



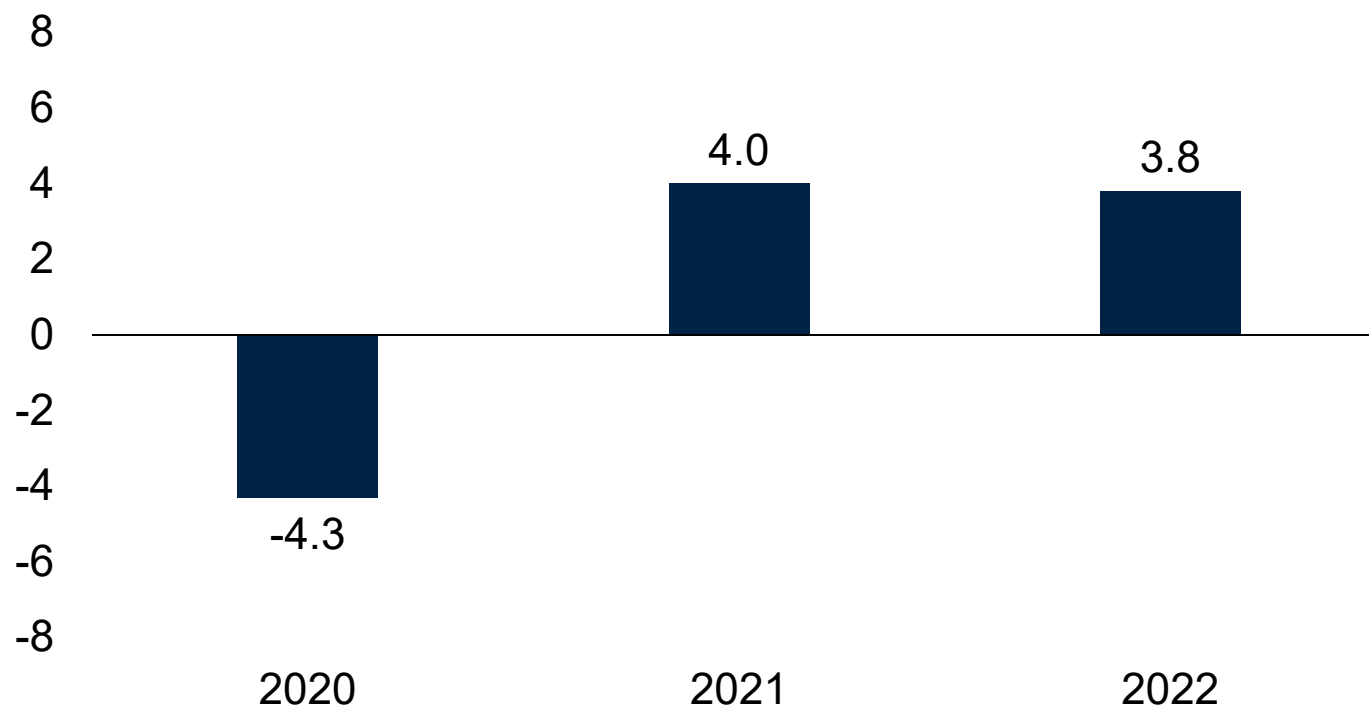
Webinar on Economic Impact of COVID-19 on Aviation

