

How We Manage Risk

David Farrell
Chief Risk Officer



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Chief Risk Officer



- More than 25 years of experience in the aircraft leasing and banking sectors
- 11 years with BOC Aviation
- Responsible for all risk management and IT matters. A member of BOC Aviation's Management Committee and Risk Committee



Sound and Effective Risk Management

- CRO reports to CFO and Board, and is a member of Management Committee
 - Risk Management team involved throughout entire transaction life cycle
 - Monitors credit/asset portfolio to track credit quality, and to ensure concentration limits complied with
 - Focus on counterparty credit quality
 - Focus on both sides of balance sheet
- Leads collections and restructuring effort
 - Average aircraft utilization rate of 99.9%¹ since 2008
 - Average cash collection rate of 99.6%² since 2008
- Business strategy and corporate culture aligned
 - Board Risk Committee meets quarterly, chaired by INED
 - Management-level Risk Committee meets monthly, chaired by CEO

Credit & Asset Risk	Liability Risk	Technical Risk	Reputation Risk	Enterprise Risk
<ul style="list-style-type: none"> • Credit assessment • Annual review • Collections • Deferrals & Restructuring • Portfolio analysis • Board reporting • Counterparty risk 	<ul style="list-style-type: none"> • Oversight of limits • Liquidity analysis • Monitoring and reporting to Board and Risk Committee 	<ul style="list-style-type: none"> • Check and balance on MR rates • Reporting to Risk Committee 	<ul style="list-style-type: none"> • KYC due diligence • Sanctions monitoring 	<ul style="list-style-type: none"> • Disaster Recovery • Digital security and access control

Proactive risk management is a key differentiator for BOC Aviation

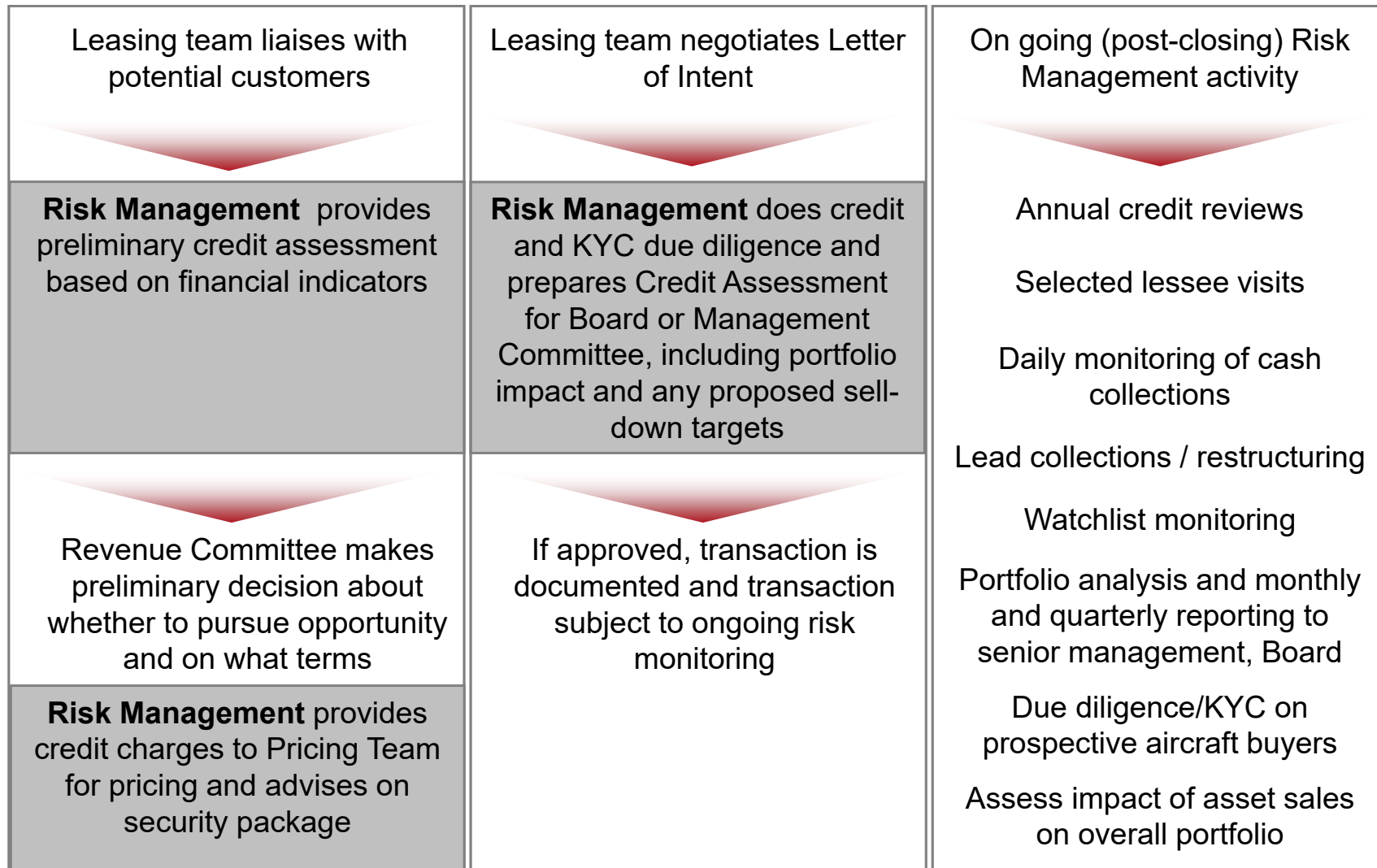
All data as at 31 March 2018 unless otherwise indicated

