AerCap Holdings N.V.
Form 20-F
March 20, 2017

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

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

For the fiscal year ended December 31, 2016

Commission file number 001-33159

AerCap Holdings N.V.

(Exact name of Registrant as specified in its charter)

The Netherlands
(Jurisdiction of incorporation or organization)

AerCap House
65 St. Stephen's Green
Dublin 2
Ireland
+ 353 1 819 2010
(Address of principal executive offices)

Wouter M. den Dikken, AerCap House, 65 St. Stephen's Green, Dublin 2, Ireland
Telephone number: +353 1 819 2010, Fax number: +353 1 672 0270
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
Ordinary Shares	The New York Stock Exchange

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

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

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

Ordinary Shares, Euro 0.01 par value 176,247,154

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

Large accelerated filer ý	Accelerated filer o	Non accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

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

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

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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
AOCI	Accumulated other comprehensive income (loss)
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
FASB	Financial Accounting Standards Board
GECC	General Electric Capital Corporation
GFL	Genesis Funding Limited
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
IRS	Internal Revenue Service
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

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PB	Primary beneficiary
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
U.S. GAAP	Accounting Principles Generally Accepted in the United States of America
VIE	Variable interest entity
Waha	Waha Capital PJSC

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SPECIAL NOTE ABOUT FORWARD LOOKING STATEMENTS

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

- the availability of capital to us and to our customers and changes in interest rates;
- the ability of our lessees and potential lessees to make operating lease payments to us;
- our ability to successfully negotiate aircraft purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft under defaulted leases, and to control costs and expenses;
- changes in the overall demand for commercial aircraft leasing and aircraft management services;
- the effects of terrorist attacks on the aviation industry and on our operations;
- the economic condition of the global airline and cargo industry and economic and political conditions;
- competitive pressures within the industry;
- the negotiation of aircraft management services contracts;
- regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes; and
- the risks set forth in "Item 3. Key Information Risk Factors" included in this annual report.

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected financial data

The following tables present AerCap Holdings N.V.'s selected consolidated financial data for each of the periods indicated, prepared in accordance with U.S. GAAP. This information should be read in conjunction with AerCap Holdings N.V.'s audited Consolidated Financial Statements and related notes and "Item 5. Operating and Financial Review and Prospects". The financial information presented as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 was derived from AerCap Holdings N.V.'s audited Consolidated Financial Statements included in this annual report. The financial information presented as of December 31, 2014, 2013 and 2012 and for the years ended December 31, 2013 and 2012 was derived from AerCap Holdings N.V's. audited Consolidated Financial Statements not included in this annual report.

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Consolidated Balance Sheet Data

	As of December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
	(U.S. dollar amounts in thousands)				
Assets					
Cash and cash equivalents	$ 2,035,447	$ 2,403,098	$ 1,490,369	$ 295,514	$ 520,401
Restricted cash	329,180	419,447	717,388	272,787	280,653
Flight equipment held for operating leases, net	31,501,973	32,219,494	31,984,668	8,085,947	7,261,899
Maintenance rights intangible and lease premium, net	2,167,925	3,139,045	3,906,026	9,354	18,100
Prepayments on flight equipment	3,265,979	3,300,426	3,486,514	223,815	53,594
Other assets(a)	2,319,949	2,267,989	2,134,928	451,825	374,890
Total Assets	**$ 41,620,453**	**$ 43,749,499**	**$ 43,719,893**	**$ 9,339,242**	**$ 8,509,537**
Liabilities and Equity					
Debt(a)	27,716,999	29,641,863	30,254,905	6,124,993	5,679,238
Other liabilities	5,321,190	5,681,827	5,522,440	785,017	707,393
Total Liabilities	33,038,189	35,323,690	35,777,345	6,910,010	6,386,631
Total AerCap Holdings N.V. shareholders' equity	8,524,447	8,348,963	7,863,777	2,425,372	2,122,038
Non-controlling interest	57,817	76,846	78,771	3,860	868
Total Equity	8,582,264	8,425,809	7,942,548	2,429,232	2,122,906
Total Liabilities and Equity	**$ 41,620,453**	**$ 43,749,499**	**$ 43,719,893**	**$ 9,339,242**	**$ 8,509,537**

(a) We retrospectively reclassified $165.0 million, $147.5 million, $111.9 million and $124.3 million of debt issuance costs from other assets to a direct reduction of the debt liability as of December 31, 2015, 2014, 2013 and 2012, respectively. See Note 3 *Summary of significant accounting policies* to our Consolidated Financial Statements included in this annual report.

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Consolidated Income Statement Data

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(U.S. dollar amounts in thousands, except share data)				
Revenues and other income					
Lease revenue	$ 4,867,623	$ 4,991,551	$ 3,449,571	$ 976,147	$ 997,147
Net gain (loss) on sale of assets	138,522	183,328	37,497	41,873	(46,421)
Other income	145,986	112,676	104,491	32,046	21,794
Total Revenues and other income	**5,152,131**	**5,287,555**	**3,591,559**	**1,050,066**	**972,520**
Expenses					
Depreciation and amortization	1,791,336	1,843,003	1,282,228	337,730	357,347
Asset impairment	81,607	16,335	21,828	26,155	12,625
Interest expense	1,091,861	1,099,884	780,349	226,329	286,019
Other operating expenses	582,530	522,413	141,572	49,023	78,241
Transaction, integration and restructuring related expenses	53,389	58,913	148,792	10,959	
Selling, general and administrative expenses	351,012	381,308	299,892	89,079	83,409
Total Expenses	**3,951,735**	**3,921,856**	**2,674,661**	**739,275**	**817,641**
Income before income taxes and income of investments accounted for under the equity method	**1,200,396**	**1,365,699**	**916,898**	**310,791**	**154,879**
Provision for income taxes	(173,496)	(189,805)	(137,373)	(26,026)	(8,067)
Equity in net earnings of investments accounted for under the equity method	12,616	1,278	28,973	10,637	11,630
Net income	**$ 1,039,516**	**$ 1,177,172**	**$ 808,498**	**$ 295,402**	**$ 158,442**
Net loss (income) attributable to non-controlling interest	7,114	1,558	1,949	(2,992)	5,213
Net income attributable to AerCap Holdings N.V.	**$ 1,046,630**	**$ 1,178,730**	**$ 810,447**	**$ 292,410**	**$ 163,655**
Basic earnings per share	$ 5.64	$ 5.78	$ 4.61	$ 2.58	$ 1.24
Diluted earnings per share	$ 5.52	$ 5.72	$ 4.54	$ 2.54	$ 1.24

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RISK FACTORS

Risks related to our business

We require significant capital to fund our business.

As of December 31, 2016, we had 420 new aircraft on order. Due to the capital-intensive nature of our business, we expect that we will incur additional indebtedness in the future and continue to maintain substantial levels of indebtedness. We have significant principal and interest payments on our outstanding indebtedness and substantial aircraft forward purchase contract payments. In order to meet these commitments and to maintain an adequate level of unrestricted cash, we will need to raise additional funds by accessing committed debt facilities, securing additional financing from banks or through capital market transactions, or possibly by selling aircraft. Our typical sources of funding may not be sufficient to meet our liquidity needs, in which case we may be required to raise capital from new sources, including by issuing new types of debt, equity or hybrid securities.

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

Despite our current indebtedness levels, we expect to incur additional debt in the future to finance our operations, including purchasing aircraft and meeting our contractual obligations. The agreements relating to our debt, including our indentures, term loan facilities, ECA guaranteed financings, revolving credit facilities, securitizations, and other financings, limit but do not prohibit our ability to incur additional debt. As of December 31, 2016, we had approximately $7.3 billion of undrawn lines of credit available under our credit and term loan facilities, subject to certain conditions, including compliance with certain financial covenants. We regularly consider market conditions and our ability to incur indebtedness to either refinance existing indebtedness or for working capital. If we increase our total indebtedness, our debt service obligations will increase, and we will become more exposed to the risks arising from our substantial level of indebtedness.

Our level of indebtedness requires significant debt service payments.

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, was approximately $27.4 billion as of December 31, 2016 (approximately 66% of our total assets as of December 31, 2016), and our interest payments were $1.3 billion for the year ended December 31, 2016. Due to the capital-intensive nature of our business, we expect that we will incur additional indebtedness in the future and continue to maintain significant levels of indebtedness. Our level of indebtedness:

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

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An increase in our cost of borrowing or changes in interest rates may adversely affect our net income.

We use a mix of fixed rate and floating rate debt to finance our business. Any increase in our cost of borrowing directly impacts our net income. Our cost of borrowing is affected primarily by the market's assessment of our credit risk and fluctuations in interest rates and general market conditions. Interest rates that we obtain on our debt financings can fluctuate based on, among other things, changes in views of our credit risk, fluctuations in U.S. Treasury rates and LIBOR rates, as applicable, changes in credit spreads and swap spreads, and the duration of the debt being issued. If we incur significant debt in the future, increased interest rates prevailing in the market at the time of the incurrence or refinancing of such debt will also increase our interest expense. If interest rates increase, we would be obligated to make higher interest payments to our lenders on the floating rate debt to the extent that it is not hedged. Please refer to "Item 11 Quantitative and Qualitative Disclosures About Market Risk Interest rate risk" for further details on our interest rate risk. In addition, we are exposed to the credit risk that the counterparties to our derivative contracts will default in their obligations.

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

Decreases in interest rates may also adversely affect our interest revenue on cash deposits as well as lease revenue generated from leases with lease rates tied to floating interest rates. During the year ended December 31, 2016, approximately 3.7% of our basic lease rents from aircraft under operating leases was derived from such leases. Therefore, if interest rates were to decrease, our lease revenue would decrease. In addition, since our fixed rate leases are based, in part, on prevailing interest rates at the time we enter into the lease, if interest rates decrease, new fixed rate leases we enter into may be at lower lease rates than if no interest rate decrease had occurred and our lease revenue will be adversely affected.

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

Our indentures, term loan facilities, ECA guaranteed financings, revolving credit facilities, securitizations, other commercial bank financings, and other agreements governing our debt impose operating and financial restrictions on our activities that limit or prohibit our ability to, among other things:

- incur additional indebtedness;
- create liens on assets;
- sell certain assets;
- make certain investments, loans, guarantees or advances;
- declare or pay certain dividends and distributions;
- make certain acquisitions;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with our affiliates;

change the business conducted by the borrowers and their respective subsidiaries;

enter into a securitization transaction unless certain conditions are met; and

access cash in restricted bank accounts.

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The agreements governing certain of our indebtedness also contain financial covenants, such as requirements that we comply with certain loan-to-value, interest coverage and leverage ratios. These restrictions could impede our ability to operate our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other corporate opportunities.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and maintain these financial tests and ratios. Failure to comply with any of the covenants in our existing or future financing agreements would result in a default under those agreements and under other agreements containing cross default provisions. Under these circumstances, we may have insufficient funds or other resources to satisfy all our obligations.

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

Our ability to make payments on, or repay or refinance, our debt and to fund planned aircraft purchases and other cash needs, will depend largely upon our future operating performance. Our future performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on our maintaining specified financial ratios and satisfying financial condition tests and other covenants in the agreements governing our debt now and in the future. Our business may not generate sufficient cash flow from operations and future borrowings may not be available in amounts sufficient to pay our debt or to satisfy our other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to seek alternatives, such as to reduce or delay investments and aircraft purchases, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and might require us to comply with more onerous covenants, which could further restrict our business operations. The terms of our existing or future debt instruments may restrict us from adopting some of these alternatives. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations or to meet our aircraft purchase commitments as they come due.

If we are unable to obtain sufficient cash, we might fail to meet our aircraft purchase commitments.

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

- forfeiting deposits and progress payments to manufacturers and having to pay certain significant costs related to these commitments such as actual damages and legal, accounting and financial advisory expenses;

- defaulting on our lease commitments, which could result in monetary damages and strained relationships with lessees;

- failing to realize the benefits of purchasing and leasing such aircraft; and

- risking harm to our business reputation, which would make it more difficult to purchase and lease aircraft in the future on agreeable terms, if at all.

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

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

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

Our ability to profitably purchase, lease, re-lease, sell or otherwise dispose of our aircraft will depend on conditions in the airline industry and general market and competitive conditions at the time of purchase, lease, and disposition. In addition to factors linked to the aviation industry in general, other factors that may affect our ability to generate adequate returns from our aircraft include the maintenance and operating history of the airframe and engines, the number of operators using the particular type of aircraft, and aircraft age.

Customer demand for certain types of our aircraft may decline.

Aircraft are long-lived assets and demand for a particular model and type of aircraft can change over time. Demand may decline for a variety of reasons, including obsolescence following the introduction of newer technologies, market saturation due to increased production rates, technical problems associated with a particular model, new manufacturers entering the marketplace or existing manufacturers entering new market segments, additional governmental regulation such as environmental rules or aircraft age limitations, or the overall health of the airline industry.

The supply and demand for aircraft is affected by various factors that are outside of our control, including:

- passenger and air cargo demand;
- fuel costs and general economic conditions;
- geopolitical events, including war, prolonged armed conflict and acts of terrorism;
- epidemics and natural disasters;
- governmental regulation, including regulation of trade, such as the imposition of import and export controls, tariffs and other trade barriers;
- interest rates;
- the availability and cost of financing;
- airline restructurings and bankruptcies;
- manufacturer production levels and technological innovation;
- manufacturers merging, entering or exiting the industry;

retirement and obsolescence of aircraft models;

increases in production rates from manufacturers;

reintroduction into service of aircraft previously in storage; and

airport and air traffic control infrastructure constraints.

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Over recent years, the airline industry has committed to a significant number of aircraft deliveries through order placements with manufacturers, and in response, aircraft manufacturers have raised their production output. The increase in these production levels could result in an oversupply of relatively new aircraft if growth in airline traffic does not meet airline industry expectations.

In addition, recent and future political developments, including the change of U.S. presidential administration and 2017 elections in Europe, could result in increased regulation of trade, which could adversely impact demand for aircraft.

As demand for particular aircraft declines as a result of any of these factors, lease rates are likely to correspondingly decline, the residual values of that type of aircraft could be negatively impacted, and we may be unable to lease such aircraft on favorable terms, if at all. In addition, the risks associated with a decline in demand for particular aircraft model or type increase if we acquire a high concentration of such aircraft. For example, as of December 31, 2016, we had 420 new aircraft on order, including 204 Airbus A320neo Family aircraft, 109 Boeing 737MAX aircraft, 50 Embraer E-Jets E2 aircraft, 38 Boeing 787 aircraft and 19 Airbus A350 aircraft. If demand declines for a model or type of aircraft of which we own or will acquire a relatively high concentration, it could materially and adversely affect our financial results.

The value and lease rates of our aircraft could decline.

