

BOC Aviation Investor Day

Singapore

17 May 2018



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Agenda

Topic	Presenter
Welcome and introduction	Timothy Ross Head of Investor Relations and Corporate Communications
BOC Aviation and industry overview	Robert Martin Managing Director & Chief Executive Officer
Generating revenue	Graham Lees Deputy Chief Commercial Officer
How we manage risk	David Farrell Chief Risk Officer
Debt and interest rate management	Peter Davis Head of Treasury
Valuation and concluding remarks	Timothy Ross Head of Investor Relations and Corporate Communications



BOC Aviation and Industry Overview

Robert Martin
Managing Director & Chief Executive Officer



Robert Martin

Managing Director &
Chief Executive Officer



- 30 years of banking and leasing experience
- Appointed Managing Director on 4th July 1998; a member of Board of Directors since 4th July 1998
- The longest serving chief executive officer of the same company in the aircraft operating leasing industry



BOC Aviation – Who Are We?

- One of the world's top five aircraft lessors
 - The largest in Asia
 - Listed on HKEX
 - Bank of China owns 70%
- Total assets of US\$16.0 billion
 - 488 aircraft¹
- 24 years of unbroken profitability
- Industry-leading financial metrics – average ROE of 15% over the last ten years
 - ROE of 16.3% in 2017
- Investment grade credit ratings of A- from S&P Global Ratings and Fitch Ratings
- Airbus' and Boeing's largest customer by combined deliveries in 2017

An established lessor with deep management experience

All data as at 31 December 2017 unless otherwise indicated

Note:

1. Includes owned, managed and aircraft on order as at 31 March 2018



Stable, Experienced Management and now, Shareholders



	Robert Martin <i>Managing Director & Chief Executive Officer</i>	Wang Jian <i>Vice-Chairman & Deputy Managing Director</i>	Phang Thim Fatt <i>Deputy Managing Director & Chief Financial Officer</i>	Steven Townend <i>Chief Commercial Officer (Europe, Americas, Africa)</i>	Gao Jinyue <i>Chief Commercial Officer (Asia Pacific & the Middle East)</i>	David Walton <i>Chief Operating Officer</i>
	<ul style="list-style-type: none"> Managing Director since July 1998 30 years of banking and leasing experience 	<ul style="list-style-type: none"> Formerly a Non-executive Director of the Company from December 2006 to June 2012 Re-appointed on 1 June 2017 as Executive Director 37 years experience at BOC 	<ul style="list-style-type: none"> Previously held treasury and finance roles at Singapore Airlines Involved in establishment of the Company 	<ul style="list-style-type: none"> In charge of revenue activities for Europe, Americas and Africa A wealth of aviation finance and leasing experience 	<ul style="list-style-type: none"> In charge of revenue activities for Asia Pacific and Middle East Extensive experience in treasury and corporate finance activities 	<ul style="list-style-type: none"> Previously served as COO/General Counsel for private and listed lessors 31 years of aviation finance and leasing experience
Nationality						
Years with BOC Aviation	20	7	22	17	11	3

Global, stable and highly experienced senior management team



Core Competencies

Since inception in 1993:

- Purchasing 750 aircraft purchased totalling more than US\$39 billion
- Leasing 790 leases executed with > 150 airlines in 53 countries and regions
- Financing More than US\$22 billion in debt raised since 1 January 2007¹

- Sales More than 290 aircraft sold
- Transitions More than 70 transitions
- Repossessions 36 aircraft in 13 jurisdictions²

Utilisation rate

99.9%³

Collection rate

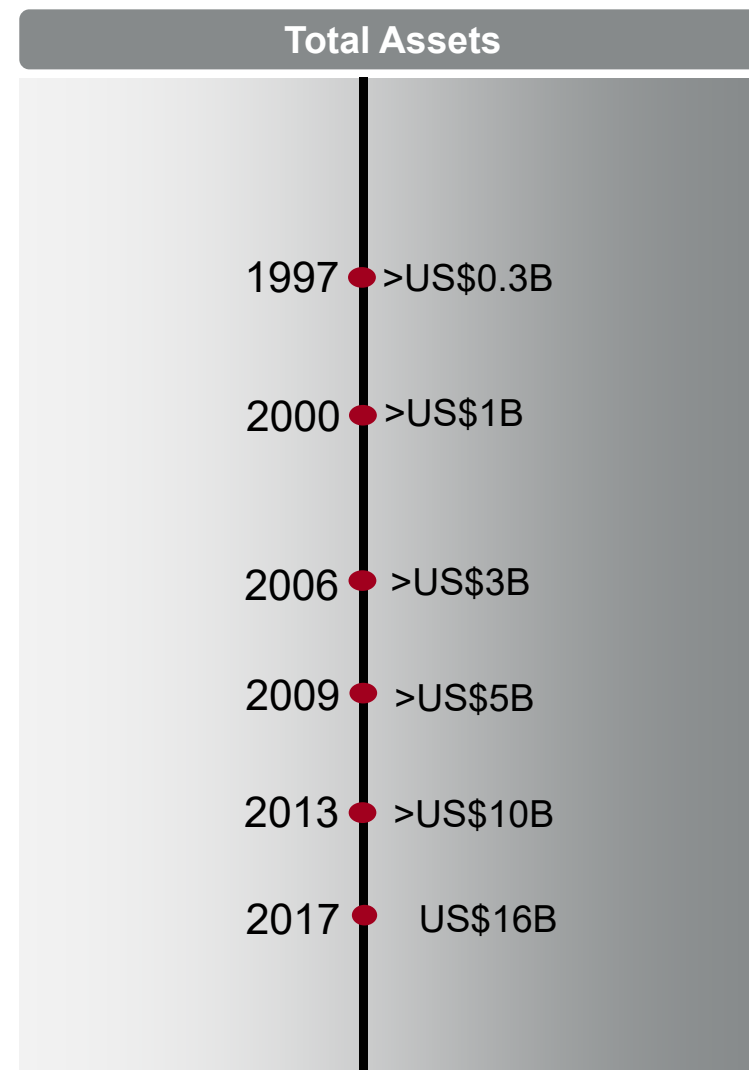
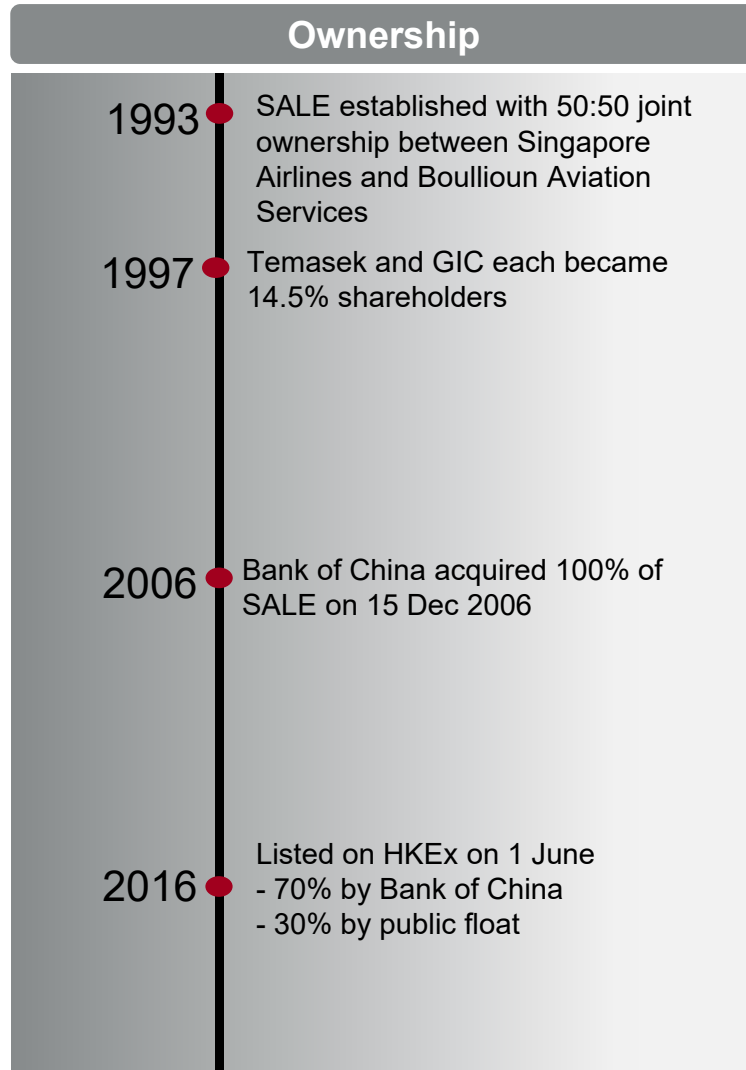
99.6%^{1,3}