5-6 April 2021

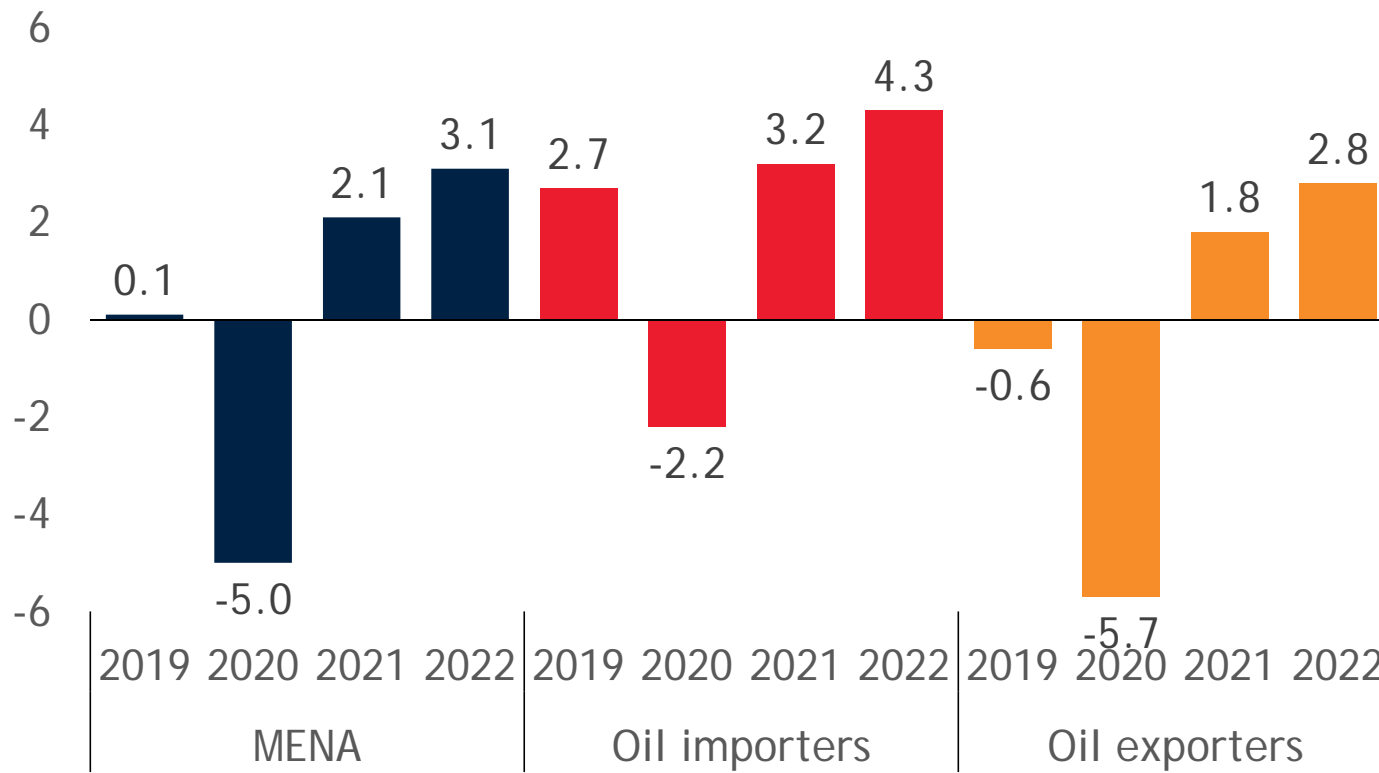
Role of the Financial Institutions in
supporting the aviation industry to recover
from the COVID-19 Crisis

Presented by the Union of Arab Banks

Global Economic Growth (%)