Aircraft values and lease rates have occasionally experienced sharp decreases due to a number of factors, including, but not limited to, decreases in passenger air travel and air cargo demand, changes in fuel costs, government regulation and changes in interest rates. In addition to factors linked to the aviation industry generally, many other factors may affect the value and lease rates of our aircraft, including:

- the particular maintenance, operating history and documentary records of the aircraft;
- the geographical area where the aircraft is based and operates;
- the number of operators using a particular type of aircraft;
- the regulatory authority under which the aircraft is operated;
- whether the aircraft is subject to a lease and, if so, whether the lease terms are favorable to the lessor;
- the age of the aircraft;
- any renegotiation of a lease on less favorable terms;
- the negotiability of clear title free from mechanics liens and encumbrances;
- any regulatory and legal requirements that must be satisfied before the aircraft can be purchased, sold or re-leased;
- decrease in the credit-worthiness of lessees;
- compatibility of aircraft configurations or specifications with other aircraft owned by operators of that type;
- comparative value based on newly manufactured competitive aircraft; and

the availability of spare parts.

Any decrease in the value and lease rates of our aircraft that results from the above factors or other factors may have a material adverse effect on our financial results.

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Strong competition from other aircraft lessors could adversely affect our financial results.

The aircraft leasing industry is highly competitive. Our competition is primarily comprised of major aircraft leasing companies, but we may also encounter competition from other entities such as:

- airlines;
- aircraft manufacturers;
- financial institutions, including those seeking to dispose of re-possessed aircraft at distressed prices;
- aircraft brokers;
- public and private partnerships, investors and funds with excess capital to invest in aircraft and engines; and
- emerging aircraft leasing companies that we do not currently consider our major competitors.

Some of these competitors may have greater operating and financial resources than we do. We may not always be able to compete successfully with such competitors and other entities, which could materially and adversely affect our financial results.

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

Our financial condition depends on the ability of lessees to perform their payment and other obligations to us under our leases. We generate the primary portion of our revenue from leases to the aviation industry, and as a result we are indirectly affected by all the risks facing airlines today. The ability of our lessees to perform their obligations depends primarily on their financial condition and cash flows, which may be affected by factors outside our control, including:

- passenger air travel and air cargo demand;
- competition;
- economic conditions and currency fluctuations in the countries and regions in which a lessee operates;
- price and availability of jet fuel;
- availability and cost of financing;
- fare levels;
- geopolitical and other events, including war, acts of terrorism, outbreaks of epidemic diseases and natural disasters;

- increases in operating costs, including labor costs and other general economic conditions affecting our lessees' operations;
- labor difficulties;
- the availability of financial or other governmental support extended to a lessee; and
- governmental regulation and associated fees affecting the air transportation business, including restrictions on carbon emissions and other environmental regulations, and fly-over restrictions imposed by route authorities.

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

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Any downturns in the aviation industry could greatly exacerbate the weakened financial condition and liquidity problems of some of our lessees and further increase the risk that they will delay, reduce or fail to make rental payments when due. At any point in time, our lessees may be significantly in arrears. Some lessees encountering financial difficulties may seek a reduction in their lease rates or other concessions, such as a decrease in their contribution toward maintenance obligations. Moreover, we may not correctly assess the credit risk of each lessee or charge lease rates that incorrectly reflect related risks. Many of our lessees are not rated investment grade by the principal U.S. rating agencies and may be more likely to suffer liquidity problems than those that are so rated.

If lessees of a significant number of our aircraft fail to perform their obligations to us, our financial results and cash flows will be materially and adversely affected.

A return to historically high fuel prices or continued volatility in fuel prices could affect the profitability of the aviation industry and our lessees' ability to meet their lease payment obligations to us.

Historically, fuel prices have fluctuated widely depending primarily on international market conditions, geopolitical and environmental events and currency exchange rates. Factors such as natural disasters can also significantly affect fuel availability and prices. The cost of fuel represents a major expense to airlines that is not within their control, and significant increases in fuel costs or hedges that inaccurately assess the direction of fuel costs can materially and adversely affect their operating results. Due to the competitive nature of the aviation industry, operators may be unable to pass on increases in fuel prices to their customers by increasing fares in a manner that fully offsets the increased fuel costs they may incur. In addition, they may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. The profitability and liquidity of those airlines that do hedge their fuel costs can also be adversely affected by swift movements in fuel prices, if such airlines are required as a result to post cash collateral under hedge agreements. Therefore, if for any reason fuel prices return to historically high levels or show significant volatility, our lessees are likely to incur higher costs or generate lower revenues, which may affect their ability to meet their obligations to us.

Interruptions in the capital markets could impair our lessees' ability to finance their operations, which could prevent the lessees from complying with payment obligations to us.

The global financial markets have been highly volatile and the availability of credit from financial markets and financial institutions can vary substantially depending on developments in the global financial markets. Many of our lessees have expanded their airline operations through borrowings and are leveraged. These lessees will depend on banks and the capital markets to provide working capital and to refinance existing indebtedness. To the extent such funding is unavailable, or available only at high interest costs or on unfavorable terms, and to the extent financial markets do not allow equity financing as an alternative, our lessees' operations and operating results may be materially and adversely affected and they may not comply with their respective payment obligations to us.

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A sovereign debt crisis could result in higher borrowing costs and more limited availability of credit, as well as impact the overall airline industry and the financial health of our lessees.

In recent years, the European Union (the "EU") has faced both financial and political turmoil which, if it continues or worsens, could have a material adverse effect on our business. For example, following the global financial crisis of 2008, several countries in Europe faced a sovereign debt crisis (commonly referred to as the "European Debt Crisis") that negatively affected economic activity in that region and adversely affected the strength of the euro versus the U.S. dollar and other currencies. Although some of these countries are no longer facing a serious debt crisis, the lingering effects of the European Debt Crisis are unclear and may have a material adverse effect on our business, particularly if any European countries face sovereign debt default. Furthermore, concerns exist regarding the sovereign debt of certain Latin American countries, including Venezuela. If Venezuela or any other country faces a sovereign debt crisis, it could adversely affect the global banking system, due to its exposure to the sovereign debt and the imposition of stricter capital requirements. A sovereign debt crisis may also lower consumer confidence, which could adversely affect global economic conditions, and adverse changes in the global banking system or global economy may have a material adverse effect on our business.

Adverse conditions and disruptions in European economies could have a material adverse effect on our business.

Our business can be affected by a number of factors that are beyond our control, such as general geopolitical, economic and business conditions. Political uncertainty has created financial and economic uncertainty, most recently as a result of the United Kingdom's June 2016 referendum to withdraw from the EU (commonly referred to as "Brexit"). The economic consequences of Brexit, including the possible repeal of open-skies agreements, could have a material adverse effect on our business. Further, many of the structural issues facing the EU following the European Debt Crisis and Brexit remain, and problems could resurface that could affect financial market conditions, and, possibly, our business, results of operations, financial condition and liquidity, particularly if they lead to the exit of one or more countries from the European Monetary Union (the "EMU") or the exit of additional countries from the EU. If one or more countries exited the EMU, there would be significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and it would likely lead to complex and lengthy disputes and litigation. Additionally, it is possible that the recent political events in Europe may lead to the complete dissolution of the EMU or EU. The partial or full breakup of the EMU or EU would be unprecedented and its impact highly uncertain, including with respect to our business.

If the effects of terrorist attacks, war or armed hostilities adversely affect the financial condition of the airline industry, our lessees might not be able to meet their lease payment obligations to us.

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

- higher costs to the airlines due to the increased security measures;
- decreased passenger demand and revenue due to the inconvenience of additional security measures or concerns about the safety of flying;
- the imposition of "no-fly zone" or other restrictions on commercial airline traffic in certain regions;
- uncertainty of the price and availability of jet fuel and the cost and practicability of obtaining fuel hedges;

- higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, if at all;
- significantly higher costs of aviation insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, or the unavailability of certain types of insurance;
- inability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of such events;
- special charges recognized by some operators, such as those related to the impairment of aircraft and engines and other long-lived assets stemming from the grounding of aircraft as a result of terrorist attacks, economic conditions and airline reorganizations; and
- an airline's becoming insolvent and/or ceasing operations.

For example, as a result of the September 11, 2001 terrorist attacks in the United States and subsequent terrorist attacks abroad, notably in the Middle East, Southeast Asia and Europe, increased security restrictions were implemented on air travel, costs for aircraft insurance and security measures increased, passenger and cargo demand for air travel decreased, and operators faced difficulties in acquiring war risk and other insurance at reasonable costs. Sanctions against Russia and, in the future, uncertainty regarding tensions between Ukraine and Russia, the situation in Iraq, Syria, the Israeli/Palestinian conflict, tension over the nuclear program of North Korea, political instability in the Middle East and North Africa, the territorial disputes between Japan and China and the recent tensions in the South China Sea could lead to further instability in these regions.

Terrorist attacks, war or armed hostilities, or the fear of such events, in these or any other regions, could adversely affect the aviation industry and the financial condition and liquidity of our lessees, as well as aircraft values and rental rates. In addition, such events might cause certain aviation insurance to become available only at significantly increased premiums or with reduced amounts of coverage that are insufficient to comply with the current requirements of aircraft lenders and lessors or with applicable government regulations, or not to be available at all. Although some governments provide for limited coverage under government programs for specified types of aviation insurance, these programs may not be available at the relevant time or governments may not pay under these programs in a timely fashion.

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

The effects of epidemic diseases and natural disasters, such as extreme weather conditions, floods, earthquakes and volcano eruptions, may adversely affect our lessees' ability to meet their lease payment obligations to us.

The outbreak of epidemic diseases, such as previously experienced with Ebola, measles, Severe Acute Respiratory Syndrome (SARS), H1N1 (swine flu) and Zika virus, could materially and adversely affect passenger demand for air travel. Similarly, the lack of air travel demand or the inability of airlines to operate to or from certain regions due to severe weather conditions and natural disasters, including floods, earthquakes and volcano eruptions, could impact the financial health of certain airlines, including our lessees. These consequences could result in our lessees' inability to satisfy their lease payment obligations to us, which in turn would materially and adversely affect our financial results.

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Airline reorganizations could impair our lessees' ability to comply with their lease payment obligations to us.

In recent years, several airlines have filed for protection under their local bankruptcy and insolvency laws and, over the past several years, certain airlines have gone into liquidation. Historically, airlines involved in reorganizations have undertaken substantial fare discounting to maintain cash flows and to encourage continued customer loyalty. The bankruptcies have led to the grounding of significant numbers of aircraft, rejection of leases and negotiated reductions in aircraft lease rentals, with the effect of depressing aircraft market values. Additional reorganizations or liquidations by airlines under applicable bankruptcy or reorganization laws or further rejection or abandonment of aircraft by airlines in bankruptcy proceedings may depress aircraft values and aircraft lease rates. Additional grounded aircraft and lower market values would adversely affect our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates if at all.

Our lessees may fail to properly maintain our aircraft.

We may be exposed to increased maintenance costs for our leased aircraft if lessees fail to properly maintain the aircraft or pay supplemental maintenance rents. Under our leases, our lessees are primarily responsible for maintaining our aircraft and complying with all governmental requirements applicable to the lessee and the aircraft, including operational, maintenance, government agency oversight, registration requirements and airworthiness directives. We also require many of our lessees to pay us supplemental maintenance rents. If a lessee fails to perform required maintenance on our aircraft during the term of the lease, its market value may decline, which would result in lower revenues from its subsequent lease or sale, or the aircraft might be grounded. Maintenance failures by a lessee would also likely require us to incur maintenance and modification costs, which could be substantial, upon the termination of the applicable lease to restore the aircraft to an acceptable condition prior to sale or re-leasing. Supplemental maintenance rents paid by our lessees may not be sufficient to fund such maintenance costs. If our lessees fail to meet their obligations to pay supplemental maintenance rents or fail to perform required scheduled maintenance, or if we are required to incur unexpected maintenance costs, our financial results may be materially and adversely affected.

Our lessees may fail to adequately insure our aircraft.

While an aircraft is on lease, we do not directly control its operation. Nevertheless, because we hold title to such aircraft, we could be held liable for losses resulting from its operation under one or more legal theories in certain jurisdictions around the world, or at a minimum, we might be required to expend resources in our defense. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, such operational liabilities. However, some lessees may fail to maintain adequate insurance coverage during a lease term, which, although constituting a breach of the lease, would require us to take some corrective action, such as terminating the lease or securing insurance for the aircraft.

In addition, there are certain risks of losses our lessees face that insurers may be unwilling to cover or for which the cost of coverage would be prohibitively expensive. For example, following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of coverage available to airlines for liability to persons other than airline employees or passengers for claims resulting from acts of terrorism, war or similar events and significantly increased the premiums for third party war risk and terrorism liability insurance and coverage in general. Therefore, our lessees' insurance coverage may not be sufficient to cover all claims that could be asserted against us arising from the operation of our aircraft.

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Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations to us will reduce the insurance proceeds that would be received by us in the event we are sued and are required to make payments to claimants. Moreover, our lessees' insurance coverage is dependent on the financial condition of insurance companies, which might not be able to pay claims. A reduction in insurance proceeds otherwise payable to us as a result of any of these factors could materially and adversely affect our financial results.

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

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

When conducting a repossession, we are likely to incur significant costs and expenses that are unlikely to be recouped. These include legal and other expenses of court or other governmental proceedings, including the cost of posting security bonds or letters of credit necessary to effect repossession of the aircraft, particularly if the lessee is contesting the proceedings or is in bankruptcy. We must absorb the cost of lost revenue for the time the aircraft is off-lease. We may incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and are necessary to put the aircraft in suitable condition for re-lease or sale. We may incur significant costs in retrieving or recreating aircraft records required for registration of the aircraft, and in obtaining the certificate of airworthiness for an aircraft. It may be necessary to pay to discharge liens or pay taxes and other governmental charges on the aircraft to obtain clear possession and to remarket the aircraft effectively, including, in some cases, liens that the lessee may have incurred in connection with the operation of its other aircraft. We may also incur other costs in connection with the physical possession of the aircraft.

Based on historical rates of airline defaults and bankruptcies, at least some of our lessees are likely to default on their lease obligations or file for bankruptcy in the ordinary course of our business. If we incur significant costs in repossessing our aircraft, our financial results may be materially and adversely affected.

If our lessees fail to discharge aircraft liens for which they are responsible, we may be obligated to pay to discharge the liens.

In the normal course of their business, our lessees are likely to incur aircraft and engine liens that secure the payment of airport fees and taxes, custom duties, Eurocontrol and other air navigation charges, landing charges, crew wages, and other liens that may attach to our aircraft. Aircraft may also be subject to mechanic's liens as a result of routine maintenance performed by third parties on behalf of our customers. Some of these liens can secure substantial sums, and if they attach to entire fleets of aircraft, as permitted in certain jurisdictions for certain kinds of liens, they may exceed the value of the aircraft itself. Although the financial obligations relating to these liens are the contractual responsibility of our lessees, if they fail to fulfill their obligations, the liens may ultimately become our financial responsibility. Until they are discharged, these liens could impair our ability to repossess, re-lease or sell our aircraft or engines. In some jurisdictions, aircraft and engine liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft. If we are obliged to pay a large amount to discharge a lien, or if we are unable take possession of our aircraft subject to a lien in a timely and cost-effective manner, it could materially and adversely affect our financial results.

