving credit facility

In December 2015, AerCap Holdings N.V. entered into a $575.0 million unsecured revolving and term loan agreement (the "Asia Revolver"). In June 2016, the facility was increased to $585.0 million. In October 2016, the facility was further increased to $600.0 million. The Asia Revolver is a five-year facility, split between a three-year revolving period followed by a two-year term loan. The interest rate for borrowings under the Asia Revolver is LIBOR plus a margin of 1.95% during the revolving period, with the margin increasing to 2.25% during the first year of the term loan and increasing to 2.50% during the second year of the term loan.

The outstanding principal amount of any loans under the Asia Revolver at the end of the three-year revolving period will be amortized over the remaining two-year term out period of the facility. One-third of the balance is to be repaid in December 2019 and the remaining two-thirds must be repaid in December 2020.

All borrowings under the Asia Revolver are subject to the satisfaction of customary conditions precedent. We have the right to terminate or cancel, in whole or in part, the unused portion of the commitment amount.

The Asia Revolver contains covenants customary for unsecured financings, including financial covenants that require us to maintain compliance with a maximum ratio of consolidated indebtedness to shareholders' equity, a minimum fixed charges coverage ratio and a maximum ratio of unencumbered assets to certain financial indebtedness.

15. Debt (Continued)

Citi revolving credit facility

In March 2014, AICDC entered into a $2.75 billion four-year senior unsecured revolving credit facility (the "Citi Revolver"), which became effective upon completion of the ILFC Transaction. The facility has an accordion feature permitting increases to a maximum size of $4.0 billion. The facility matures in 2018. The obligations under the Citi Revolver are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

In September 2014, we increased the size of the facility to $2.925 billion, and in October 2014, we further increased the size of the facility to $2.955 billion.

In March 2015, we further increased the size of the facility to $3.0 billion. All borrowings under the facility are subject to the satisfaction of customary conditions precedent. We have the right to terminate or cancel, in whole or in part, the unused portion of the commitment amount.

In February 2017, the facility was upsized to $3.745 billion and the maturity of the facility was extended to February 2021. The interest rates for borrowings under the Citi Revolver were reduced from a base rate or LIBOR plus a margin of 2.0% for drawn facilities to a margin of 1.50% and undrawn facility commitment fees of 0.375% to 0.25%.

The Citi Revolver contains covenants customary for unsecured financings, including financial covenants that require us to maintain compliance with a maximum ratio of consolidated indebtedness to shareholders' equity, a minimum interest coverage ratio and a maximum ratio of unencumbered assets to certain financial indebtedness. The facility also contains 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.

AIG revolving credit facility

In December 2013, AICDC entered into a $1.0 billion five-year senior unsecured revolving credit facility (the "AIG Revolver"), with AIG as lender and administrative agent, which became effective upon completion of the ILFC Transaction. The interest rate for borrowings under the facility is, at our option, either *(i)* LIBOR plus 3.75%; or *(ii)* 2.75% plus the greatest of *(x)* the U.S. federal funds rate plus 0.50%; *(y)* the rate of interest publicly announced from time to time by Citibank, N.A. as its "base rate"; and *(z)* one-month LIBOR plus 1.00%. The facility matures in May 2019. The obligations under the AIG Revolver are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

In June 2015, the amount available under the AIG revolving credit facility was reduced from $1.0 billion to $500.0 million upon the issuance of the Junior Subordinated Notes.

All borrowings under the facility are subject to the satisfaction of customary conditions precedent. We have the right to terminate or cancel, in whole or in part, the unused portion of the commitment amount.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

15. Debt (Continued)

The AIG Revolver contains covenants customary for unsecured financings, including financial covenants that require us to maintain compliance with a maximum ratio of consolidated indebtedness to shareholders' equity, a minimum interest coverage ratio and a maximum ratio of unencumbered assets to certain financial indebtedness. The facility also contains 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 net book value of aircraft pledged under the export credit facilities was approximately $3.6 billion as of December 31, 2016.

The following table provides details regarding the terms of our outstanding export credit facilities:

	As of December 31, 2016				
	Collateral (Number of aircraft)	Amount outstanding	Tranche	Weighted average interest rate	Maturity
2003 Airbus ECA facility	15	$ 140,723	Floating Rate	Three month LIBOR + 0.37%	2017 - 2020
2004 Airbus ECA facility	29	317,426	Floating Rate	Six month LIBOR + 1.42%	2017 - 2019
	8	96,256	Fixed Rate	4.02%	2018 - 2020
2008 Airbus ECA facility	4	88,195	Floating Rate	Three month LIBOR + 1.35%	2022
	12	339,717	Fixed Rate	2.64%	2021 - 2023
2009 Airbus ECA facility	2	36,608	Floating Rate	Three month LIBOR + 1.11%	2022
	3	54,482	Fixed Rate	4.21%	2021 - 2022
Airbus ECA capital markets facilities	3	110,290	Fixed Rate	3.60%	2021
Other Airbus ECA facilities	5	313,445	Fixed Rate	2.38%	2024 - 2027
2010 Ex-Im facilities	2	28,817	Fixed Rate	2.95%	2022
2012 Ex-Im capital markets facility	2	196,417	Fixed Rate	1.49%	2025
Total	**85**	**$1,722,376**			

General

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. The export credit facilities obligations are secured by, among other things, a pledge of the shares of the SPEs.

15. Debt (Continued)

The export credit facilities contain affirmative covenants customary for secured financings, in addition to customary events of default and restrictive covenants. The facilities also contain net worth financial covenants. As of December 31, 2016, AerCap was in compliance with its covenants under the export credit facilities.

The obligations under export credit facilities are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries, as well as various export credit agencies.

Senior Secured Notes

In August 2010, ILFC issued $3.9 billion of senior secured notes (the "Senior Secured Notes"), with $1.35 billion that matured in September 2014 and bore interest of 6.5%, $1.275 billion that matured in September 2016 and bore interest of 6.75%, and $1.275 billion maturing in September 2018 and bearing interest of 7.125%. Upon consummation of the ILFC Transaction, AerCap Trust became the successor issuer under the indenture governing the Senior Secured Notes. ILFC also agreed to continue to be a co-obligor. We can redeem the Senior Secured Notes at any time prior to their maturity, subject to a penalty of the greater of 1.00% of the outstanding principal amount and a "make-whole" premium based on the relevant U.S. Treasury Rate plus 50 basis points. There is no sinking fund for the Senior Secured Notes.

The obligations of the subsidiary borrower are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The Senior Secured Notes are secured by a designated pool of aircraft and cash collateral when required. In addition, two of our subsidiaries, which either own or hold leases attached to the aircraft included in the pool securing the Senior Secured Notes, have guaranteed the notes.

The indenture and the aircraft mortgage and security agreement governing the Senior Secured Notes contain customary covenants that, among other things, restrict our, and our restricted subsidiaries', ability to *(i)* create liens; *(ii)* sell, transfer or otherwise dispose of the assets serving as collateral for the Senior Secured Notes; *(iii)* declare or pay dividends or acquire or retire shares of our capital stock during certain events of default; *(iv)* designate restricted subsidiaries as unrestricted subsidiaries or designate unrestricted subsidiaries; and *(v)* make investments in or transfer assets to unrestricted subsidiaries.

The indenture restricts our, and the subsidiary guarantors', ability to consolidate, merge, sell or otherwise dispose of all, or substantially all, of our assets. The indenture also provides for customary events of default, including, but not limited to, the failure to pay scheduled principal and interest payments on the Senior Secured Notes, the failure to comply with covenants and agreements specified in the indenture, 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 Senior Secured Notes may immediately become due and payable.

15. Debt (Continued)

Institutional secured term loans & secured portfolio loans

Hyperion facility

In March 2014, one of ILFC's indirect wholly-owned subsidiaries entered into a secured term loan agreement in the amount of $1.5 billion. In January 2017, AerCap extended the maturity of the Hyperion facility from March 2021 to October 2023 and reduced the margin above LIBOR from 2.75% to 2.25%. We can voluntarily prepay the loan at any time, subject to certain conditions.

The obligations of the subsidiary borrower are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The loan is secured by the equity interests in the borrower and certain SPE subsidiaries of the borrower. The SPEs hold title to 85 aircraft with an appraised value of approximately $2.46 billion as of December 31, 2016, representing a loan-to-value ratio of approximately 61%. The loan requires a loan-to-value ratio of no more than 70%. If the maximum loan-to-value ratio is exceeded, we will be required to prepay portions of the outstanding loans, deposit an amount in the cash collateral account or transfer additional aircraft to SPEs, subject to certain concentration criteria, so that the ratio is equal to or less than 70%.

The loan contains customary covenants and events of default, including covenants that limit the ability of the subsidiary borrower and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors, the subsidiary borrower and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets and enter into transactions with affiliates.

Vancouver facility

In February 2012, one of ILFC's indirect wholly-owned subsidiaries entered into a secured term loan agreement in the amount of $900.0 million. In April 2013, ILFC amended the agreement and simultaneously prepaid $150.0 million of the outstanding principal amount. In December 2016, we entered into an amendment to extend the maturity date from April 2020 to October 2022 and reduce the margin above LIBOR from 2.75% to 2.25%. The remaining outstanding principal amount of $750.0 million bears interest at an annual rate of LIBOR plus 2.25%, with a LIBOR floor of 0.75%, or, if applicable, a base rate plus a margin of 1.25%. We can voluntarily prepay the loan at any time, subject to certain conditions.

The obligations of the subsidiary borrower are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The loan is secured by the equity interests in certain SPEs of the subsidiary borrower. As of December 31, 2016, the SPEs collectively own a portfolio of 51 aircraft with an appraised value of approximately $1.34 billion, equaling a loan-to-value ratio of approximately 56%. The loan requires a loan-to-value ratio of no more than 63%. If the maximum loan-to-value ratio is exceeded, we will be required to prepay a portion of the outstanding loan, deposit an amount in the cash collateral account or transfer additional aircraft to SPEs, subject to certain concentration criteria, so that the ratio is equal to or less than 63%.

15. Debt (Continued)

The loan contains customary covenants and events of default, including covenants that limit the ability of the subsidiary borrower and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors, the subsidiary borrower and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets and enter into transactions with affiliates.

Temescal facility

In March 2011, one of ILFC's indirect wholly-owned subsidiaries entered into a secured term loan agreement with lender commitments in the amount of approximately $1.3 billion, which was subsequently increased to approximately $1.5 billion. As of December 31, 2016, approximately $880.4 million was outstanding. In February 2017, AerCap extended the maturity of the Temescal facility from March 2021 to March 2023 and reduced the margin above LIBOR from 2.00% to 1.95%. We can voluntarily prepay the loan at any time, subject to certain conditions.

The obligations of the subsidiary borrower are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

The loan is secured by a portfolio of 52 aircraft and the equity interests in certain SPEs that own the pledged aircraft. As of the latest loan-to-value ratio determination date, the appraised value of the pledged aircraft was $1.67 billion, resulting in a loan-to-value ratio of approximately 56%. The subsidiary borrower is required to maintain compliance with a maximum loan-to-value ratio, which was 58.5% as of the latest loan-to-value ratio determination date. The maximum loan-to value ratio declines over time, as set forth in the term loan agreement. If the maximum loan-to-value ratio is exceeded, we will be required to prepay portions of the outstanding loans, deposit an amount in the cash collateral account or transfer additional aircraft to the SPEs, subject to certain concentration criteria, so that the ratio is equal to or less than the maximum loan-to-value ratio. As of December 31, 2016, we were in compliance with this ratio.

The loan facility contains customary covenants and events of default, including covenants that limit the ability of the subsidiary borrower and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors, the subsidiary borrower and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets and enter into transactions with affiliates.

Glide Funding term loan facility

Glide Funding Limited ("Glide Funding") is a SPE that is a wholly-owned subsidiary of AerCap Ireland. Glide Funding is a consolidated subsidiary formed for the purpose of acquiring and financing aircraft assets. In December 2015, Glide Funding entered into a non-recourse term loan credit facility in the aggregate amount of up to $500.0 million with a term of five years, which would be used to finance the acquisition of up to nine specified aircraft under the facility.

15. Debt (Continued)

As of December 31, 2016, Glide Funding had $469.1 million of loans outstanding, relating to nine aircraft. Borrowings under the Glide Funding term loan facility bear interest at a rate equal to one-month LIBOR plus 1.60%. Principal may be prepaid without penalty upon notice, subject to certain conditions. Mandatory partial prepayments of borrowings under the facility are required in certain circumstances, including upon removal of an aircraft from the facility, unless an acceptable substitute aircraft is added to the facility. The loan obligations are secured by, among other things, security interests in the equity ownership and beneficial interest in all of the subsidiaries of Glide Funding that own or lease its financed aircraft, and their interests in the leases of the financed aircraft.

The facility contains customary covenants and events of default, including covenants that limit the ability of Glide Funding and its subsidiaries to incur additional indebtedness and create liens, to consolidate, merge or dispose of all or substantially all of their assets and to enter into transactions with affiliates.

Celtago facility

Celtago Funding Limited (''Celtago'') is a wholly-owned subsidiary of AerCap Ireland. Celtago was formed for the purpose of acquiring and financing aircraft assets. In December 2015, Celtago entered into a secured term loan agreement with lender commitments in the amount of $817.0 million, which is being used to finance 13 aircraft, with a maturity date of December 2024.

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.50%, or, if applicable, a base rate plus a margin of 1.50%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Celtago's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2016, Celtago had $775.2 million of loans outstanding relating to 13 aircraft.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Celtago and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Celtago and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

BlowfishFunding Facility

Blowfish Funding B.V. (''Blowfish'') is a wholly-owned subsidiary of AerCap B.V. Blowfish was formed for the purpose of financing aircraft assets. In April 2016, Blowfish entered into a new secured term loan agreement with lender commitments in the amount of $650 million, which will be used to finance nine aircraft. The loan has a maturity date of December 2022.

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.65%, or, if applicable, a base rate plus a margin of 1.65%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Blowfish's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2016, Blowfish had $588.9 million of loans outstanding relating to eight aircraft.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Blowfish and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Blowfish and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

15. Debt (Continued)

Celtago II Facility

Celtago II Funding Limited ("Celtago II") is a wholly-owned subsidiary of AerCap Ireland. Celtago II was formed for the purpose of acquiring and financing aircraft assets. In July 2016, Celtago II entered into a new secured term loan agreement with lender commitments in the amount of $684.0 million, which will be used to finance 13 aircraft. The loan has a maturity date of November 2022.

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.75%, or, if applicable, a base rate plus a margin of 1.75%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Celtago II's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2016, Celtago II had $65.0 million of loans outstanding relating to two aircraft.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Celtago II and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Celtago II and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

Iridium Facility

Iridium Funding Limited ("Iridium") is a wholly-owned subsidiary of AerCap Ireland. Iridium was formed for the purpose of acquiring and financing aircraft assets. In November 2016, Iridium entered a new secured term loan agreement with lender commitments in the amount of $595.0 million, which will be used to finance eight aircraft. The loan has a maturity date of May 2024.

Borrowings under the term loan facility bear interest at three-month LIBOR plus a margin of 1.75%, or, if applicable, a base rate plus a margin of 1.75%. The loans can be voluntarily prepaid at any time, subject to certain conditions. Iridium's obligations under the term loan facility are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries. As of December 31, 2016, there were no loans outstanding.