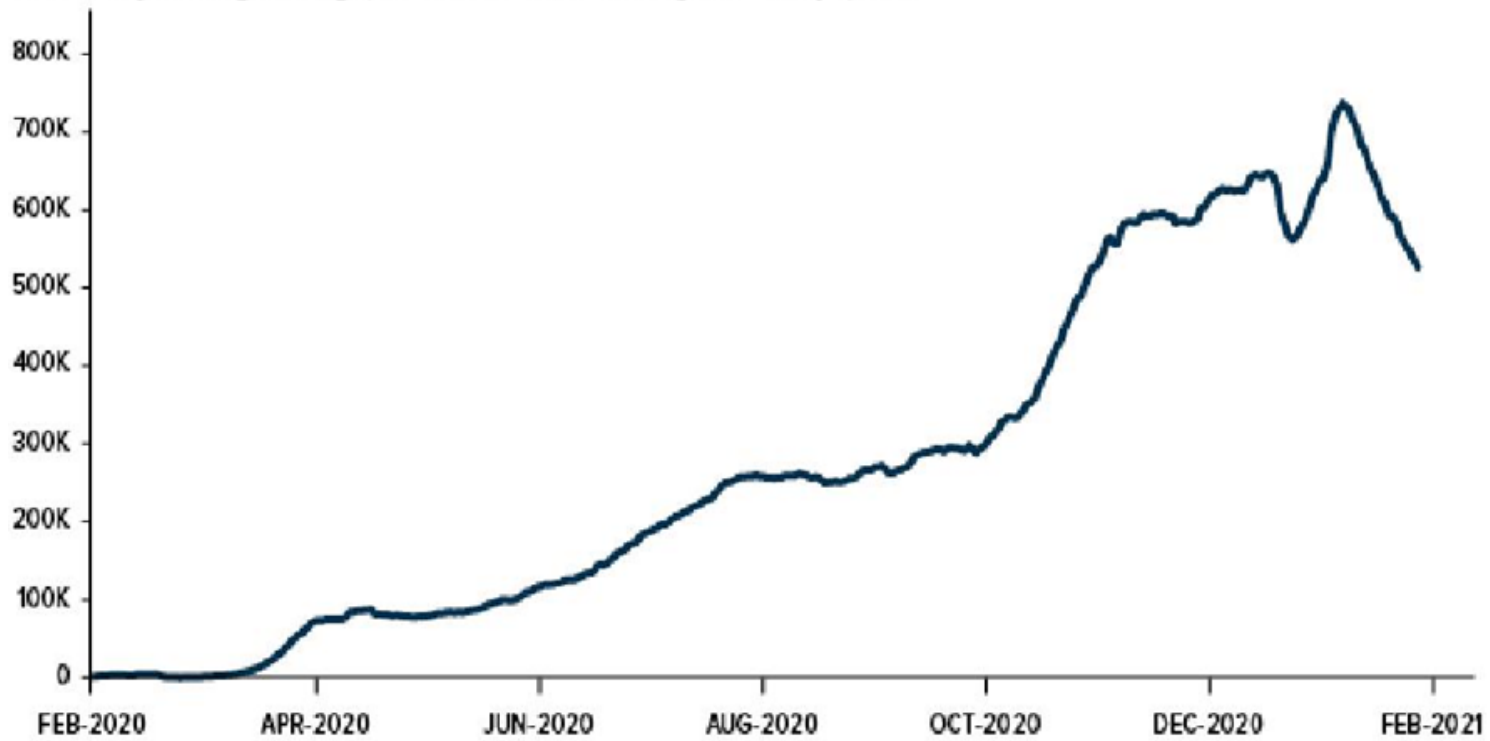


MENA Economic Growth (%)



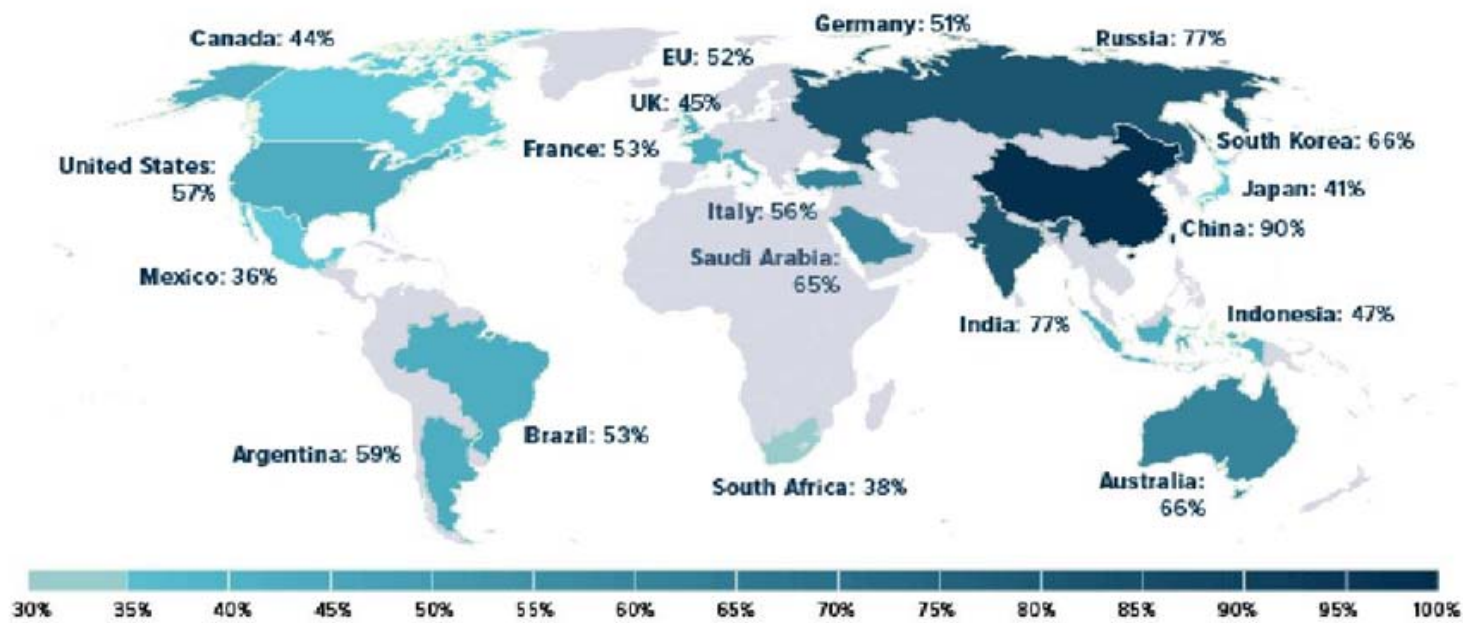
Daily new confirmed COVID-19 cases

Seven-Day Moving Average, 12-Month Period Through February 1, 2021



Airline Passenger Volume Recovery Projections

Baseline Scenario Projection of G-20 Countries' Passenger Volume in July 2021, as Percentage of July 2019 Numbers



