

2016 FINAL RESULTS REVIEW

Information Slides

27 March 2017



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2016 OVERVIEW

2016 - Another Record Year


Consistent execution underpins strong earnings¹

US\$418 million
Net profit after tax  **22%**

Driven by:


US\$1,193 million
Total revenues and other income  **9%**

US\$436 million
Core lease rental contribution²  **7%**

8.2%
Net lease yield³  **Stable**

Robust Balance Sheet¹

US\$13.4 billion
Total assets  **8%**

US\$3.4 billion
Total equity  **39%**

US\$4.87
Net assets per share⁴  **18%**

Dividends

Interim dividend per share **US cents 6.1**

Final dividend per share⁵ **US cents 11.9**

Total dividend per share **US cents 18.0**

Total dividend pay-out
(% of 2016 NPAT) **30%**

All data as at 31 December 2016

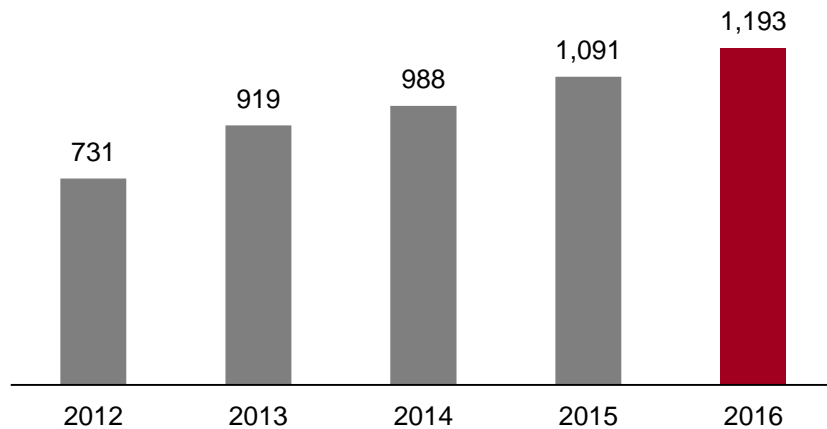
Notes:

1. Compared to FY2015 or as at 31 December 2015, where appropriate
2. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
3. Calculated as lease rental income less finance expenses divided by average net book value of aircraft
4. Based on the number of shares outstanding as at 31 December 2016
5. Payable to shareholders registered at the close of business on the record date, being 12 June 2017