Notes:

1. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period
2. As at 31 December 2017



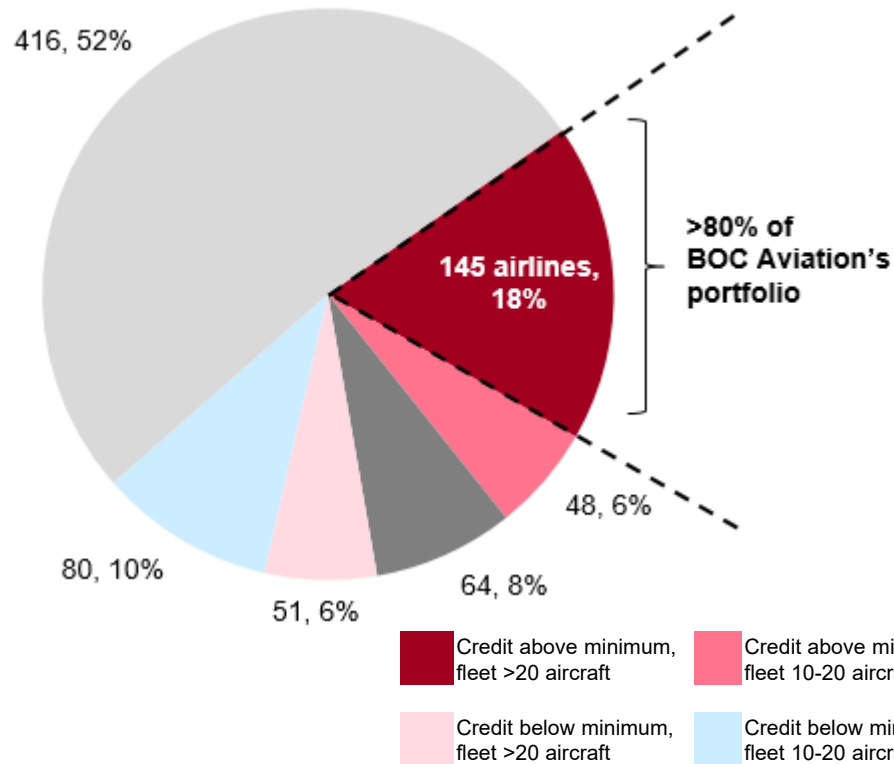
Risk Management's Role in Transaction Life Cycle