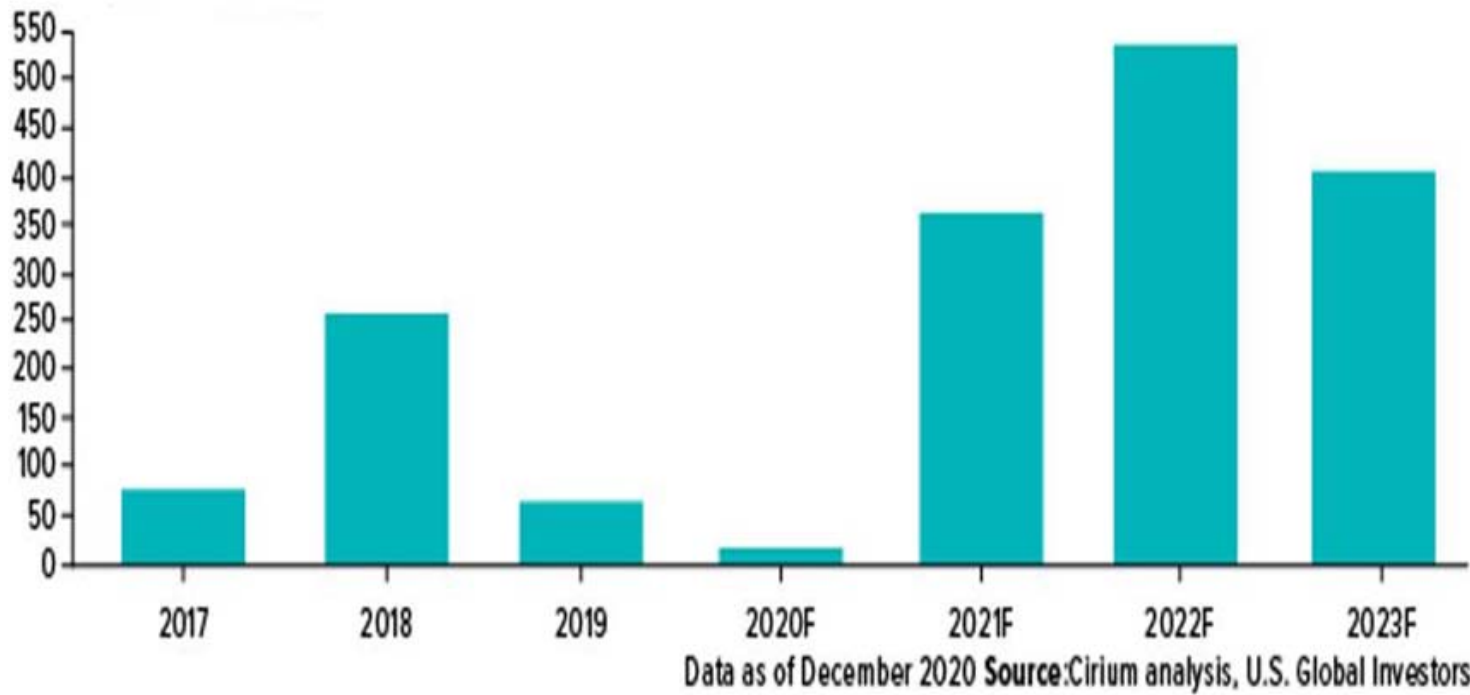
Source: Bain & Company, U.S. Global Investors