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

In some jurisdictions, an engine affixed to an aircraft may become an accession to the aircraft, whereby the ownership rights of the owner of the aircraft supersede the ownership rights of the owner of the engine. If an aircraft is security for the owner's obligations to a third party, the security interest in the aircraft may supersede our rights as owner of the engine. This legal principle could limit our ability to repossess an engine in the event of a lease default while the aircraft with our engine installed remains in such jurisdiction. We would suffer a substantial loss if we were not able to repossess engines leased to lessees in these jurisdictions, which would materially and adversely affect our financial results.

If our lessees encounter financial difficulties and we restructure or terminate our leases, we are likely to obtain less favorable lease terms.

If a lessee delays, reduces, or fails to make rental payments when due, or has advised us that it will do so in the future, we may elect or be required to restructure or terminate the lease. A restructured lease will likely contain terms less favorable to us. If we are unable to agree on a restructuring deal and we terminate the lease, we may not receive all or any payments still outstanding, and we may be unable to re-lease the aircraft promptly and at favorable rates, if at all. We have conducted restructurings and terminations in the ordinary course of our business, and we expect more will occur in the future. If we are obligated to perform a significant number of restructurings and terminations, the associated reduction in lease revenue could materially and adversely affect our financial results and cash flows.

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The advent of superior aircraft and engine technology or the introduction of a new line of aircraft could cause our existing aircraft portfolio to become outdated and therefore less desirable.

As manufacturers introduce technological innovations and new types of aircraft and engines, some of the aircraft and engines in our aircraft portfolio may become less desirable to potential lessees. New aircraft manufacturers, such as Mitsubishi Aircraft Corporation in Japan, JSC United Aircraft Corporation in Russia and Commercial Aircraft Corporation of China, Ltd. in China could produce aircraft that compete with current offerings from Airbus, Aerei da Trasporto Regionale (ATR), Boeing, Bombardier and Embraer. Additionally, new manufacturers may develop a narrowbody aircraft that competes with established aircraft types from Airbus and Boeing, putting downward price pressure on and decreasing the marketability of aircraft from Airbus and Boeing. New aircraft types that are introduced into the market could be more attractive for the target lessees of our aircraft. The development of more fuel-efficient engines could make aircraft in our portfolio with engines that are not as fuel-efficient less attractive to potential lessees. In addition, the imposition of increasingly stringent noise or emissions regulations may make some of our aircraft and engines less desirable in the marketplace. A decrease in demand for our aircraft as a result of any of these factors could materially and adversely affect our financial results.

Airbus and Boeing have launched new aircraft types, which could decrease the value and lease rates of aircraft in our fleet.

Airbus and Boeing have launched several new aircraft types in recent years, including the Boeing 787 Family, the Boeing 737MAX Family, the Boeing 777X, the Airbus A320neo Family, the Airbus A330neo Family, and the Airbus A350 Family. The availability of these new aircraft types, and potential variants of these new aircraft types, may have an adverse effect on residual value and future lease rates of older aircraft types and variants. The development of these new types and variants of such new types could decrease the desirability of the older types and variants and thereby increase the supply of the older types and variants in the marketplace. This increase in supply could, in turn, reduce both future residual values and lease rates for such older aircraft types and variants.

From time to time, Airbus and Boeing have announced scheduled production increases, which could result in overcapacity and decrease the value and lease rates of aircraft in our fleet.

The market may not be able to absorb the scheduled production increases announced by Airbus and Boeing. If the additional capacity scheduled to be produced by the manufacturers exceeds demand, the resulting overcapacity could have a negative effect on aircraft values and lease rates. If lending capacity does not increase in line with the increased aircraft production, the cost of lending or the ability to obtain debt could be negatively affected. Any such decrease in aircraft values and lease rates, or increase in the cost or availability of funding, could materially and adversely affect our financial results.

There are a limited number of aircraft and engine manufacturers and we depend on their ability to meet their obligations.

The supply of commercial jet aircraft is dominated by a small number of airframe and engine manufacturers. As a result, we are dependent on their ability to remain financially stable, manufacture products and related components that meet the airlines' demands and fulfill their contractual obligations to us. In the past we have experienced delays by the manufacturers in meeting their obligations to us and other third parties. If in the future the manufacturers fail to fulfill their contractual obligations to us, bring aircraft to market that do not meet customers' expectations, or do not respond appropriately to changes in the market environment, we may experience, among other things:

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- missed or late delivery of aircraft and engines ordered by us and an inability to meet our contractual obligations to our customers, resulting in lost or delayed revenues, lower growth rates and strained customer relationships;

- an inability to acquire aircraft and engines and related components on terms that will allow us to lease those aircraft and engines to customers at a profit, resulting in lower growth rates or a contraction in our aircraft portfolio;

- a market environment with too many aircraft and engines available, creating downward pressure on demand for the aircraft and engines in our fleet and reduced market lease rates and sale prices;

- poor customer support or reputational damage from the manufacturers of aircraft, engines and components resulting in reduced demand for a particular manufacturer's product, creating downward pressure on demand for those aircraft and engines in our fleet and reduced market lease rates and sale prices for those aircraft and engines; and

- reduction in our competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and sale prices and may affect our ability to remarket or sell some of the aircraft and engines in our portfolio.

Moreover, our purchase agreements with manufacturers and the leases we have signed with our customers for future lease commitments are all subject to cancellation rights related to delays in delivery dates. Any manufacturer delays for aircraft that we have committed to lease could strain our relations with our customers, and cancellation of such leases by the lessees could have a material adverse effect on our financial results.

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

We are, and from time to time in the future may be, a defendant in lawsuits relating to our business. We cannot accurately predict the ultimate outcome of any litigation due to its inherent uncertainties. An unfavorable outcome could materially and adversely affect our business, financial position, liquidity or results of operations. In addition, regardless of the outcome of any litigation, we may be required to devote substantial resources and executive time to the defense of such actions. For a description of certain pending litigation involving our business, please refer to Note 30 *Commitments and contingencies* to our Consolidated Financial Statements included in this annual report.

Our international operations expose us to geopolitical, economic and legal risks associated with a global business.

We conduct our business in many countries. There are risks inherent in conducting our business internationally, including:

- general political and economic instability in international markets;

- limitations in the repatriation of our assets;

- expropriation of our international assets; and

- different liability standards and legal systems that may be less developed and less predictable than those in advanced economies.

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Furthermore, the new U.S. presidential administration has proposed or is considering various actions that could affect U.S. trade policy or practices, which could, among other things, adversely affect travel to or from the United States. These factors may have a material and adverse effect on our financial results.

We are indirectly subject to many of the economic and political risks associated with emerging markets.

We derive substantial lease revenue (approximately 59% in 2016, 60% in 2015 and 58% in 2014) from airlines in emerging market countries. Emerging market countries have less developed economies and are more vulnerable to economic and political problems and may experience significant fluctuations in gross domestic product, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by government authorities. The occurrence of any of these events in markets served by our lessees and the resulting economic instability that may arise as a result of these events could adversely affect the value of our ownership interest in aircraft subject to lease in such countries, or the ability of our lessees that operate in these markets to meet their lease obligations. As a result, lessees that operate in emerging market countries may be more likely to default than lessees that operate in developed countries. In addition, legal systems in emerging market countries may be less developed, which could make it more difficult for us to enforce our legal rights in such countries. For these and other reasons, our financial results may be materially and adversely affected by economic and political developments in emerging market countries.

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

Through our lessees and the countries in which they operate, we are exposed to the specific economic and political conditions and associated risks of those jurisdictions. For example, we have large concentrations of lessees in Russia, and therefore have increased exposure to the economic and political conditions in that country. These risks can include economic recessions, burdensome local regulations or, in extreme cases, increased risks of requisition of our aircraft. An adverse political or economic event in any region or country in which our lessees are concentrated or where we have a large number of aircraft could affect the ability of our lessees in that region or country to meet their obligations to us, or expose us to various legal or political risks associated with the affected jurisdictions, all of which could have a material and adverse effect on our financial results.

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

Our international operations expose us to trade and economic sanctions, export controls and other restrictions imposed by the United States, the United Kingdom, or other governments or organizations. For example, the U.S. Departments of Justice, Commerce, State and Treasury and other U.S. federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practices Act ("FCPA"), and other U.S. federal statutes and regulations, including those established by the Office of Foreign Asset Control ("OFAC"). Under these laws and regulations, the U.S. government may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of any of these laws or regulations could materially and adversely impact our business, operating results, and financial condition.

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As disclosed previously, on May 27, 2015, OFAC issued a subpoena to the Company requesting information related to prior transactions with Al Naser Airlines that may have led to aircraft being diverted to Iran. Al Naser had been designated by OFAC as a blocked person on May 21, 2015, and had been added by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") to its Denied Persons List on the same date. The Company has cooperated fully with the investigations by OFAC and BIS.

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

Our ability to operate in some countries is restricted by foreign regulations and controls on investments.

Many countries restrict, or in the future might restrict, foreign investments in a manner adverse to us. These restrictions and controls have limited, and may in the future restrict or preclude, our investment in joint ventures or the acquisition of businesses in certain jurisdictions or may increase the cost to us of entering into such transactions. Various governments, particularly in the Asia/Pacific region, require governmental approval before foreign persons may make investments in domestic businesses and also limit the extent of any such investments. Furthermore, various governments may reserve the right to approve the repatriation of capital by, or the payment of dividends to, foreign investors. Restrictive policies regarding foreign investments may increase our costs of pursuing growth opportunities in foreign jurisdictions, which could materially and adversely affect our financial results.

Our aircraft are subject to various environmental regulations.

Governmental regulations regarding aircraft and engine noise and emissions levels apply based on where the relevant airframe is registered and where the aircraft is operated. For example, jurisdictions throughout the world have adopted noise regulations which require all aircraft to comply with noise level standards. In addition, the United States and the International Civil Aviation Organization ("ICAO") have adopted a more stringent set of standards for noise levels that apply to engines manufactured or certified beginning in 2006. Currently, United States regulations do not require any phase-out of aircraft that qualify with the older standards, but the European Union has established a framework for the imposition of operating limitations on aircraft that do not comply with the newer standards. These regulations could limit the economic life of certain of our aircraft and engines, reduce their value, limit our ability to lease or sell the non-compliant aircraft and engines or, if engine modifications are permitted, require us to make significant additional investments in the aircraft and engines to make them compliant.

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In addition to more stringent noise restrictions, the United States, European Union and other jurisdictions have imposed more stringent limits on the emission of nitrogen oxide, carbon monoxide and carbon dioxide from engines. Although current emissions control laws generally apply to newer engines, new laws could be passed in the future that also impose limits on older engines, and therefore any new engines we purchase, as well as our older engines, could be subject to existing or new emissions limitations or indirect taxation. For example, the European Union issued a directive in January 2009 to include aviation within the scope of its greenhouse gas emissions trading scheme, thereby requiring that all flights arriving, departing or flying within any European Union country, beginning on January 1, 2012, comply with the scheme and surrender allowances for emissions, regardless of the age of the engine used in the aircraft. In addition, the United States Environmental Protection Agency recently ruled that jet engine exhaust endangers public health by contributing to climate change, increasing the likelihood that regulations will be proposed in this regard. Limitations on emissions such as the one in the European Union could favor younger, more fuel efficient aircraft since they generally produce lower levels of emissions per passenger, which could adversely affect our ability to re-lease or otherwise dispose of less efficient aircraft on a timely basis, at favorable terms, or at all. This is an area of law that is rapidly changing and as of yet remains specific to certain jurisdictions. While we do not know at this time whether new emission control laws will be passed, and if passed what impact such laws might have on our business, any future emissions limitations could adversely affect us.

Our operations are subject to various environmental regulations.

Our operations are subject to various federal, state and local environmental, health and safety laws and regulations in the United States, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of our employees. A violation of these laws and regulations or permit conditions can result in substantial fines, permit revocation or other damages. Many of these laws impose liability for clean-up of contamination that may exist at our facilities (even if we did not know of or did not cause the contamination) or related personal injuries or natural resource damages or costs relating to contamination at third party waste disposal sites where we have sent or may send waste. We may not be in complete compliance with these laws, regulations or permits at all times. We may have liability under environmental laws or be subject to legal actions brought by governmental authorities or other parties for actual or alleged violations of, or liability under, environmental, health and safety laws, regulations or permits.

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

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

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If economic conditions deteriorate, we may be required to recognize impairment losses. In that event, our estimates and assumptions regarding forecasted cash flows from our long-lived assets would need to be reassessed, including the duration of the economic downturn and the timing and strength of the pending recovery, both of which are important variables for purposes of our long-lived asset impairment tests. Any of our assumptions may prove to be inaccurate, which could adversely impact forecasted cash flows of certain long-lived assets, especially for older aircraft. If so, it is possible that an impairment may be triggered for other long-lived assets in the future and that any such impairment amounts may be material. As of December 31, 2016, 182 of our owned aircraft under operating leases were 15 years of age or older. These aircraft represented approximately 6% of the net book value of our total flight equipment and lease-related assets and liabilities as of December 31, 2016.

A cyber-attack could lead to a material disruption of our IT systems and the loss of business information, which may hinder our ability to conduct our business effectively and may result in lost revenues and additional costs.

Parts of our business depend on the secure operation of our computer systems to manage, process, store and transmit information associated with aircraft leasing. Like other global companies, we have, from time to time, experienced threats to our data and systems, including malware and computer virus attacks, internet network scans, systems failures and disruptions. A cyber-attack that bypasses our information technology, or IT, security systems, causing an IT security breach, could lead to a material disruption of our IT systems and adversely impact our daily operations and cause the loss of sensitive information, including our own proprietary information and that of our customers, suppliers and employees. Such losses could harm our reputation and result in competitive disadvantages, litigation, regulatory enforcement actions, lost revenues, additional costs and liability. While we devote substantial resources to maintaining adequate levels of cyber-security, our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks.

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

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

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Risks related to our organization and structure

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

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

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

If our subsidiaries do not make distributions to us we will not be able to pay dividends.

Substantially all of our assets are held by, and substantially all of our revenues are generated by our subsidiaries. While we do not currently, and do not currently intend to, pay dividends, we will be limited in our ability to pay dividends unless we receive dividends or other cash flow from our subsidiaries. A substantial portion of our owned aircraft are held through SPEs or finance structures that borrow funds to finance or refinance the aircraft. The terms of such financings place restrictions on distributions of funds to us. If these limitations prevent distributions to us or our subsidiaries do not generate positive cash flows, we will be limited in our ability to pay dividends and may be unable to transfer funds between subsidiaries if required to support our subsidiaries.

As a foreign private issuer, we are permitted to file less information with the SEC than a company incorporated in the United States. Accordingly, there may be less publicly available information concerning us than there is for companies incorporated in the United States.

As a foreign private issuer, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), which impose disclosure requirements, as well as procedural requirements, for proxy solicitations under Section 14 of the Exchange Act. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor are we generally required to comply with the SEC's Regulation FD, which restricts the selective disclosure of material non-public information.

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The effect of purchases and sales of our ordinary shares by the hedge counterparties (or their affiliates or agents) to modify or terminate their hedge positions may have a negative effect on the market price of our ordinary shares.