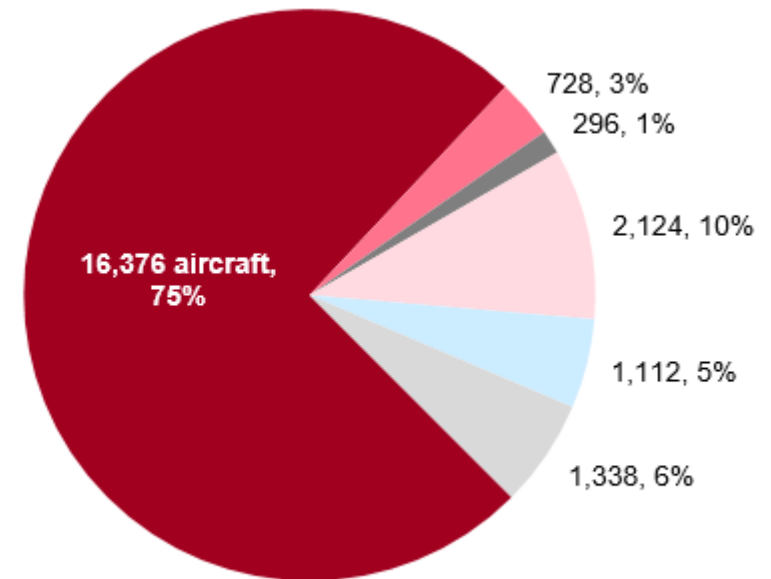
Target Customer Selection

- 804 airlines in service today
- Focus on 145 airlines or only 18% of the airlines in the market – minimum credit score, above 20 aircraft

Airline Segmentation by Credit Score and Fleet Size



Our Target 145 Airlines Operate 75% of the Current In-service Aircraft

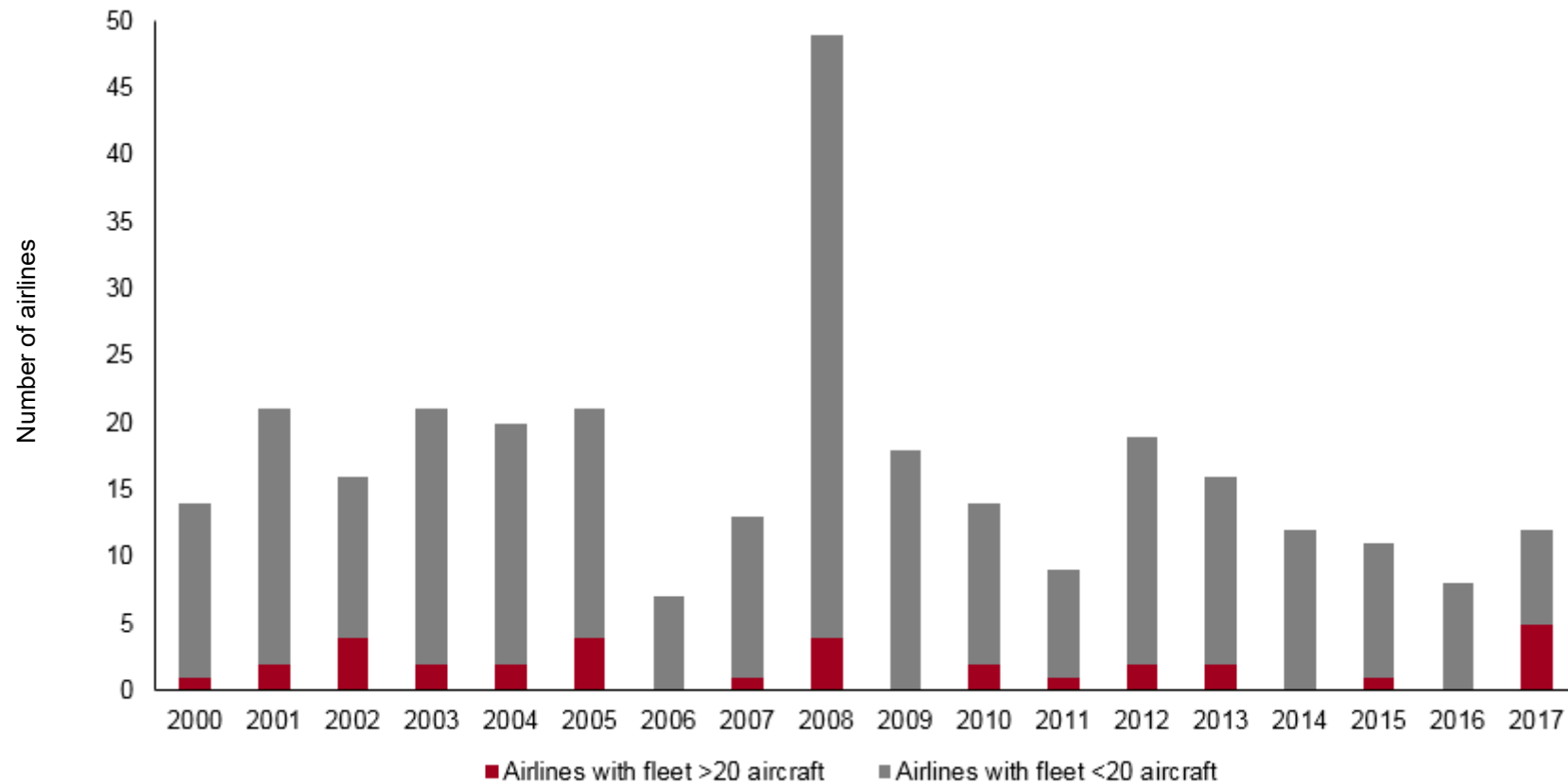


Source: Ascend, as at 31 March 2018
Only commercial aircraft with 100 seats and above