Economic Performance of the Airline Industry

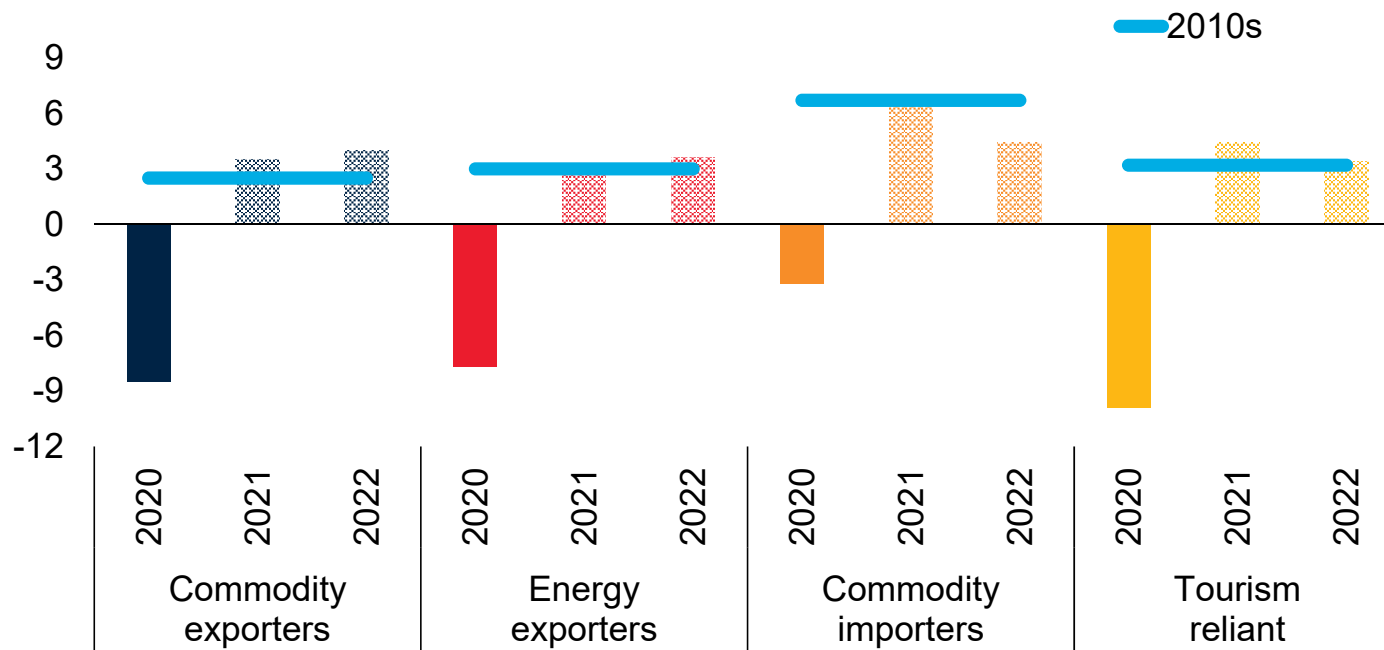
Worldwide airline Industry	2019	2020F	2021F
Spend on air transport*, \$billion	876	340	476
% change over year	3.6%	-61.2%	40.2%
% global GDP	1.0%	0.4%	0.5%
Return fare, \$/pax. (2018\$)	317	284	276
Compared to 1998	-61%	-65%	-66%
Freight rate, \$/kg (2018\$)	1.82	2.31	2.35
Compared to 1998	-64%	-54%	-53%
Passenger departures, million	4,543	1,795	2,808
% change over year	3.8%	-60.5%	56.5%
RPKs, billion	8680	2921	4393
% change over year	4.2%	-66.3%	50.4%
CTKs, billion	254	225	254
% change over year	-3.2%	-11.5%	13.1%
World GDP growth, %	2.5%	-4.2%	4.9%
World trade growth, %	0.2%	-9.2%	7.2%

Note: RPK = Revenue Passenger Km, CTK = Cargo & mail Tonne Km
 GVA = Gross Valued Added (firm-level GDP). *Airline revenue + indirect taxes.
 Sources : IATA, ICAO, OE, CPB, PaxIS, CargoIS, WTO

Boeing 737 Max Annual Deliveries Forecasts (number of aircrafts)



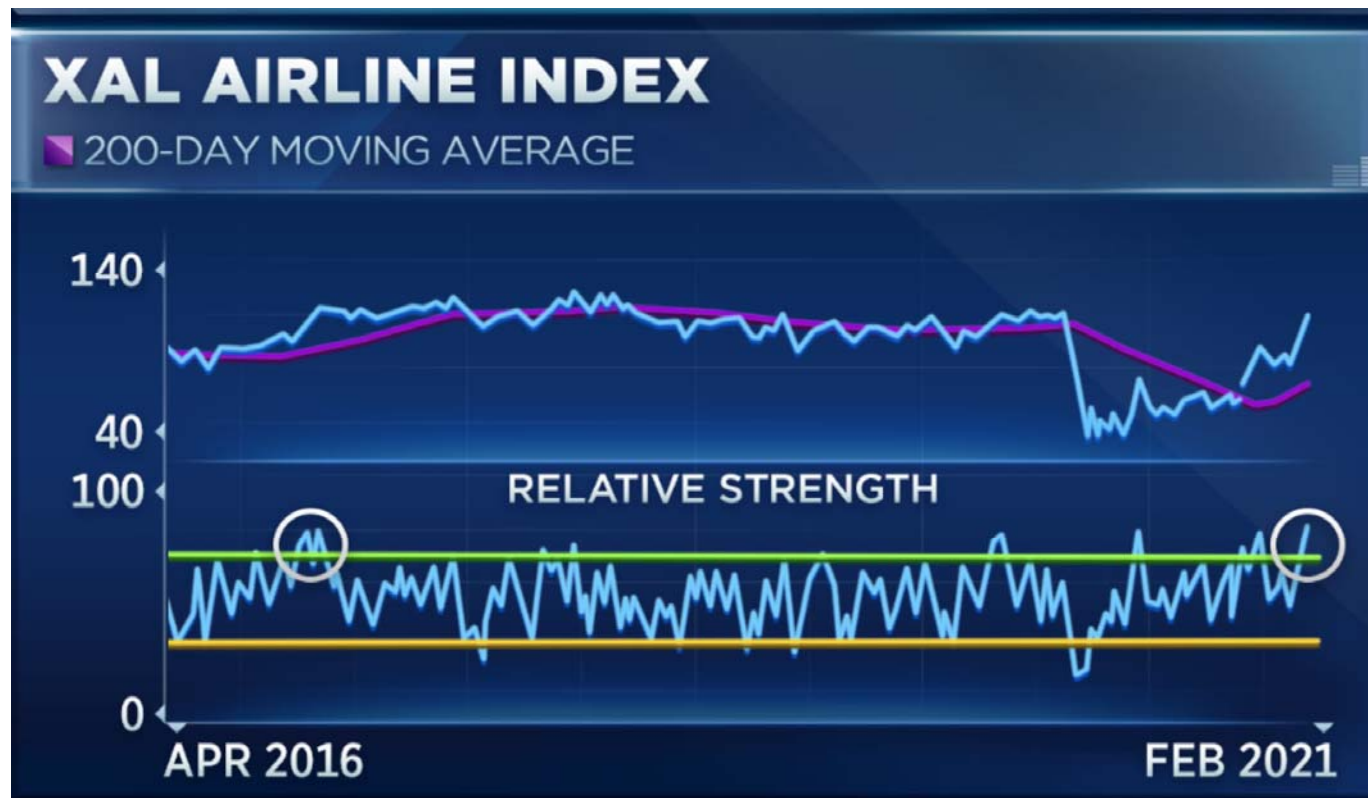
Investment Growth Forecasts in Emerging and Developing Countries (%)