All data as at 31 March 2018, since inception unless otherwise indicated
Notes:

1. As at 31 December 2017
2. Includes repossessions and consensual early returns
3. 10 years average from 2008 to 31 March 2018



The BOC Aviation Journey



BOC Aviation will be celebrating our 25th Anniversary in November 2018!

All data as at 31 December 2017 unless otherwise indicated



An Excellent 2017

Record earnings

US\$587 million ↑ 40%

Net profit after tax

US\$0.85 ↑ 40%

Earnings per share¹

Driven by:

US\$1,401 million ↑ 17%

Total revenues and other income

US\$542 million ↑ 24%

Core lease rental contribution²

8.4% ↑ 0.2% pt

Net lease yield³

Robust balance sheet

US\$16.0 billion ↑ 19%

Total assets

US\$3.8 billion ↑ 13%

Total equity

US\$5.50 ↑ 13%

Net assets per share¹

Increasing dividend payout

Payout ratio 35% ↑ 5.0% pts

US\$0.2958 ↑ 64%⁵

Total dividend per share⁴

All data as at 31 December 2017

Notes:

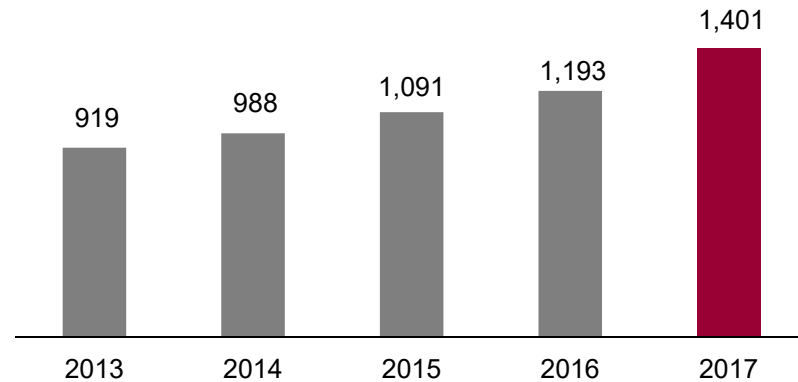
1. Based on the number of shares outstanding as at year end
2. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
3. Calculated as lease rental income less finance expenses divided by average net book value of aircraft
4. Includes interim dividend of US\$0.1038 per share paid on 25 September 2017. The final dividend of US\$0.192 per share will be payable to shareholders registered at the close of business on the record date, being 7 June 2018
5. Compared to US\$0.18 paid for FY2016



Record Financials

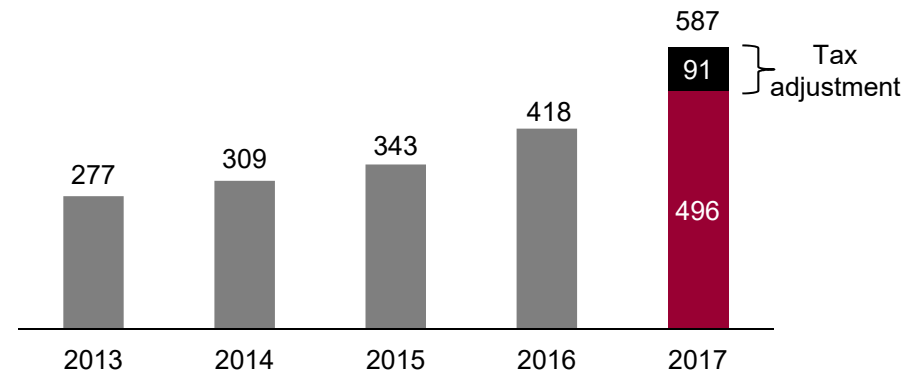
Fleet growth underpins lift in revenues

US\$ million



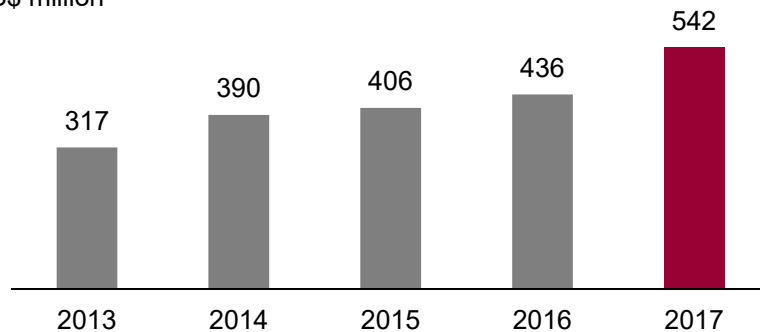
NPAT growth driven by growth in leasing portfolio and adjustment of US tax provision

US\$ million

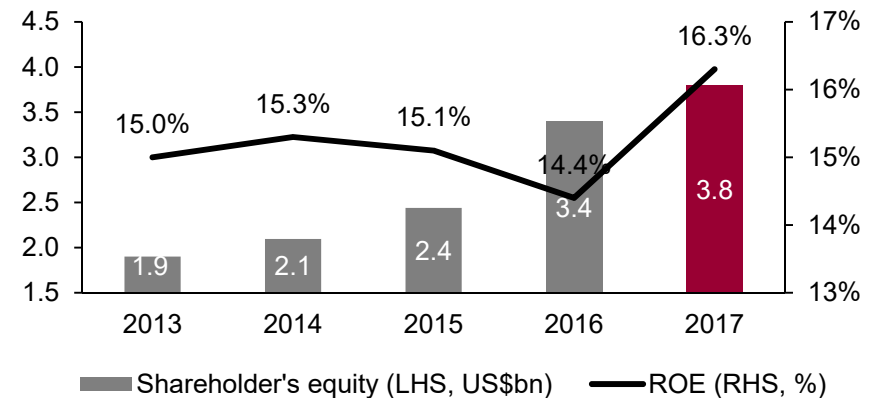


Continued growth in core lease rental contribution¹

US\$ million



Consistently strong returns on equity



All data as at 31 December 2017

Note:

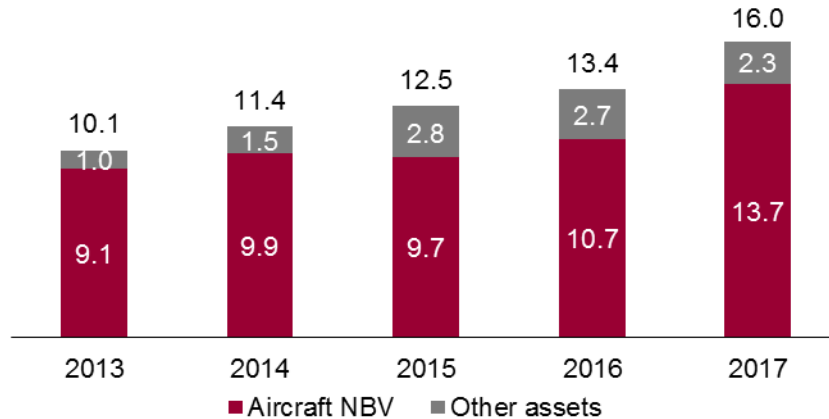
1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs



Orderbook Underpins Future Balance Sheet Growth

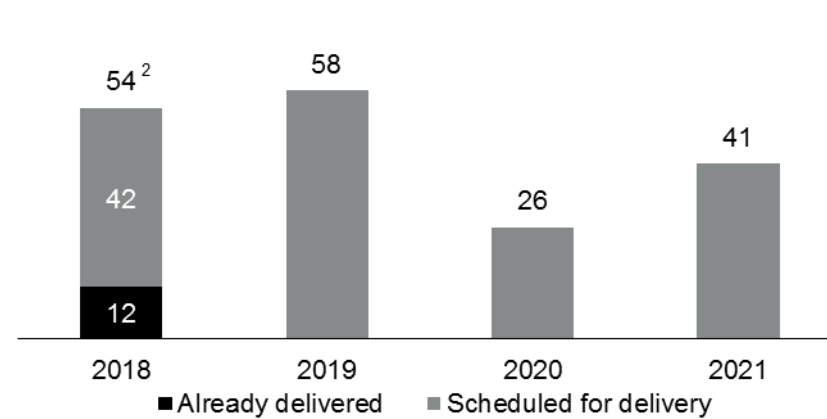
Growing balance sheet

US\$ billion



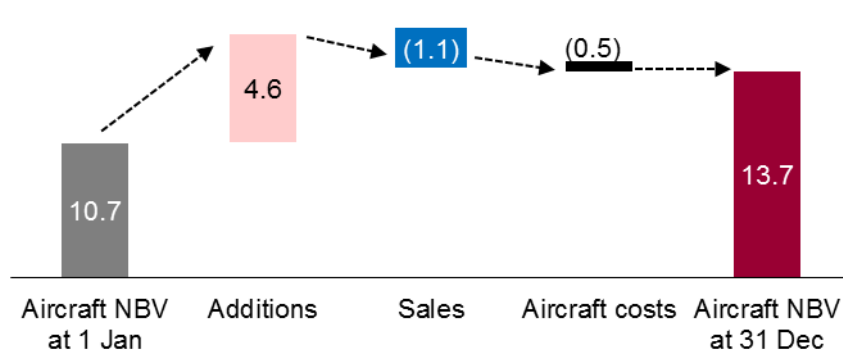
Committed deliveries of 167 aircraft until 2021¹

Number of aircraft

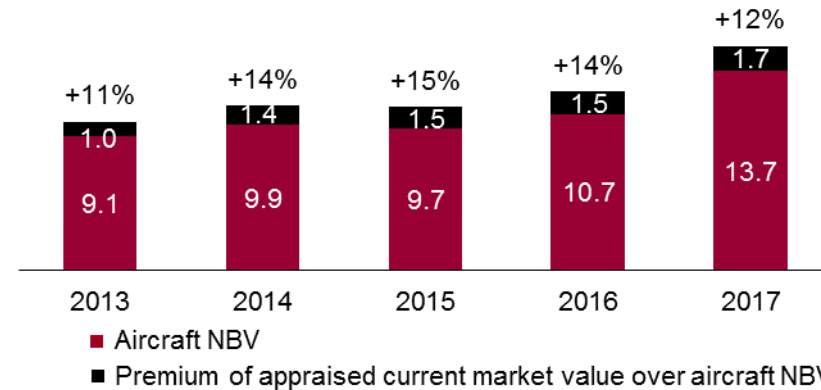


Fleet NBV evolution

US\$ billion



Premium over aircraft NBV^{3,4}



All data as at 31 December 2017 unless otherwise indicated

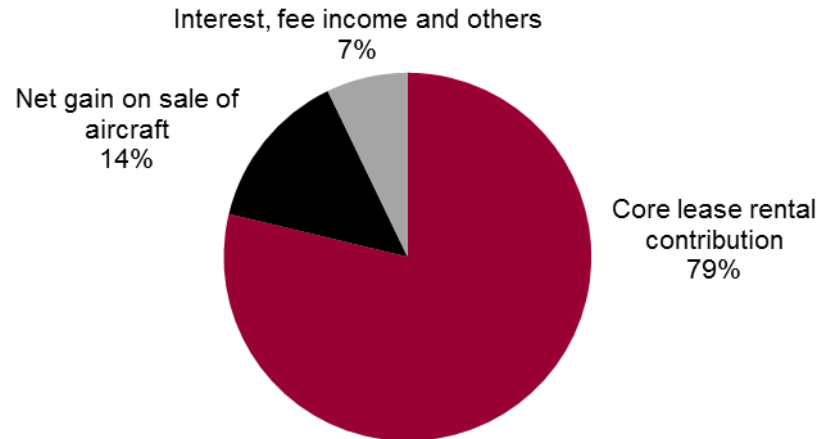
Notes:

- As at 31 March 2018
- Excludes three A320CEO family aircraft ordered subsequent to 31 March 2018 and scheduled for delivery in December 2018
- Average of five appraisers
- Percentages refer to premium of appraised current market value over aircraft NBV