We have been advised that Waha, which previously was a significant direct AerCap shareholder, has entered into funded collar transactions relating to its AerCap ordinary shares, pursuant to which, we have been advised, collar counterparties (or their affiliates or agents) have borrowed from Waha and re-sold, and may continue to purchase and sell, our ordinary shares. The purchases and sales of our ordinary shares by the collar counterparties (or their affiliates or agents) to modify the collar counterparties' hedge positions from time to time during the term of the funded collar transactions may variously have a positive, negative or neutral impact on the market price of our ordinary shares and may affect the volatility of the market price of our ordinary shares, depending on market conditions at such times. In addition, purchases of our ordinary shares by the collar counterparties (or their affiliates or agents) in connection with the termination by Waha of any portion of the loan of our ordinary shares to the collar counterparties under the funded collar transactions, or cash settlement of any funded collar transaction, may have the effect of increasing, or limiting a decrease in, the market price of our ordinary shares during the relevant unwind period.

Risks related to taxation

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

We do not believe we will be classified as a PFIC for 2016. We cannot yet make a determination as to whether we will be classified as a PFIC for 2017 or subsequent years. The determination as to whether a foreign corporation is a PFIC is a complex determination based on all of the relevant facts and circumstances and depends on the classification of various assets and income under PFIC rules. In our case, the determination is further complicated by the application of the PFIC rules to leasing companies and to joint ventures and financing structures common in the aircraft leasing industry. It is unclear how some of these rules apply to us. Further, this determination must be tested annually and our circumstances may change in any given year. We do not intend to make decisions regarding the purchase and sale of aircraft with the specific purpose of reducing the likelihood of our becoming a PFIC. Accordingly, our business plan may result in our engaging in activities that could cause us to become a PFIC. If we are or become a PFIC, U.S. shareholders may be subject to increased U.S. federal income taxes on a sale or other disposition of our ordinary shares and on the receipt of certain distributions and will be subject to increased U.S. federal income tax reporting requirements. See "Item 10. Additional Information Taxation U.S. tax considerations" for a more detailed discussion of the consequences to you if we are treated as a PFIC and a discussion of certain elections that may be available to mitigate the effects of that treatment. We urge you to consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

We and our subsidiaries are subject to the income tax laws of Ireland, the Netherlands, the United States and other jurisdictions in which our subsidiaries are incorporated or based. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions. A change in the division of our earnings among our tax jurisdictions could have a material impact on our effective tax rate and our financial results. In addition, we or our subsidiaries may be subject to additional income or other taxes in these and other jurisdictions by reason of the management and control of our subsidiaries, our activities and operations, where our aircraft operate, where the lessees of our aircraft (or others in possession of our aircraft) are located or changes in tax laws, regulations or accounting principles. Although we have adopted guidelines and operating procedures to ensure our subsidiaries are appropriately managed and controlled, we may be subject to such taxes in the future and such taxes may be substantial. The imposition of such taxes could have a material adverse effect on our financial results.

We may incur current tax liabilities in our primary operating jurisdictions in the future.

We expect to make current tax payments in some of the jurisdictions where we do business in the normal course of our operations. Our ability to defer the payment of some level of income taxes to future periods is dependent upon the continued benefit of accelerated tax depreciation on our flight equipment in some jurisdictions, the continued deductibility of external and intercompany financing arrangements and the application of tax losses prior to their expiration in certain tax jurisdictions, among other factors. The level of current tax payments we make in any of our primary operating jurisdictions could adversely affect our cash flows and have a material adverse effect on our financial results.

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

Our Irish tax resident group companies are currently subject to Irish corporate income tax on trading income at a rate of 12.5%, on capital gains at 33% and on other income at 25%. We expect that substantially all of our Irish income will be treated as trading income for tax purposes in future periods. As of December 31, 2016, we had significant Irish tax losses available to carry forward against our trading income. The continued application of the 12.5% tax rate to trading income generated in our Irish tax resident group companies and the ability to carry forward Irish tax losses to offset future taxable trading income depends in part on the extent and nature of activities carried on in Ireland both in the past and in the future. Our Irish tax resident group companies intend to carry on their activities in Ireland so that the 12.5% rate of tax applicable to trading income will apply and that they will be entitled to offset future income with tax losses arising from the same trading activity.

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

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

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

Changes in tax laws may result in additional taxes for us or for our shareholders.

Tax laws and the practice of the local tax authorities in the jurisdictions in which we reside, in which we conduct activities or operations, or where our aircraft or lessees of our aircraft are located may change in the future. These changes would include changes introduced or otherwise applicable in such jurisdictions as a result, direct or indirectly, of the Organisation for Economic Co-operation and Development initiative on Base Erosion and Profit Shifting or by the European Commission. Such changes could include new measures regarding the availability of double tax treaty relief, the deductibility of interest costs and the determination of permanent establishments. Changes may also be introduced due to the implementation of the EU Anti-Tax Avoidance Directive ("ATAD"). Most of the measures contained in the EU ATAD are due to be implemented with effect from January 1, 2019, though some measures may be deferred to 2024 in certain circumstances. Such changes in tax law or practice could result in additional taxes for us or our shareholders.

Item 4. Information on the Company

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.

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Our principal executive offices are located at AerCap House, 65 St. Stephen's Green, Dublin 2, Ireland, and our general telephone number is +353 1 819 2010. Our website address is *www.aercap.com*. Information contained on our website does not constitute a part of this annual report. Puglisi & Associates is our authorized representative in the United States. The address of Puglisi & Associates is 850 Liberty Avenue, Suite 204, Newark, DE 19711 and their general telephone number is +1 (302) 738-6680.

Capital expenditures

Our primary capital expenditure is the purchase of aircraft under aircraft purchase agreements with Airbus and Boeing. Please refer to "Item 5. Operating and Financial Review and Prospects Liquidity and capital resources" for a detailed discussion of our capital expenditures currently in progress. The following table presents our capital expenditures for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31,		
	2016	2015	2014
	(U.S. dollar amounts in thousands)		
Purchase of flight equipment	$ 2,892,731	$ 2,772,110	$ 2,088,444
Prepayments on flight equipment	947,419	791,546	458,174

Business overview

Aircraft leasing

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 operate our business on a global basis, leasing aircraft to customers in every major geographical region. As of December 31, 2016, we owned 1,022 aircraft and AeroTurbine did not own any aircraft. In addition, we managed 95 aircraft and AerDragon, a non-consolidated joint venture, owned another 29 aircraft. As of December 31, 2016, we also had 420 new aircraft on order, including 204 Airbus A320neo Family aircraft, 109 Boeing 737MAX aircraft, 50 Embraer E-Jets E2 aircraft, 38 Boeing 787 aircraft and 19 Airbus A350 aircraft. As of December 31, 2016, the average age of our 1,022 owned aircraft fleet, weighted by net book value, was 7.4 years and as of December 31, 2015, the average age of our 1,109 owned aircraft fleet, weighted by net book value, was 7.7 years.

We have the infrastructure, expertise and resources to execute a large number of diverse aircraft transactions in a variety of market conditions. During the year ended December 31, 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.

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Aircraft leases and transactions

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. Rather than purchase all of their aircraft, many airlines acquire aircraft under operating leases because this reduces their capital requirements and costs and allows them to manage their fleet more efficiently as aircraft are returned over time. Since the 1970's and the creation of aircraft leasing pioneers Guinness Peat Aviation ("GPA") and ILFC, the world's airlines have increasingly turned to operating leases to meet their aircraft needs. As of December 31, 2016, our owned and managed aircraft were leased to approximately 200 customers in approximately 80 countries. Over the life of our aircraft, we seek to increase the returns on our investments by managing the lease rates, time off-lease and financing and maintenance costs, and by carefully timing their sale.

Our current operating aircraft leases have initial terms ranging in length up to approximately 16 years. By varying our lease terms, we mitigate the effects of changes in cyclical market conditions at the time aircraft become eligible for re-lease. In periods of strong aircraft demand, we seek to enter into medium and long-term leases to lock-in the generally higher market lease rates during those periods, while in periods of low aircraft demand we seek to enter into shorter-term leases to mitigate the effects of the generally lower market lease rates during those periods.

Well in advance of the expiration of an operating lease, we prioritize entering into a lease extension with the then-current operator. This reduces our risk of aircraft downtime as well as aircraft transition costs. The terms of our lease extensions reflect the market conditions at the time and typically contain different terms from the original lease. Should a lessee not be interested in extending a lease, or if we believe we can obtain a more favorable return on the aircraft, we will explore other options, including the sale of the aircraft. If we enter into a lease agreement for the same aircraft with a different lessee, that usually occurs 10 to 18 months prior to the scheduled return date of the aircraft. When the aircraft is returned, there is usually maintenance work to be performed before the aircraft transitions to the next lessee. Upon redelivery, an aircraft is usually delivered to the next lessee in less than two months.

Our extensive experience, global reach and operating capabilities allow us to rapidly complete numerous aircraft transactions, which enables us to increase the returns on our aircraft investments and minimize any time that our aircraft are not generating revenue for us. We successfully executed 458 aircraft transactions during the year ended December 31, 2016.

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The following table provides details regarding the aircraft transactions we executed during the years ended December 31, 2016, 2015 and 2014. The trends shown in the table reflect the execution of the various elements of our leasing strategy for our owned and managed portfolio, as described further below:

	Year Ended December 31,			
	2016	2015	2014	Total
Owned portfolio				
New leases on new aircraft	72	56	82	210
New leases on used aircraft	75	108	35	218
Extensions of lease contracts	113	97	108	318
Aircraft purchases	38	46	33	117
Aircraft sales and part-outs	124	68	64	256
Managed portfolio				
New leases on used aircraft	7	3	10	20
Extensions of lease contracts	12	12	15	39
Aircraft sales and part-outs	17	15	19	51
Total aircraft transactions	**458**	**405**	**366**	**1,229**

The following table provides portfolio management metrics for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31,			
	2016	2015	2014	Average
Owned portfolio				
Average lease term for new leases (months)(a)	144	137	144	142
Average lease term for re-leases (months)(b)	72	99	89	87
Average lease term for lease extensions (months)(c)	48	44	44	45
Average aircraft utilization rate(d)	99.5%	99.5%	99.2%	99.4%
Managed portfolio				
Average lease term for re-leases (months)(b)	71	58	80	70
Average lease term for lease extensions (months)(c)	26	25	29	27

(a) Average lease term for new leases contracted during the period. The average lease term is calculated by reference to the period between the contractual delivery and contractual redelivery dates of the aircraft.

(b) Average lease term for re-leases contracted during the period. The average lease term is calculated by reference to the period between the contractual delivery and contractual redelivery dates of the aircraft.

(c) Average lease term for aircraft lease extensions contracted during the period. The average lease term is calculated by reference to the period between the date of the original expiration of the lease and the new extended expiration date.

(d) Our average aircraft utilization rate is calculated based on the number of days each aircraft was on lease during year, weighted by the net book value of the aircraft.

Leases of new aircraft generally have longer terms than used aircraft on re-lease. In addition, leases of more expensive aircraft generally have longer lease terms than those for less expensive aircraft. Lease terms for owned aircraft tend to be longer than those for managed aircraft because the average age of our owned fleet is lower than that of our managed fleet.

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

We typically require our lessees to provide a security deposit for their performance under their leases, including the return of the aircraft in the specified maintenance condition at the expiration of the lease. The size of the security deposit historically has been, on average, three months' rent and is based on the creditworthiness and the jurisdiction of the lessee.

All of our lessees are responsible for the maintenance and repair of the leased aircraft as well as other operating costs during the lease term. Based on the credit quality of the lessee, we require some of our lessees to pay supplemental maintenance rents to cover major scheduled maintenance costs. If a lessee pays supplemental maintenance rents, we reimburse them for their maintenance costs up to the amount of their supplemental maintenance rent payments. Under the terms of our leases, at lease expiration, to the extent that a lessee has paid us more supplemental maintenance rents than we have reimbursed them for their maintenance costs, we retain the excess rent. In most lease contracts that do not require the payment of supplemental maintenance rents, the lessee is generally required to redeliver the aircraft in a similar maintenance condition (normal wear and tear excepted) as when accepted under the lease. To the extent that the redelivery condition is different from the acceptance condition, we generally receive EOL cash compensation for the value difference at the time of redelivery. As of December 31, 2016, 510 (approximately 50%) of our 1,022 owned aircraft leases and as of December 31, 2015, 575 (approximately 52%) out of our 1,109 owned aircraft leases, provided for the payment of supplemental maintenance rents. Regardless of whether a lessee pays supplemental maintenance rents, we usually agree to compensate a lessee for scheduled maintenance on airframe and engines related to the prior utilization of the aircraft. For this prior utilization, we have normally received cash compensation from prior lessees of the aircraft, which was recognized as revenue during or at the end of the prior lease.

In all cases, we require the lessee to reimburse us for any costs we incur if the aircraft is not in the required condition upon redelivery. All of our leases contain provisions regarding our remedies and rights in the event of default by the lessee, and also include specific provisions regarding the required condition of the aircraft upon its redelivery.

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

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During the term of our leases, some of our lessees have experienced financial difficulties resulting in the need to restructure their leases. Generally, our restructurings have involved a number of possible changes to the lease terms, including the voluntary termination of leases prior to their scheduled expiration, the arrangement of subleases from the primary lessee to a sublessee, the rescheduling of lease payments and the exchange of lease payments for other consideration, including convertible bonds, warrants, shares and promissory notes. We generally seek to receive these and other marketable securities from our restructured leases, rather than deferred receivables. In some cases, we have been required to repossess a leased aircraft and, in those cases, we have usually exported the aircraft from the lessee's jurisdiction to prepare it for remarketing. In the majority of these situations, we have obtained the lessee's cooperation and the return and export of the aircraft were completed without significant delay, generally within two months. In some situations, however, our lessees have not cooperated in returning aircraft and we have been required to take legal action. In connection with the repossession of an aircraft, we may be required to settle claims on the aircraft or to which the lessee is subject, including outstanding liens on the repossessed aircraft.

Scheduled lease expirations

The following table presents the scheduled lease expirations (for the minimum non-cancelable period, which does not include contracted unexercised lease extension options) for our owned aircraft under operating leases by aircraft type as of December 31, 2016:

Aircraft type	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**Total**
Airbus A319	22	21	17	29	17	8	1	4			4	2				125
Airbus A320	19	29	42	41	26	15	18	4	6							200
Airbus A320neo Family												14		1		15
Airbus A321	10	16	14	11	17	6	1	3	4							82
Airbus A330	10	10	12	16	8	12	12	8	3	2						93
Airbus A350											2	6				8
Boeing 737NG	36	19	27	27	27	18	9	33	15	30	26	6				273
Boeing 767	5	9	8	5	4			2								33
Boeing 777-200ER	2	8	1	4	2		1	1								19
Boeing 777-300/300ER	3	9	11	2	2			1	3							31
Boeing 787							5	6		13	12	6		1	2	45
Other	13	5	13	1	3			1								36
Total(a)(b)	**120**	**126**	**145**	**136**	**106**	**59**	**47**	**63**	**31**	**45**	**44**	**34**		**2**	**2**	**960**

(a) Includes aircraft that have been re-leased or for which the lease has been extended.