Conclusion:
It is indeed the right
time to invest in the
airline industry!

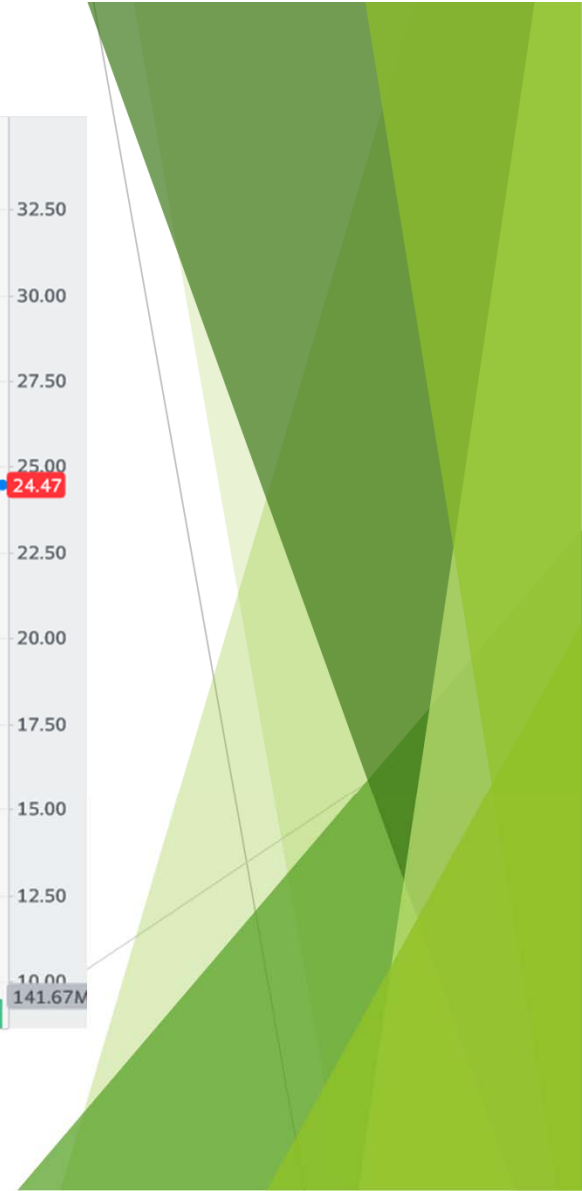
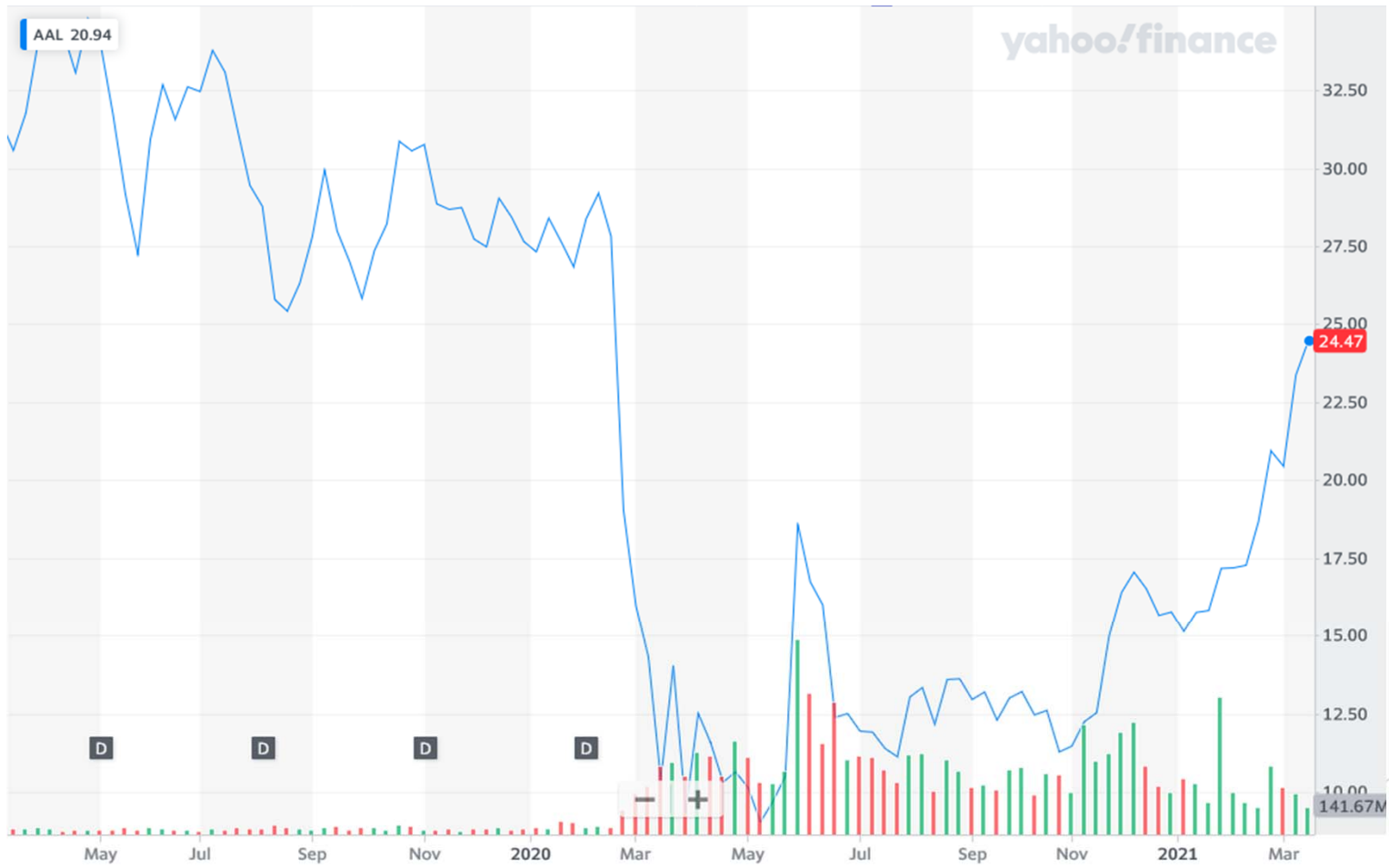