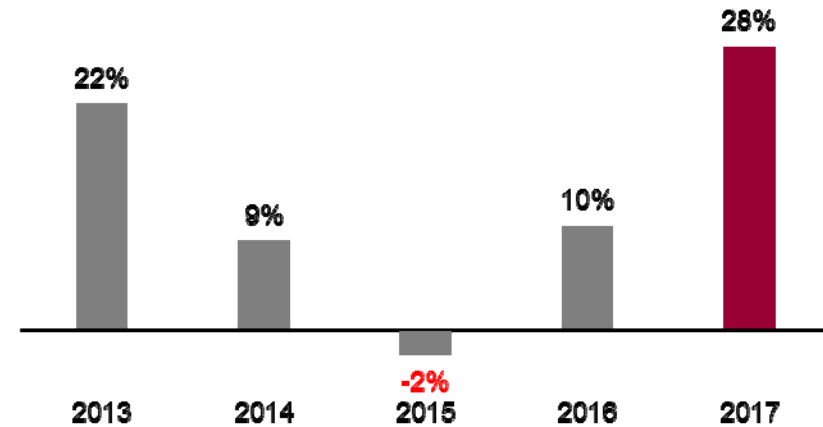


Core Leasing Business Anchors Earnings Growth

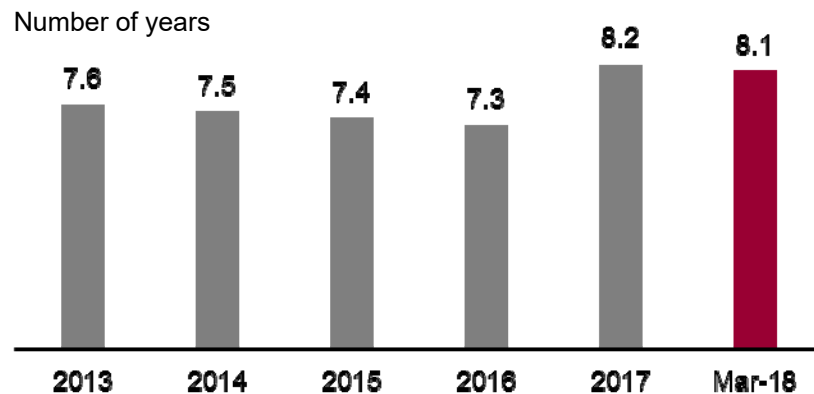
c.80% of PBT is from core lease rental contribution¹



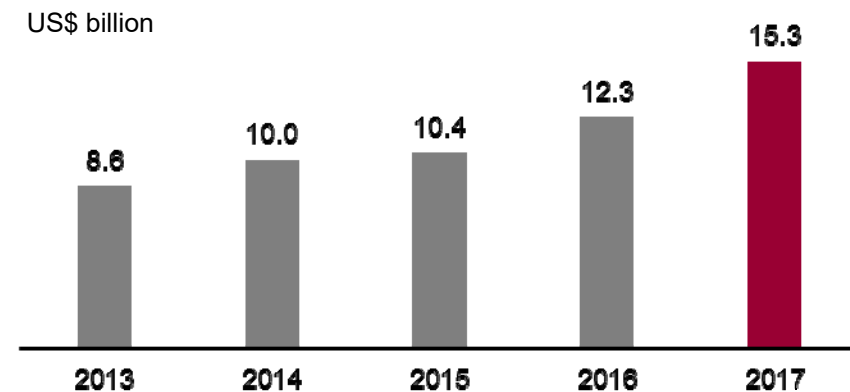
... and rises with fleet NBV



We have a longer average remaining lease term²



... and steady increases in future committed lease revenue



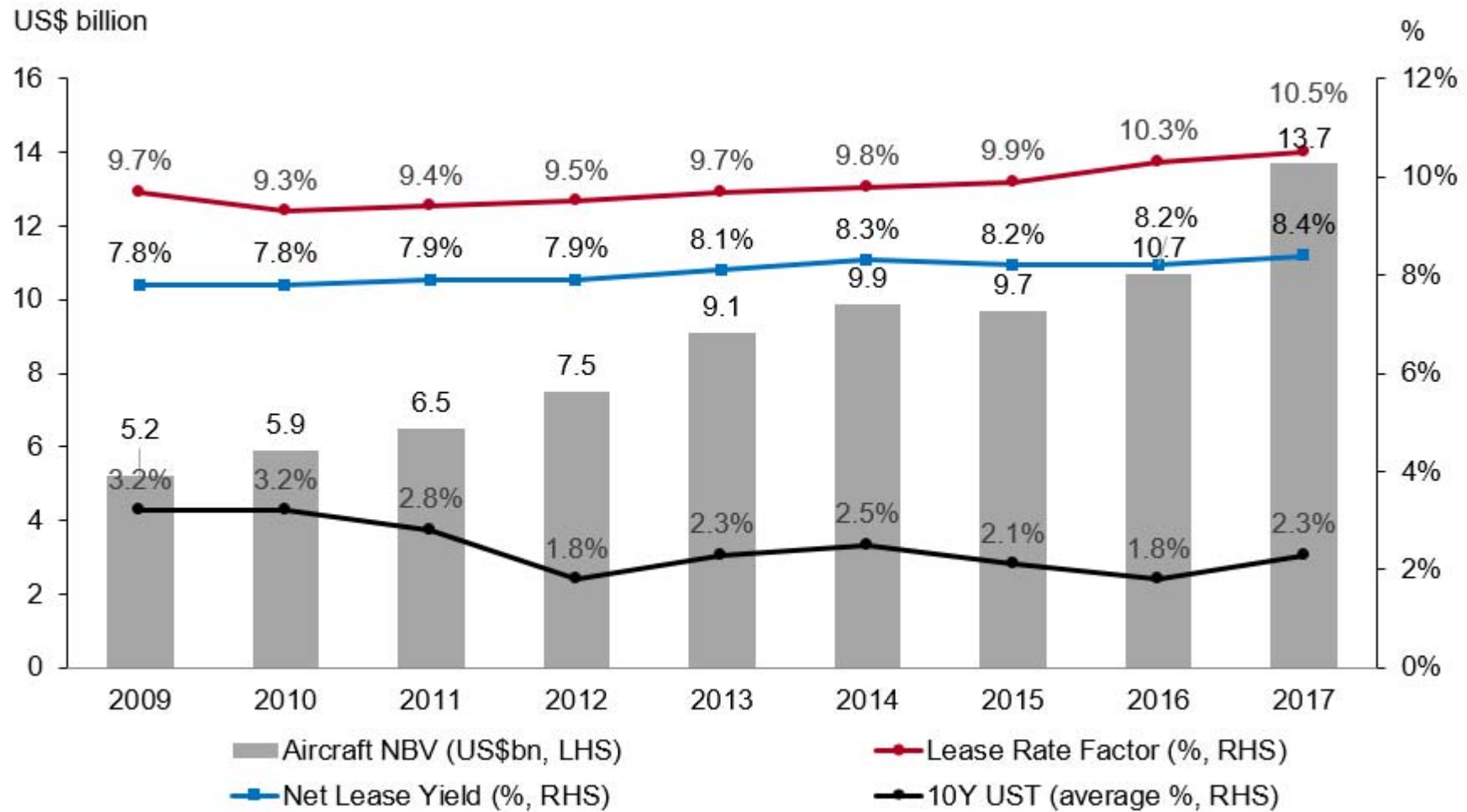
All data as at 31 December 2017 unless otherwise indicated

Notes:

1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
2. Weighted by net book value of owned fleet as at 31 March 2018