(b) Excludes six off-lease aircraft. As of March 15, 2017, five of the off-lease aircraft were re-leased or under commitments for re-lease and one aircraft was designated for part-out.

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Principal markets and customers

The following table presents the percentage of lease revenue of our owned portfolio from our top five lessees for the year ended December 31, 2016:

Lessee	Percentage of 2016 lease revenue
American Airlines	6.8%
Emirates	4.6%
Air France	4.5%
China Southern Airlines	4.1%
Virgin Atlantic Airways	3.2%
Total	**23.2%**

We lease our aircraft to lessees located in numerous and diverse geographical regions. The following table presents the percentage of our lease revenue by region based on our lessee's principal place of business for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31,		
	2016	**2015**	**2014**
Asia/Pacific/Russia	36%	36%	35%
Europe	31%	32%	33%
North America/Caribbean	14%	14%	13%
Latin America	9%	8%	9%
Africa/Middle East	10%	10%	10%
Total	**100%**	**100%**	**100%**

For further geographic information on our lease revenue and long-lived assets, refer to Note 21 *Geographic information* to our Consolidated Financial Statements included in this annual report.

Aircraft services

We provide aircraft asset management and corporate services to securitization vehicles, joint ventures and other third parties. As of December 31, 2016, we had aircraft management and administration and/or cash management service contracts with eight parties, including AerDragon, that owned 124 aircraft. During the year ended December 31, 2016, three parties accounted for 73% of our aircraft services revenue. We categorize our aircraft services into aircraft asset management, administrative services and cash management services. Since we have an established operating system to manage our own aircraft, the incremental cost of providing aircraft management services to securitization vehicles, joint ventures and third parties is limited. Our primary aircraft asset management activities include:

- remarketing aircraft;
- collecting rental and supplemental maintenance rent payments, monitoring aircraft maintenance, monitoring and enforcing contract compliance and accepting delivery and redelivery of aircraft;
- conducting ongoing lessee financial performance reviews;

periodically inspecting the leased aircraft;

coordinating technical modifications to aircraft to meet new lessee requirements;

conducting restructuring negotiations in connection with lease defaults;

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- repossessing aircraft;
- arranging and monitoring insurance coverage;
- registering and de-registering aircraft;
- arranging for aircraft and aircraft engine valuations; and
- providing market research.

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

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

Engine, parts and supply chain solutions

At the end of 2015, we made the decision to restructure and downsize the AeroTurbine business. Please refer to Note 26 *AeroTurbine restructuring* to our Consolidated Financial Statements included in this annual report for detail of the AeroTurbine related restructuring expenses we recorded during the years ended December 31, 2016 and 2015. We expect to complete the downsizing within the next year and do not expect the remaining restructuring related expenses to be material.

Prior to the restructuring and downsizing, AeroTurbine provided engine leasing, certified aircraft engines, airframes, and engine parts, and supply chain solutions, and was capable of disassembling aircraft and engines into parts. AeroTurbine sold airframe parts primarily to airlines, maintenance, repair and overhaul service providers, and aircraft parts distributors. AeroTurbine also provided us with part-out and engine leasing capabilities.

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.

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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 16 *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 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;

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- obtain stable servicing revenues; and
- diversify our exposure to the economic risks related to aircraft.

Please refer to Note 28 *Variable interest 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.

Competition

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

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Insurance

Our lessees are required under our leases to bear responsibility, through an operational indemnity subject to customary exclusions, and to carry insurance for any liabilities arising out of the operation of our aircraft or engines, including any liabilities for death or injury to persons and damage to property that ordinarily would attach to the operator of the aircraft. In addition, our lessees are required to carry other types of insurance that are customary in the air transportation industry, including hull all risks insurance for both the aircraft and each engine whether or not installed on our aircraft, hull war risks insurance covering risks such as hijacking, terrorism, confiscation, expropriation, nationalization and seizure (in each case at a value stipulated in the relevant lease which typically exceeds the net book value by 10%, subject to adjustment or fleet aggregate limits in certain circumstances) and aircraft spares insurance and aircraft third party liability insurance, in each case subject to customary deductibles and exclusions. We are named as an additional insured on liability insurance policies carried by our lessees, and we or our lenders are designated as a loss payee in the event of a total loss of the aircraft or engine. We monitor the compliance by our lessees with the insurance provisions of our leases by securing confirmation of coverage from the lessee's insurance brokers. We also purchase insurance which provides us with coverage when our aircraft or engines are not subject to a lease or where a lessee's policy fails to indemnify us. In addition, we carry customary insurance for our property. Such insurance is subject to customary deductibles and exclusions. Insurance experts advise and make recommendations to us as to the appropriate amount of insurance coverage that we should obtain.

Regulation

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

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

Please refer to "Item 3 Risk Factors Risks related to our business We are subject to various risks and requirements associated with transacting business in many countries", "Item 3 Risk Factors Risks related to our business Our ability to operate in some countries is restricted by foreign regulations and controls on investments", "Item 3 Risk Factors Risks related to our business Our aircraft are subject to various environmental regulations", and "Item 3 Risk Factors Risks related to our business Our operations are subject to various environmental regulations" for a detailed discussion of government sanctions, export controls and other regulations that could affect our business.

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Litigation

Please refer to Note 30 *Commitments and contingencies* to our Consolidated Financial Statements included in this annual report for a detailed description of material litigation to which we are a party.

Trademarks

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

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.

Flight equipment

Aircraft portfolio

The following table presents our aircraft portfolio by type of aircraft as of December 31, 2016:

Aircraft type	Number of owned aircraft(a)	Percentage of total net book value	Number of managed and AerDragon aircraft	Number of on order aircraft	Total owned, managed and on order aircraft
Airbus A319	125	6%	11		136
Airbus A320	205	13%	29		234
Airbus A320neo Family	15	2%		204	219
Airbus A321	82	6%	13		95
Airbus A330	98	14%	10		108
Airbus A350	10	5%		19	29
Boeing 737NG	297	25%	43		340
Boeing 737MAX		0%		109	109
Boeing 767	37	1%			37
Boeing 777-200ER	26	3%	3		29
Boeing 777-300/300ER	31	8%	3		34
Boeing 787	45	16%		38	83
Embraer E190/195-E2		0%		50	50
Other	51	1%	12		63
Total	**1,022**	**100%**	**124**	**420**	**1,566**

(a) As of December 31, 2016 AeroTurbine did not own any aircraft.

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During the year ended December 31, 2016, we had the following activity related to flight equipment:

	Held for operating leases	Net investment in finance and sales-type leases	Held for sale	Total owned aircraft
Number of owned aircraft at beginning of period	1,067	37	5	1,109(a)
Aircraft purchases	38			38
Aircraft reclassified to held for sale	(58)	(2)	60	
Aircraft reclassified from held for sale	1		(1)	
Aircraft sold or designated for part-out	(66)	(1)	(58)	(125)(b)
Aircraft reclassified to net investment in finance and sales-type leases	(19)	19		
Aircraft reclassified from net investment in finance and sales-type leases	3	(3)		
Number of owned aircraft at end of period	**966**	**50**	**6**	**1,022(a)**

(a) Excludes nil and four aircraft owned by AeroTurbine as of December 31, 2016 and 2015, respectively.

(b) Includes one aircraft that was a total loss.

Aircraft on order

The following table provides details regarding our aircraft on order as of December 31, 2016:

Aircraft type	2017	2018	2019	2020	2021	2022	Total
Airbus A320neo Family(a)	39	47	48	40	30		204
Airbus A350	10	7	2				19
Boeing 737MAX		6	23	25	28	27	109
Boeing 787(a)	18	14	6				38
Embraer E190/195-E2		5	14	14	14	3	50
Total	**67**	**79**	**93**	**79**	**72**	**30**	**420**

(a) We have certain contractual rights for aircraft type substitutions.

Aircraft acquisitions and dispositions

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

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Prior to a purchase or disposition, our dedicated portfolio management group analyzes the aircraft's price, fit in our portfolio, specification and configuration, maintenance history and condition, the existing lease terms, financial condition and creditworthiness of the existing lessee, the jurisdiction of the lessee, industry trends, financing arrangements and the aircraft's redeployment potential and value, among other factors. During the year ended December 31, 2016, we executed 38 aircraft purchases and 141 aircraft sales from our owned and managed portfolios.

Facilities

We moved into our new headquarters in Dublin, Ireland (61,000 square feet) in the third quarter of 2016 and commenced the 25-year office facility lease contracted in 2015. We have an option to terminate the lease in 2031. We lease our office facility in Amsterdam, The Netherlands (39,000 square feet) under a lease that expires in March 2018. We lease our Shannon, Ireland office facility under a 21-year lease (11,000 square feet) and a 19-year lease (6,000 square feet) that began in March 2008 and June 2010, respectively, and have an option to terminate both leases in 2018. We occupy space in Los Angeles, California (21,000 square feet) under a lease that expires in August 2025. We lease our Singapore office facility under two leases that expire in December 2018 (17,000 square feet). In addition to the above facilities, we also lease small offices in New York, New York, Fort Lauderdale, Florida, Shanghai, China and Abu Dhabi, United Arab Emirates.

Through our AeroTurbine subsidiary, as of December 31, 2016, we occupied approximately 264,000 square feet of space near Miami, Florida that was used as the corporate office and warehouse, under a lease that expires in March 2024. In March 2017, AeroTurbine executed an amendment to the existing lease agreement for this facility. 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. As of December 31, 2016, we also leased approximately 1,100,000 square feet in AeroTurbine's Goodyear facility in Arizona, which included two hangars and substantial additional space for outdoor storage of aircraft, pursuant to long-term leases that expire in 2018 and 2026. In January 2017, AeroTurbine sold its operations at Goodyear, and the buyer assumed all obligations with respect to the leases arising as of the closing date.

Organizational structure

AerCap Holdings N.V. is a holding company that holds directly and indirectly consolidated subsidiaries, which in turn own our aircraft assets. As of December 31, 2016, AerCap Holdings N.V. did not own significant assets other than its direct and indirect investments in its subsidiaries.

The following table presents AerCap Holdings N.V.'s significant subsidiaries as of December 31, 2016:

Name of subsidiary	Jurisdiction of incorporation	Ownership interest
AerCap International B.V.	The Netherlands	100%
AerCap IOM 2 Limited	Isle of Man	100%
AerCap Ireland Limited	Republic of Ireland	100%
AerCap Ireland Capital Designated Activity Company	Republic of Ireland	100%
AerCap Global Aviation Trust	United States of America	100%
Aircraft SPC-12, LLC	United States of America	100%
Whitney Leasing Limited	Bermuda	100%

Item 4A. Unresolved Staff Comments

Not applicable.

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Item 5. Operating and Financial Review and Prospects

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

Overview

Net income attributable to AerCap Holdings N.V. for the year ended December 31, 2016 was $1,046.6 million, as compared to $1,178.7 million for the year ended December 31, 2015. For the year ended December 31, 2016, diluted earnings per share was $5.52. The weighted average number of diluted shares outstanding was 189.7 million for the year ended December 31, 2016. Net interest margin, or net spread, the difference between basic lease rents and interest expense, excluding the mark-to-market of interest rate caps and swaps, was $3,305.0 million for the year ended December 31, 2016. Please refer to "Item 5. Operating and Financial Review and Prospects Non-GAAP measures" for a reconciliation of net interest margin or net spread to the most closely related U.S. GAAP measure for the years ended December 31, 2016 and 2015.

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.

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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. In addition, we managed 95 aircraft and AerDragon, a non-consolidated joint venture, owned another 29 aircraft. 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. The average age of our 1,022 owned aircraft fleet, weighted by net book value, was 7.4 years as of December 31, 2016.

Significant components of revenues and expenses

Revenues and other income

Our revenues and other income consist primarily of lease revenue from aircraft leases, net gain on sale of assets and other income.

Lease revenue

Nearly all of our aircraft lease agreements provide for the periodic payment of a fixed or a floating amount of rent. Floating rents are tied to interest rates during the terms of the respective leases. During the year ended December 31, 2016, approximately 3.7% of our basic lease rents from aircraft under operating leases was attributable to leases tied to floating interest rates. In limited circumstances, our leases may require a basic rental payment based partially or exclusively on the amount of usage during a period. In addition, our leases require the payment of supplemental maintenance rent based on aircraft utilization during the lease term, or EOL compensation calculated with reference to the technical condition of the aircraft at lease expiration. The amount of lease revenue we recognize is primarily influenced by the following five factors:

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

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

As of December 31, 2016, 1,015 of 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 off-lease 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.

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Net gain on sale of assets

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

Other income

Our other income includes management fee revenue, interest revenue and other income.

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

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

Our other income primarily includes income we generate from the sale of, or lower of cost or market adjustments related to, non-aircraft assets, including inventories of AeroTurbine, net gain on sale of equity investments accounted for under the equity method, lease termination penalties, insurance proceeds and other miscellaneous activities.

Operating expenses

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

Depreciation and amortization

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

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Interest expense

Our interest expense arises from a variety of funding structures and related derivative financial instruments as described in "Item 11 Quantitative and Qualitative Disclosures About Market Risk", Note 13 *Derivative assets and liabilities* and Note 16 *Debt* to our Consolidated Financial Statements included in this annual report. Interest expense in any period is primarily affected by contracted interest rates, amortization of fair value adjustments, amortization of debt issuance costs and debt discounts, principal amounts of indebtedness and unrealized mark-to-market gains or losses on derivative financial instruments for which we did not achieve cash flow hedge accounting treatment.

Leasing expenses

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

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 MR contracts, maintenance rights expense is recognized when 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. For EOL contracts, maintenance rights expense is recognized upon lease termination, to the extent the lease end cash compensation paid to us is less than the maintenance rights intangible asset. To the extent the lease end cash compensation paid to us is more than the maintenance rights intangible asset, revenue is recognized in lease revenue in our Consolidated Income Statements, upon lease termination.

Selling, general and administrative expenses

Our selling, general and administrative expenses consist primarily of personnel expenses, including salaries, benefits and severance compensation, share-based compensation expense, professional and advisory costs, office facility expenses, and travel expenses as summarized in Note 22 *Selling, general and administrative expenses* to our Consolidated Financial Statements included in this annual report. The level of our selling, general and administrative expenses is influenced primarily by the number of our employees and the extent of transactions or ventures we pursue that require the assistance of outside professionals or advisors.

Provision for income taxes

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

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

Factors affecting our results

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

- the 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.

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Factors affecting the comparability of our results

Share repurchases

During 2016, our Board of Directors authorized total repurchases of up to $1.15 billion of AerCap ordinary shares and 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, for a total of $966.0 million.

Portfolio sale transactions

During 2016, AerCap executed portfolio sale transactions for the sale of 72 aircraft at an aggregate sale price of approximately $2 billion.

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.

ILFC Transaction and related reorganization

On May 14, 2014, AerCap issued 97,560,976 new ordinary shares and paid $2.4 billion in cash to AIG to successfully complete the ILFC Transaction. In addition, ILFC paid a special distribution of $600.0 million to AIG prior to the consummation of the ILFC Transaction. 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 the AerCap Trust, and AerCap Trust assumed substantially all the liabilities of ILFC, including liabilities in respect of ILFC's indebtedness.