Stable Global Business and Good Earnings Visibility

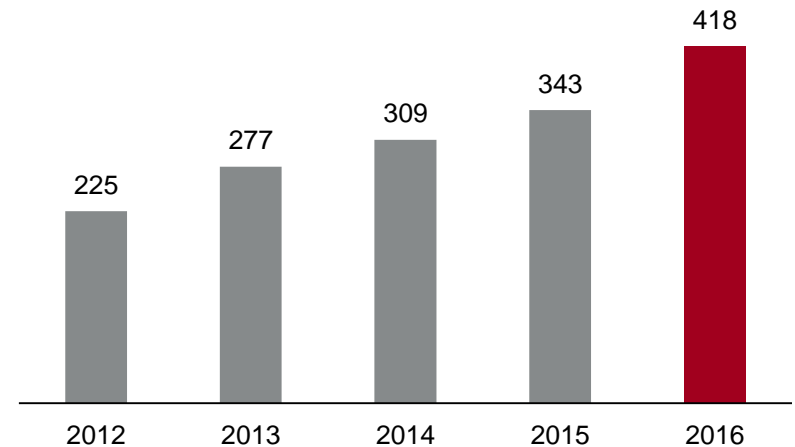
Fleet growth underpins lift in revenues

US\$ million



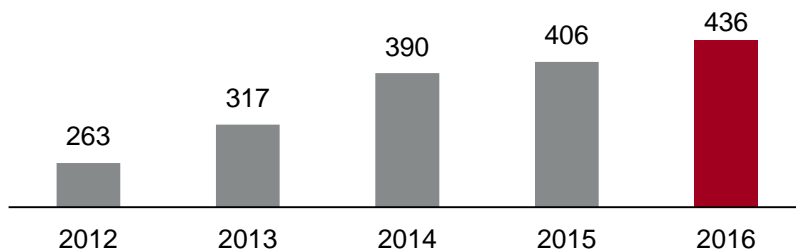
Consistent NPAT growth

US\$ million

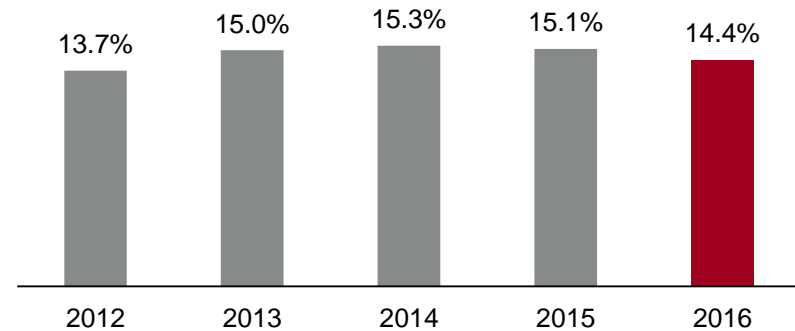


Sustained core lease rental contribution¹

US\$ million



Stable post-tax ROE

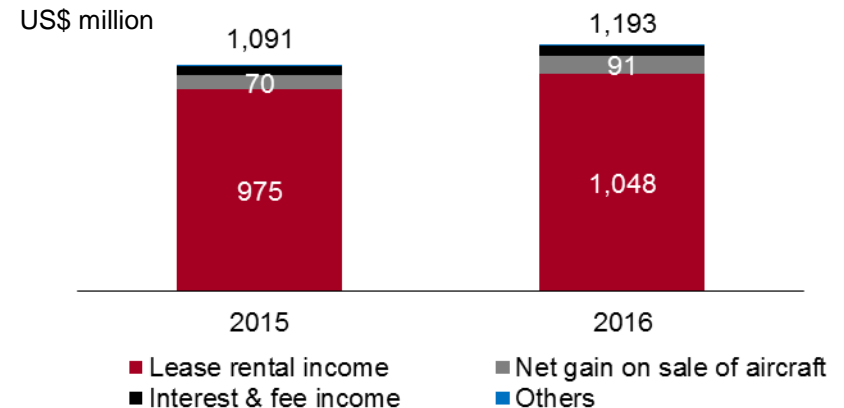
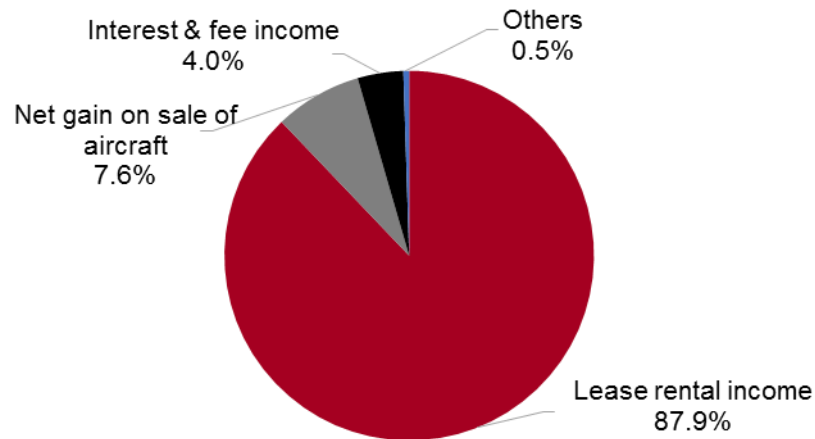


All data as at 31 December 2016

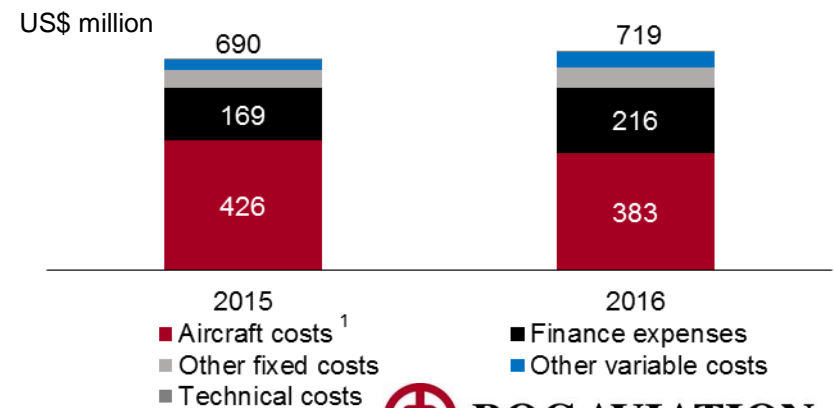
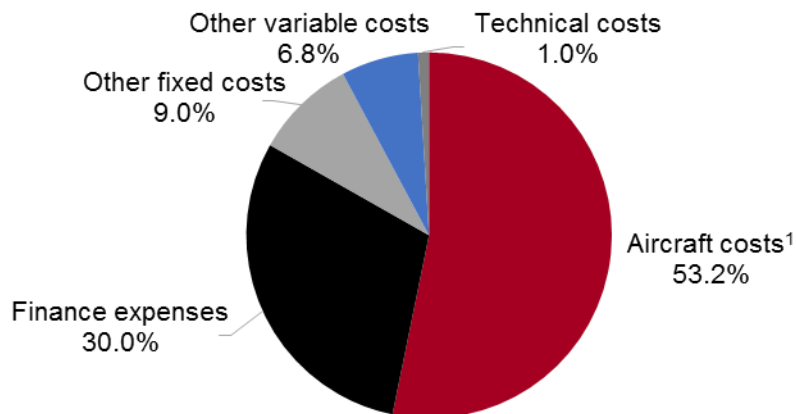
Note:
1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs

Lease Rental Income Dominates P&L

Lease rental income consistently c.90% of total revenue and other income



Depreciation of aircraft plus financing costs make up >80% of total costs



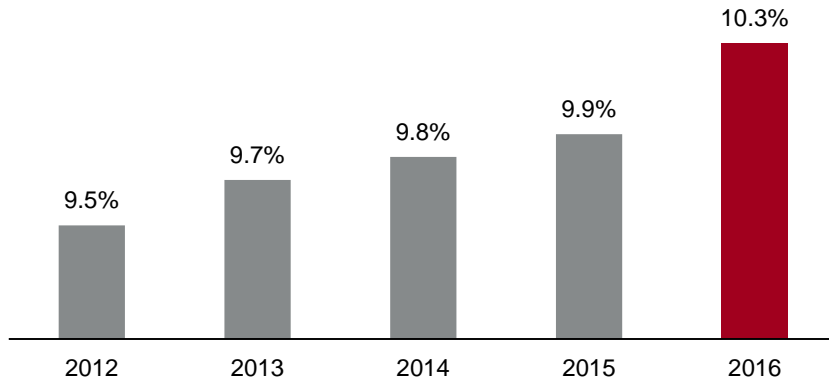
All data as at 31 December 2016

Note:

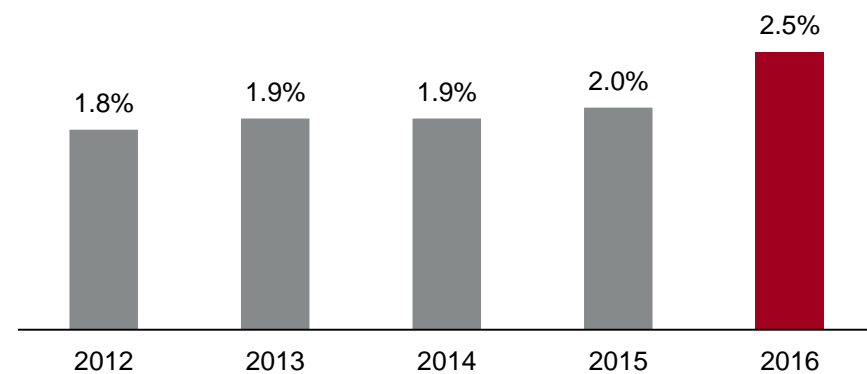
1. Comprises depreciation and impairment charges

Stable Net Lease Yield Drives Profitability

Higher lease rate factor¹ reflects rising int. rates

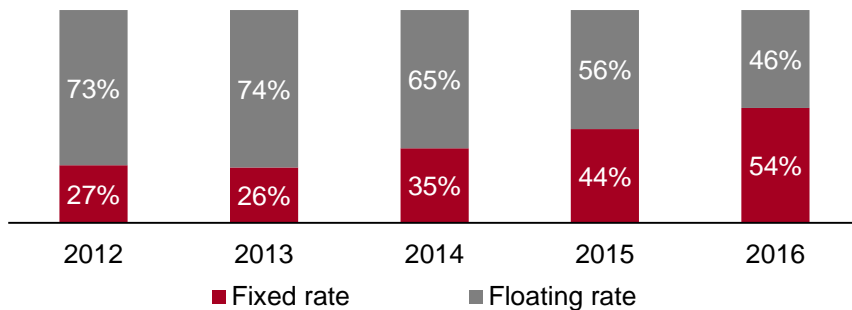


...which also affected finance expenses³

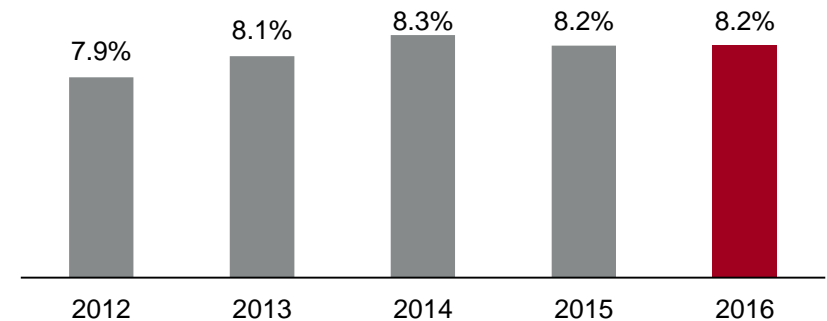


Proportion of fixed rate leases rising²

By net book value



Net lease yield⁴ was resilient



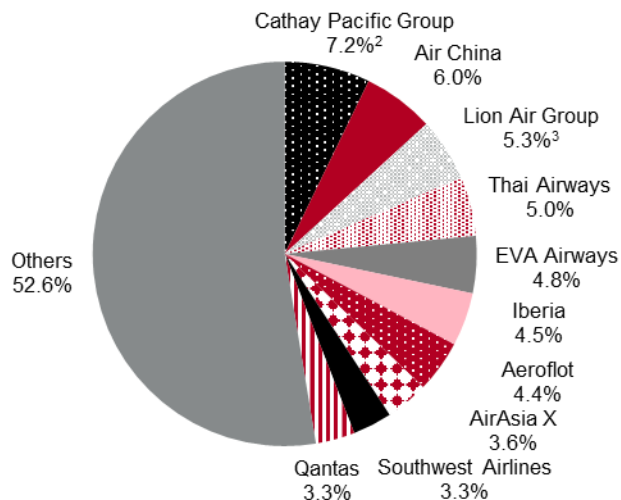
All data as at 31 December 2016

Notes:

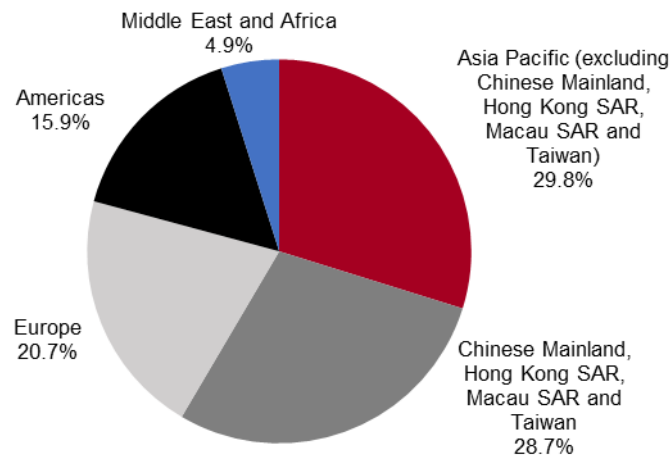
1. Calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%
2. By net book value excluding aircraft off lease
3. Calculated as the sum of finance expenses and capitalized interest, divided by average total indebtedness. Total indebtedness represents loans and borrowings and finance lease payables before adjustments for debt issue costs, fair values and discounts/premiums to medium term notes
4. Calculated as lease rental income less finance expenses divided by average net book value of aircraft

Our Portfolio Remains Well Diversified

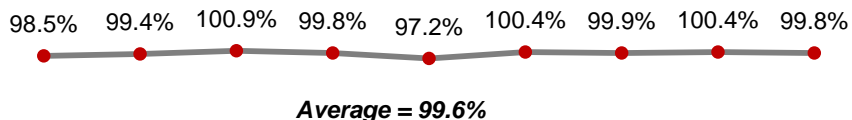
Lease portfolio diversified by customer^{1,4}



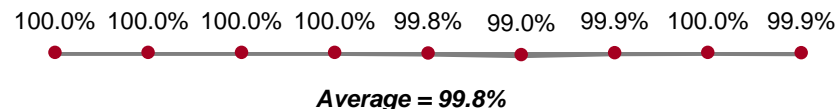
...and diversified by geography⁴



High collection rate



High fleet utilization⁵



2008 2009 2010 2011 2012 2013 2014 2015 2016

2008 2009 2010 2011 2012 2013 2014 2015 2016

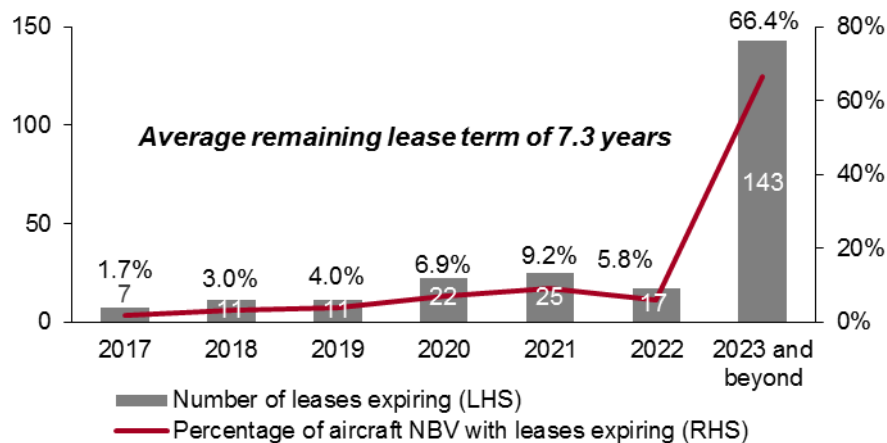
All data as at 31 December 2016

Notes:

1. Based on net book value as at 31 December 2016
2. Includes our leases with Cathay Pacific (Hong Kong) and Cathay Dragon (Hong Kong)
3. Includes our leases with Lion Air (Indonesia), Thai Lion Air (Thailand), Malindo Air (Malaysia) and Batik Air (Indonesia)
4. Includes aircraft held for sale, but excludes aircraft off lease
5. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period