The term loan facility contains customary covenants and events of default, including covenants that limit the ability of Iridium and its subsidiaries to incur additional indebtedness and create liens, and covenants that limit the ability of the guarantors and Iridium and its subsidiaries to consolidate, merge or dispose of all or substantially all of their assets or enter into transactions with affiliates.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

15. Debt (Continued)

ALS II debt

In June 2008, we completed a securitization in which ALS II, a SPE formed for the purpose of the securitization, issued securitized class A-1 notes and class A-2 notes, representing interests in certain lease receivables, to holders who committed to advance funds in connection with the purchase of certain aircraft. As of December 31, 2016, the net book value of the 26 aircraft, which were pledged as collateral for the securitization debt, was $745.3 million. The ALS II senior Class A notes were repaid in full in January 2017.

AerFunding revolving credit facility

AerFunding 1 Limited ("AerFunding") is a 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 in the aggregate amount of up to $1.0 billion. The facility was subsequently amended in 2010, 2011, 2013 and 2014.

In December 2014, the facility was increased to $2.16 billion and was amended to allow for a three-year revolving period to December 2017, and a two-year term out period to December 2019. The maturity date of the AerFunding revolving credit facility is December 9, 2019.

The net book value of aircraft pledged to lenders under the credit facility was $767.1 million as of December 31, 2016.

Borrowings under the AerFunding revolving credit facility can be used to finance between 73.5% and 80.0% of the lower of the purchase price and the appraised value of the eligible aircraft. Eligible aircraft include Airbus A320 Family aircraft, Boeing 737-700, 800 and 900ER aircraft, Boeing 777 aircraft, Boeing 787 aircraft and Airbus A330 aircraft. In addition, value enhancing expenditures and required liquidity reserves are also funded by the lenders. All borrowings under the AerFunding revolving credit facility are subject to the satisfaction of customary conditions and restrictions on the purchase of aircraft that would result in our portfolio becoming too highly concentrated, with regard to both aircraft type and geographical location. The borrowing period during which new advances may be made under the facility will expire in December 2017.

Borrowings under the AerFunding revolving credit facility bear interest based on the Eurodollar rate plus the applicable margin. The following table presents the applicable margin for the borrowings under the AerFunding revolving credit facility during the periods specified:

	Applicable margin
Borrowing period(a)	2.25%
Period from December 10, 2017 to December 9, 2018	3.25%
Period from December 10, 2018 to December 9, 2019	3.75%

(a) The borrowing period is until December 9, 2017, after which the loan converts to a term loan.

Additionally, we are subject to *(i)* a 0.375% fee on any portion of the unused loan commitment if the average facility utilization is greater than 50% during a period; or *(ii)* a 0.50% fee on any unused portion of the unused loan commitment if the average facility utilization is less than 50% during a period.

15. Debt (Continued)

Interest on the loans is due on a monthly basis. Principal on the loans amortizes on a monthly basis to the extent funds are available. All outstanding principal not paid during the term is due on the maturity date.

Advances under the AerFunding revolving credit facility may be prepaid without penalty upon notice, subject to certain conditions. Mandatory partial prepayments of borrowings under the AerFunding revolving credit facility are required:

- Upon the sale of certain assets by the borrower, including any aircraft or aircraft engines financed or refinanced with proceeds from the AerFunding revolving credit facility;
- Upon the occurrence of an event of loss with respect to an aircraft or aircraft engine financed with proceeds from the AerFunding revolving credit facility from the proceeds of insurance claims; and
- Upon the securitization of any interests or leases with respect to aircraft or aircraft engines financed with proceeds from the AerFunding revolving credit facility.

AerFunding is required to maintain up to 5.0% of the borrowing value of the aircraft in reserve for the benefit of the lenders. Amounts held in reserve for the benefit of the lenders are available to the extent that there are insufficient funds to pay required expenses, hedge payments, or principal of or interest on the loans on any payment date. The amounts on reserve are funded by the lenders. 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.

AeroTurbine revolving credit agreement

In November 2014, AeroTurbine entered into an amended and restated credit facility providing for a maximum aggregate available amount of $550.0 million, subject to availability determined by a calculation utilizing AeroTurbine's aircraft assets and accounts receivable. In May 2016, the facility was reduced to a maximum aggregate available amount of $400.0 million. In August 2016, the facility was further reduced to a maximum aggregate available amount of $200.0 million. Borrowings under the facility bore interest determined, with certain exceptions, based on LIBOR plus a margin of 2.50%. In February 2017, the facility was fully repaid and terminated.

AeroTurbine's obligations under the facility were guaranteed by AerCap Holdings N.V. and certain of its subsidiaries, including AeroTurbine's subsidiaries (subject to certain exclusions). AeroTurbine's obligations were secured by substantially all of the assets of AeroTurbine and its subsidiary guarantors.

The credit agreement contained customary events of default and covenants, including certain financial covenants. Additionally, the credit agreement imposed limitations on AeroTurbine's ability to pay dividends to us (other than dividends payable solely in the form of common shares).

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

15. Debt (Continued)

Other secured debt

AerCap Holdings N.V. has entered into various other commercial bank financings to fund the purchase of aircraft and for general corporate purposes. The following table provides details regarding the terms of these financings:

	As of December 31, 2016				
	Collateral (Number of aircraft)	Amount outstanding	Tranche	Weighted average interest rate	Maturity
SkyFunding I facility	6	$ 126,716	Floating rate	Three month LIBOR plus 2.85%	2021 - 2022
	6	125,634	Fixed rate	4.43%	2021 - 2022
SkyFunding II facility	6	141,179	Floating rate	Three month LIBOR plus 3.15%	2022 - 2023
	3	66,699	Fixed rate	4.43%	2022 - 2023
Camden facility	7	164,162	Fixed rate	3.90%	2022
AerCap Partners I facility	8	81,537	Floating rate	Three month LIBOR plus 1.65%	2018
StratusFunding facility	2	155,236	Floating rate	Three month LIBOR plus 1.95%	2026
	2	154,901	Fixed rate	3.93%	2021 - 2026
CieloFunding facility	1	42,350	Floating rate	Three month LIBOR plus 2.60%	2020
	2	67,407	Fixed rate	3.68%	2020
CieloFunding II facility	1	30,095	Floating rate	Three month LIBOR plus 2.10%	2020
	1	31,888	Fixed rate	3.14%	2020
CloudFunding facilities	15	231,247	Fixed rate	3.98%	2022 - 2026
LimelightFunding facility	2	157,479	Fixed rate	4.70%	2026
Secured commercial bank financings	34(a)	844,111	Floating rate	LIBOR plus 2.19%	2017 - 2026
	12	249,684	Fixed rate	3.36%	2017 - 2034
Total	**108**	**$2,670,325**			

(a) Three engines are pledged as collateral in addition to the aircraft.

The majority of the financings are secured by, among other things, a pledge of the shares of the subsidiaries owning the related aircraft, a guarantee from AerCap Holdings N.V. and, in certain cases, a mortgage on the applicable aircraft. All of our financings contain affirmative covenants customary for secured financings.

ECAPS subordinated notes

In December 2005, ILFC issued two tranches of subordinated notes in an aggregate principal amount of $1.0 billion. The $400.0 million tranche had a call option date of December 21, 2015 and had a fixed interest rate of 6.25% until the 2015 call option date. We did not exercise the call option. After the call option date, the interest rate changed to a floating rate, reset quarterly, based on a margin of 1.80% plus the highest of three-month LIBOR, ten-year constant maturity treasury, and 30-year constant maturity treasury. We can call the $600.0 million tranche at any time. The interest rate on the $600.0 million tranche is a floating rate with a margin of 1.55% plus the highest of three-month LIBOR, ten-year constant maturity treasury, and 30-year constant maturity treasury. The interest rate resets quarterly.

15. Debt (Continued)

In July 2013, ILFC amended the financial tests in both tranches of notes by changing the method of calculating the ratio of equity to total managed assets and the 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.

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.

Junior Subordinated Notes

In June 2015, AerCap Trust issued $500.0 million of junior subordinated notes due 2045. The Junior Subordinated Notes initially bear interest at a fixed interest rate of 6.50%, and beginning in June 2025, will bear interest at a floating rate of three-month LIBOR plus 4.30%. The notes were issued to AIG as payment for a portion of the Share Repurchase from AIG. The amount available under the AIG revolving credit facility was reduced from $1.0 billion to $500.0 million upon the issuance of the Junior Subordinated Notes. As of December 31, 2016, AIG did not hold any of the Junior Subordinated Notes.

We may defer any interest payments on the Junior Subordinated Notes for up to five consecutive years for one or more 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. During a deferral period, interest will continue to accrue on the Junior Subordinated Notes and deferred interest will bear additional interest, compounded on each interest payment date. If we have paid all deferred interest (including compounded interest thereon) on the Junior Subordinated Notes, then we may again defer interest payments.

The Junior Subordinated Notes are guaranteed by AerCap Holdings N.V. and certain of its subsidiaries.

We may at our option redeem the Junior Subordinated Notes before their maturity *(i)* 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; *(ii)* in whole, but not in part, before June 15, 2025 at the make-whole redemption price, if an applicable rating agency makes certain changes to the equity credit criteria for securities such as the Junior Subordinated Notes; *(iii)* in whole, but not in part, at any time at 100% of their principal amount plus any accrued and unpaid interest thereon in the event that we become or would become obligated to pay any additional amounts as a result of a change in tax laws, regulations or official interpretations; or *(iv)* in whole, but not in part, at 101% of their principal amount plus any accrued and unpaid interest thereon within 60 days after the occurrence of a "change of control triggering event" consisting of a change of control and a decline in the rating of our senior unsecured debt securities by two applicable rating agencies. In the event that we do not redeem the Junior Subordinated Notes in connection with a change of control triggering event, the then-applicable annual interest rate borne by the Junior Subordinated Notes will increase by 5.00%.

15. Debt (Continued)

The Junior Subordinated Notes are junior subordinated unsecured obligations, rank equally with all of AerCap Trust's future equally ranking junior subordinated indebtedness, if any, and are subordinate and junior in right of payment to all of AerCap Trust's existing and future senior indebtedness.

Subordinated debt in joint venture partners

In 2008 and 2010, AerCap Holdings N.V. and our joint venture partners each subscribed a total of approximately $64.3 million of subordinated loan notes. The subordinated debt held by AerCap Holdings N.V. is eliminated in consolidation of the joint ventures. Interest on the subordinated loan notes accrues at a rate of 15.00% per annum in the case of the AerCap Partners II joint venture. In the case of the AerCap Partners I and AerCap Partners 767 joint ventures, interest originally accrued on the subordinated loan notes at a rate of 20.00% per annum, and following an amendment entered into in June 2013, the interest rate was reduced to 0% effective as of January 1, 2013. Where *(i)* the amount which, pursuant to the terms of the senior facility, is available to the joint ventures to make payments in respect of, amongst other things, the subordinated loan notes is insufficient to meet the interest payments; or *(ii)* the terms of the senior facility prohibit the payment in full of interest on the relevant payment date, then the joint venture partners must pay the maximum amount of interest that can properly be paid to the note holders on the relevant interest payment date and the unpaid interest carries interest at a rate of 19.50% per annum until paid.

The collateral granted in respect of the subordinated loan notes also secures the senior facility. The rights of the holders of subordinated loan notes in respect of this security are subordinated to the rights of the senior facility lenders, amongst others. The subordinated loan notes are fully subordinated in all respects including in priority of payment to, amongst other debts of the joint ventures, a senior debt facility. As is the case in respect of the senior facility, the obligation of the joint ventures to make payments in respect of the subordinated loan notes is limited in recourse to certain amounts actually received by the joint ventures.

Subject to certain conditions, including (while the senior facility security remains outstanding) the consent of the collateral trustee, the joint venture partners may at any time redeem all or any of the outstanding subordinated loan notes.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

16. Income taxes

Our subsidiaries are subject to taxation in a number of tax jurisdictions, principally Ireland, the Netherlands and the United States of America.

The following table presents our provision for income taxes by tax jurisdiction for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Deferred tax expense (benefit)		
Ireland	$129,598	$128,379
The Netherlands	(6,908)	(5,205)
United States of America	(41,163)	(65,341)
Other	14,124	22,130
	95,651	**79,963**
Deferred tax expense (benefit) related to an increase (decrease) in changes in valuation allowance of deferred tax assets		
Ireland	1,562	—
The Netherlands	12,843	13,915
United States of America	54,056	10,074
Other	(13,100)	(13,922)
	55,361	**10,067**
Current tax expense (benefit)		
Ireland	4,730	(99)
The Netherlands	1,164	37,512
United States of America	3,166	39,358
Other	3,096	2,008
	12,156	**78,779**
Provision for income taxes	**$163,168**	**$168,809**

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

16. Income taxes (Continued)

The following table provides a reconciliation of the statutory income tax expense to provision for income taxes for the years ended December 31, 2016 and 2015:

	Year Ended December 31, 2016	Year Ended December 31, 2015(a)
Income tax expense at statutory income tax rate of 12.5%	$132,238	$155,559
Non-taxable items (permanent differences)	34,520(b)	59,094(c)
Foreign rate differential	(3,590)	(45,844)
	30,930	13,250
Provision for income taxes	**$163,168**	**$168,809**

(a) Effective February 1, 2016, we moved our headquarters and executive officers from Amsterdam to Dublin, and as of February 1, 2016, we became tax resident in Ireland. Accordingly, we have updated the figures for the year ended December 31, 2015 as compared to those previously reported in the financial statements contained in our 2015 Annual Report to reflect the permanent differences being taxed at the Irish statutory rate of 12.5% rather than the Dutch statutory rate of 25%.

(b) The 2016 non-taxable items included non-deductible share-based compensation in Ireland and in the Netherlands, non-deductible intercompany interest allocated to the United States of America and a valuation allowance taken in respect of U.S., Dutch and Irish tax losses. It also included the non-taxable income arising from aircraft with a higher tax basis in general.