GFL Transaction

On April 22, 2014, we completed the sale of 100% of the class A common shares in Genesis Funding Limited to GFL Holdings, LLC, an affiliate of Wood Creek Capital Management, LLC. GFL had 37 aircraft in its portfolio with a net book value of $727 million.

Trends in our business

Global demand for air travel remains strong. Overall global air passenger traffic, measured in revenue passenger kilometers, grew 6.3% in 2016, according to IATA. Traffic growth was 4.6% in Europe, 3.2% in North America, and 9.2% in Asia Pacific in 2016, propelled by strong 11.7% growth in China and 23.3% domestic traffic growth in India. The demand stimulus from lower oil prices is expected to taper off in 2017, slowing traffic growth to 5.1% in 2017, according to IATA. This is still expected to translate into robust growth in large, developed markets, such as the U.S. and Europe, as well as continued expansion in the emerging markets where the middle class continues to expand.

While airline industry profits are not expected to surpass the 2016 peak of $35.6 billion, the industry is expected to remain solidly profitable and is expected to record a net profit of $29.8 billion in 2017, the eighth year in a row of aggregate airline profitability.

Passenger air traffic growth and airlines' record profitability have fueled steady demand for commercial passenger aircraft from airlines, including demand for leased aircraft. We expect that demand for leased aircraft will remain strong as robust traffic growth continues to fuel demand for additional aircraft.

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Critical accounting policies and estimates

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

Flight equipment held for operating leases, net

Flight equipment held for operating leases is stated at cost less accumulated depreciation and impairment. Flight equipment is depreciated to its estimated residual value on a straight-line basis over the useful life of the aircraft, which is generally 25 years from the date of manufacture, or a different period depending on the disposition strategy. The costs of improvements to flight equipment are normally recorded as leasing expenses unless the improvement increases the long-term value 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.

Impairment charges

On a quarterly basis, 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, such as when events or changes in circumstances indicate that it is more likely than not that an aircraft will be sold or parted-out a significant amount of time before the end of its previously estimated useful life. Due to the significant uncertainties associated with potential sales transactions, management uses its judgment to evaluate whether a sale or other disposal is more likely than not. The factors that management considers in its assessment include *(i)* the progress of the potential sales transactions through a review and evaluation of the sales related documents and other communications, including, but not limited to, letters of intent or sales agreements that have been negotiated or executed; *(ii)* our general or specific fleet strategies and other business needs and how those requirements bear on the likelihood of sale or other disposal; and *(iii)* the evaluation of potential execution risks, including the source of potential purchaser funding and other execution risks.

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Annually, we perform impairment assessments for all of our aircraft held for operating leases that are five years of age or older. The review of recoverability includes an assessment of the estimated future cash flows associated with the use of the 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 "Asset Group"). If the sum of the expected undiscounted future cash flows is less than the aggregate net book value of the Asset Group, an impairment loss is recognized. The loss is measured as the excess of the carrying amount of the impaired aircraft over its fair value. Fair 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.

The cash flows supporting the carrying value of aircraft that are 15 years of age or older are more dependent upon current lease contracts, and these leases are more sensitive to weaknesses in the global economic environment. Deterioration of the global economic environment and a decrease in aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might trigger impairments. As of December 31, 2016, we owned 966 aircraft held for operating leases, of which 182 aircraft were 15 years of age or older. The Asset Group for the 182 aircraft had a carrying value of $1.9 billion, which represented approximately 6% of our total flight equipment and lease-related assets and liabilities as of December 31, 2016. The undiscounted cash flows of these 182 aircraft were estimated at $3.2 billion, which represented 67% in excess of the aggregate carrying value. As of December 31, 2016, all of these aircraft passed the recoverability test, with undiscounted cash flows exceeding the carrying value of the Asset Group by between 0% and 3,596%. The following assumptions drive the undiscounted cash flows: contracted lease rents through current lease expiry, subsequent re-lease rates based on current marketing information and residual values. We review and stress-test our key assumptions to reflect any observed weakness in the global economic environment.

Aircraft that are between five and 15 years of age for which the carrying value exceeds the appraised value are tested for impairment by comparing the undiscounted cash flows with the carrying value. If such cash flows do not exceed the carrying value by at least 10%, the aircraft are more susceptible to impairment risk. The aggregate carrying value of the Asset Group for one aircraft for which the cash flows did not substantially exceed our 10% threshold was $22.8 million, which represented approximately 0.07% of our total flight equipment held for operating leases and lease-related assets and liabilities as of December 31, 2016. The aircraft that was below the 10% threshold did however pass the impairment test as of December 31, 2016 and as such no impairment was recognized.

Guarantees

We have potential obligations under guarantee contracts that we have entered into with third parties. 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.

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Inventory

Inventory consists primarily of engine and airframe parts and rotable and consumable parts we sell through our subsidiary, AeroTurbine, which we are downsizing, and is included in other assets in our Consolidated Balance Sheets. 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 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.

Revenues and other income

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. 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.

Revenue from net investment in finance and sales-type leases is recognized using the interest method to produce a constant yield over the life of the lease and is included in lease revenue in our Consolidated Income Statements. Expected unguaranteed residual values of leased flight equipment are based on our assessment of the values of the leased flight equipment at expiration of the lease terms.

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.

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When flight equipment is sold, the portion of the accrued maintenance liability that 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.

Consolidation

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

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.

Future application of accounting standards

Revenue from contracts with customers

In May 2014, the FASB issued an accounting standard that provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This guidance does not apply to lease contracts with customers. The standard will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract including *(i)* identifying the contract with the customer; *(ii)* identifying the separate performance obligations in the contract; *(iii)* determining the transaction price; *(iv)* allocating the transaction price to the separate performance obligations; and *(v)* recognizing revenue when each performance obligation is satisfied.

This standard was originally scheduled to be effective for fiscal years beginning after December 15, 2016 and subsequent interim periods. In August 2015, the FASB issued an update to the standard which deferred the effective date to January 1, 2018. The standard may be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of applying this standard recognized at the date of adoption. Early adoption is permitted but not before the originally scheduled effective date. We plan to adopt the standard on its required effective date of January 1, 2018. We are evaluating the effect the adoption of the standard will have on our Consolidated Financial Statements. This new standard does not impact the accounting of our lease revenue but may impact the accounting of our revenue other than lease revenue. While we are still performing our analysis, we do not expect the impact of this standard to be material to our Consolidated Financial Statements.

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Inventory

In July 2015, the FASB issued an accounting standard that simplifies the subsequent measurement of all inventory except for inventory measured using the last-in, first-out or the retail inventory method. Inventory within the scope of this standard will be measured at the lower of cost and net realizable value instead of the lower of cost or market as required under existing guidance. Net realizable value is the estimated sale price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This standard also requires that substantial and unusual losses that result from the subsequent measurement of inventory be disclosed in the financial statements. The new standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. This standard should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We plan to adopt the standard on its required effective date of January 1, 2017. We do not expect the impact of this standard to be material to our Consolidated Balance Sheets and Consolidated Income Statements.

Lease accounting

In February 2016, the FASB issued an accounting standard that requires lessees to recognize lease-related assets and liabilities on the balance sheet, other than leases that meet the definition of a short-term lease. In certain circumstances, the lessee is required to remeasure the lease payments. Qualitative and quantitative disclosures, including significant judgments made by management, will be required to provide insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. Under the new standard, lessor accounting remains similar to the current model. The new standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using the modified retrospective transition approach. We plan to adopt the standard on its required effective date of January 1, 2019. We do not expect the impact of this standard to be material to our Consolidated Balance Sheets and Consolidated Income Statements. Adoption of the new standard will change the way airlines report operating leases in their financial statements, which could affect their behavior. However, we do not believe that the adoption will significantly impact airlines' decision to lease aircraft.

Stock compensation

In March 2016, the FASB issued an accounting standard that requires entities to record all tax effects related to share-based awards in the income statement when the awards vest or are settled. The accounting standard also requires excess tax benefits to be recorded when they arise, subject to normal valuation allowance considerations. Excess tax benefits are to be reported as operating activities on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption will be permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. We plan to adopt the standard on its required effective date of January 1, 2017. We do not expect the impact of this standard to be material to our Consolidated Financial Statements.

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Allowance for credit losses

In June 2016, the FASB issued an accounting standard that requires entities to estimate lifetime expected credit losses for most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, net investments in leases and off-balance sheet credit exposures. The standard also requires additional disclosure, including how the entity develops its allowance for credit losses for financial assets measured at amortized cost and disaggregated information on the credit quality of net investments in leases measured at amortized cost by year of the asset's origination for up to five annual periods. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption will be permitted in any interim or annual period beginning after December 15, 2018. The new standard must be adopted using the modified retrospective transition approach. We plan to adopt the standard on its required effective date of January 1, 2020. We are evaluating the effect the adoption of the standard will have on our Consolidated Balance Sheets and Consolidated Income Statements.

Statement of cash flows

In August 2016, the FASB issued an accounting standard that is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The standard includes clarifications that *(i)* cash payments for debt prepayment or extinguishments costs must be classified as cash outflows for financing activities; *(ii)* cash proceeds from the settlement of insurance claims should be classified based on the nature of the loss; *(iii)* an entity is required to make an accounting policy election to classify distributions received from equity method investees under either the cumulative-earnings approach or the nature of distribution approach; and *(iv)* in the absence of specific guidance, an entity should classify each separately identifiable cash source and use on the basis of the underlying cash flows. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption will be permitted in any interim or annual period. The new standard must be adopted using the retrospective transition method. We plan to adopt the standard on its required effective date of January 1, 2018. We do not expect the impact of this standard to be material to our Consolidated Statements of Cash Flows.

Presentation of restricted cash in the statement of cash flows

In November 2016, the FASB issued an accounting standard that clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The standard requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The standard also requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted in any interim or annual period, but any adjustments must be reflected as of the beginning of the fiscal year. The new standard must be adopted retrospectively. We plan to adopt the standard on its required effective date of January 1, 2018. We are evaluating the effect the adoption of the standard will have on our Consolidated Statements of Cash Flows.

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Comparative results of operations

Results of operations for the year ended December 31, 2016 compared to the year ended December 31, 2015

	Year Ended December 31,	
	2016	2015
	(U.S. dollar amounts in millions)	
Revenues and other income		
Lease revenue	$ 4,867.6	$ 4,991.6
Net gain on sale of assets	138.5	183.3
Other income	146.0	112.7
Total Revenues and other income	**5,152.1**	**5,287.6**
Expenses		
Depreciation and amortization	1,791.3	1,843.0
Asset impairment	81.6	16.3
Interest expense	1,091.9	1,099.9
Leasing expenses	582.5	522.4
Transaction, integration and restructuring related expenses	53.4	58.9
Selling, general and administrative expenses	351.0	381.4
Total Expenses	**3,951.7**	**3,921.9**
Income before income taxes and income of investments accounted for under the equity method	**1,200.4**	**1,365.7**
Provision for income taxes	(173.5)	(189.8)
Equity in net earnings of investments accounted for under the equity method	12.6	1.3
Net income	**$ 1,039.5**	**$ 1,177.2**
Net loss attributable to non-controlling interest	7.1	1.5
Net income attributable to AerCap Holdings N.V.	**$ 1,046.6**	**$ 1,178.7**

Revenues and other income. The principal categories of our revenues and other income and their variances were as follows:

	Year Ended December 31,		Increase/	Percentage
	2016	2015	(Decrease)	Difference
	(U.S. dollar amounts in millions)			
Lease revenue:				
Basic lease rents	$ 4,395.3	$ 4,635.8	$ (240.5)	(5)%
Maintenance rents and other receipts	472.3	355.8	116.5	33%
Net gain on sale of assets	138.5	183.3	(44.8)	(24)%
Other income	146.0	112.7	33.3	30%
Total revenues and other income	**$ 5,152.1**	**$ 5,287.6**	**$ (135.5)**	**(3)%**

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Basic lease rents. Basic lease rents decreased by $240.5 million, or 5%, to $4,395.3 million during the year ended December 31, 2016 from $4,635.8 million during the year ended December 31, 2015. The decrease in basic lease rents recognized during the year ended December 31, 2016 as compared to the year ended December 31, 2015 was attributable to:

- the sale of 189 aircraft between January 1, 2015 and December 31, 2016 with an aggregate net book value of $3.3 billion on their sale dates, resulting in a decrease in basic lease rents of $313.9 million; and

- a decrease in basic lease rents of $221.7 million primarily due to re-leases and extensions at lower rates, which include the extension of leases prior to their contracted redelivery dates. The accounting for these extensions requires the remaining rental payments to be recorded on a straight-line basis over the remaining term of the original lease plus the extension period. This results in a decrease in basic lease rents during the remaining term of the original lease that will be offset by an increase in basic lease rents during the extension period. In addition, the contracted lease rates of extensions or re-leases of an aircraft tend to be lower than their previous lease rates as the aircraft are older, and older aircraft have lower lease rates than newer aircraft,
partially offset by

- the acquisition of 81 aircraft between January 1, 2015 and December 31, 2016, with an aggregate net book value of $7.2 billion on their acquisition dates, resulting in an increase in basic lease rents of $295.1 million.

Maintenance rents and other receipts. Maintenance rents and other receipts increased by $116.5 million, or 33%, to $472.3 million during the year ended December 31, 2016 from $355.8 million during the year ended December 31, 2015. The increase was primarily attributable to:

- an increase of $52.0 million in maintenance revenue and other receipts from lease terminations and amendments during the year ended December 31, 2016 as compared to the year ended December 31, 2015; and

- an increase of $64.5 million in regular maintenance rents during the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Net gain on sale of assets. Net gain on sale of assets decreased by $44.8 million, or 24%, to $138.5 million during the year ended December 31, 2016 from $183.3 million during the year ended December 31, 2015. During the year ended December 31, 2016, we sold 124 aircraft and reclassified 19 aircraft to net investment in finance and sales-type leases, whereas during the year ended December 31, 2015, we sold 59 aircraft and reclassified 11 aircraft to net investment in finance and sales-type leases. Net gain on sale of assets is impacted by the timing and composition of asset sales.

Other income. Other income increased by $33.3 million, or 30%, to $146.0 million during the year ended December 31, 2016 from $112.7 million during the year ended December 31, 2015. The increase was primarily due to higher non-recurring income of $63.2 million from lease terminations, $38.0 million from net insurance proceeds, and $27.7 million from a gain related to the prepayment of a note receivable earlier than expected, partially offset by lower gross profit on engine, airframe, parts and supplies sales as a result of the AeroTurbine downsizing. During the year ended December 31, 2015, we also recognized a gain of $22.6 million from the settlement of asset value guarantees.

Depreciation and amortization. Depreciation and amortization decreased by $51.7 million, or 3%, to $1,791.3 million during the year ended December 31, 2016 from $1,843.0 million during the year ended December 31, 2015. The decrease was primarily due to a reduction in the size of our aircraft portfolio due to aircraft sales.