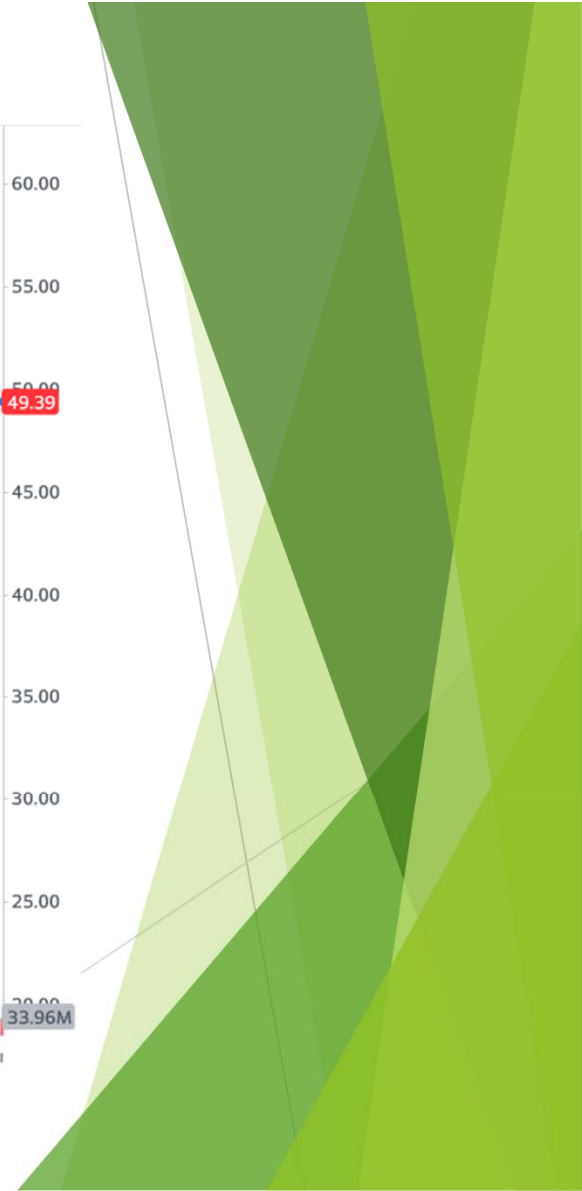
Airline stocks are the most overbought they've been in years



Investment in Airlines' Equities

- ▶ Airline companies stocks are very sensitive to macroeconomic developments.
 - ▶ That makes their performance and their share prices extremely pro-cyclical.
- ▶ Airline stocks are worth invest in following a recession.
 - ▶ As economic data (growth and employment figures in particular) start to rebound, airline stocks follow.