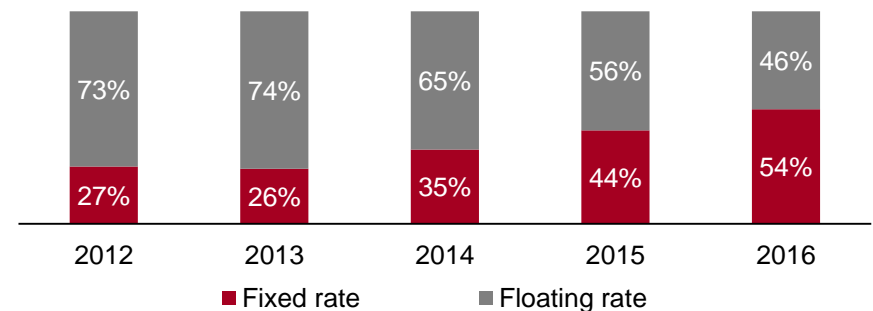
Long-term, Stable and Contracted USD Cash Flows

Well-dispersed lease expiries^{1,2}

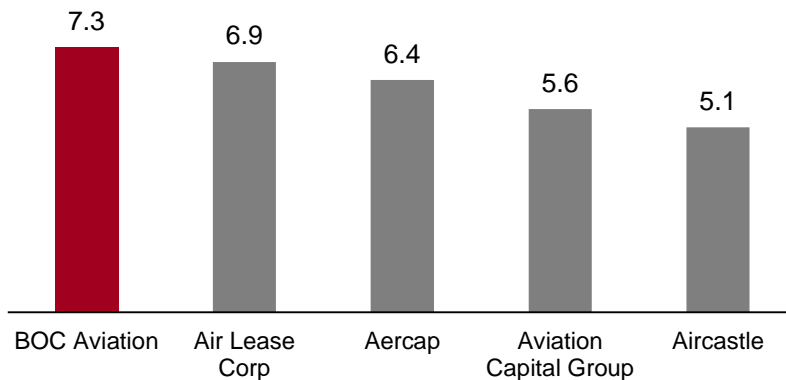


Proportion of fixed rate leases rising³

By net book value



A long average remaining lease term

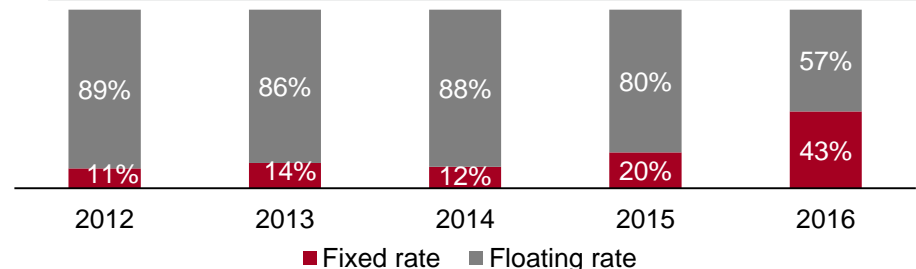


Source: Respective company websites
All data as at 31 December 2016

- Notes:
- Owned aircraft with leases expiring in each calendar year, weighted by net book value, excluding any aircraft for which BOC Aviation has sale or lease commitments and aircraft off lease
 - Net book value includes aircraft off lease as at 31 December 2016
 - By net book value excluding aircraft off lease
 - Fixed rate debt included floating rate debt swapped to fixed rate liabilities

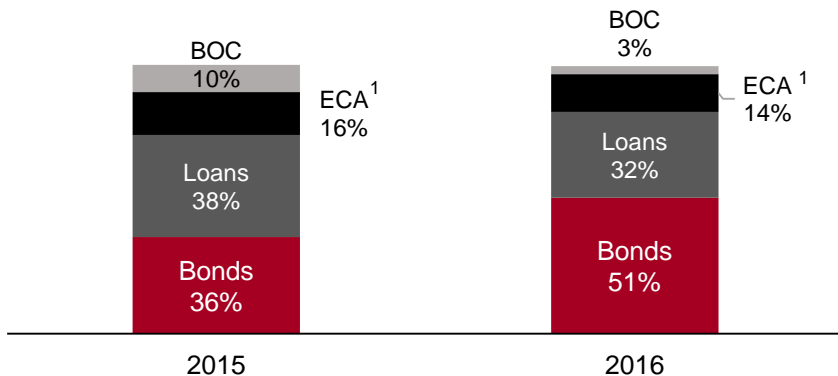
Proportion of fixed rate debt⁴ also rising

- Hedged c.80% of mismatched fixed interest rate exposure
- A 25 basis points increase in interest rates on our floating rate leases, deposits and debt, holding all other variables constant, could decrease our annual NPAT by c.US\$0.1 million based on the lease portfolio, deposits and debt composition as at 31 December 2016