(c) The 2015 non-taxable items included the non-deductible intercompany interest allocated to the United States of America, non-deductible share-based compensation in the Netherlands, non-deductible costs relating to the transfer of certain functions from the Netherlands to Ireland, and a valuation allowance taken in respect of U.S. and Dutch tax losses. It also included the non-taxable income arising from aircraft with a higher tax basis in general.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

16. Income taxes (Continued)

The following tables provide details regarding the principal components of our deferred income tax liabilities and assets by jurisdiction as of December 31, 2016 and 2015:

	As of December 31, 2016				
	Ireland	The Netherlands	United States of America	Other	Total
Depreciation/Impairment	$(989,162)	$ 4,049	$(16,322)	$ (63)	$(1,001,498)
Intangibles	(8,517)	—	(16,242)	—	(24,759)
Interest expense	—	—	(588)	—	(588)
Accrued maintenance liability	41,978	821	12,810	—	55,609
Obligations under capital leases and debt obligations	(3,151)	—	—	—	(3,151)
Investments	—	—	(12,641)	—	(12,641)
Deferred losses	—	—	66,119	—	66,119
Accrued expenses	—	—	13,942	—	13,942
Valuation allowance	(1,562)	(26,758)	(89,130)	(9,911)	(127,361)
Losses and credits forward	666,214	26,759	92,215	20,693	805,881
Other	(46,133)	(4,399)	5,539	(6,190)	(51,183)
Net deferred income tax (liabilities) assets	**$(340,333)**	**$ 472**	**$ 55,702**	**$ 4,529**	**$ (279,630)**

	As of December 31, 2015				
	Ireland	The Netherlands	United States of America	Other	Total
Depreciation/Impairment	$(832,757)	$ 5,093	$ 5,393	$ 963	$(821,308)
Intangibles	(12,890)	—	(18,763)	—	(31,653)
Interest expense	—	—	(5,435)	—	(5,435)
Accrued maintenance liability	(11,663)	—	11,880	—	217
Obligations under capital leases and debt obligations	(3,411)	—	—	—	(3,411)
Investments	—	—	(10,155)	—	(10,155)
Deferred losses	—	—	66,543	—	66,543
Accrued expenses	—	—	14,554	—	14,554
Valuation allowance	—	(13,915)	(35,074)	(23,011)	(72,000)
Losses and credits forward	630,302	13,915	32,342	39,282	715,841
Other	16,705	1,724	7,350	(11,651)	14,128
Net deferred income tax (liabilities) assets	**$(213,714)**	**$ 6,817**	**$ 68,635**	**$ 5,583**	**$(132,679)**

The net deferred income tax liabilities as of December 31, 2016 of $279.6 million were recognized in our Consolidated Balance Sheet as deferred income tax assets of $250.5 million and as deferred income tax liabilities of $530.1 million.

The net deferred income tax liabilities as of December 31, 2015 of $132.7 million were recognized in our Consolidated Balance Sheet as deferred income tax assets of $195.3 million and as deferred income tax liabilities of $328.0 million.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

16. Income taxes (Continued)

The following table presents the movements in the valuation allowance for deferred income tax assets during the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Valuation allowance at beginning of period	$ 72,000	$61,933
Increase of allowance to income tax provision	55,361	10,067
Valuation allowance at end of period	**$127,361**	**$72,000**

The valuation allowance as of December 31, 2016 of $127.4 million included $9.9 million related to losses and credit forwards in Australia, $89.1 million related to having insufficient sources of projected taxable income to fully realize the deferred tax asset in the United States of America, particularly in respect of our U.S. subsidiary AeroTurbine, $26.8 million related to loss carry forwards in the Netherlands and $1.6 million related to loss carry forwards in Ireland.

The valuation allowance as of December 31, 2015 of $72.0 million included $23.0 million related to losses and credit forwards in Australia, $35.1 million related to having insufficient sources of projected taxable income to fully realize the deferred tax asset in the United States of America, and $13.9 million related to loss carry forwards in the Netherlands.

As of December 31, 2016 and 2015, we had $29.8 million and $15.5 million, respectively, of unrecognized tax benefits. Substantially all of the unrecognized tax benefits as of December 31, 2016, 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 Netherlands and the United States of America. Our tax returns are open for examination in Ireland from 2012 forward, in the Netherlands from 2011 forward, and in the United States of America from 2014 forward. In the United States of America, the 2013 audit of the federal income tax return for AerCap, Inc. and its subsidiaries was closed without adjustment in early 2016. The 2014 federal income tax return of some of our U.S. resident subsidiaries was subject to audit, and we do not expect any material changes in the outcome of this audit.

Our policy is to recognize accrued interest on the underpayment of income taxes as a component of interest expense and penalties associated with tax liabilities as a component of provision for income taxes.

Ireland

Since 2006, the enacted Irish corporate income tax rate has been 12.5%. Some of our Irish tax-resident operating subsidiaries have significant losses carry forward as of December 31, 2016 which give rise to deferred income tax assets. The availability of these losses 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 $1.6 million, as of December 31, 2016.

16. Income taxes (Continued)

The Netherlands

The majority of our Dutch subsidiaries are part of two Dutch fiscal unities and are included in consolidated tax filings. Current tax expenses are limited with respect to the Dutch subsidiaries due to the existence of interest bearing intercompany liabilities. Deferred income tax is calculated using the Dutch corporate income tax rate (25.0%). Tax losses in the Netherlands can generally be carried back one year and carried forward nine years before expiry.

United States of America

Our U.S. subsidiaries are assessable to federal and state U.S. taxes. Since the ILFC Transaction, we no longer file one consolidated federal income tax return. We have two distinct groups of U.S. companies that file consolidated returns. The blended federal and state tax rate applicable to our combined U.S. group was 36.3% for the year ended December 31, 2016. Due to a restructuring of activities in the U.S. AeroTurbine group, which started in late 2015, we do not expect to generate sufficient sources of taxable income to realize our deferred income tax asset in the U.S. Additionally, certain tax attributes are subject to an annual limitation as a result of the change in ownership in 2015 as defined under Internal Revenue Code Section 382. We had $234.7 million U.S. federal net operating losses as of December 31, 2016, which expire between 2026 and 2036.

17. Equity

In February 2015, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $250 million of AerCap ordinary shares. In May 2015, the Board of Directors authorized an additional $500 million of share repurchases, increasing the total authorization under the program to $750 million.

On June 9, 2015, we completed the Share Repurchase from AIG, at an approximate price per share of $47.77 for consideration equal to $750 million. In relation to the Share Repurchase from AIG, we incurred $11.2 million of expenses.

In October 2015, our Board of Directors cancelled 9,698,588 ordinary shares which were acquired through the Share Repurchase from AIG in accordance with the authorizations obtained from the Company's shareholders.

In February 2016, our Board of Directors approved a share repurchase program authorizing total repurchases of up to $400 million of AerCap ordinary shares through June 30, 2016. We completed this share repurchase program on June 1, 2016.

In May 2016, our Board of Directors approved another share repurchase program authorizing total repurchases of up to $250 million of AerCap ordinary shares through September 30, 2016. We completed this share repurchase program on September 7, 2016.

In August 2016, our Board of Directors approved another share repurchase program authorizing total repurchases of up to $250 million of AerCap ordinary shares through December 31, 2016. We completed this share repurchase program on December 8, 2016.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

17. Equity (Continued)

In November 2016, our Board of Directors approved another share repurchase program authorizing total repurchases of up to $250 million of AerCap ordinary shares through March 31, 2017. We completed this share repurchase program on March 6, 2017.

In February 2017, our Board of Directors approved another share repurchase program authorizing total repurchases of up to $350 million of AerCap ordinary shares through June 30, 2017. See Note 33—*Subsequent events*.

During the year ended December 31, 2016, we repurchased an aggregate of 25,012,978 of our ordinary shares under our share repurchase programs at an average price, including commissions, of $38.62 per ordinary share.

During the year ended December 31, 2016, our Board of Directors cancelled 15,563,862 ordinary shares which were acquired through the share repurchase programs in accordance with the authorizations obtained from the Company's shareholders.

Between January 1, 2017 and March 15, 2017, we repurchased an aggregate of 5,000,005 of our ordinary shares under our share repurchase programs at an average price, including commissions, of $44.63 per ordinary share. In March 2017, we cancelled 5,000,000 ordinary shares which were acquired through the share repurchase program in accordance with the authorizations obtained from the Company's shareholders.

Movements in non-controlling interest during the years ended December 31, 2016 and 2015 were as follows:

	Year ended December 31,	
	2016	**2015**
Balance at beginning of period	$ 76,846	$78,771
Net loss attributable to non-controlling interest	(7,114)	(1,558)
Dividends paid	(11,915)	(367)
Balance at end of period	**$ 57,817**	**$76,846**

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

18. Lease revenue

Our current operating lease agreements expire up to and over the next 15 years. The contracted minimum future lease payments receivable from lessees for flight equipment on non-cancelable operating leases as of December 31, 2016 were as follows:

	Contracted minimum future lease payments receivable
2017	$ 3,985,709
2018	3,422,297
2019	2,849,348
2020	2,319,871
2021	1,941,373
Thereafter	6,563,776
	$21,082,374

19. Geographic information

The following table presents *(i)* the percentage of lease revenue attributable to individual countries representing at least 10% of our total lease revenue in any year presented; and *(ii)* the percentage of lease revenue attributable to Ireland, our country of domicile, based on each lessee's principal place of business, for the years ended December 31, 2016 and 2015:

	Year Ended December 31,			
	2016		2015	
	Amount	%	Amount	%
China(a)	$ 669,859	13.8%	$ 656,809	13.2%
United States of America	535,526	11.0%	538,686	10.8%
Ireland	117,259	2.4%	58,571	1.2%
Other countries(b)	3,544,979	72.8%	3,737,485	74.8%
Total	**$4,867,623**	**100.0%**	**$4,991,551**	**100.0%**

(a) Includes mainland China, Hong Kong and Macau.

(b) No individual country within this category accounts for more than 10% of our lease revenue.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

19. Geographic information (Continued)

The following table presents *(i)* the percentage of long-lived assets, including flight equipment held for operating leases, flight equipment held for sale, net investment in finance and sales-type leases and maintenance rights intangible assets, attributable to individual countries representing at least 10% of our total long-lived assets in any year presented, and *(ii)* the percentage of long-lived assets attributable to Ireland, our country of domicile, based on each lessee's principal place of business, as of December 31, 2016 and 2015:

	As of December 31,			
	2016		2015	
	Amount	%	Amount	%
China(a)	$ 4,962,336	14.5%	$ 5,143,237	14.5%
United States of America	4,751,496	13.9%	4,528,441	12.8%
Ireland	703,635	2.1%	929,509	2.6%
Other countries(b)	23,803,362	69.5%	24,897,193	70.1%
Total(c)	**$34,220,829**	**100.0%**	**$35,498,380**	**100.0%**

(a) Includes mainland China, Hong Kong and Macau.

(b) No individual country within this category accounts for more than 10% of our long-lived assets.

(c) Excludes AeroTurbine long-lived assets of $105.7 million and $225.0 million as of December 31, 2016 and 2015, respectively.

We lease and sell aircraft to airlines and others throughout the world and our trade and notes receivables are from entities located throughout the world. During the years ended December 31, 2016 and 2015, we had no lessees that represented more than 10% of total lease revenue.

20. Other income

Other income consisted of the following for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Management fees	$ 18,298	$ 23,094
Interest and other income	127,688(a)	89,582(b)
	$145,986	**$112,676**

(a) Includes income from net insurance proceeds of $54.2 million, lease terminations of $63.2 million and a gain related to the repayment of a note receivable earlier than expected of $27.7 million. In addition, we incurred an expense of $36.0 million related to a lower of cost or market adjustment of AeroTurbine's parts inventory as a result of the AeroTurbine downsizing. Please refer to Note 25—*AeroTurbine restructuring*.

(b) Includes income from net insurance proceeds of $16.2 million and the settlement of asset value guarantees of $22.6 million. In addition, we incurred an expense of $38.7 million related to a lower of cost or market adjustment of AeroTurbine's parts inventory as a result of the AeroTurbine downsizing. Please refer to Note 25—*AeroTurbine restructuring*.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

21. Asset impairment and reversal

Asset impairment and reversal consisted of the following for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Impairment of flight equipment held for sale	$ 3,272	$ —
Impairment of flight equipment held for operating leases	149,263	54,679
Reversal of impairment of flight equipment held for operating leases	(31,233)	(10,359)
Other assets	—	13
	$121,302	**$ 44,333**

Our long-lived assets include flight equipment and definite-lived intangible assets. We test long-lived assets for impairment whenever events or changes in circumstances indicate that the assets' carrying amount is not recoverable from its discounted cash flows.

The following assumptions drive the discounted cash flows for flight equipment: contracted lease rents per aircraft through current lease expiry, subsequent re-lease rates based on current marketing information, the discount rate (2016: 5.7%) and residual values based on current market transactions. We review and stress test our key assumptions to reflect any observed weakness in the global economic environment. Further deterioration of the global economic environment and a further decrease of aircraft values might have a negative effect on the discounted cash flows of older aircraft and might trigger further impairments. During the years ended December 31, 2016 and 2015, we also recognized impairment charges for certain AeroTurbine intangible assets and leased engines. Please refer to Note 25—*AeroTurbine restructuring* for further details.

There can be no assurance that the Company's estimates and assumptions regarding the economic environment, or the period or strength of recovery, made for purposes of the long-lived asset impairment tests will prove to be accurate predictions of the future. A deterioration in the global economic environment and a decrease of appraised values will have a negative effect on fair values, which might then trigger further impairments on our assets.

22. Share-based compensation

Under our equity incentive plans we have granted restricted stock units, restricted stock and stock options to directors, officers and employees in order to enable us to attract, retain and motivate such people and to align their interests with ours, including but not limited to retention and motivation in relation to the implementation of the ILFC Transaction.

AerCap Holdings N.V. Equity Grants

In March 2012, we implemented an equity incentive plan (the "Equity Incentive Plan 2012") which provides for the grant of stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights and other stock awards to participants of the plan selected by the Nomination and Compensation Committee of our Board of Directors. Effective May 14, 2014, the Equity Incentive Plan 2012 was expanded and the maximum number of shares available under the plan is equivalent to 8,064,081 Company 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 shares available under the plan is equivalent to 4,500,000 Company shares. The Equity Incentive Plan 2014 is open for equity awards to our directors.

The Equity Incentive Plan 2014 replaced an equity incentive plan that was implemented in October 2006 (the "Equity Incentive Plan 2006", the Equity Incentive Plan 2014, Equity Incentive Plan 2012 and Equity Incentive Plan 2006 collectively referred to herein as "AerCap Holdings N.V. Equity Plans"). Prior awards remain in effect pursuant to their terms and conditions. The terms and conditions of the Equity Incentive Plan 2006 and the Equity Incentive Plan 2014 are substantially the same.

The terms and conditions, including the vesting conditions, of the equity awards granted under AerCap Holdings N.V. Equity Plans are determined by the Nomination and Compensation Committee and, for our directors, by the Board of Directors in line with the remuneration policy approved by the General Meeting of Shareholders. The vesting periods of the equity awards range between three years and five years, subject to certain exceptions. Certain awards are subject to long term performance vesting criteria, based on the average earnings per share over the specified periods, in order to promote and encourage superior performance over a prolonged period of time. Some of our officers receive annual equity awards as part of their compensation package. Annual equity awards are granted after the year end and the number of awards granted is dependent on the performance of AerCap and the respective individual officer during the previous financial year. The 2015 annual equity awards were granted to some of our officers in December 2015 in lieu of the first quarter of 2016 in order to avoid double taxation in connection with the migration of the Company's headquarters to Ireland in early 2016. All outstanding awards of restricted stock units are convertible into common shares of the Company at a ratio of one-to-one. During the year ended December 31, 2016, the Company's obligations to issue shares at the exercise of vested options, on the vesting date of restricted stock units, or upon lapse of the restrictions in relation to restricted stock were satisfied by the transfer of treasury shares acquired through share repurchases. Shares subject to outstanding equity awards, that are not issued or delivered by reason of, amongst others, the cancellation or forfeiture of such awards or the withholding of such shares to settle tax obligations, shall again be available under the AerCap Holdings N.V. Equity Plans.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

22. Share-based compensation (Continued)

The following table presents movements in the outstanding restricted stock units and restricted stock under the AerCap Holdings N.V. Equity Plans during the year ended December 31, 2016:

	Year Ended December 31, 2016			
	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 ($)	Weighted average grant date fair value of performance based grants ($)
Number at beginning of period	**3,739,690**	**5,554,011**	**$39.81**	**$45.42**
Granted(a)	307,907	276,669	41.12	40.14
Transfers between categories	64,448	(64,448)	46.59	46.59
Vested(b)	(495,508)	(180,480)	13.76	19.39
Cancelled	(36,703)	(73,410)	45.90	45.90
Number at end of period(c)	**3,579,834**	**5,512,342**	**$42.78**	**$46.19**

(a) Includes 180,000 restricted stock granted under the AerCap Holdings N.V. Equity Plans, of which 111,901 restricted stock were issued with the remaining restricted stock being withheld and applied to pay the taxes involved.