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Asset impairment. We recognized aggregate impairment charges of $81.6 million during the year ended December 31, 2016 as compared to $16.3 million recognized during the year ended December 31, 2015. The impairment charges recorded during the year ended December 31, 2016 related to lease terminations and amendments of lease agreements for 25 aircraft. These impairments were more than offset by lease revenue of $95.9 million that we recognized when we retained maintenance related balances or received EOL compensation upon lease termination or amendment. In addition, we recognized impairment charges for ten aircraft that were part of sale transactions and were classified as flight equipment held for sale. The impairment charges recorded during the year ended December 31, 2015 related to eight aircraft that were sold or parted-out and 12 engines. The impairment charges recorded during the year ended December 31, 2015 included impairments of $6.6 million recorded for four older aircraft, for which we retained maintenance related balances or received EOL compensation and recognized $20.5 million of lease revenue upon redelivery.

Interest expense. Our interest expense decreased by $8.0 million, or 1%, to $1,091.9 million during the year ended December 31, 2016 from $1,099.9 million during the year ended December 31, 2015. The decrease in interest expense was primarily attributable to:

- a decrease in our average outstanding debt balance by $0.7 billion to $29.1 billion during the year ended December 31, 2016 from $29.8 billion during the year ended December 31, 2015, primarily due to regular debt repayments, resulting in a $23.1 million decrease in our interest expense; and

- a $16.5 million decrease in non-cash mark-to-market losses on derivatives to $1.6 million recognized during the year ended December 31, 2016 from $18.1 million recognized during the year ended December 31, 2015,
partially offset by

- an increase in our average cost of debt to 3.7% for the year ended December 31, 2016 as compared to 3.6% for the year ended December 31, 2015. Our average cost of debt excludes the effect of mark-to-market movements on our interest rate caps and swaps, and in 2015, includes a one-time charge of $16.9 million related to prior periods to correct capitalized interest. The increase in our average cost of debt was primarily due to the issuance of new longer-term bonds to replace shorter-term ILFC notes, which had lower reported interest expense as a result of the application of the acquisition method of accounting to the debt assumed as part of the ILFC Transaction. The increase in our average cost of debt resulted in a $31.6 million increase in our interest expense.

Leasing expenses. Our leasing expenses increased by $60.1 million, or 12%, to $582.5 million during the year ended December 31, 2016 from $522.4 million during the year ended December 31, 2015. The increase was primarily due to $33.2 million higher maintenance rights expense and $38.3 million higher regular aircraft transition costs, lessor maintenance contributions and other leasing expenses, partially offset by $11.4 million lower expenses relating to airline defaults and restructurings recognized during the year ended December 31, 2016 as compared to the year ended December 31, 2015.

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Transaction, integration and restructuring related expenses. Our transaction, integration and restructuring related expenses decreased by $5.5 million, or 9%, to $53.4 million during the year ended December 31, 2016 from $58.9 million during the year ended December 31, 2015. During the year ended December 31, 2016, our transaction, integration and restructuring related expenses were related to the AeroTurbine downsizing, including intangible assets impairment, expenses related to the sale of AeroTurbine's Goodyear operations, leased engines impairment and severance costs. During the year ended December 31, 2015, our transaction, integration and restructuring related expenses consisted of $9.6 million of severance and other compensation expenses and rent termination costs due to the ILFC Transaction and $49.3 million of restructuring expenses related to the downsizing of AeroTurbine. Please refer to Note 26 *AeroTurbine restructuring* to our Consolidated Financial Statements included in this annual report for further details on the AeroTurbine restructuring.

Selling, general and administrative expenses. Our selling, general and administrative expenses decreased by $30.4 million, or 8%, to $351.0 million during the year ended December 31, 2016 from $381.4 million during the year ended December 31, 2015. The decrease was due to lower overhead expenses as a result of the AeroTurbine downsizing as well as other expense reductions.

Income before income taxes and income of investments accounted for under the equity method. For the reasons explained above, our income before income taxes and income of investments accounted for under the equity method decreased by $165.3 million, or 12%, to $1,200.4 million during the year ended December 31, 2016 from $1,365.7 million during the year ended December 31, 2015.

Provision for income taxes. Our provision for income taxes decreased by $16.3 million, or 9%, to $173.5 million during the year ended December 31, 2016 from $189.8 million during the year ended December 31, 2015. Our effective tax rate was 14.5% for the year ended December 31, 2016 as compared to 13.9% for the year ended December 31, 2015. The increase in our effective tax rate for the year ended December 31, 2016 was primarily due to changes in our valuation allowance in the United States of America during the years ended December 31, 2015 and 2016. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions. Please refer to Note 17 *Income taxes* to our Consolidated Financial Statements included in this annual report for a detailed description of our income taxes.

Equity in net earnings of investments accounted for under the equity method. Our equity in net earnings of investments accounted for under the equity method was $12.6 million during the year ended December 31, 2016 as compared to $1.3 million during the year ended December 31, 2015. During the year ended December 31, 2015, our equity in net earnings of investments accounting for under the equity method was impacted by a loss of approximately $4 million from one of our investments.

Net income. For the reasons explained above, our net income decreased by $137.7 million, or 12%, to $1,039.5 million during the year ended December 31, 2016 from $1,177.2 million during the year ended December 31, 2015.

Net loss attributable to non-controlling interest. Net loss attributable to non-controlling interest was $7.1 million during the year ended December 31, 2016 as compared to $1.5 million during the year ended December 31, 2015.

Net income attributable to AerCap Holdings N.V. For the reasons explained above, our net income attributable to AerCap Holdings N.V. decreased by $132.1 million, or 11%, to $1,046.6 million during the year ended December 31, 2016 from $1,178.7 million during the year ended December 31, 2015.

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Results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2014

	Year Ended December 31, 2015	Year Ended December 31, 2014
	(U.S. dollar amounts in millions)	
Revenues and other income		
Lease revenue	$ 4,991.6	$ 3,449.6
Net gain on sale of assets	183.3	37.5
Other income	112.7	104.5
Total Revenues and other income	**5,287.6**	**3,591.6**
Expenses		
Depreciation and amortization	1,843.0	1,282.2
Asset impairment	16.3	21.8
Interest expense	1,099.9	780.3
Leasing expenses	522.4	141.6
Transaction, integration and restructuring related expenses	58.9	148.8
Selling, general and administrative expenses	381.4	300.0
Total Expenses	**3,921.9**	**2,674.7**
Income before income taxes and income of investments accounted for under the equity method	**1,365.7**	**916.9**
Provision for income taxes	(189.8)	(137.4)
Equity in net earnings of investments accounted for under the equity method	1.3	29.0
Net income	**$ 1,177.2**	**$ 808.5**
Net loss attributable to non-controlling interest	1.5	1.9
Net income attributable to AerCap Holdings N.V.	**$ 1,178.7**	**$ 810.4**

Revenues and other income. The principal categories of our revenues and other income and their variances were as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2014	Increase/ (Decrease)	Percentage Difference
	(U.S. dollar amounts in millions)			
Lease revenue:				
Basic lease rents	$ 4,635.8	$ 3,282.8	$ 1,353.0	41%
Maintenance rents and other receipts	355.8	166.8	189.0	113%
Net gain on sale of assets	183.3	37.5	145.8	389%
Other income	112.7	104.5	8.2	8%
Total revenues and other income	**$ 5,287.6**	**$ 3,591.6**	**$ 1,696.0**	**47%**

Basic lease rents. Basic lease rents increased by $1,353.0 million, or 41%, to $4,635.8 million during the year ended December 31, 2015 from $3,282.8 million during the year ended December 31, 2014. The increase in basic lease rents recognized during the year ended December 31, 2015 as compared to the year ended December 31, 2014 was attributable to:

the acquisition of 1,004 aircraft between January 1, 2014 and December 31, 2015, including aircraft acquired as part of the ILFC Transaction, with an aggregate net book value of $29.9 billion on their acquisition dates, resulting in an increase in basic lease rents of $1,450.8 million,

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partially offset by

the sale of 132 aircraft with an aggregate net book value of $2.2 billion on their sale dates, resulting in a decrease in basic lease rents of $79.0 million during such period; and

a decrease in basic lease rents of $18.8 million recognized during the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to re-leases and extensions at lower rates, which include the extension of leases prior to their contracted redelivery dates. The accounting for these extensions requires the remaining rental payments to be recorded on a straight-line basis over the remaining term of the original lease plus the extension period. This results in a decrease in basic lease rents during the remaining term of the original lease that will be offset by an increase in basic lease rents during the extension period. In addition, the contracted lease rates of extensions or re-leases of an aircraft tend to be lower than their previous lease rates as the aircraft are older, and older aircraft have lower lease rates than newer aircraft.

Maintenance rents and other receipts. Maintenance rents and other receipts increased by $189.0 million, or 113%, to $355.8 million during the year ended December 31, 2015 from $166.8 million during the year ended December 31, 2014. The increase was primarily attributable to:

an increase of $166.5 million in regular maintenance rents relating primarily to the ILFC Transaction during the year ended December 31, 2015 as compared to the year ended December 31, 2014; and

an increase of $22.5 million in maintenance revenue and other receipts from airline defaults and restructurings during the year ended December 31, 2015 as compared to the year ended December 31, 2014.

Net gain on sale of assets. Net gain on sale of assets increased by $145.8 million, or 389%, to $183.3 million during the year ended December 31, 2015 from $37.5 million during the year ended December 31, 2014. The increase was primarily due to the higher volume of aircraft sold, as further detailed below, as well as improvements in aviation markets and aircraft values subsequent to the ILFC Transaction, and was driven primarily by the following factors: a decrease in oil prices between May 14, 2014 and December 31, 2015, an improvement in the air cargo market that commenced during the second half of 2014, an increase in the supply of equity and debt capital and new market entrants with lower return requirements, driven by the sustained low interest rate environment, increased air travel passenger traffic, and the general improvement of the global economy.

During the year ended December 31, 2015 we sold 59 aircraft, reclassified 11 aircraft to net investment in finance and sales type leases and parted-out nine aircraft, whereas during the year ended December 31, 2014, we sold the GFL portfolio of 37 aircraft and an additional 21 aircraft. When we part-out aircraft under a consignment contract, the gain is deferred and recognized as other income when the parts are sold.

Other income. Other income increased by $8.2 million, or 8%, to $112.7 million during the year ended December 31, 2015 from $104.5 million during the year ended December 31, 2014. The increase was primarily due to income of $22.6 million from the settlement of asset value guarantees and net insurance proceeds of $16.2 million. During the year ended December 31, 2015, we also recognized 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, partially offset by the full year impact of income from AeroTurbine, which was acquired as part of the ILFC Transaction. During the year ended December 31, 2014 we recognized a gain of $19.9 million from the sale of our 42% equity interest in AerData.

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Depreciation and amortization. Depreciation and amortization increased by $560.8 million, or 44%, to $1,843.0 million during the year ended December 31, 2015 from $1,282.2 million during the year ended December 31, 2014. The increase was primarily due to the ILFC Transaction and purchases of new aircraft, and was partially offset by aircraft sales.

Asset impairment. We recognized aggregate impairment charges of $16.3 million during the year ended December 31, 2015 related to eight aircraft that were sold or parted-out and 12 engines, as compared to $21.8 million recognized during the year ended December 31, 2014 related to eight aircraft that were returned early from our lessees and three previously leased engines. The impairment charges recorded during the year ended December 31, 2015 included impairments of $6.6 million recorded for four older aircraft, for which we retained maintenance related balances or received EOL compensation and recognized $20.5 million of lease revenue upon redelivery.

Interest expense. Our interest expense increased by $319.6 million, or 41%, to $1,099.9 million during the year ended December 31, 2015 from $780.3 million during the year ended December 31, 2014. The increase in interest expense was primarily attributable to:

- an increase in our average outstanding debt balance by $8.3 billion to $29.8 billion during the year ended December 31, 2015 from $21.5 billion during the year ended December 31, 2014, primarily due to the repayment of older ILFC debt which was fair-valued at lower rates because of the shorter remaining tenor of the debt at the time of acquisition, and partially offset by regular debt repayments, resulting in a $295.9 million increase in our interest expense,

- a slight increase in our average cost of debt to 3.63% for the year ended December 31, 2015 as compared to 3.56% for the year ended December 31, 2014. Our average cost of debt excludes the effect of mark-to-market movements on our interest rate caps and swaps and charges from the early repayment of secured loans. In 2015, our average cost of debt includes a one-time charge of $16.9 million related to prior periods to correct capitalized interest. The increase in our average cost of debt was primarily due to the ILFC Transaction and resulted in a $22.3 million increase in our interest expense; and

- a $1.4 million increase in non-cash mark-to-market losses on derivatives to $18.1 million recognized during the year ended December 31, 2015 from $16.7 million recognized during the year ended December 31, 2014.

Leasing expenses. Our leasing expenses increased by $380.8 million, or 269%, to $522.4 million during the year ended December 31, 2015 from $141.6 million during the year ended December 31, 2014. The increase was primarily due to $293.9 million higher maintenance rights expense, $53.2 million higher regular aircraft transition costs, lessor maintenance contributions and other leasing expenses, and $33.7 million higher expenses relating to airline defaults and restructurings recognized during the year ended December 31, 2015 as compared to the year ended December 31, 2014.

Transaction, integration and restructuring related expenses. Our transaction, integration and restructuring related expenses decreased by $89.9 million, or 60%, to $58.9 million during the year ended December 31, 2015 from $148.8 million during the year ended December 31, 2014. During the year ended December 31, 2015, our transaction, integration and restructuring related expenses consisted of $9.6 million of severance and other compensation expenses and rent termination costs due to the ILFC Transaction and $49.3 million of restructuring expenses related to the downsizing of AeroTurbine (see Note 26 *AeroTurbine restructuring*), as compared to the year ended December 31, 2014, which consisted of $148.8 million of banking fees, professional fees and severance and other compensation expenses due to the ILFC Transaction.

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Selling, general and administrative expenses. Our selling, general and administrative expenses increased by $81.4 million, or 27%, to $381.4 million during the year ended December 31, 2015 from $300.0 million during the year ended December 31, 2014. The increase was primarily due to higher personnel expenses as a result of the ILFC Transaction and higher share-based compensation expense.

Income before income taxes and income of investments accounted for under the equity method. For the reasons explained above, our income before income taxes and income of investments accounted for under the equity method increased by $448.8 million, or 49%, to $1,365.7 million during the year ended December 31, 2015 from $916.9 million during the year ended December 31, 2014.

Provision for income taxes. Our provision for income taxes increased by $52.4 million, or 38%, to $189.8 million during the year ended December 31, 2015 from $137.4 million during the year ended December 31, 2014. Our effective tax rate was 13.9% for the year ended December 31, 2015 and was 15.0% for the year ended December 31, 2014. The decrease in our effective tax rate for the year ended December 31, 2015 was driven primarily by the transfer of aircraft and substantial business operations from the United States to Ireland. Our effective tax rate in any period is impacted by the source and the amount of earnings among our different tax jurisdictions. Please refer to Note 17 *Income taxes* to our Consolidated Financial Statements included in this annual report for a detailed description of our income taxes.