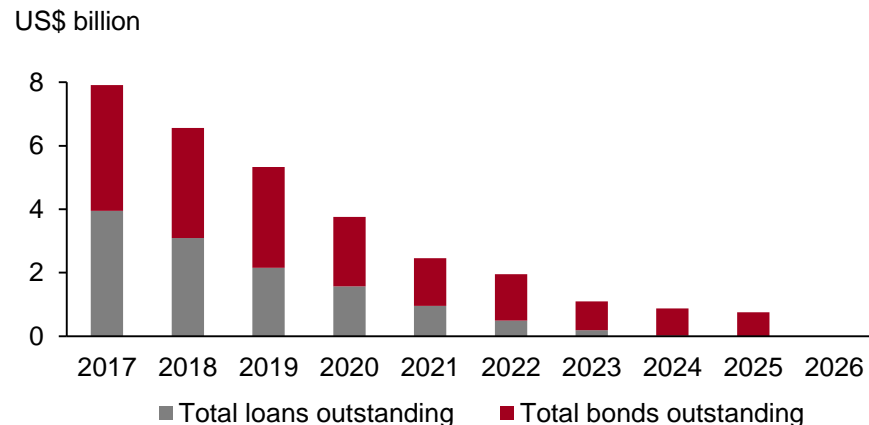


Debt Profile

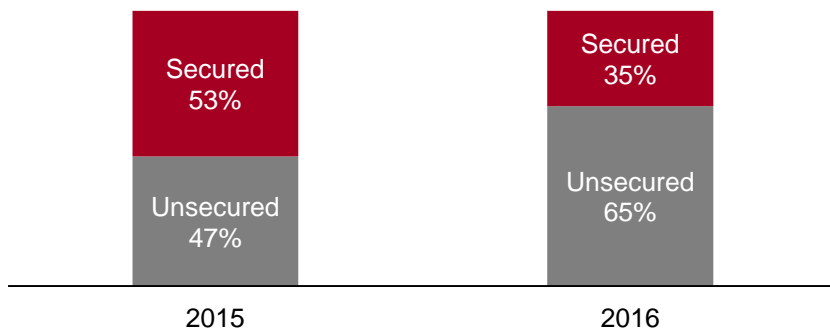
Sources of debt



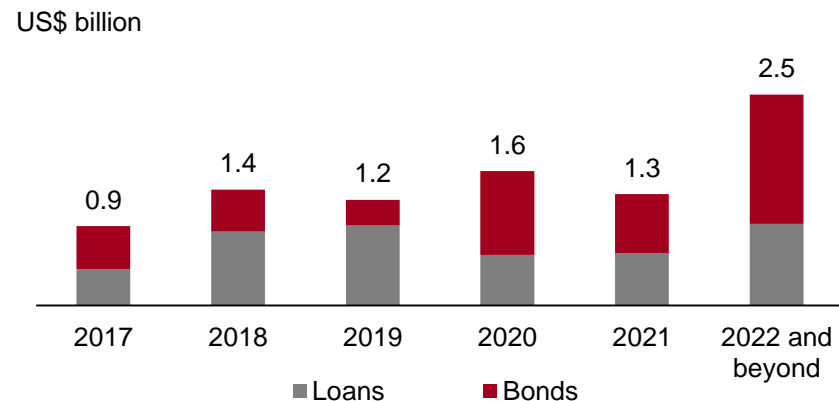
Outstanding debt balances



Increasing unsecured funding



Debt repayment by year



All data as at 31 December 2016

Note:

1. ECA refers to debt guaranteed by the export credit agencies of France, Germany, the United Kingdom and the United States

Our Fleet

Our Aircraft Portfolio

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order ¹	Total
Airbus A320CEO family	122	13	27	162
Airbus A320NEO family	0	0	64	64
Airbus A330 family	11	7	2	20
Airbus A350-900	0	0	6	6
Boeing 737NG family	83	9	37	129
Boeing 737-MAX 8	0	0	61	61
Boeing 777-300ER	16	2	2	20
Boeing 777-300	0	1	0	1
Boeing 787	1	0	0	1
Embraer E190 family	11	2	0	13
Freighters	2	4	0	6
Total	246	38	199	483

All data as at 31 December 2016

Note:

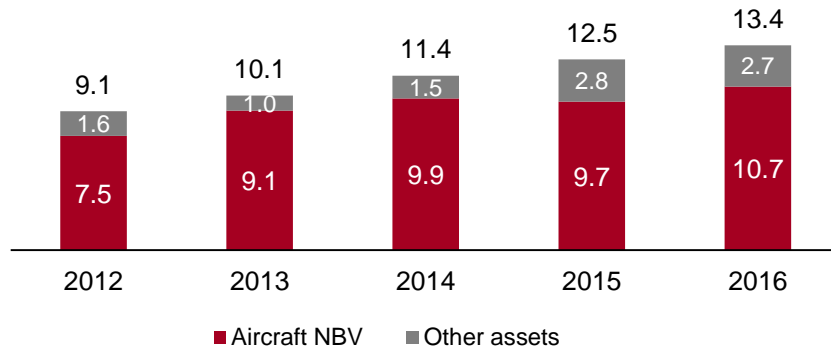
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