Aircraft Lease Yields

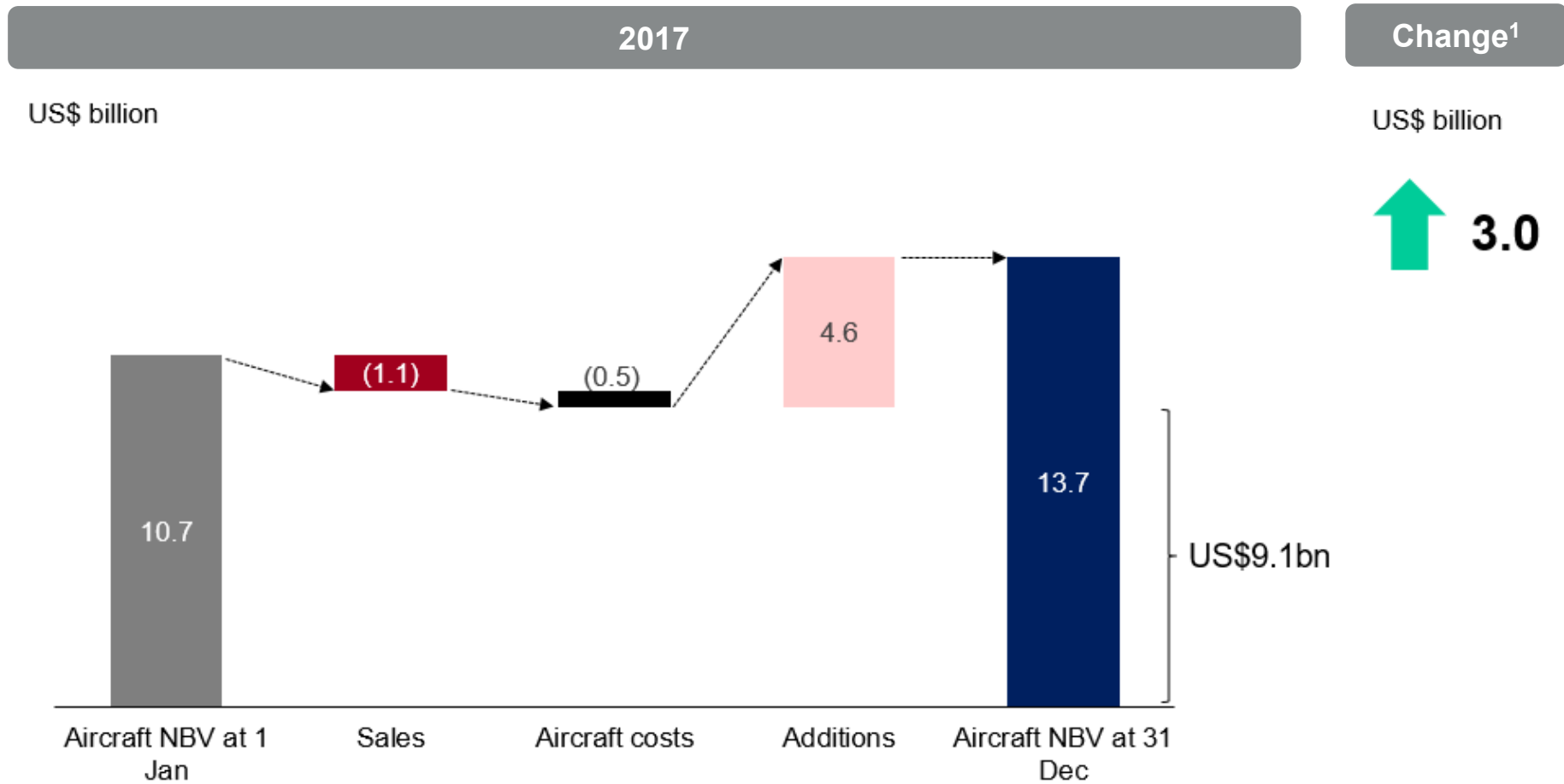


Growth at stable portfolio returns

Source: Bloomberg
All data as at 31 December 2017 unless otherwise indicated



Net Book Value Growth Results in Stable Returns

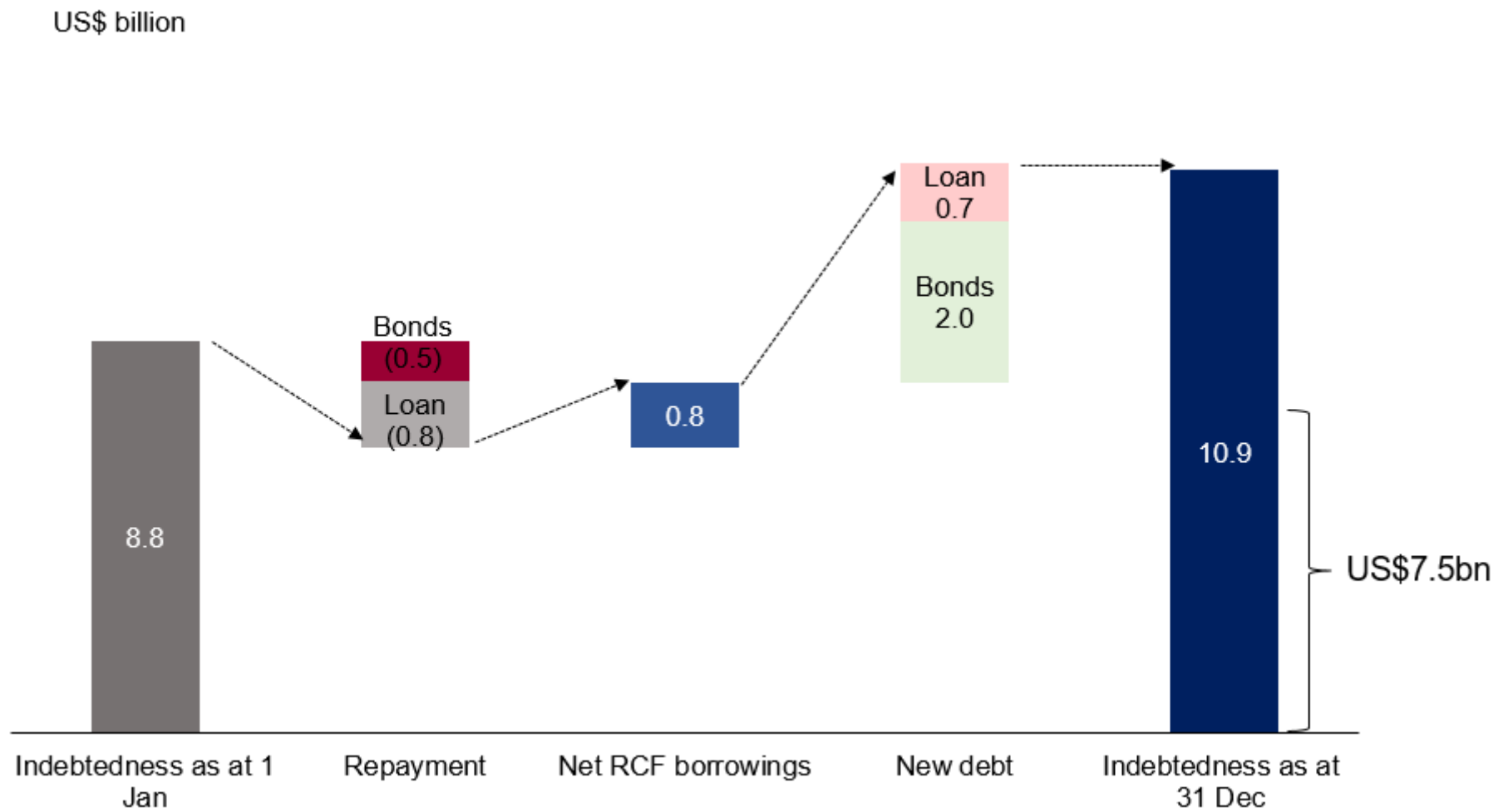


Stable returns underpinned by cumulative long term leases

All data as at 31 December 2017
 Note
 1. Compared to 2016



Debt Evolution Results in a Stable Cost Base



Stable debt costs

All data as at 31 December 2017

Note: The figures in the chart above may not sum to total due to rounding



The Operating Leasing Industry Today

Customers

c.800 airlines globally

34,900 new aircraft required over the next 20 years¹

Suppliers

5 key airframe manufacturers

3 key engine manufacturers

10,000+ supply chain partners

**Aircraft
Leasing
Industry**

Funding

200+ active banks

1,000+ capital market investors

Investors

350+ aircraft lessors

Note:

1. Airbus Global Market Forecast 2017-2036



The Operating Leasing Industry Today - Presenters

Customers

Presenter:
Graham Lees

Suppliers

Presenter:
Robert Martin

**Competitive
Environment**

Presenter:
Robert Martin

Funding

Presenter:
Peter Davis

Investors

Presenter:
Graham Lees

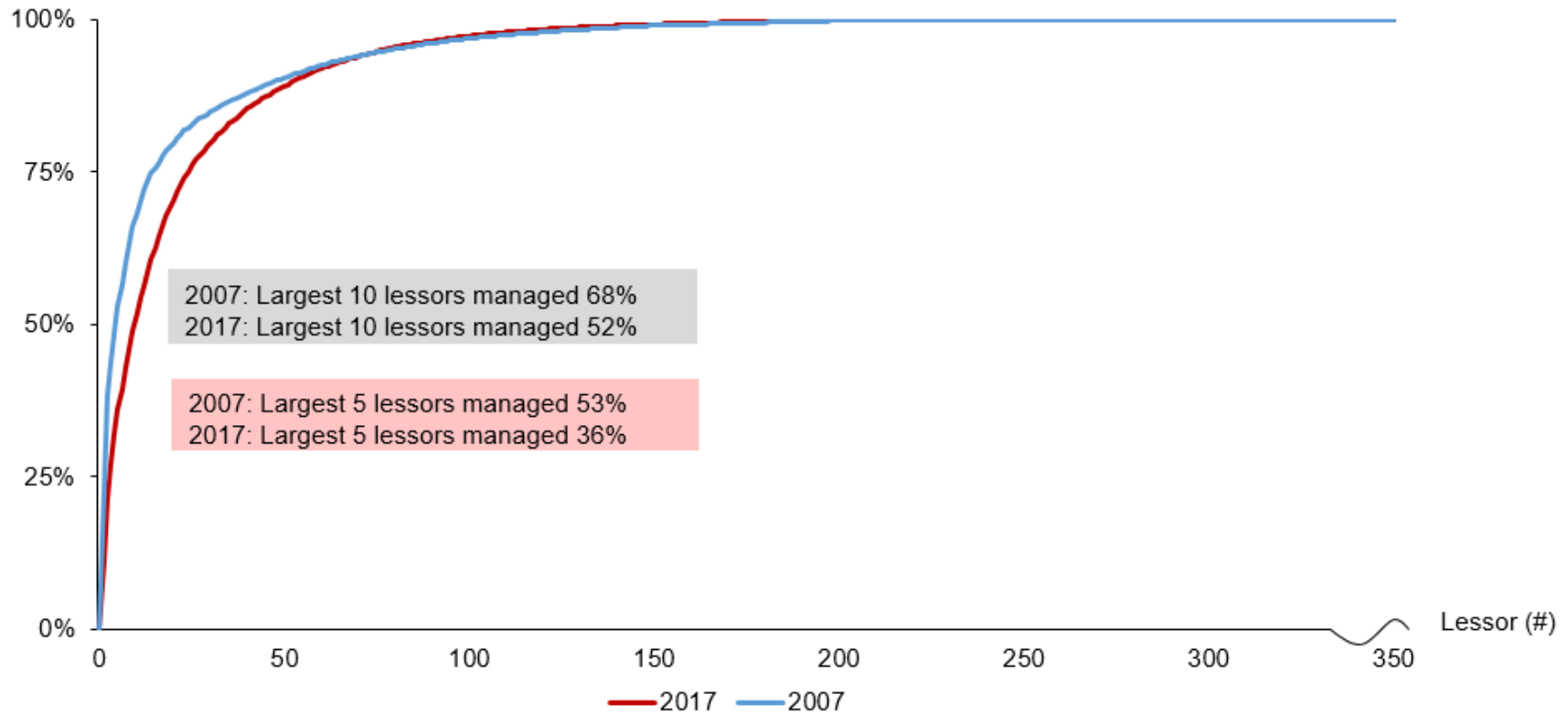


Competitive Environment



Less Concentration Now in the Market

Aircraft owned / managed (%)



Our buyers are mainly outside top ten lessors

Source: Ascend, as at 31 December 2017. Fleet data includes in-service owned and managed aircraft, based on aircraft of 100+ seats



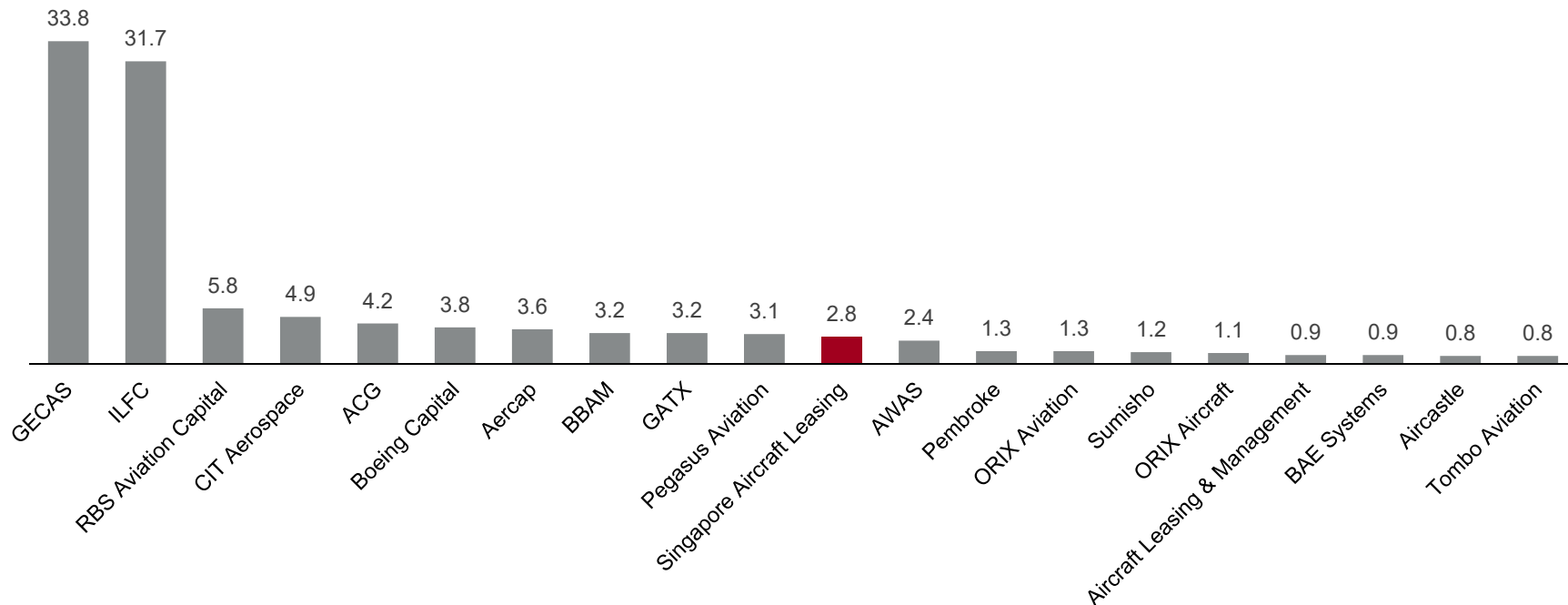
Aircraft Lessor Strategic Landscape – 2006