Equity in net earnings of investments accounted for under the equity method. Our equity in net earnings of investments accounted for under the equity method was $1.3 million during the year ended December 31, 2015 as compared to $29.0 million during the year ended December 31, 2014. The decrease was driven primarily by a non-recurring gain of approximately $20 million from one of our investments during the year ended December 31, 2014, and a loss of approximately $4 million from one of our investments during the year ended December 31, 2015.

Net income. For the reasons explained above, our net income increased by $368.7 million, or 46%, to $1,177.2 million during the year ended December 31, 2015 from $808.5 million during the year ended December 31, 2014.

Net loss attributable to non-controlling interest. Net loss attributable to non-controlling interest was $1.5 million during the year ended December 31, 2015 as compared to $1.9 million during the year ended December 31, 2014.

Net income attributable to AerCap Holdings N.V. For the reasons explained above, our net income attributable to AerCap Holdings N.V. increased by $368.3 million, or 45%, to $1,178.7 million during the year ended December 31, 2015 from $810.4 million during the year ended December 31, 2014.

Liquidity and capital resources

The following table presents our consolidated cash flows for the years ended December 31, 2016 and 2015.

	Year Ended December 31,	
	2016	2015
	(U.S. dollar amounts in millions)	
Net cash provided by operating activities	$ 3,381.2	$ 3,360.0
Net cash used in investing activities	(1,331.1)	(1,715.9)
Net cash used in financing activities	(2,417.2)	(728.3)

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Cash flows provided by operating activities. During the year ended December 31, 2016, our cash provided by operating activities of $3,381.2 million was the result of net income of $1,039.5 million, non-cash and other adjustments to net income of $2,076.6 million and an increase in the net change in operating assets and liabilities of $265.1 million. During the year ended December 31, 2015, our cash provided by operating activities of $3,360.0 million was the result of net income of $1,177.2 million, non-cash and other adjustments to net income of $2,012.4 million and an increase in the net change in operating assets and liabilities of $170.4 million.

Cash flows used in investing activities. During the year ended December 31, 2016, our cash used in investing activities of $1,331.1 million primarily consisted of cash used for the purchase of aircraft and other fixed assets of $3,861.8 million, partially offset by cash provided by asset sale proceeds of $2,366.2 million, a decrease in our restricted cash of $90.3 million and collections of finance and sales-type leases of $74.2 million. During the year ended December 31, 2015, our cash used in investing activities of $1,715.9 million primarily consisted of cash used for the purchase of aircraft of $3,637.0 million, partially offset by cash provided by asset sale proceeds of $1,568.2 million, a decrease in restricted cash of $297.9 million and collections of finance and sales-type leases of $55.0 million.

Cash flows used in financing activities. During the year ended December 31, 2016, our cash used in financing activities of $2,417.2 million primarily consisted of cash used for the repurchase of shares and payments of tax withholdings on share-based compensation of $1,021.1 million and cash used for the payment of dividends to our non-controlling interest holders of $10.5 million. In addition, cash was used for debt repayments and debt issuance costs, net of new financing proceeds of $1,606.3 million, partially offset by cash provided by net receipts of maintenance and security deposits of $220.7 million. During the year ended December 31, 2015, our cash used in financing activities of $728.3 million primarily consisted of cash used for the repurchase of shares and payments of tax withholdings on share-based compensation of $793.9 million. In addition, cash was used for debt repayments and debt issuance costs, net of new financing proceeds of $179.3 million, partially offset by cash provided by net receipts of maintenance and security deposits of $244.9 million.

Aircraft leasing is a capital-intensive business and we have significant capital requirements, including making pre-delivery payments and paying the balance of the purchase price for aircraft on delivery. As of December 31, 2016, we had 420 new aircraft on order, including 204 Airbus A320neo Family aircraft, 109 Boeing 737MAX aircraft, 50 Embraer E-Jets E2 aircraft, 38 Boeing 787 aircraft and 19 Airbus A350 aircraft. As a result, we will need to raise additional funds to satisfy these requirements, which we expect to do through a combination of accessing committed debt facilities and securing additional financing, if needed, from capital market transactions or other sources of capital. If other sources of capital are not available to us, we may need to raise additional funds through selling aircraft or other aircraft investments, including participations in our joint ventures.

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.

In order to satisfy our contractual purchase obligations, we expect to incur capital expenditures of approximately $5 billion per annum, on average, over the next three years based on our current order book. Sources of new debt finance for these capital expenditures would be through access to capital markets, including the unsecured and secured bond markets, the commercial bank market, export credit and the asset-backed securities market.

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

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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 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. Please refer to "Item 5. Operating and Financial Review and Prospects Non-GAAP measures" for reconciliations of adjusted debt and adjusted equity to the most closely related U.S. GAAP measures as of December 31, 2016 and 2015.

Please refer to Note 16 *Debt* to our Consolidated Financial Statements included in this annual report for a detailed description of our outstanding indebtedness.

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

While we were tax resident in the Netherlands, we did not accrue or pay taxes as a result of repatriation of earnings from any of our foreign subsidiaries to the Netherlands. Effective February 1, 2016, we became tax resident in Ireland and we would typically expect that the repatriation of earnings from our foreign subsidiaries should not give rise to material additional Irish taxation due to the availability of foreign tax credits. As of December 31, 2016, $249.6 million out of $2,035.4 million of cash and short-term investments were held by our foreign subsidiaries outside of Ireland. Additionally, legal restrictions in relation to dividend payments from our subsidiaries to us are described in "Item 10. Additional Information Taxation Withholding tax" and "Item 3. Key Information Risk Factors Risks related to our organization and structure If our subsidiaries do not make distributions to us we will not be able to pay dividends".

Contractual obligations

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

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The following table provides details regarding our contractual obligations and their payment dates as of December 31, 2016:

	2017	2018	2019	2020	2021	Thereafter	Total
	(U.S. dollar amounts in thousands)						
Unsecured debt facilities	$ 2,700,000	$ 770,000	$ 3,099,864	$ 2,500,000	$ 2,400,000	$ 2,900,000	$ 14,369,864
Secured debt facilities	1,055,193	2,353,579	1,516,947	1,187,839	2,552,852	2,769,479	11,435,889
Subordinated debt facilities						1,555,780	1,555,780
Estimated interest payments(a)	1,231,795	1,059,888	839,155	708,902	436,555	3,024,006	7,300,301
Purchase obligations(b)	5,051,158	6,028,196	5,084,565	3,624,926	2,838,730	534,991	23,162,566
Operating leases(c)	11,155	11,056	8,754	8,828	8,967	51,343	100,103
Total	**$ 10,049,301**	**$ 10,222,719**	**$ 10,549,285**	**$ 8,030,495**	**$ 8,237,104**	**$ 10,835,599**	**$ 57,924,503**

(a) Estimated interest payments for floating rate debt are based on rates as of December 31, 2016. Estimated interest payments include the estimated impact of our interest rate swap agreements.

(b) Includes commitments to purchase 396 aircraft and 24 purchase and leaseback transactions. See Note 30 *Commitments and contingencies* to our Consolidated Financial Statements included in this annual report for further details on our purchase obligations.

(c) Represents contractual payments on our office and facility leases.

Off-balance sheet arrangements

We have interests in variable interest entities, some of which are not consolidated into our Consolidated Financial Statements. Please refer to Note 28 *Variable interest entities* to our Consolidated Financial Statements included in this annual report for a detailed description of these interests and our other off-balance sheet arrangements.

Non-GAAP measures

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

Adjusted net income

Following the SEC's issuance of updated guidance on the use of non-GAAP financial measures, as of December 31, 2016, we are no longer reporting adjusted net income or adjusted earnings per share.

Net interest margin or net spread

This measure is the difference between basic lease rents and interest expense, excluding the impact of the mark-to-market of interest rate caps and swaps. We believe this measure may further assist investors in their understanding of the changes and trends related to the earnings of our leasing activities. This measure reflects the impact from changes in the number of aircraft leased, lease rates and utilization rates, as well as the impact from changes in the amount of debt and interest rates.

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The following is a reconciliation of basic lease rents to net spread for the years ended December 31, 2016 and 2015:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Percentage Difference
	(U.S. dollar amounts in millions)		
Basic lease rents	**$ 4,395.3**	**$ 4,635.8**	**(5)%**
Interest expense	1,091.9	1,099.9	(1)%
Adjusted for:			
Mark-to-market of interest rate caps and swaps	(1.6)	(18.1)	(91)%
Adjusted interest expense	1,090.3	1,081.8	1%
Net interest margin, or net spread	**$ 3,305.0**	**$ 3,554.0**	**(7)%**

Adjusted debt to equity ratio

This measure is the ratio obtained by dividing adjusted debt by adjusted equity. Adjusted debt represents consolidated total debt less cash and cash equivalents, and less a 50% equity credit with respect to certain long-term subordinated debt. Adjusted equity represents total equity, plus the 50% equity credit with respect to the long-term subordinated debt. Adjusted debt and adjusted equity are adjusted by the 50% equity credit to reflect the equity nature of those financing arrangements and to provide information that is consistent with definitions under certain of our debt covenants.

The following is a reconciliation of debt to adjusted debt and equity to adjusted equity as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
	(U.S. dollar amounts in millions except debt/equity ratio)	
Debt	**$ 27,717.0**	**$ 29,641.9**
Adjusted for:		
Cash and cash equivalents	(2,035.4)	(2,403.1)
50% credit for long-term subordinated debt	(750.0)	(750.0)
Adjusted debt	**$ 24,931.6**	**$ 26,488.8**
Equity	**$ 8,582.3**	**$ 8,425.8**
Adjusted for:		
50% credit for long-term subordinated debt	750.0	750.0
Adjusted equity	**$ 9,332.3**	**$ 9,175.8**
Adjusted debt/equity ratio	**2.7 to 1**	**2.9 to 1**

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Item 6. Directors, Senior Management and Employees

Directors and officers

Name	Age	Position	Date of First Appointment	End Current Term(a)
Directors				
Pieter Korteweg	75	Non-Executive Chairman of the Board of Directors	September 2006	2018 AGM
Aengus Kelly	43	Executive Director and Chief Executive Officer	May 2011	2019 AGM
Salem Al Noaimi	41	Non-Executive Director	May 2011	2017 AGM
Homaid Al Shimmari	49	Non-Executive Director	May 2011	2017 AGM
James (Jim) Chapman	54	Non-Executive Director	July 2006	2017 AGM
Paul Dacier	59	Non-Executive Director and Vice Chairman	May 2010	2018 AGM
Richard (Michael) Gradon	57	Non-Executive Director	May 2010	2018 AGM
Marius Jonkhart	67	Non-Executive Director	July 2006	2017 AGM
Walter McLallen	51	Non-Executive Director	May 2016	2020 AGM
Robert (Bob) Warden	44	Non-Executive Director	July 2006	2018 AGM
Officers				
Wouter (Erwin) den Dikken	49	Chief Operating Officer and Chief Legal Officer		
Keith Helming	58	Chief Financial Officer		
Philip G. Scruggs	52	Chief Commercial Officer and President		
Peter Anderson	41	Head of Asia Pacific		
Peter Juhas	45	Deputy Chief Financial Officer		
Tom Kelly	53	Chief Executive Officer, AerCap Ireland Limited		
Edward (Ted) O'Byrne	45	Chief Investment Officer		
Martin Olson	54	Head of OEM Relations		
Paul Rofe	57	Group Treasurer		
Sean Sullivan	48	Head of Americas		
Joe Venuto	57	Chief Technical Officer		
Kenneth Wigmore	48	Head of EMEA		

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

Directors

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.

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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.

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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.

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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.

Officers

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.

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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.

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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.

Compensation

Compensation of non-executive directors

We currently pay each non-executive director an annual fee of €95,000 (€200,000 for the Chairman of our Board of Directors and €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. 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, as further described below. All members of the Board of Directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our Board of Directors.

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Executive 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 executives 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

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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.

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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 19 *Share-based compensation* to our Consolidated Financial Statements included in this annual report for more details on our equity incentive plans.

Board Practices

General

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

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As a foreign private issuer, as defined by the rules promulgated under the Exchange Act, we are not required to have a majority independent Board of Directors under applicable NYSE rules. In 2016, our Board of Directors continued to meet the Dutch Corporate Governance Code independence requirements. For a non-executive director to be considered "independent" under the Dutch Corporate Governance Code, he or she (and his or her spouse and immediate relatives) may not, among other things, *(i)* in the five years prior to his or her appointment, have been an employee or executive director of us or any public company affiliated with us; *(ii)* in the year prior to his or her appointment, have had an important business relationship with us or any public company affiliated with us; *(iii)* receive any financial compensation from us other than for the performance of his or her duties as a director or other than in the ordinary course of business; *(iv)* hold 10% or more of our ordinary shares (including ordinary shares subject to any shareholder's agreement); *(v)* be a member of the management or Supervisory Board of a company owning 10% or more of our ordinary shares; or *(vi)* in the year prior to his or her appointment, have temporarily managed our day-to-day affairs while the executive director was unable to discharge his or her duties.

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

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

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

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

The Chairman of the Board is 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.

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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 reports and annual accounts for the financial year 2015, topics for the AGM 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 macroeconomic, monetary and political developments and impact on the industry, AerCap key customer developments, emerging markets 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 of 2002, as amended (the "Sarbanes-Oxley Act").

Committees of the Board of Directors

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

Group Executive Committee

Our Group Executive Committee assists the Chief Executive Officer with regard 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.

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Group Portfolio and Investment Committee

Our Group Portfolio and Investment Committee is entrusted with the authority to consent to transactions relating to the acquisition and disposal of aircraft, engines and financial assets that are in excess of $250 million but less than $600 million, among others. It is chaired by our Chief Financial Officer and is comprised of non-executive directors and officers appointed by the Nomination and Compensation Committee. The current members of our Group Portfolio and Investment Committee are Keith Helming, Aengus Kelly, Salem Al Noaimi, James (Jim) Chapman, Edward (Ted) O'Byrne and Robert (Bob) Warden.

Group Treasury and Accounting Committee

Our Group Treasury and Accounting Committee is entrusted with the authority to consent to debt funding in excess of $250 million but less than $600 million per transaction, among others. It is chaired by our Chief Financial Officer and is comprised of non-executive directors and officers appointed by the Nomination and Compensation Committee. The current members of our Group Treasury and Accounting Committee are Keith Helming, Aengus Kelly, Salem Al Noaimi, Marius Jonkhart, Tom Kelly, Paul Rofe and Robert (Bob) Warden.

Audit Committee

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

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.

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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.

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 Dutch Corporate Governance Code, the Company has provided the 2016 remuneration report in "Item 6. Directors, Senior Management and Employees Compensation". 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.

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Share ownership

The following table presents beneficial ownership of our shares which are held by our directors, Group Executive Committee members and Deputy CFO 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**	
Group Executive Committee (GEC) Members:					
Wouter (Erwin) den Dikken (COO)	275,549		814,968	100,000	*
Keith Helming (CFO)	422,950	461,298			*
Philip Scruggs		667,317			*
Deputy CFO:					
Peter Juhas (Deputy CFO)	29,025		225,000		*