(b) 279,594 restricted stock units, which were previously granted under the AerCap Holdings N.V. Equity Plans, vested. In connection with the vesting of the restricted stock units, the Company issued, in full satisfaction of its obligations, 150,082 ordinary shares to the holders of these restricted stock units with the remainder being withheld and applied to pay the taxes involved. In addition, restrictions on 396,394 restricted stock (253,040 restricted stock net of withholding for taxes) lapsed during the period.

(c) During the year ended December 31, 2016, 807,227 restricted stock units that had been issued previously were converted to restricted stock of which 541,037 were issued with the remaining stock being withheld and applied to pay the taxes involved. The converted restricted stock remained subject to restrictions and conditions identical to the restricted stock units, including vesting and forfeiture conditions.

22. Share-based compensation (Continued)

The following table presents movements in the outstanding stock options under the Equity Incentive Plan 2006 (no options were granted under the Equity Incentive Plan 2012 or Equity Incentive Plan 2014) and the stock options that rolled over from the amalgamation of Genesis in 2010 during the year ended December 31, 2016. All outstanding options were vested.

	Year Ended December 31, 2016	
	Number of options	Weighted average exercise price ($)
Options outstanding at beginning of period	**519,693**	**$19.08**
Exercised	(379,648)	23.90
Options outstanding at end of period(a)	**140,045**	**$ 6.02**

(a) Includes 2,100 AER options granted to former Genesis directors and employees at the closing of the amalgamation with Genesis on March 25, 2010. These options were issued pursuant to a separate board resolution, and were not issued under any of the AerCap Holdings N.V. Equity Plans.

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.

We incurred share-based compensation expense of $102.8 million and $100.2 million during the years ended December 31, 2016 and 2015, respectively. The following table presents our expected share-based compensation expense assuming that the established performance criteria are met and that no forfeitures occur:

	Expected share-based compensation expense
	(U.S. dollar amounts in millions)
2017	$98.1
2018	47.6
2019	7.9
2020	0.6

23. Pension plans

We operate defined benefit plans and defined contribution pension plans for our employees. These plans do not have a material impact on our Consolidated Balance Sheets or Consolidated Income Statements.

Defined benefit plans

Dutch defined benefit plan

We provide an insured defined benefit pension plan covering our Dutch employees (the "Dutch Plan") based on years of service and career average pay. The Dutch Plan is funded through a guaranteed insurance contract, and we determine the funded status of this plan with the assistance of an actuary. During the years ended December 31, 2016 and 2015, we recognized actuarial gains (losses) of pension obligations, net of taxes, of $0.1 million and $(0.2) million, respectively, in revaluation reserves. The actuarial gains or losses were calculated assuming a discount rate of 2.0% and 2.4% for the years ended December 31, 2016 and 2015, respectively, and various assumptions regarding the plan's future funding and pay out. As of December 31, 2016 and 2015, we recorded a liability in accounts payable, accrued expenses and other liabilities of $2.2 million and $3.2 million, respectively, which covers the excess of our projected benefit obligations over plan assets.

Irish defined benefit plan

We provide a defined benefit pension plan covering some of our Irish employees (the "Irish Plan") based on years of service and final pensionable pay. The Irish Plan is funded through contributions by the Company and invested in trustee administered funds, which was closed to new participants as of June 30, 2009, but will continue to accrue benefits for existing participants. We determine the funded status of this plan with the assistance of an actuary. During the years ended December 31, 2016 and 2015, we recognized actuarial gains (losses), net of tax, of $(1.6) million and $0.5 million, respectively, in revaluation reserves. The actuarial gains or losses were calculated assuming a discount rate of 2.0% and 2.5% for the years ended December 31, 2016 and 2015, respectively, and various assumptions regarding the plan's future funding and pay out. As of December 31, 2016 and 2015, we recorded a liability in accounts payable, accrued expenses and other liabilities of $9.1 million and $6.9 million, respectively, which covers the excess of our projected benefit obligations over plan assets.

Defined contribution plans

Dutch defined contribution plan

We provide a defined contribution pension plan for those Dutch employees that are not covered by the defined benefit plan. During the years ended December 31, 2016 and 2015, we contributed $0.2 million and $0.4 million, respectively, to this plan. No amounts were outstanding in respect of pension contributions as of December 31, 2016.

Irish defined contribution plan

We provide a defined contribution pension plan for those Irish employees that are not covered by the defined benefit plan. During the years ended December 31, 2016 and 2015, we contributed $1.8 million and $1.1 million, respectively, to this plan. No amounts were outstanding in respect of pension contributions as of December 31, 2016.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

23. Pension plans (Continued)

Other plans

We provide defined contribution pension plans or comparable company saving plans to employees not covered by the Dutch or Irish plans as disclosed above. All of these plans, individually or on an aggregated basis, do not have a material impact on our Consolidated Balance Sheets or Consolidated Income Statements.

24. Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Personnel expenses	$132,730	$144,445
Social securities	8,892	9,923
Pensions	7,883	7,599
Share-based compensation	102,843	100,162
Travel expenses	21,201	23,090
Professional services	30,983	42,921
Office expenses	20,703	26,989
Directors' expenses	3,051	2,780
Other expenses	22,726	23,399
Transaction, integration and restructuring related expenses(a)	53,389	58,913
	$404,401	$440,221

(a) Transaction, integration and restructuring related expenses for the year ended December 31, 2016 included $53.4 million of restructuring expenses relating to the downsizing of AeroTurbine. Transaction, integration and restructuring related expenses for the year ended December 31, 2015 included $7.2 million of severance and other compensation expenses and $2.4 million of professional fees and other expenses relating to the ILFC Transaction, and $49.3 million of restructuring expenses related to the downsizing of AeroTurbine. See Note 25—*AeroTurbine restructuring*.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

24. Selling, general and administrative expenses (Continued)

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, 2016 and 2015:

Location	As of December 31, 2016	2015
Dublin, Ireland	159	90
Shannon, Ireland	70	74
Los Angeles, California	60	72
Amsterdam, the Netherlands	45	90
Singapore	44	41
Other(a)	20	18
Total(b)	**398**	**385**

(a) Includes employees located in China, France, the United Kingdom, the United Arab Emirates and throughout the United States.

(b) Includes ten and seven part-time employees, respectively, and excludes 160 and 411 employees, respectively, of AeroTurbine, a subsidiary we are downsizing, as of December 31, 2016 and 2015.

25. AeroTurbine restructuring

At the end of 2015, we made the decision to restructure and downsize the AeroTurbine business. Since we made this decision, AeroTurbine has been actively reducing its debt and total assets by disposing of engines from its engine leasing portfolio as well as parts from its inventory. In February 2017, the AeroTurbine revolving credit facility was fully repaid and terminated.

In connection with the downsizing, during the year ended December 31, 2015, we performed recoverability assessments of AeroTurbine's long-lived assets. These recoverability assessments indicated that the book value of certain AeroTurbine intangible assets and leased engines were no longer supported by their future expected cash flows. The resulting impairment was measured as the excess of the carrying amount of each asset over its fair value. Fair value was estimated based on the present value of future cash flows expected to be generated from the asset, including its expected residual value, discounted at a rate commensurate with the associated risk. During the year ended December 31, 2015, we also recognized a lower of cost or market adjustment of $38.7 million related to AeroTurbine's parts inventory. Please refer to Note 20—*Other income*.

During 2016, AeroTurbine entered into a letter of intent to sell its storage and maintenance facility located in Goodyear, Arizona, which resulted in a write-down of assets and associated intangible assets. In January 2017, AeroTurbine completed the sale of its Goodyear operations. In March 2017, AeroTurbine executed an amendment to the existing lease agreement for its facility in Florida. Pursuant to the amendment, the square footage of the leased premises was reduced from approximately 264,000 square feet to approximately 64,000 square feet.

During 2016, we also completed a review of AeroTurbine's engine leasing portfolio and identified specific engines for longer-term use and support of AerCap's core aircraft leasing business, as well as the specific engines to be sold by AeroTurbine to third parties. As a result, we recognized impairments related primarily to older, out-of-production engines.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

25. AeroTurbine restructuring (Continued)

The sale of the Goodyear operations and the engine portfolio review, together, triggered our decision in the second half of 2016, to accelerate the final phase of the AeroTurbine downsizing. We performed a review of AeroTurbine's parts inventory, and recognized a lower of cost or market adjustment of $36.0 million based on current available market information. Please refer to Note 20—*Other income*. The lower of cost or market adjustment related primarily to older, out-of-production assets, and also reflected our decision to accelerate the downsizing of AeroTurbine generally, including ascribing a discount to reflect the expected cost of potential consignment transactions for the remaining inventory.

We recorded the following charges in selling, general and administrative expenses in our Consolidated Income Statements during the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	**2015**
Leased engines impairment	$15,392	$22,402
Severance expenses	19,801	2,072
Tradename and other intangible assets impairment	14,868	24,837
Write-down of fixed assets and consumable inventory	3,328	—
	$53,389	**$49,311**

In addition to the charges described above, during the years ended December 31, 2016 and 2015, AeroTurbine incurred other operating losses of $33.9 million and other operating income of $14.0 million, respectively, bringing AeroTurbine's total pre-tax loss to $123.3 million and $74.0 million, respectively.

26. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of our ordinary shares outstanding, which excludes 3,426,810 and 3,030,724 unvested restricted stock as of December 31, 2016 and 2015, respectively. 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, including awards under our equity compensation plans. The number of shares excluded from diluted shares outstanding was 152,314 and 36,666 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015 were as follows:

	Year Ended December 31,	
	2016	**2015**
Net income for the computation of basic EPS	$ 914,463	$ 1,078,498
Weighted average ordinary shares outstanding—basic	185,514,370	203,850,828
Basic EPS	**$ 4.93**	**$ 5.29**

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

26. Earnings per share (Continued)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Net income for the computation of diluted EPS	$ 914,463	$ 1,078,498
Weighted average ordinary shares outstanding—diluted	189,682,036	206,224,135
Diluted EPS	**$ 4.82**	**$ 5.23**

The computations of ordinary shares outstanding, excluding unvested restricted stock, as of December 31, 2016 and 2015 were as follows:

	As of December 31, 2016	As of December 31, 2015
	Number of ordinary shares	
Ordinary shares issued	187,847,345	203,411,207
Treasury shares	(11,600,191)	(3,069,003)
Ordinary shares outstanding	**176,247,154**	**200,342,204**
Unvested restricted stock	(3,426,810)	(3,030,724)
Ordinary shares outstanding, excluding unvested restricted stock	**172,820,344**	**197,311,480**

27. Special purpose entities

Our leasing and financing activities require us to use many forms of entities to achieve our business objectives and we have participated to varying degrees in the design and formation of these entities. Our involvement in SPEs varies and includes being a passive investor in the SPE with involvement from other parties, managing and structuring all the activities, or being the sole shareholder of the SPE.

During the year ended December 31, 2016, we have not provided any financial support to any of our SPEs that we were not contractually obligated to provide.

Consolidated SPEs

As of December 31, 2016 and 2015, substantially all assets and liabilities presented in our Consolidated Balance Sheets were held in consolidated SPEs. Further details of debt held by our consolidated SPEs are disclosed in Note 15—*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 SPE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes. 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, we absorb the majority of the risks and rewards of these entities and we guarantee the activities of these entities.

27. Special purpose entities (Continued)

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 SPE because they do not have sufficient equity to operate without subordinated financial support from us in the form of intercompany notes. 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, we absorb the majority of the risks and rewards of these entities and we guarantee the activities of these entities.

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 SPE 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. 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, we absorb the majority of the risks and rewards of these entities and we guarantee the activities of these entities.

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 SPE 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. 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, and we absorb the majority of the risks and rewards of these entities.

AerCap Partners I

AerCap Partners I Holding Limited ("AerCap Partners I") is a 50%-50% joint venture owned by us and Deucalion Aviation Funds. We provide lease management, insurance management and aircraft asset management services to AerCap Partners I for a fee. We have determined that 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.

As of December 31, 2016, AerCap Partners I had a portfolio consisting of eight Boeing 737NG aircraft. During the year ended December 31, 2016, AerCap Partners I sold three Boeing 737NG aircraft, with leases attached, to a third party. As of December 31, 2016, AerCap Partners I had $81.5 million outstanding under a senior debt facility, which is guaranteed by us, and $63.8 million of subordinated debt outstanding, consisting of $31.9 million from us and $31.9 million from our joint venture partner.

27. Special purpose entities (Continued)

AerCap Partners II

AerCap Partners II Holding Limited ("AerCap Partners II") is a 50%-50% joint venture owned by us and Deucalion Aviation Funds. We provide lease management, insurance management and aircraft asset management services to AerCap Partners II for a fee. We have determined that 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.

As of December 31, 2016, AerCap Partners II had a portfolio consisting of three Airbus A320 aircraft. As of December 31, 2016, AerCap Partners II had $49.0 million outstanding under an ECA senior debt facility, which is guaranteed by us, and $16.8 million of subordinated debt outstanding, consisting of $8.4 million from us and $8.4 million from our joint venture partner.

AerCap Partners 767

AerCap Partners 767 Limited ("AerCap Partners 767") is a 50%-50% joint venture owned by us and Deucalion Aviation Funds. We provide lease management, insurance management and aircraft asset management services to AerCap Partners 767 for a fee. We have determined that 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.

As of December 31, 2016, AerCap Partners 767 had a portfolio consisting of two Boeing 767-300ER aircraft. As of December 31, 2016, AerCap Partners 767 had $16.2 million outstanding under a senior debt facility, which is limited recourse to us and $31.0 million of subordinated debt outstanding, consisting of $15.5 million from us and $15.5 million from our joint venture partner.

ALS II

We hold a 5% equity investment and 100% of the subordinated fixed rate deferrable interest asset backed notes ("ALS II Class E-1 Notes") in ALS II. We provide lease management, insurance management and aircraft asset management services to ALS II for a fee. We have determined that we are the PB of the entity because we have control and we absorb the majority of the risks and rewards of the entity.

As of December 31, 2016, ALS II had a portfolio consisting of 26 Airbus A320 Family aircraft. During the year ended December 31, 2016, ALS II sold four Airbus A320 Family aircraft, with leases attached, to a third party. As of December 31, 2016, ALS II had $17.7 million of senior Class A notes outstanding and $350.0 million of ALS II Class E-1 Notes outstanding due to us. The ALS II senior Class A notes were repaid in full in January 2017.