Benefits of Investment in Airlines Financing

- ▶ Airline companies deploys large amounts of capital efficiently.
- ▶ Relatively predictable returns.
- ▶ The underlying asset (Aircrafts) is global in its recognition and usage.
- ▶ The investment is secured by a **hard asset**, supported by International regulations.
- ▶ The asset is highly mobile, which helps with reclaiming and redeploying the asset in case of a default.

Equity Financing by Airlines in light of COVID

(source: International Civil Aviation Organization, Guidance on Economic and Financial Measures to Mitigate the Impact of the Coronavirus Outbreak on Aviation, December 2020)

- ▶ **Japan Airlines to raise cash via public stock offering:** On 6 November 2020, Japan Airlines announced to raise JPY182.6 billion by selling about 91 million new shares to general shareholders and 9 million new shares to a designated party under a third-party allotment programme.
- ▶ **Capital increase of IAG through rights issue:** On 10 September 2020, the International Airlines Group announced fully underwritten capital increase with pre-emptive subscription rights to raise gross proceeds of €2,741 million through the issuance of nearly 3 billion new shares.
- ▶ **Mexican LCC's equity offering in a form of ADS:** On 11 December 2020, Volaris, an ultra-low-cost airline based in Mexico, raised \$164.4 million in net proceeds through the primary follow-on equity offering.

The Role of Arab Banks in Financing Regional Airline Companies

- ▶ The Royal Jordanian Airlines received \$275 million dual conventional and Islamic secured syndicated facility in 2016 from Mashreq Bank, Arab Bank, Al Khalij Commercial Bank, Dubai Islamic Bank, and The Commercial Bank/Qatar acting as Mandated Lead Arrangers, Arab Jordan Investment Bank as Lead Arranger and Bank al-Etihad as Arranger.
- ▶ Al Jazira Airlines received a \$12 million Islamic financing from Kuwait Finance House (in cooperation with Natexis Bank-France) in 2005 to buy 3 aircrafts.
- ▶ Al Arabia Airlines received a \$230 million loan from Dubai Islamic Bank in 2014 to buy 6 aircrafts.

The Role of Arab Banks in Financing Regional Airline Companies

- ▶ Al Emirates Airlines received \$265 million Islamic financing from Nour Islamic Bank (UAE) and SAMBA Financial Group (in addition to several foreign banks) in 2008, to buy 2 aircrafts. It also received \$425 million Islamic financing from Abu Dhabi Islamic Bank, Dubai Commercial Bank and Dubai Islamic Bank.
- ▶ Al Etihad Airways received \$212 million loan from Abu Dhabi Commercial Bank (and 2 other foreign banks) in 2008 to buy 3 aircrafts. It also received \$110 million Islamic financing from Al Hilal Bank in 2008 to buy 1 aircrafts.
- ▶ Middle East Airlines received \$60 million dollar from Fransabank in 2007 to buy 2 aircrafts. It also received \$65 million from Lebanese Canadian Bank in 2008 to buy 1 aircraft.

Saudi Arabian Airlines raises \$3bn to fund aircraft orders (March 2021)

- ▶ The General Organization of Saudi Arabian Airlines signed a financing agreement with six local banks worth 11.2 billion Saudi riyals (\$3 billion), which is the largest in the history of the aviation sector in the Kingdom, to expand its aircraft fleet.
- ▶ These banks are Al-Rajhi Bank, Saudi British Bank, Arab National Bank, Samba Financial Group, Bank Al-Jazira, and Bank Albilad.
- ▶ The agreement aims to finance the Corporation's needs for the period extending to mid-2024 AD, within the framework of financing part of the deals to purchase 73 aircraft from Airbus and Boeing.

The Role of Arab Banks in Financing Regional Airports

- ▶ First Abu Dhabi Bank, Abu Dhabi Commercial Bank and Abu Dhabi Islamic Bank (in addition to 3 global banks) provided a \$3 billion dual conventional and Islamic loan to Dubai Government in 2017 to expand Dubai International Airport and Al Maktum International Airport.
- ▶ National Bank of Kuwait and Kuwait Finance House provided KD250 million in 2017 for Kuwait International Airport to construct new terminal.

Thank you