Top lessors by fleet value

Fleet portfolio, number of aircraft

1,663	858	182	198	206	294	223	150	170	228	79	154	89	61	43	31	31	267	30	38
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Fleet value, US\$ billion



The sector was dominated by two players

Source: Company filings, Citi Research
 Data as of April 2006
 Fleet size included owned and managed fleet



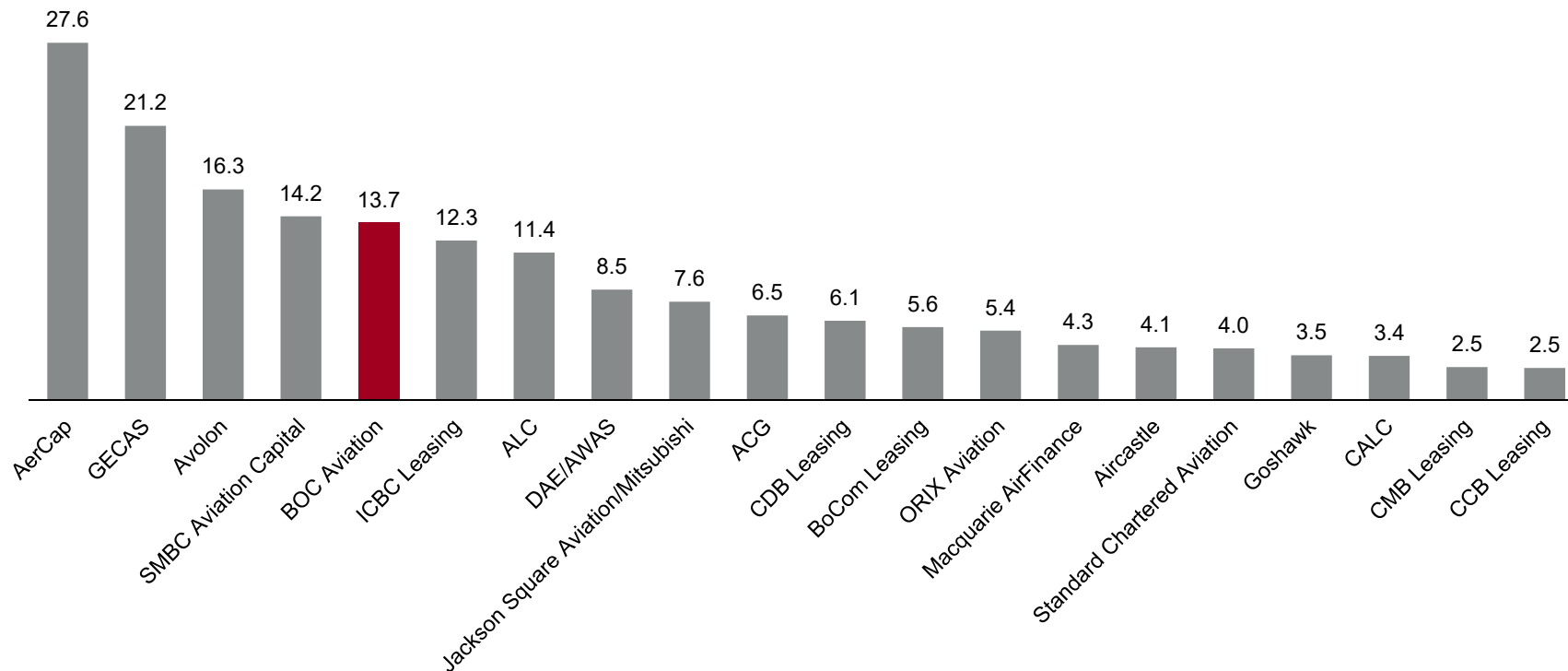
Aircraft Lessor Strategic Landscape – Now

Top lessors by fleet value

Fleet portfolio, number of aircraft

1,013	978	531	446	318	313	283	290	219	273	193	157	222	196	184	121	98	106	65	64
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Fleet value, US\$ billion



The top two players have shrunk + Influx of Asian capital

Source: Ascend
 Data as of 31 December 2017
 100+ seat aircraft only
 Fleet size included owned and managed fleet