AerFunding

We hold a 5% equity investment and 100% of the subordinated fixed rate deferrable interest asset backed notes ("AerFunding Class E-1 Notes") in AerFunding. We provide lease management, insurance management and aircraft asset management services to AerFunding for a fee. We have determined that we are the PB of the entity because we have control and we absorb the majority of the risks and rewards of the entity.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

27. Special purpose entities (Continued)

As of December 31, 2016, AerFunding had a portfolio consisting of five Airbus A320 Family aircraft, five Airbus A330 aircraft, seven Boeing 737NG aircraft and two Boeing 787 aircraft. As of December 31, 2016, AerFunding had $596.8 million outstanding under a secured revolving credit facility and $192.7 million of AerFunding Class E-1 Notes outstanding due to us.

AerLift Jet

AerLift Leasing Jet Ltd. ("AerLift Jet") is a 50%-50% joint venture owned by us and a U.S.-based aircraft leasing company. We provide lease management, insurance management and aircraft asset management services to AerLift Jet for a fee. We have determined that 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.

During the year ended December 31, 2016, AerLift Jet sold its four aircraft and repaid all amounts previously outstanding under its secured bank loans. AerLift Jet did not own any aircraft as of December 31, 2016.

Non-consolidated SPEs

The following table presents our maximum exposure to loss in SPEs for which we are not the PB as of December 31, 2016 and 2015:

	As of December 31,	
	2016	2015
Carrying value of investments (Note 11)	$118,783	$114,711
Carrying value of the ALS Note Receivable	—	85,747
Debt guarantees	125,429	248,105
Maximum exposure to loss	**$244,212**	**$448,563**

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 SPEs, for which we are not the PB, had no value and outstanding debt guarantees were called upon in full.

AerDragon

AerDragon is a joint venture with 50% owned by China Aviation Supplies Holding Company, and the other 50% owned equally by us, affiliates of Crédit Agricole Corporate and Investment Bank, and East Epoch Limited. This joint venture enhances our presence in the Chinese market and our ability to lease our aircraft and engines throughout the entire Asia/Pacific region. We provide certain aircraft and accounting related services to AerDragon, and guarantee debt secured by certain aircraft which AerDragon purchased directly from us for a fee. As of December 31, 2016 and 2015, we guaranteed debt of $3.4 million and $7.5 million, respectively, for AerDragon. With the exception of the debt for which we act as a guarantor, the obligations of AerDragon are non-recourse to us.

27. Special purpose entities (Continued)

As of December 31, 2016, AerDragon had 29 narrowbody aircraft on lease to ten airlines. During the year ended December 31, 2016, AerDragon completed the sale of one widebody aircraft, with lease attached, to a third party.

We have determined that AerDragon is a SPE, in which we do not have control and therefore we are not the PB. We do have significant influence and, accordingly, we account for our investment in AerDragon under the equity method of accounting.

AerLift

AerLift is a joint venture in which we have a 39% interest. We provide asset and lease management, insurance management and cash management services to AerLift for a fee. As of December 31, 2016 and 2015, we guaranteed debt of $122.0 million and $168.9 million, respectively, for AerLift. Other than the debt for which we act as a guarantor, the debt obligations of AerLift are non-recourse to us.

As of December 31, 2016, AerLift owned four aircraft. During the year ended December 31, 2016, AerLift completed the sale of two aircraft to third parties. We have determined that AerLift is a SPE in which we do not have control and therefore we are not the PB. We do have significant influence and, accordingly, we account for our investment in AerLift under the equity method of accounting.

ACSAL

In June 2013, we completed a transaction under which we sold eight Boeing 737-800 aircraft to ACSAL, an affiliate of Guggenheim, in exchange for cash, and we made a capital contribution to ACSAL in exchange for 19% of its equity. We provide aircraft asset and lease management services to ACSAL for a fee. As of December 31, 2016, ACSAL continued to own the eight aircraft.

We have determined that ACSAL is a SPE in which we do not have control and therefore we are not the PB. We do have significant influence and, accordingly, we account for our investment in ACSAL under the equity method of accounting.

AerCap Partners III

In 2010, we entered into a 50% joint venture, AerCap Partners III Holdings Limited ("AerCap Partners III"), which initially owned three Airbus A330 aircraft. On June 1, 2011, we sold our 50% interest in the three Airbus A330 aircraft but we continued to guarantee debt for AerCap Partners III for a fee. During the year ended December 31, 2016, AerCap Partners III was unwound and we no longer act as a guarantor for the debt of AerCap Partners III as of December 31, 2016. As of December 31, 2015, we guaranteed $71.7 million of debt for AerCap Partners III. Other than the debt for which we acted as a guarantor, the obligations of AerCap Partners III were non-recourse to us. We determined that AerCap Partners III was a SPE in which we did not have control and therefore we were not the PB.

27. Special purpose entities (Continued)

ALS

In 2012, we completed the ALS Transaction. In addition, we obtained financing (the "ALS Coupon Liability") in return for which we received a contingent asset (the "ALS Note Receivable") with the substance of a structured note. Repayments of the ALS Coupon Liability were equal to an annual 8% coupon of the transaction price, paid until the earlier of December 2016 or the month in which the senior securities issued by ALS (the "G-Notes"), were fully repaid.

As of December 31, 2015, the ALS Note Receivable was $85.7 million, and the amount outstanding under the ALS Coupon Liability was $28.0 million.

On December 7, 2016, the ALS Coupon Liability and the G-Notes were both repaid in full. On December 23, 2016, the ALS portfolio was refinanced (the "ALS Refinancing"), upon which we received $120.3 million based on 20% of the cash flows from the ALS Refinancing up to a cap equal to the total ALS Coupon Liability payments. At the time of the ALS Refinancing, the ALS Note Receivable had a carrying value of $92.6 million and as a result we recognized a net gain of $27.7 million in other income.

We have determined that ALS was a SPE in which we did not have control and therefore we were not the PB.

AerCo

We had an economic interest in AerCo Limited ("AerCo"). AerCo was an aircraft securitization vehicle in which we held the most junior class of subordinated notes and certain notes immediately senior to those junior notes. On August 4, 2015, AerCo entered into a creditor's winding up. On October 15, 2015, AerCo disclosed that no further payments of interest or principal would be made in respect of the classes of notes held by us. Hence, we did not realize any value from the creditor's winding up of AerCo. On February 16, 2016, AerCo Limited was dissolved. We provided a variety of management services to AerCo for which we received fees. AerCo was a SPE for which we determined that we did not have control and were not the PB and, accordingly, we did not consolidate the financial results of AerCo in our Consolidated Financial Statements. Historically, the investment in AerCo had been written down to zero.

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 entity's economic performance. Our variable interest in these entities consists of servicing fees that we receive for providing aircraft management services.

28. Related party transactions

AIG

As a result of the ILFC Transaction, AIG held a significant ownership interest in AerCap. Following both secondary public offerings and the Share Repurchase from AIG, AIG no longer owns any of our outstanding ordinary shares. See Note 1—*General*. AIG and its subsidiaries were considered related parties between the Closing Date and August 24, 2015, when AIG sold its remaining AerCap ordinary shares and when AIG's remaining designee resigned from AerCap's Board of Directors.

Debt

We have a senior unsecured revolving credit facility with AIG as lender and administrative agent. We paid fees of $4.1 million from January 1, 2015 through August 24, 2015.

In June 2015, AerCap Trust issued the Junior Subordinated Notes due 2045 to AIG. See Note 15—*Debt*. We paid no fees or interest to AIG from January 1, 2015 through August 24, 2015 for these notes. As of December 31, 2016, AIG did not hold any of the Junior Subordinated Notes.

Repurchase of shares

On June 9, 2015, we completed the Share Repurchase from AIG. See Note 17—*Equity*.

Derivatives

We had interest rate swap agreements with AIG Markets, Inc., a wholly-owned subsidiary of AIG, that matured during the year ended December 31, 2015. The net effect in our Consolidated Income Statements from January 1, 2015 through August 24, 2015 from derivative contracts with AIG Markets, Inc., was nil, as the cash expense of $1.3 million was offset by a mark-to-market gain of $1.3 million. See also Note 12—*Derivative assets and liabilities*.

Management fees

We received management fees of $5.1 million from January 1, 2015 through August 24, 2015 from affiliates of AIG.

AerDragon

We provide certain aircraft- and accounting- related services to, and guarantee certain debt of, AerDragon, a joint venture accounted for at net asset value. We charged AerDragon a fee for these services of $0.6 million and $0.5 million during the years ended December 31, 2016 and 2015, respectively. In addition, we received a dividend of $1.7 million and $0.3 million from AerDragon during the years ended December 31, 2016 and 2015, respectively.

ACSAL

We provide aircraft asset and lease management services to ACSAL, an investment accounted for at net asset value, for which we received a fee of $0.5 million and $0.5 million for the years ended December 31, 2016 and 2015, respectively.

AerLift

We provide a variety of management services to, and guarantee certain debt of, AerLift, a joint venture accounted for at net asset value, for which we received a fee of $2.9 million and $2.8 million during the years ended December 31, 2016 and 2015, respectively. In addition, we received dividends of $7.5 million and $2.3 million from AerLift during the years ended December 31, 2016 and 2015, respectively.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

28. Related party transactions (Continued)

AerCo

AerCo was an aircraft securitization vehicle in which we held the most junior class of subordinated notes and certain notes immediately senior to those junior notes. On February 16, 2016, AerCo was dissolved. During the year ended December 31, 2015, we provided a variety of management services to AerCo for which we received fees of $1.4 million.

29. Commitments and contingencies

Aircraft on order

As of December 31, 2016, we had commitments to purchase 420 new aircraft scheduled for delivery through 2022. The majority of 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, 2016, we had made non-refundable deposits on these purchase commitments (exclusive of capitalized interest and fair value adjustments) of approximately $636.2 million, $667.3 million and $7.5 million with Boeing, Airbus and Embraer, respectively.

Management anticipates that 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.

Movements in prepayments on flight equipment during the years ended December 31, 2016 and 2015 were as follows:

	Year Ended December 31,	
	2016	2015
Prepayments on flight equipment at beginning of period	$3,300,426	$ 3,486,514
Prepayments made during the period	837,776	747,541
Interest capitalized during the period	107,688	79,230
Prepayments and capitalized interest applied to the purchase of flight equipment	(979,911)	(1,012,859)
Prepayments on flight equipment at end of period	**$3,265,979**	**$ 3,300,426**

The following table presents our contractual commitments for the purchase of flight equipment as of December 31, 2016:

	2017	2018	2019	2020	2021	2022	Total
Purchase obligations(a)	$5,051,158	$6,028,196	$5,084,565	$3,624,926	$2,838,730	$534,991	$23,162,566

(a) Includes commitments to purchase 396 aircraft and 24 purchase and leaseback transactions.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

29. Commitments and contingencies (Continued)

Leases

We have operating lease agreements with third parties for office space, company cars and office equipment. As of December 31, 2016, minimum payments under the lease agreements for office space were as follows:

	Future minimum lease payments
2017	$ 11,155
2018	11,056
2019	8,754
2020	8,828
2021	8,967
Thereafter	51,343
	$100,103

Asset value guarantees

We have potential obligations under contracts that guarantee a portion of the residual value of aircraft owned by third parties. These guarantees expire at various dates through 2023 and generally obligate us to pay the shortfall between the fair market value and the guaranteed value of the aircraft and, in certain cases, provide us with an option to purchase the aircraft for the guaranteed value. As of December 31, 2016, eight guarantees were outstanding.

We regularly review the underlying values of the aircraft collateral to determine our exposure under these asset value guarantees. We did not record any asset value guarantee loss provisions during the years ended December 31, 2016 or 2015.

As of December 31, 2016 and 2015, the carrying value of the asset value guarantee liability was $37.5 million and $37.5 million, respectively, and was included in accounts payable, accrued expenses and other liabilities in our Consolidated Balance Sheets. As of December 31, 2016, the maximum aggregate potential commitment that we were obligated to pay under these guarantees, including those exercised, and without any offset for the projected value of the aircraft or other contractual features that may limit our exposure, was approximately $168.4 million.

Other guarantees

We guarantee the future re-lease or extension rental rates and other costs of four sold aircraft up to agreed maximum amounts for each aircraft. These guarantees expire when qualifying re-lease or extension agreements are signed but generally no later than 2018. We are obligated to perform under these guarantees if the contracted net re-lease or extension rates do not equal or exceed the specified amounts in the guarantees.

29. Commitments and contingencies (Continued)

We also guarantee the replacement lease rental cash flows of three sold aircraft, in the event of a default and lease termination by the current lessees, up to agreed maximum amounts for each aircraft. Two of these guarantees expire in 2020 and the third guarantee expires in 2018. We are obligated to perform under these guarantees in the event of a default and lease termination by the current lessees, and if the contracted net replacement lease rental rates do not equal or exceed the rental amounts in the current lease contracts.

As of December 31, 2016 and 2015, the carrying value of these guarantees was $14.3 million and $9.9 million, respectively, and was included in accounts payable, accrued expenses and other liabilities in our Consolidated Balance Sheets. As of December 31, 2016, the maximum undiscounted aggregate future guarantee payments that we could be obligated to make under these guarantees, without offset for the projected net future re-lease or extension rates, were approximately $34.2 million.

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 leased 13 aircraft and three spare engines to Viação Aerea 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. In 1992, we 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 in 1992. VASP appealed this decision. In 1996, the Appellate Court of the State of São Paulo (“TJSP”) ruled in favor of VASP on its appeal. We were instructed to return the aircraft and engines to VASP for lease under the terms of the original lease agreements. The Appellate Court also granted VASP the right to seek damages in lieu of the return of the aircraft and engines. Since 1996 we have defended this case in the Brazilian courts through various motions and appeals. On March 1, 2006, the Superior Tribunal of Justice (the “STJ”) dismissed our then-pending appeal and on April 5, 2006, a special panel of the STJ confirmed this decision. On May 15, 2006 we filed an extraordinary appeal with the Federal Supreme Court. In September 2009 the Federal Supreme Court requested an opinion on our appeal from the office of the Attorney General. This opinion was provided in October 2009. The Attorney General recommended that AerCap’s extraordinary appeal be accepted for trial and that the case be subject to a new judgment before the STJ. The Federal Supreme Court is not bound by the opinion of the Attorney General. While we have been advised that it would be normal practice to take such an opinion into consideration, there are no assurances that the Federal Supreme Court will rule in accordance with the Attorney General opinion or, if it did, what the outcome of the judgment of the STJ would be.

29. Commitments and contingencies (Continued)

On February 23, 2006, VASP commenced a procedure to calculate its alleged damages and since then we, VASP and the court have appointed experts to assist the court in calculating damages. Our appointed expert has concluded that no damages were incurred. The VASP-appointed expert has concluded that substantial damages were incurred, and has claimed that such damages should reflect monetary adjustments and default interest for the passage of time. The court-appointed expert has also concluded that no damages were incurred. The public prosecutor had filed an opinion that supports the view of the VASP-appointed expert. In response to that opinion, the court-appointed expert reaffirmed his conclusion. A subsequently-appointed public prosecutor has since filed a new opinion that is less supportive of the VASP-appointed expert's opinion. The procedure is ongoing. We believe, and we have been advised, that it is not probable that VASP will 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, and the court is conducting its own analysis and will reach its own conclusion. The 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 July 2006, we brought a claim for damages against VASP in the English courts, seeking damages incurred by AerCap as a result of VASP's default under seven leases that were governed by English law. VASP filed applications challenging the jurisdiction of the English court, and sought to adjourn the jurisdictional challenge pending the sale of some of its assets in Brazil. We opposed this application and by an order dated March 6, 2008, the English court dismissed VASP's applications.