Orderbook Underpins Future Balance Sheet Growth

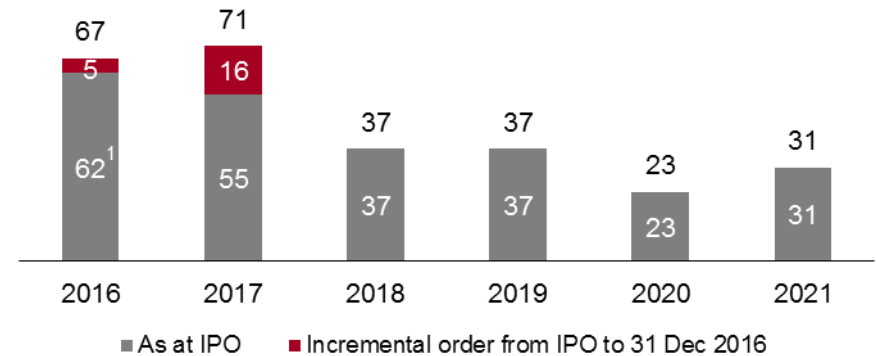
Growing balance sheet

US\$ billion



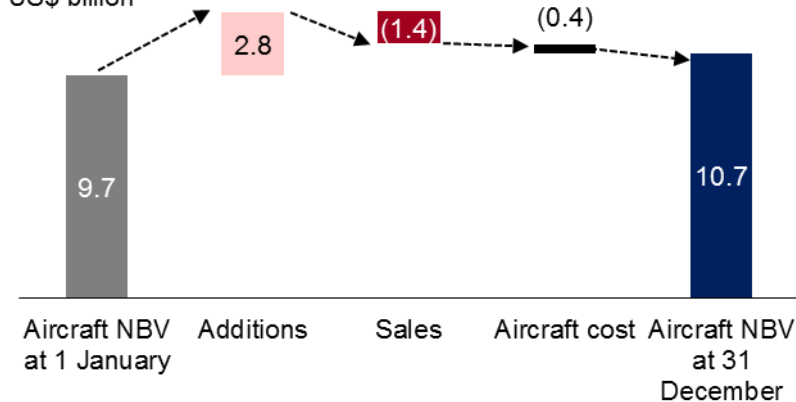
Committed deliveries of 199 aircraft till 2021

Number of aircraft



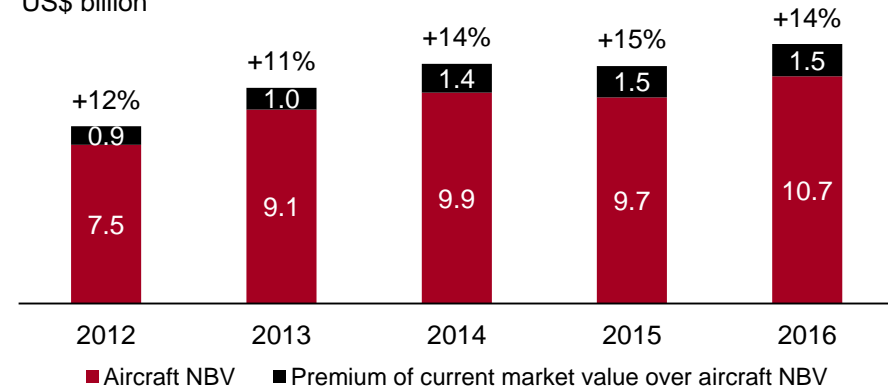
Fleet NBV evolution

US\$ billion



Premium over aircraft net book value^{2,3}

US\$ billion



All data as at 31 December 2016 unless otherwise indicated

Notes:

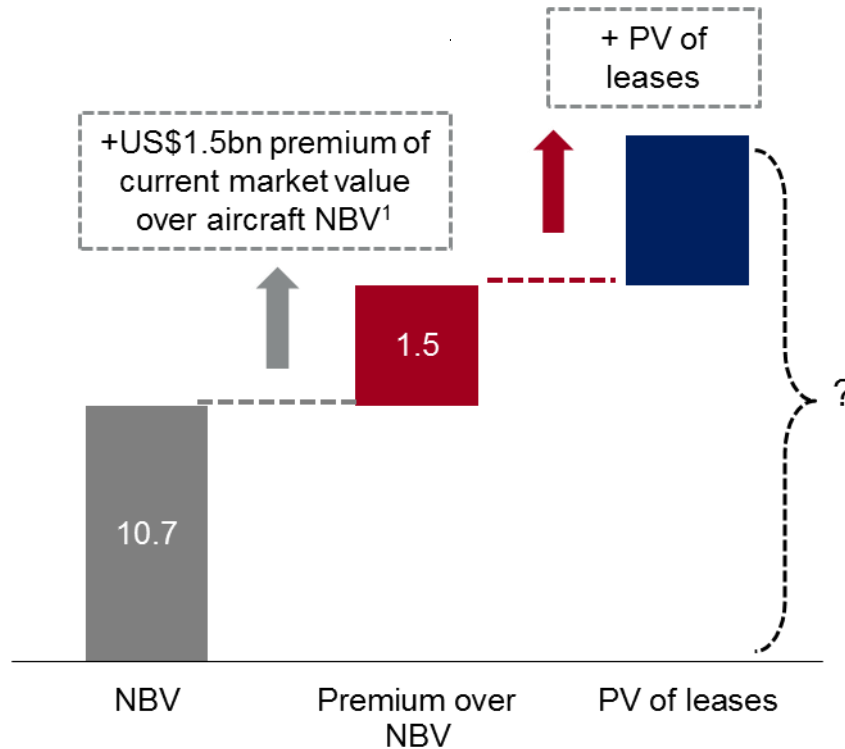
- 19 aircraft were already delivered by the Latest Practicable Date (9 May 2016) as indicated in the IPO prospectus
- Average of five appraisers
- Percentages refer to premium of appraised current market value over aircraft NBV