Suppliers



Looking Forward, More Choices But Supply Chain Strained

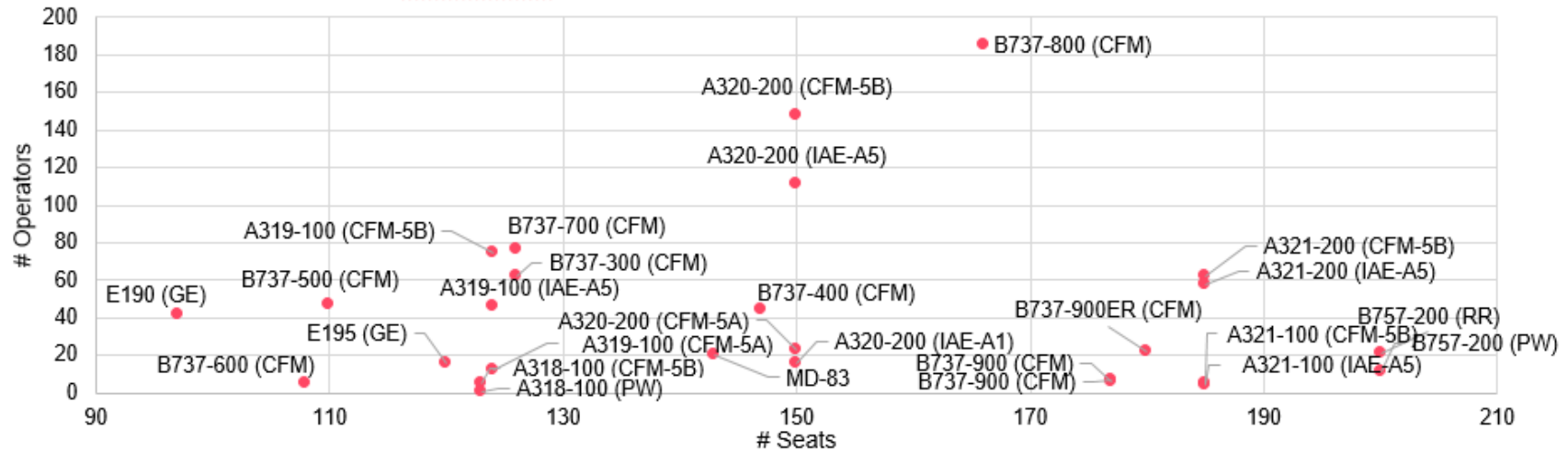


As at May 2018, by entry into service

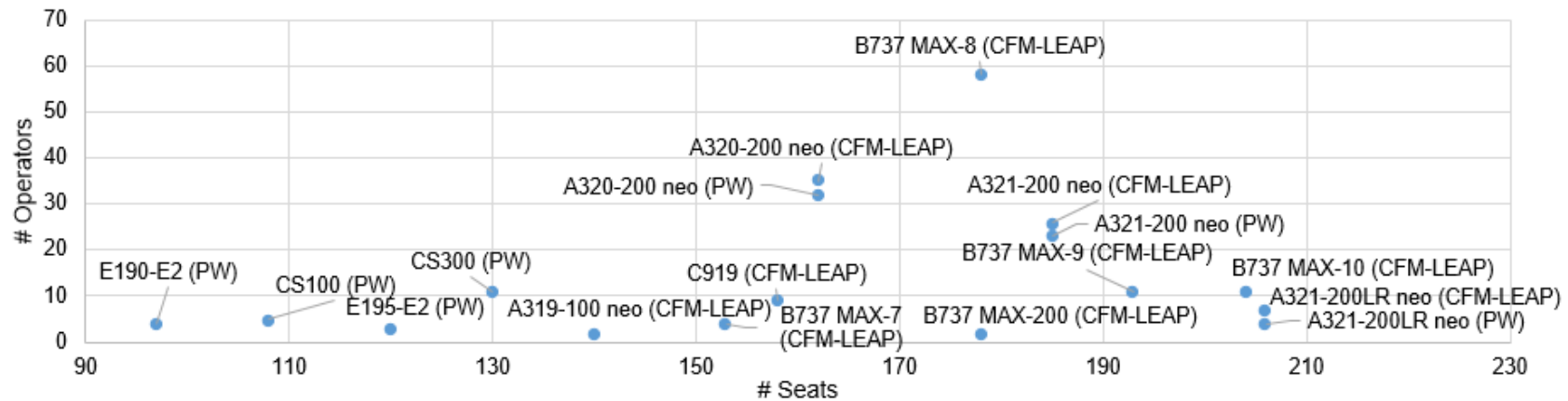


Differentiation – Placing New Aircraft Types

Narrowbody **Current** Generation Aircraft: # Operators vs. # Seats¹



Narrowbody **New** Generation Aircraft: # Operators vs. # Seats¹



Source: Ascend

Note:

1. Includes operators with firm orders

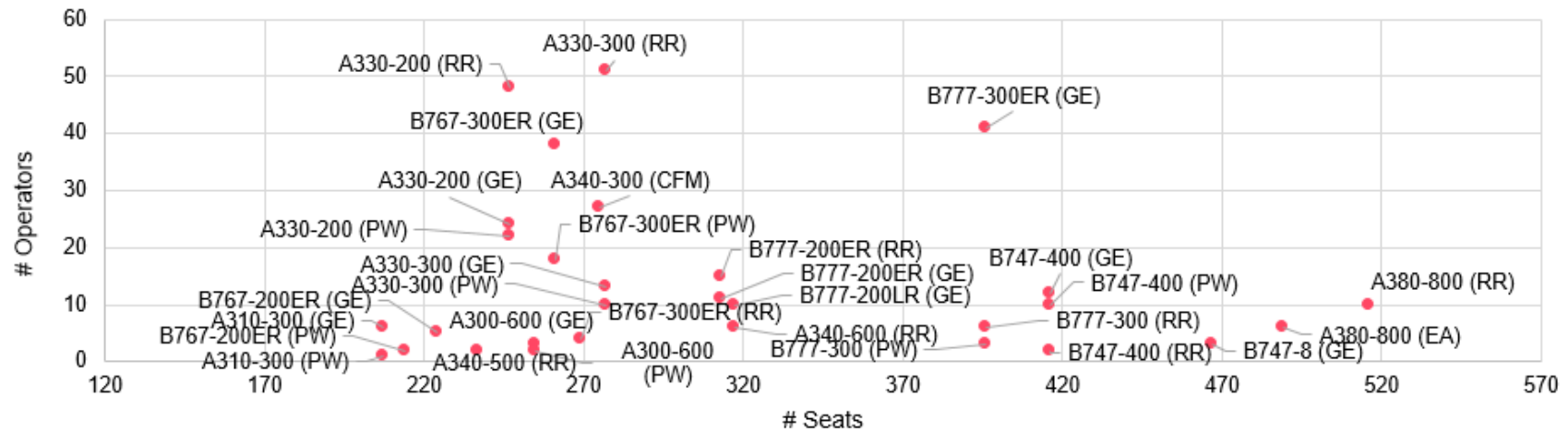


New Technology Aircraft – Our First Boeing 737 MAX 8 Has Just Been Delivered!

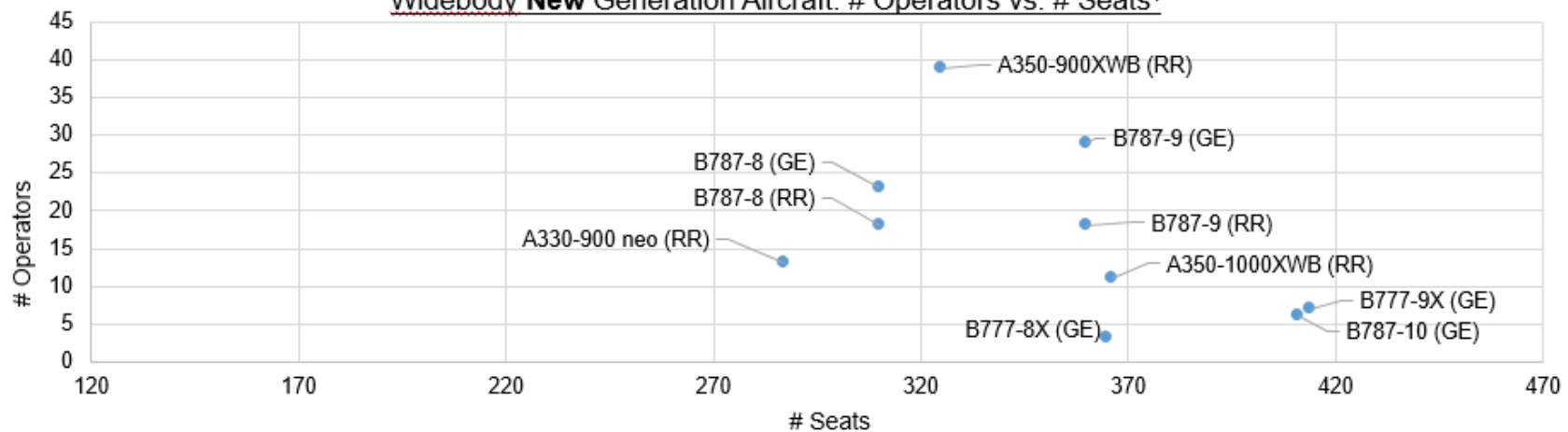


Differentiation – Placing New Aircraft Types

Widebody **Current** Generation Aircraft: # Operators vs. # Seats¹



Widebody **New** Generation Aircraft: # Operators vs. # Seats¹



Source: Ascend

Note:

1. Includes operators with firm orders



New Technology Aircraft – Our First Airbus A330NEO Deal



Coming soon in 2H 2018



Hear from the expert on the leasing and sale of aircraft