In September 2008, the bankruptcy court in Brazil ordered the bankruptcy of VASP. VASP appealed this decision. In December 2008, we filed with the English court an application for default judgment, seeking damages plus accrued interest pursuant to seven lease agreements. On March 16, 2009, we obtained a default judgment in which we were awarded approximately $40.0 million in damages plus accrued interest. We subsequently applied to the STJ for an order ratifying the English judgment, so that it might be asserted in the VASP bankruptcy. The STJ granted AerCap's application and entered an order ratifying the English judgment. Although VASP appealed that order, it is fully effective pending a resolution of VASP's appeal of the order ratifying the English judgment.

On November 6, 2012, the STJ ruled in favor of VASP on its appeal from the order placing it in bankruptcy. Acting alone, the reporting justice of the appellate panel ordered the bankruptcy revoked and the matter converted to a judicial reorganization. Several creditors of VASP appealed that ruling to the full panel of the STJ. On December 17, 2012, the Special Court of the STJ reversed the ruling of the reporting justice and upheld the order placing VASP in bankruptcy. The decision was published on February 1, 2013. On February 25, 2013, the lapse of time for appeal (res judicata) was certified.

In addition to our claim in the English courts, AerCap has also brought actions against VASP in the Irish courts to recover damages incurred as a result of VASP's default under nine leases governed by Irish law. The Irish courts granted an order for service of process, and although VASP opposed service in Brazil, the STJ ruled that service of process had been properly completed. After some additional delay due to procedural issues related to VASP's bankruptcy, the Irish action went forward. Upon VASP's failure to appear, the High Court entered default judgment in favor of AerCap, finding VASP liable for breach of its obligations under the leases. On October 24, 2014, the High Court entered judgment in favor of AerCap, awarding us damages in the amount of approximately $36.9 million. We are presently seeking to have the Irish judgment ratified by the STJ in Brazil, so that it might be asserted in the VASP bankruptcy.

29. Commitments and contingencies (Continued)

Transbrasil litigation

In the early 1990s, two AerCap-related companies (the "AerCap Lessors") leased 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 AerCap, along with other leases it had entered into with GECC and certain of its affiliates (collectively with GECC, the "GE Lessors"). 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 GECC brought an enforcement action on behalf of the Lessors in 2001. Concurrently, GECC 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 GECC brought the enforcement action. In 2007, the trial judge ruled in favor of Transbrasil. That decision was 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. These special appeals were subsequently admitted for hearing.

In July 2011, 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. AerCap and its co-defendants opposed provisional enforcement of the 2010 judgment, arguing, among other things, that Transbrasil's calculations were greatly exaggerated.

Transbrasil also initiated proceedings to determine the amount of its alleged Indemnity Claim. The court appointed an expert to determine the measure of damages and the defendants appointed an assistant expert. We believe we have strong arguments to convince the expert and the court that Transbrasil suffered no damage as a result of the defendants' attempts to collect on the Notes.

29. Commitments and contingencies (Continued)

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.

In October 2013, the STJ granted the special appeals filed by GECAS and its related parties, effectively reversing the 2010 Judgment in most respects as to all of the Lessors.

In February 2014, Transbrasil appealed the STJ's ruling of October 2013 to another panel of the STJ. The appellate panel rejected Transbrasil's appeal in November 2016, preserving the October 2013 order. The parties have the right to seek further appellate review of the appellate panel's November 2016 order.

In light of the STJ's ruling of 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. Transbrasil's Provisional Enforcement Action with respect to the Indemnity Claim remains pending; however, the action has currently been stayed pending a final decision in the Transbrasil Lawsuit.

Yemen Airways-Yemenia litigation

ILFC is named in a lawsuit in connection with the 2009 crash of an Airbus A310-300 aircraft owned by ILFC and on lease to Yemen Airways-Yemenia, a Yemeni carrier ("Hassanati Action"). The Hassanati plaintiffs are families of deceased occupants of the flight and seek unspecified damages for wrongful death, costs, and fees. The Hassanati Action commenced in January 2011 and was pending in the United States District Court for the Central District of California. On February 18, 2014, the district court granted summary judgment in ILFC's favor and dismissed all of the Hassanati plaintiffs' remaining claims. The Hassanati plaintiffs appealed. On March 22, 2016, the appellate court rejected the appeal. On April 22, 2016, the Hassanati plaintiffs refiled their action at the trial court. The trial court granted ILFC's motion to dismiss the Hassanati plaintiffs' second complaint on November 22, 2016. The Hassanati plaintiffs have appealed this order. On August 29, 2014, a new group of plaintiffs filed a lawsuit against ILFC in the United States District Court for the Central District of California (the "Abdallah Action"). The Abdallah Action claims unspecified damages from ILFC on the same theory as does the Hassanati Action. We believe that ILFC has substantial defenses on the merits and is adequately covered by available liability insurance in respect of both the Hassanati Action and the Abdallah Action.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

30. Fair values of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values of financial instruments have been determined with reference to available market information. However, considerable management judgment is required in interpreting market data to arrive at estimates of fair values. Accordingly, the estimates presented herein may not be indicative of the amounts that we could realize in a current market exchange.

The fair value of restricted cash and cash and cash equivalents approximates their carrying value because of their short-term nature. The fair value of notes receivables approximates its carrying value. 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. 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. The fair value of guarantees is determined by reference to the fair market value or future lease cash flows of the underlying aircraft and the guaranteed amount.

The carrying amounts and fair values of our most significant financial instruments as of December 31, 2016 and 2015 were as follows:

	December 31, 2016	
	Carrying value	**Fair value**
Assets		
Cash and cash equivalents	$ 2,035,447	$ 2,035,447
Restricted cash	329,180	329,180
Derivative assets	37,187	37,187
Notes receivables	23,359	23,359
	$ 2,425,173	**$ 2,425,173**
Liabilities		
Debt	$27,873,900(a)	$28,203,635
Guarantees	51,804	51,804
	$27,925,704	**$28,255,439**

(a) Excludes debt issuance costs and debt discounts.

30. Fair values of financial instruments (Continued)

	December 31, 2015	
	Carrying value	Fair value
Assets		
Cash and cash equivalents	$ 2,403,098	$ 2,403,098
Restricted cash	419,447	419,447
Derivative assets	18,965	18,965
Notes receivables	116,197	116,197
	$ 2,957,707	**$ 2,957,707**
Liabilities		
Debt	$29,806,843(a)	$29,915,965
Derivative liabilities	21	21
Guarantees	47,380	46,827
	$29,854,244	**$29,962,813**

(a) Excludes debt issuance costs and debt discounts.

31. Directors' remuneration

Our remuneration policy for non-executive and executive directors can be found in our Remuneration Policy, which is available on our website, and in the Remuneration Report included in this Annual Report. The table below indicates the total remuneration paid to our non-executive directors as of December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
	(Euro amounts in thousands)	
Pieter Korteweg	€ 254	€ 265
Salem Al Noaimi	165	157
Homaid Al Shimmari	111	101
James (Jim) Chapman	178	162
Paul Dacier	157	154
Richard (Michael) Gradon	154	151
Marius Jonkhart	187	176
Walter McLallen	82	—
Robert (Bob) Warden	159	148
Total	**€1,447**	**€1,314**

In addition, during the years ended December 31, 2016 and 2015, we recognized share-based compensation expense of $0.8 million and $0.1 million, respectively, related to AerCap equity instruments that were granted to the non-executive directors.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

31. Directors' remuneration (Continued)

We paid Mr. Aengus Kelly, our only executive director and Chief Executive Officer, a total remuneration of approximately €2.4 million, consisting of an annual base salary of €0.8 million, an annual cash bonus of €1.3 million, which is based on specific targets that were met, and €0.3 million as contributions to his defined benefit pension plan and other employment benefits, during the year ended December 31, 2016. In addition, during the year ended December 31, 2016, we recognized $27.0 million of expenses related to AerCap equity instruments that were granted to him in 2016 and prior years.

The following table presents beneficial ownership of our shares which are held by our directors as of December 31, 2016:

	Ordinary shares (unrestricted)	Restricted stock(a)	Restricted stock units(a)(b)	Ordinary shares underlying options(c)	Fully diluted ownership percentage(d)
Directors:					
Salem Al Noaimi	—	2,037	2,497	3,954	*
Homaid Al Shimmari	—	—	—	—	*
James (Jim) Chapman	7,458	5,150	4,393	1,803	*
Paul Dacier (Vice Chairman)	10,109	4,488	3,255	5,728	*
Richard (Michael) Gradon	100	4,022	3,761	—	*
Marius Jonkhart	11,500	3,036	3,761	5,728	*
Aengus Kelly (CEO)(e)	691,008	1,640,867	—	—	1.3%
Pieter Korteweg (Chairman)	20,000	5,557	6,320	—	*
Robert (Bob) Warden	—	3,520	2,497	5,728	*
Walter McLallen	—	—	2,497	—	*
Total Directors	**740,175**	**1,668,677**	**28,981**	**22,941**	

* 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, 4,917 will vest on January 1, 2017, 14,692 will vest on February 13, 2017, 17,791 will vest on May 31, 2017, 4,319 will vest on January 1, 2018, 21,739 will vest on February 17, 2018, 1,079,606 will vest on May 31, 2018, 20,347 will vest on February 19, 2019, 531,750 will vest on May 31, 2019 and 2,497 will vest on January 1, 2020.

(b) On January 18, 2016, the remaining 792,227 restricted stock units held by our CEO, were converted to restricted stock of which 531,750 were issued with the remaining stock being withheld and applied to pay the taxes involved. The converted restricted stock remained subject to restrictions and conditions identical to the restricted stock units, including vesting and forfeiture conditions.

(c) 5,322 of these options expire on December 31, 2020 and carry a strike price of $14.12 per option. 8,604 of these options expire on December 31, 2021 and carry a strike price of $11.29 per option. The remaining 9,015 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 in this table, and no vesting or exercise of any other equity awards.

(e) Mr. Aengus Kelly is our Chief Executive Officer and an Executive Director of the Board.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

31. Directors' remuneration (Continued)

All of our ordinary shares have the same voting rights.

The address for all of our officers and directors is c/o AerCap Holdings N.V., AerCap House, 65 St. Stephen's Green, Dublin 2, Ireland.

32. Subsidiary undertakings

The subsidiaries which are taken up in the consolidated financial statements are direct and indirect subsidiaries 100% owned, unless otherwise stated.

Subsidiary name	Jurisdiction of incorporation
ILFC Aruba A.V.V.	Aruba
ILFC Australia Holdings Pty. Ltd.	Australia
ILFC Australia Pty. Ltd.	Australia
Wombat 30633 Leasing Pty Ltd	Australia
Wombat 30638 Leasing Pty Ltd	Australia
Wombat 30644 Leasing Pty Ltd	Australia
Wombat 30648 Leasing Pty Ltd	Australia
Wombat 30658 Leasing Pty Ltd	Australia
Wombat 3474 Leasing Pty Ltd	Australia
Wombat 3495 Leasing Pty Ltd	Australia
Wombat 3547 Leasing Pty Ltd	Australia
Wombat 3668 Leasing Pty Ltd	Australia
Wombat V Leasing Pty Ltd	Australia
Wombat VI Leasing Pty Ltd	Australia
AerCap Holdings (Bermuda) Limited	Bermuda
AerCap International Bermuda Limited	Bermuda
AerCap Leasing 3034 (Bermuda) Limited	Bermuda
AerCap Leasing MSN 2413 (Bermuda) Limited	Bermuda
AerFunding 1 Limited and subsidiaries (5%)	Bermuda
Aircraft Lease Securitisation II Ltd. and subsidiaries (5% owned by AerCap Ireland Limited.)	Bermuda
Aquarius Aircraft Leasing Limited	Bermuda
Ararat Aircraft Leasing Limited	Bermuda
CloudFunding III Limited	Bermuda
Copperstream Aircraft Leasing Limited	Bermuda
Flotlease 973 (Bermuda) Limited	Bermuda
Genesis Portfolio Funding I Limited	Bermuda
GLS Atlantic Alpha Limited	Bermuda
Goldstream Aircraft Leasing Limited	Bermuda
ILFC (Bermuda) 4, Ltd.	Bermuda
ILFC (Bermuda) 5, Ltd.	Bermuda
ILFC (Bermuda) 6, Ltd.	Bermuda
ILFC (Bermuda) 7, Ltd.	Bermuda

32. Subsidiary undertakings (Continued)

Subsidiary name	Jurisdiction of incorporation
ILFC (Bermuda) III, Ltd.	Bermuda
Lare Leasing Limited	Bermuda
LC (BERMUDA) NO. 2 LTD	Bermuda
Roselawn Leasing Limited	Bermuda
Ross Leasing Limited	Bermuda
Silverstream Aircraft Leasing Limited	Bermuda
Wahaflot Leasing 3699 (Bermuda) Limited	Bermuda
Westpark 1 Aircraft Leasing Limited	Bermuda
Whitestream Aircraft Leasing Limited	Bermuda
AerCap Aircraft Purchase Limited	Cayman Islands
AerCap HK-320-A Limited	Cayman Islands
AerCap HK-320-B Limited	Cayman Islands
AerCap HK-320-C Limited	Cayman Islands
ILFC Cayman Limited	Cayman Islands
Eaststar Limited	China
ILFC (Beijing) Services Co., Ltd	China
North Star Company Limited	China
Southstar Limited	China
Biarritz Location S.A.R.L.	France
Calais Location S.A.R.L.	France
Grenoble Location S.A.R.L.	France
ILFC France S.A.R.L.	France
Lille Location S.A.R.L.	France
Mulhouse Location S.A.R.L.	France
Nancy Location S.A.R.L.	France
Nice Location S.A.R.L.	France
Strasbourg Location S.A.R.L.	France
Toulouse Location S.A.R.L.	France
AerBorne Funding Limited	Ireland
AerCap A330 Holdings Limited	Ireland
AerCap Administrative Services Limited	Ireland
AerCap Asset Finance Limited	Ireland
AerCap Cash Manager II Limited	Ireland
AerCap Cash Manager Limited	Ireland
AerCap Celtavia 4 Limited	Ireland
AerCap Celtavia 5 Limited	Ireland
AerCap Engine Leasing Limited	Ireland
AerCap Finance Limited	Ireland
AerCap Financial Services (Ireland) Limited	Ireland
AerCap Holding & Finance Limited	Ireland
AerCap Ireland Asset Investment 1 Limited	Ireland
AerCap Ireland Asset Investment 2 Limited	Ireland