Value Driven by Fleet and Committed Lease Revenues

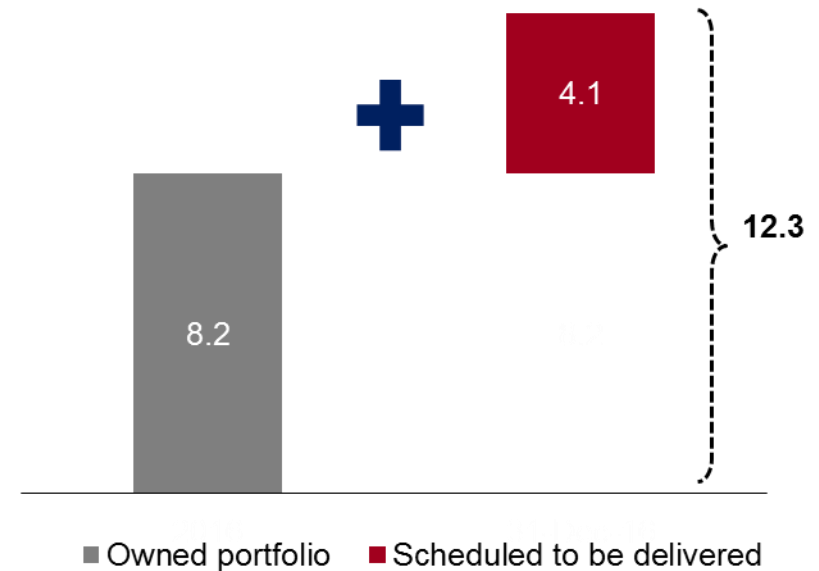
Net Book Value understates business value

US\$ billion



Committed revenues of >US\$12 billion

US\$ billion



Committed future lease revenues create additional value today

All data as of 31 December 2016

Note:
1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$12.2 billion, on a full-life, current market value basis, which compared with a net book value of US\$10.7 billion

Where We Have Added Value Since IPO

- **Orderbook additions for future revenue growth**
 - Ordered 29 new aircraft¹
 - 12 Airbus A320 family aircraft
 - 17 Boeing 737 aircraft
 - Purchase-and-leaseback ('PLB') for five new twin-aisle aircraft, all delivered to Air China in 4Q2016
 - PLB for six new twin-aisle aircraft, all of which are scheduled for delivery to Qatar Airways in 2017
- **Delivered superior financials and operational efficiencies**
 - Record interim and full year profits
 - Industry-leading ROE of 14.4% even after including additional equity
 - Declared total dividends of US cents 18.0 per share in 2016 – a payout of 30%
 - NPAT/employee of US\$2.9 million² rose 12% compared with 2015
- **Further diversified funding sources**
 - Raised US\$550 million in primary equity
 - Issued US\$1.25 billion in bonds
 - Closed the Company's largest ever single financing transaction of a US\$1.5 billion medium term unsecured revolving credit facility
- **Leveraged and strengthened relationships with OEMs**
 - Took delivery of 250th aircraft from Airbus
 - Took delivery of 200th aircraft from Boeing
- **Enhanced transparency for and alignment with all Shareholders**
 - Incentive scheme to be implemented in 2017 to increase alignment between shareholders and senior management
 - Added fourth INED to the Board of Directors

The Company has exceeded its IPO deliverables

All data as at 31 December 2016 unless otherwise indicated

Notes:

1. As at 23 March 2017

2. Net profit after tax divided by average number of employees. Average number of employees equals the number of employees at the beginning of the year plus number of employees as at the end of the year, divided by two.



Where We Will Create Value Going Forward

- **Another year of record activity in 2017**
 - 2017 will be our largest year of aircraft deliveries, driving further balance sheet growth
 - More than 75 aircraft scheduled to be delivered¹
- **Capitalise on healthy air traffic demand²**
 - Air traffic continues to exceed 5% baseline expectations, underpinning new aircraft demand
 - 2017 expected to be one of the three best years in airline profitability history
- **Increasing committed future lease revenue, building sustainable core lease rental contributions**
 - Committed future lease revenue as at 31 December 2016 in excess of US\$12 billion – up 22% on 1H 2016
- **Disciplined cost management**
 - Continued focus on NPAT/employee
 - Executing refinancing opportunities to drive down borrowing costs
- **Maximise our funding advantages**
 - Continued access to diversified, low-cost financing sources and over US\$4 billion in committed facilities
 - Liquid financing markets support aircraft sales and funding programmes
- **Shareholder return**
 - Dividend policy unchanged – up to 30% of NPAT

Management positioning Company for a robust 2017

Notes:

1. As at 23 March 2017
2. Source: International Air Transport Association





www.bocaviation.com