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

32. Subsidiary undertakings (Continued)

Subsidiary name	Jurisdiction of incorporation
AerCap Ireland Capital Designated Activity Company	Ireland
AerCap Ireland Funding 1 Limited	Ireland
AerCap Ireland Limited	Ireland
AerCap Irish Aircraft Leasing 2 Limited	Ireland
AerCap Leasing 3034 Limited	Ireland
AerCap Leasing 8 Limited	Ireland
AerCap Leasing 946 Limited	Ireland
AerCap Note Purchaser Limited	Ireland
AerCap Partners 2 Holding Limited and subsidiary (50%)	Ireland
AerCap Partners 3 Holdings Limited and subsidiary (50%) (unconsolidated)	Ireland
AerCap Partners 767 Holdings Limited and subsidiary (50%)	Ireland
AerCap Partners I Holding Limited and subsidiaries (50%)	Ireland
AerDragon Aviation Partners Limited and subsidiaries (16.667%) (unconsolidated)	Ireland
AerFi Group Limited	Ireland
AerLift Leasing Jet Limited (50%)	Ireland
AerVenture Export Leasing Limited	Ireland
AerVenture Limited (and subsidiaries)	Ireland
Andes Aircraft Leasing Limited	Ireland
Andromeda Aircraft Leasing Limited	Ireland
Annamite Aircraft Leasing Limited	Ireland
BlowfishFunding Limited	Ireland
Burgundy Aircraft Leasing Limited	Ireland
Calliope Limited	Ireland
Camden Aircraft Leasing Limited	Ireland
Castletroy Leasing Limited	Ireland
CelestialFunding Limited	Ireland
Celtago Funding Limited	Ireland
Celtago II Funding Limited	Ireland
Charleville Aircraft Leasing Limited	Ireland
CieloFunding Holdings Limited	Ireland
Clarity Leasing Limited	Ireland
CloudFunding II Limited	Ireland
CloudFunding Limited	Ireland
CuttlefishFunding Limited	Ireland
Danang Aircraft Leasing Limited	Ireland
Danang Aircraft Leasing No. 2 Limited	Ireland
Electra Funding Ireland Limited	Ireland
Eris Aircraft Limited	Ireland
Excalibur Aircraft Leasing Limited	Ireland

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

32. Subsidiary undertakings (Continued)

Subsidiary name	Jurisdiction of incorporation
Fansipan Aircraft Leasing Limited	Ireland
Flotlease MSN 3699 Limited	Ireland
Flotlease MSN 973 Limited	Ireland
FlyFunding Limited	Ireland
Geministream Aircraft Leasing Limited	Ireland
Geneva Triple Sept Leasing Limited	Ireland
Glide Aircraft 35A-29 Ltd	Ireland
Glide Aircraft 73B-41815 Limited	Ireland
Glide Aircraft 78B-38765 Limited	Ireland
Glide Funding Limited	Ireland
Gunung Leasing Limited	Ireland
Harmonic Aircraft Leasing Limited	Ireland
Hyperion Aircraft Financing Limited and subsidiaries	Ireland
ILFC Aircraft 32A-2797 Limited	Ireland
ILFC Aircraft 33A-1284 Limited	Ireland
ILFC Ireland 2 Limited	Ireland
ILFC Ireland 3 Limited	Ireland
ILFC Ireland Limited and subsidiaries	Ireland
Iridium Funding Limited	Ireland
Jade Aircraft Leasing Limited	Ireland
Jasmine Aircraft Leasing Limited	Ireland
Jasper Aircraft Leasing Limited	Ireland
Leostream Aircraft Leasing Limited	Ireland
Librastream Aircraft Leasing Limited	Ireland
Limelight Funding Limited	Ireland
Lishui Aircraft Leasing Limited	Ireland
Mainstream Aircraft Leasing Limited	Ireland
Melodic Aircraft Leasing Limited	Ireland
Monophonic Aircraft Leasing Limited	Ireland
Moonlight Aircraft Leasing (Ireland) Limited	Ireland
NimbusFunding Limited	Ireland
Philharmonic Aircraft Leasing Limited	Ireland
Polyphonic Aircraft Leasing Limited	Ireland
Quadrant MSN 5869 Limited	Ireland
RainbowFunding Limited	Ireland
Rouge Aircraft Leasing Limited	Ireland
Scarlet Aircraft Leasing Limited	Ireland
Shrewsbury Aircraft Leasing Limited	Ireland
SkyFunding II Holdings Limited	Ireland
SkyFunding II Limited	Ireland
SkyFunding Limited	Ireland
Skyscape Limited	Ireland

32. Subsidiary undertakings (Continued)

Subsidiary name	Jurisdiction of incorporation
SoraFunding Limited	Ireland
StratocumulusFunding Limited	Ireland
StratusFunding Limited	Ireland
Streamline Aircraft Leasing Limited	Ireland
Sunflower Aircraft Leasing Limited	Ireland
Symphonic Aircraft Leasing Limited	Ireland
Synchronic Aircraft Leasing Limited	Ireland
TetraFunding Limited	Ireland
Transversal Aircraft Holdings Limited	Ireland
Transversal Aircraft Leasing II Limited	Ireland
Transversal Aircraft Leasing Limited	Ireland
Triple Eight Aircraft Holdings Limited	Ireland
Triple Eight Aircraft Leasing Limited	Ireland
Virgostream Aircraft Leasing Limited	Ireland
XLease MSN (1439) Limited	Ireland
XLease MSN (1450) Limited	Ireland
Acorn Aviation Limited	Isle of Man
AerCap Holding (IOM) Limited	Isle of Man
AerCap International (Isle of Man) Limited	Isle of Man
AerCap IOM 2 Limited	Isle of Man
AerCap Note Purchaser (IOM) Limited	Isle of Man
AerLift Leasing Limited and subsidiaries (39%) (unconsolidated)	Isle of Man
CRESCENT AVIATION LIMITED	Isle of Man
Stallion Aviation Limited	Isle of Man
AerCap Jet Limited	Jersey
ILFC Labuan ECA Ltd.	Malaysia
ILFC Labuan Ltd.	Malaysia
AerCap A330 Holdings B.V.	Netherlands
AerCap AerVenture Holding B.V.	Netherlands
AerCap Aviation Solutions B.V.	Netherlands
AerCap B.V.	Netherlands
AerCap Dutch Aircraft Leasing I B.V.	Netherlands
AerCap Dutch Aircraft Leasing IV B.V.	Netherlands
AerCap Dutch Aircraft Leasing VII B.V.	Netherlands
AerCap Dutch Global Aviation B.V.	Netherlands
AerCap Group Services B.V.	Netherlands
AerCap International B.V.	Netherlands
AerCap Leasing XIII B.V.	Netherlands
AerCap Leasing XXIX B.V.	Netherlands
AerCap Leasing XXX B.V.	Netherlands
AerCap Netherlands B.V.	Netherlands

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

32. Subsidiary undertakings (Continued)

Subsidiary name	Jurisdiction of incorporation
Annamite Aircraft Leasing B.V.	Netherlands
BlowfishFunding B.V.	Netherlands
Clearstream Aircraft Leasing B.V.	Netherlands
FodiatorFunding B.V.	Netherlands
Harmony Funding B.V.	Netherlands
Harmony Funding Holdings B.V.	Netherlands
ILFC Aviation Services (Europe) B.V.	Netherlands
NimbusFunding B.V.	Netherlands
Quadrant MSN 209 B.V.	Netherlands
Quadrant MSN 2254 B.V.	Netherlands
Quadrant MSN 231 B.V.	Netherlands
Quadrant MSN 2310 B.V.	Netherlands
StratocumulusFunding B.V.	Netherlands
Worldwide Aircraft Leasing B.V.	Netherlands
Worldwide Aircraft Leasing II B.V.	Netherlands
AerCap Singapore Pte. Ltd.	Singapore
AerFi Sverige AB	Sweden
International Lease Finance Corporation (Sweden) AB	Sweden
AerCap UK Limited	United Kingdom
ILFC UK Limited	United Kingdom
Acsal Holdco LLC (19.44%) (unconsolidated)	United States
AerCap Global Aviation Trust	United States
AerCap Group Services, Inc.	United States
AerCap Hangar 52, Inc.	United States
AerCap Leasing USA I, Inc.	United States
AerCap Leasing USA II, Inc.	United States
AerCap U.S. Global Aviation LLC	United States
AerCap, Inc.	United States
AeroTurbine, Inc. (and subsidiaries)	United States
Aircraft 32A-2731 Inc.	United States
Aircraft 32A-3147 Inc.	United States
Aircraft 32A-3148 Inc.	United States
Aircraft 32A-810 Inc.	United States
Aircraft 33A-272 Inc.	United States
Aircraft 33A-358 Inc.	United States
Aircraft 33A-364 Inc.	United States
Aircraft 34A-216 Inc.	United States
Aircraft 73B-25374 Inc.	United States
Aircraft 73B-25375 Inc.	United States
Aircraft 73B-26323 Inc.	United States
Aircraft 73B-28249 Inc.	United States
Aircraft 73B-30671 Inc.	United States

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

32. Subsidiary undertakings (Continued)

Subsidiary name	Jurisdiction of incorporation
Aircraft 73B-31127 Inc.	United States
Aircraft 73B-32796 Inc.	United States
Aircraft 73B-32841 Inc.	United States
Aircraft 73B-33220 Inc.	United States
Aircraft 73B-38821 Inc.	United States
Aircraft 73B-41794 Inc.	United States
Aircraft 73B-41796 Inc.	United States
Aircraft 73B-41806 Inc.	United States
Aircraft 73B-41815 Inc.	United States
Aircraft B757 29382 Inc.	United States
Aircraft B767 29388 Inc.	United States
Aircraft SPC-12, LLC and subsidiaries	United States
Aircraft SPC-14, Inc.	United States
Aircraft SPC-3, Inc.	United States
Aircraft SPC-4, Inc.	United States
Aircraft SPC-8, Inc.	United States
Aircraft SPC-9, LLC and subsidiaries	United States
Apollo Aircraft Inc.	United States
Brokat Leasing, LLC	United States
CABREA, Inc.	United States
Delos Aircraft Inc.	United States
Euclid Aircraft, Inc.	United States
Fleet Solutions Holdings Inc.	United States
Flying Fortress Financing, LLC and subsidiaries	United States
Grand Staircase Aircraft, LLC	United States
Hyperion Aircraft Financing Inc.	United States
Hyperion Aircraft Inc.	United States
ILFC Aviation Consulting, Inc.	United States
ILFC Dover, Inc.	United States
ILFC Volare, Inc.	United States
Interlease Aircraft Trading Corporation	United States
Interlease Management Corporation	United States
International Lease Finance Corporation and subsidiaries	United States
Klementine Holdings, Inc.	United States
Klementine Leasing, Inc.	United States
Maiden Leasing, LLC	United States
Park Topanga Aircraft, LLC	United States
Romandy Triple Sept LLC	United States
States Aircraft, Inc.	United States
Temescal Aircraft, LLC and subsidiaries	United States
Top Aircraft, Inc.	United States

33. Subsequent events

In January 2017, AICDC and AerCap Trust co-issued $600.0 million aggregate principal amount of 3.50% senior unsecured notes due 2022, which are jointly and severally and fully and unconditionally guaranteed by the Parent Guarantor and the Subsidiary Guarantors. The proceeds from the offering were used for general corporate purposes.

In February 2017, our Board of Directors approved a new share repurchase program authorizing total repurchases of up to $350 million of AerCap ordinary shares through June 30, 2017. Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable U.S. federal securities laws. The timing of repurchases and the exact number of common shares to be purchased will be determined by the Company's management, in its discretion, and will depend upon market conditions and other factors. The program will be funded using the Company's cash on hand and cash generated from operations. The program may be suspended or discontinued at any time.

AerCap Holdings N.V.
Company Balance Sheets
As of December 31, 2016 and 2015
(After proposed profit appropriation)

	Note	As of December 31, 2016	2015
		(U.S. dollar amounts in thousands, except share data)	
Assets			
Cash and cash equivalents		$ 3,583	$ 14,086
Investments	35	8,968,338	8,113,365
Receivable from subsidiaries		105,949	18,443
Other assets		103,601	61,601
Total Assets		**$9,181,471**	**$8,207,495**
Liabilities and Equity			
Accounts payable, accrued expenses and other liabilities		$ 21,790	$ 58,697
Payable to subsidiaries		977,779	3,687
Negative goodwill	36	20,014	26,540
Total Liabilities		1,019,583	88,924
Ordinary share capital, €0.01 par value, 350,000,000 ordinary shares authorized as of December 31, 2016 and 2015; 187,847,345 and 203,411,207 ordinary shares issued and 176,247,154 and 200,342,204 ordinary shares outstanding (including 3,426,810 and 3,030,724 unvested restricted stock) as of December 31, 2016 and 2015, respectively		2,282	2,457
Additional paid-in capital		4,555,310	5,133,277
Treasury shares, at cost (11,600,191 and 3,069,003 ordinary shares as of December 31, 2016 and 2015, respectively)		(490,092)	(146,312)
Revaluation reserves		(1,769)	(6,307)
Accumulated retained earnings(a)		4,096,157	3,135,456
Total Equity	37	8,161,888	8,118,571
Total Liabilities and Equity		**$9,181,471**	**$8,207,495**

(a) Includes $38.4 million and $34.4 million of legal reserves as of December 31, 2016 and 2015, respectively, which are not free to distribute.

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

AerCap Holdings N.V.
Company Income Statements
For the Years Ended December 31, 2016 and 2015

	Note	Year Ended December 31, 2016	Year Ended December 31, 2015
		(U.S. dollar amounts in thousands)	
Net income from subsidiaries	35	$962,191	$1,189,172
Other income and expenses after taxation		(47,728)	(110,674)
Net income		**$914,463**	**$1,078,498**

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

34. Summary of significant accounting policies

General

The Company Financial Statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards for annual reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The Company Income Statements are presented in accordance with Part 9, Book 2, Art. 402 of the Dutch Civil Code.

Based on Part 9 Book 2 Art. 362.4 of the Dutch Civil Code, the Company did not adopt the model formats for the balance sheets, the income statements or the statements of cash flows as prescribed by the Dutch Civil Code. The current presentation of primary statements in the Consolidated Financial Statements is applied by our peers and we believe the use of these primary statements is necessary to provide sound judgment on the financial position and results of the Company. This presentation has no impact on the net income or equity of the Company. For the Company Financial Statements, we have followed the same presentation as in our Consolidated Financial Statements for consistency purposes.

The principles of valuation and determination of result for AerCap Holdings N.V. and the Consolidated Financial Statements are the same. For these principles, refer to the Consolidated Financial Statements.

Investments

Investments in subsidiaries are stated at net asset value as we effectively exercise influence over the operational and financial activities of these investments. The net asset value is determined in accordance with the accounting policies used for the Consolidated Financial Statements. If the valuation of an investment in a subsidiary based on the net asset value is negative, it will be stated at nil. If and insofar as AerCap Holdings N.V. can be held fully or partially liable for the debts of the subsidiary, or has the firm intention of enabling the participation to settle its debts, a provision is recognized for this.

Share-based compensation

Prior to the ILFC Transaction, certain of our employees participated in the parent company's share-based compensation plans, with the associated expenses reflected in the parent company's financial statements. Subsequent to the ILFC Transaction, the share-based compensation expenses related to certain of our employees are being pushed down from the parent company and recognized as a capital contribution from the parent.

(U.S. dollar amounts in thousands or as otherwise stated, except share data)

35. Investments

Movements in investments during the years ended December 31, 2016 and 2015 were as follows:

	Year Ended December 31,	
	2016	2015
Balance at beginning of period	$8,113,365	$ 8,362,299
Share-based compensation	39,775	35,079
Capital contributions and direct equity movements of subsidiaries	4,538	588
Redemptions and dividends received	(151,531)	(1,473,773)
Net income from subsidiaries	962,191	1,189,172
Balance at end of period	**$8,968,338**	**$ 8,113,365**

The redemptions and dividends received during the years ended December 31, 2016 and 2015 were related to intercompany restructuring transactions within the group.

36. Negative goodwill

Movements in negative goodwill during the years ended December 31, 2016 and 2015 were as follows:

	Year Ended December 31,	
	2016	2015
Balance at beginning of period	$26,540	$29,090
Release to income, net	(6,526)	(2,550)
Balance at end of period	**$20,014**	**$26,540**

37. Equity

Movements in equity during the years ended December 31, 2016 and 2015 were as follows:

	Number of ordinary shares issued	Ordinary share capital	Additional paid-in capital	Treasury shares	Revaluation reserves	Accumulated retained earnings	Total equity
	(U.S. dollar amounts in thousands, except share data)						
Balance as of December 31, 2014	**212,318,291**	**$2,559**	**$5,607,744**	**$ —**	**$(6,895)**	**$2,130,209**	**$7,733,617**
Repurchase of shares	—	—	—	(761,228)	—	—	(761,228)
Share cancellation	(9,698,588)	(111)	(474,467)	474,578	—	—	—
Ordinary shares issued, net of tax withholdings	791,504	9	—	140,338	—	(173,413)	(33,066)
Share-based compensation	—	—	—	—	—	100,162	100,162
Direct equity movements of subsidiaries	—	—	—	—	588	—	588
Net income for the period	—	—	—	—	—	1,078,498	1,078,498
Balance as of December 31, 2015	**203,411,207**	**$2,457**	**$5,133,277**	**$(146,312)**	**$(6,307)**	**$3,135,456**	**$8,118,571**
Repurchase of shares	—	—	—	(965,982)	—	—	(965,982)
Share cancellation	(15,563,862)	(175)	(577,967)	578,142	—	—	—
Ordinary shares issued, net of tax withholdings	—	—	—	44,060	—	(56,605)	(12,545)
Share-based compensation	—	—	—	—	—	102,843	102,843
Direct equity movements of subsidiaries	—	—	—	—	4,538	—	4,538
Net income for the period	—	—	—	—	—	914,463	914,463
Balance as of December 31, 2016	**187,847,345**	**$2,282**	**$4,555,310**	**$(490,092)**	**$(1,769)**	**$4,096,157**	**$8,161,888**

38. Employees

AerCap Holdings N.V. had eight (2015: 19) employees, all employed outside the Netherlands, as of December 31, 2016. The disclosure on directors' remuneration is included in Note 31—*Directors' remuneration*.

39. Audit fees

Our auditors charged the following fees for professional services rendered for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
	(U.S. dollar amounts in thousands)	
Audit fees	$5,099	$7,731
Audit-related fees	36	22
Tax fees	737	1,494
All other fees	131	326
Total	**$6,003**	**$9,573**

The fees listed above relate only to the services provided to AerCap Holdings N.V. and its consolidated group entities by accounting firms and external auditors as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta). The total fees included $3.7 million and $5.3 million which was charged by PricewaterhouseCoopers Accountants N.V. for the years ended December 31, 2016 and 2015, respectively.

40. Fiscal unity

Until December 31, 2015, AerCap Holdings N.V. formed a fiscal unity for corporate income tax and turnover tax purposes with various other Dutch subsidiaries. Under the Tax Collection Act, AerCap Holdings N.V. is jointly and severally liable for the taxes payable by this group. The tax expense recognized in the financial statements of the various other Dutch subsidiaries is based on its profit for financial reporting purposes and is accounted for through intercompany positions with AerCap Holdings N.V.

As of February 1, 2016, AerCap Holdings N.V. became a tax resident in Ireland and as a result is subject to corporate income tax in Ireland. It is no longer liable for any taxes payable by the Dutch fiscal unity arising as of that date.

41. Profit appropriation

The Board of Directors has determined that the entire 2016 profits shall be reserved and that no profits shall be distributed as dividends to the shareholders. Thus, net income of $914.5 million for the year ended December 31, 2016 will be included in accumulated retained earnings.

42. Declaration of liability

AerCap Holdings N.V. has issued a declaration of liability as referred to in Article 2:403 of the Dutch Civil Code in respect of a significant number of its Dutch subsidiaries.

Dublin, March 20, 2017

Pieter Korteweg
Aengus Kelly
Salem Al Noaimi
Homaid Al Shimmari
James (Jim) Chapman
Paul Dacier
Richard (Michael) Gradon
Marius Jonkhart
Walter McLallen
Robert (Bob) Warden

AerCap Holdings N.V.
AerCap House
65 St. Stephen's Green
Dublin 2
Ireland

Other information

Statutory provision

According to article 26 of the articles of association, the Board of Directors determines which amounts from the Company's annual profits are reserved.

Independent auditor's report

To: the general meeting and Board of Directors of AerCap Holdings N.V.

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of AerCap Holdings N.V. as at 31 December 2016, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of AerCap Holdings N.V., Amsterdam ('the company'). The financial statements include the consolidated financial statements of AerCap Holdings N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2016;
- the consolidated and company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of AerCap Holdings N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview and context

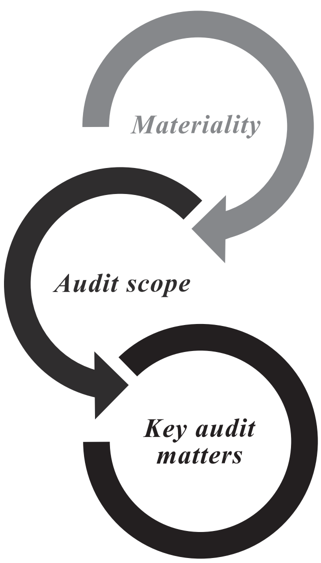
The company is an independent aircraft leasing company and is affected by the cyclical movements in the aircraft leasing industry, lease rates and aircraft valuation as well as availability of cost effective funds and cost of borrowing and changes in interest rates. We paid specific attention to the areas of focus driven by the operations of the company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Board of Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph 2 of the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the valuation of aircraft, we considered this to be a key audit matter as set out in the key audit matter section of this report. Furthermore, we identified the income from disposal of aircraft and the downsizing of the AeroTurbine business as key audit matters due to size of the asset disposals and in certain instances the complexity of the accounting related to the downsizing of a business.

Apart from the key audit matters other points of focus included in our audit are, amongst others, revenue recognition, flight equipment held for operating leases, net investment in finance and sales type leases, prepayments on flight equipment, deferred taxation and debt. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Board of Directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of an aircraft leasing company. We therefore included specialists in the areas of IT, tax and valuations (inventory and financial instruments) in our team.

The outlines of our audit approach were as follows:



Materiality
- Overall materiality: €60M.

Audit scope
- We conducted audit work in the Netherlands, Ireland and the USA.
- A site visit was conducted at AeroTurbine in Miramar (USA)
- Audit coverage: 100% of consolidated revenue and 100% of consolidated total assets.

Key audit matters
- Income from disposal of aircraft
- Valuation of aircraft
- Downsizing of the AeroTurbine business

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	$60M
How we determined it	5% of profit before tax based on the US GAAP consolidated financial statements as filed on Form 20-F (US GAAP).
Rationale for benchmark applied	Based on our analysis of the common information needs of users of the financial statements, we believe that profit before tax is an important metric for the financial performance of the company. The company uses two accounting frameworks for calculating profit before tax. The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code ('Dutch GAAP'). The Accounting principles generally accepted in the United States of America (US GAAP) have been applied for the quarterly and annual earnings releases and the financial statements filed with the United States Securities and Exchange Commission and are applied in the daily operational accounting records. We believe that the users of financial information of the company are primarily interested in the US GAAP financial information. Any user of these financial statements (Dutch GAAP) would likely not review this information in isolation; if users did review this information it would be in supplement to the US GAAP financial information. Therefore, for these financial statements (Dutch GAAP) we have applied a general accepted auditing practice benchmark of 5% on the profit before tax based on US GAAP.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall group materiality. The materiality allocated across the two components was $54M and $15M respectively.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above $2.7M as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons

The scope of our group audit

AerCap Holdings N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of AerCap Holdings N.V.

We have determined that there are two components for audit purposes:

1) Aircraft Leasing component, which includes all the AerCap entities with the exception of AeroTurbine (parting out older aircraft and selling the individual parts)

2) AeroTurbine component

The group audit focussed on the significant Aircraft Leasing component. This component was subjected to an audit of its complete financial information, which is captured in one central general ledger, by the group engagement team as this component is individually significant to the group. The remaining other component (AeroTurbine) was selected for specified procedures in the areas of inventory and flight equipment held for operating leases, in order to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	100%
Profit before tax	100%

The group engagement team performed the audit work for the Aircraft Leasing Component, carried out at locations in the Netherlands and Ireland. For the AeroTurbine component we used a component auditor.

Where the work was performed by the component auditor, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In the current year the group engagement team visited the AeroTurbine office in Miramar (USA), given the importance of judgments involved in the valuation of inventory and flight equipment held for operating leases.

The group consolidation and financial statement disclosures were audited by the group engagement team.

By performing the procedures above we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Board of Directors, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
Income from the sale of aircraft	
In 2016 the company sold 124 aircraft and reclassified 19 aircraft to net investment in finance and sales-type leases. The associated net gain on sale of assets was $148.3 million. Included in these transactions are certain aircraft portfolio sales. The assessment of whether the portfolio sale qualifies for revenue recognition and whether the related gain or loss should be recognized may be complex due to unique elements of a transaction (such as guarantees and performance obligations). We focussed on this matter because, given the magnitude of the disposals, any incorrect accounting of the elements of such transactions may lead to the financial results being significantly misstated.	We tested the design and operating effectiveness of the business performance review—entity level control and the specific process controls that cover the risks associated with net gain on sale of assets. We determined that we could rely on these controls for the purpose of our audit. We read the specific portfolio sales contracts and assessed the appropriate application of GAAP, in particular verifying that the sales qualify for revenue recognition and that the related net gains or losses on sale are appropriately recognized and concluded that revenue was appropriately recognized. We performed detailed targeted testing procedures on the net gain on sale of individual aircraft. For these items, we have obtained sales agreements and bill of sale, reconciled the proceeds with invoices, verified the receipts with bank statements and agreed the net book values to the general ledger and found no exceptions. We verified that the accrued maintenance liability that is not specifically assigned to the buyer is released, net of any maintenance rights intangible asset balance, and recognized as part of the gain or loss on sale. We have recalculated the net gain recorded and agreed it to the general ledger and noted no exceptions.

Key audit matter	How our audit addressed the matter
Valuation of aircraft *note 5 and note 21* Flight equipment held for operating leases amounts to $31.4 billion at year end 2016 and represents 76% of total assets. We considered the appropriate valuation of such assets as a key audit matter in light of the size of the asset carrying value as well as the judgment involved in the identification of any impairment triggers and the subsequent recoverability test which makes this area more sensitive for possible misstatement. Management performs trigger-based impairment assessments during each quarter (mainly resulting from sale or repossession of an aircraft), supplemented with an additional trigger analysis in the fourth quarter which is based on movements in the valuation of aircraft types compared to previous year as reported by external aircraft valuation companies. In this analysis, significant downward movements in the valuation by external valuation companies are regarded as a trigger to perform an impairment assessment. Each impairment assessment is carried out on an individual aircraft level and requires a significant number of assumptions and judgement regarding cash flow projections, such as future lease rate assumptions, maintenance cash flow assumptions, residual values, discount rate, and lease terms. In 2016 management recorded an amount of $121.3 million (net of $31.2 million impairment reversals) related to impairments of flight equipment.	We have assessed the design and operating effectiveness of the controls related to the flight equipment impairment process. We determined that we could rely on these controls for the purpose of our audit. We have also obtained management's quarterly analysis of triggering events and assessed its completeness by comparing the items included in the analysis to recent signed agreements, aircraft coming off lease and trends in the market and found no exceptions. We checked the additional trigger analysis performed in the fourth quarter by reconciling the movements in the valuation of aircraft types to the reports from the external valuation companies, noting no exceptions. Additionally, we assessed the appropriateness of cash flows projections, challenged and performed audit procedures on management's assumptions and inputs in the model such as the future lease rate, maintenance cash flows, residual values, lease terms and discount rate. We have sought confirming evidence for these assumptions such as signed sales agreements and lease contracts and have performed sensitivity analyses on the assumptions. We ensured that the disclosures are in line with the applicable guidance in RJ 121 noting no exceptions.

Key audit matter	How our audit addressed the matter
Downsizing of the AeroTurbine business *note 20 and 25*	
The company decided to downsize its AeroTurbine (AT) business. As a result AT focussed on the sale of its remaining inventory spare parts and reassessed its engine portfolio and other assets. This resulted in impairment charges of $36.0 million and restructuring charges of $53.4 million, which includes charges related to the sale of their Goodyear facility. In particular judgement was involved in the inventory valuation which was impacted by assumptions including the current and future market demand, acceleration of sales given the timeframe in which the downsizing should take place and whether or not a consignment partner will be used. This made this area more sensitive to misstatement and that is why we focussed on this topic. Management made use of an external expert in its determination of the inventory valuation at December 31, 2016.	We have tested the impairment and restructuring charges by performing the procedures below. With respect to the inventory valuation, we have obtained an understanding of the estimation methodology used by management. We challenged and tested management's assumptions and judgements. On a sample basis we tested the valuation by comparing management's valuation to independent sales data points in the market and general market practices for spare parts valuation and found these to be within a reasonable range. In relation to the engine portfolio we tested the valuation of the engines designated for sale by reconciling the estimated sales proceeds to sale purchase agreements or letters of intent. For the remaining engines we checked, on a sample basis, the impairment calculations by assessing the appropriateness of cash flows projections, challenged and performed audit procedures on management's assumptions and inputs in the model such as the future lease rate (where applicable), residual values, and lease terms (where applicable). We have sought confirming evidence for these assumptions such as signed lease agreements, maintenance invoices and market rent values from third parties. We did not find contradicting evidence as a result of our procedures performed. With regard to the sale of the Goodyear facility, we have obtained the letter of intent and the sale agreement in order to verify the appropriateness of the write-down of assets and associated intangible assets, noting no exceptions.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The table of definitions
- the report of the Board of Directors
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;

- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report of the Board of Directors and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of AerCap Holdings N.V. following the passing of a resolution by the shareholders and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 11 years.

Responsibilities for the financial statements and the audit

Responsibilities of the Board of Directors

The Board of Directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going-concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion. A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 20 March 2017
PricewaterhouseCoopers Accountants N.V.

W.J. van der Molen RA

Appendix to our auditor's report on the financial statements 2016 of AerCap Holdings N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.