Predominantly Smaller Airlines Have Exited The Market

Number of Airlines that Left the Market, By Year



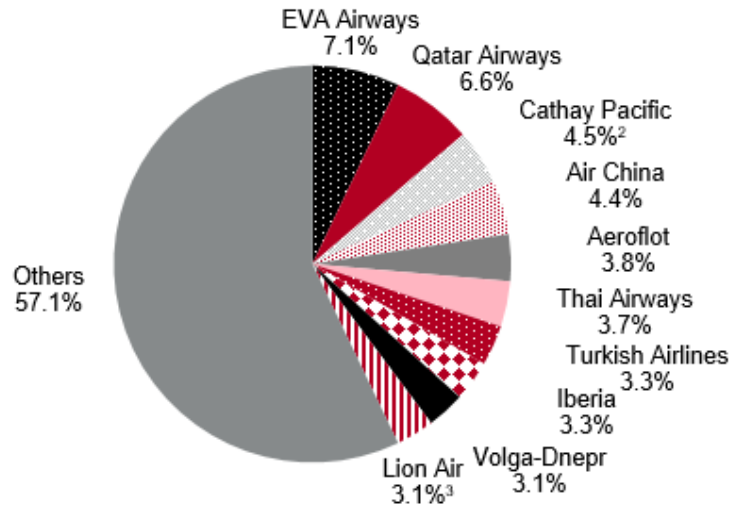
301 airlines left the market across 2000 to 2017, but BOC Aviation only repossessed 36 aircraft in our history

Source: FlightGlobal & various public sources for 100+ seats commercial aircraft, as at 31 December 2017

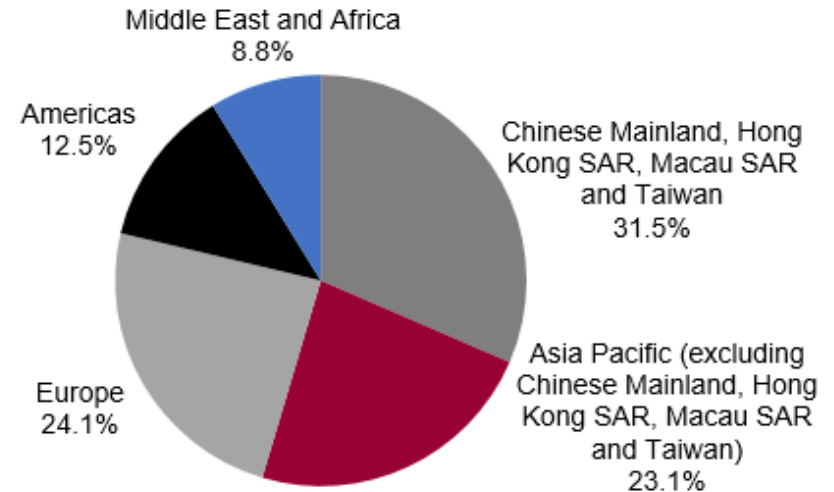


Diversified Portfolio and Customer Selection Delivers High Utilization, High Collection Rate

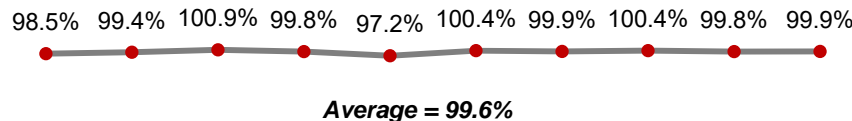
Lease portfolio diversified by customer^{1,4}



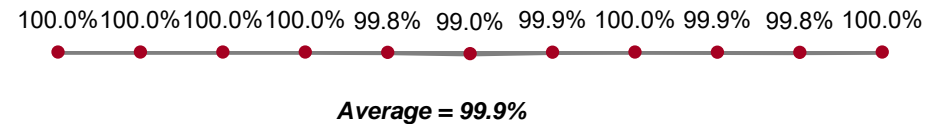
...and diversified by geography^{1,4}



High collection rate⁵



High fleet utilization⁶



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

All data as at 31 March 2018 unless otherwise indicated

Notes:

1. Based on net book value as at 31 March 2018. Includes aircraft held for sale and excludes one aircraft subject to finance lease
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. Based on the jurisdiction of the primary obligor under the relevant operating lease. Includes aircraft held for sale and excludes one aircraft subject to finance lease
5. As at 31 December 2017
6. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 Mar-2018



Repossession Case Study – Transasia Airways

Transasia Airways

Two leases (+ six committed)



Three months from repossession to redelivery



Repossession Case Study – Air Berlin

Air Berlin

Three leases

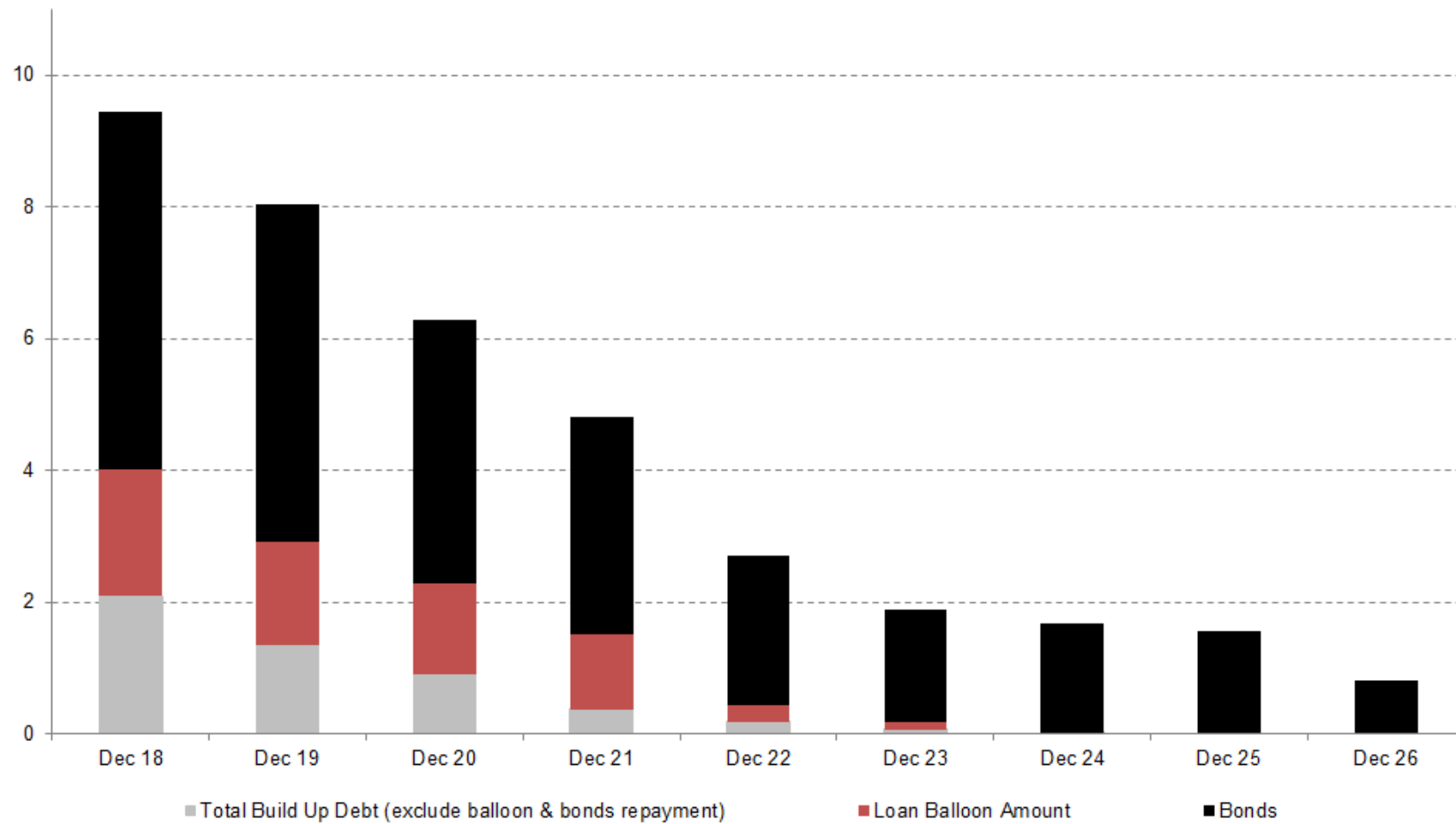


Back in operation in two months



Debt Maturity Profile

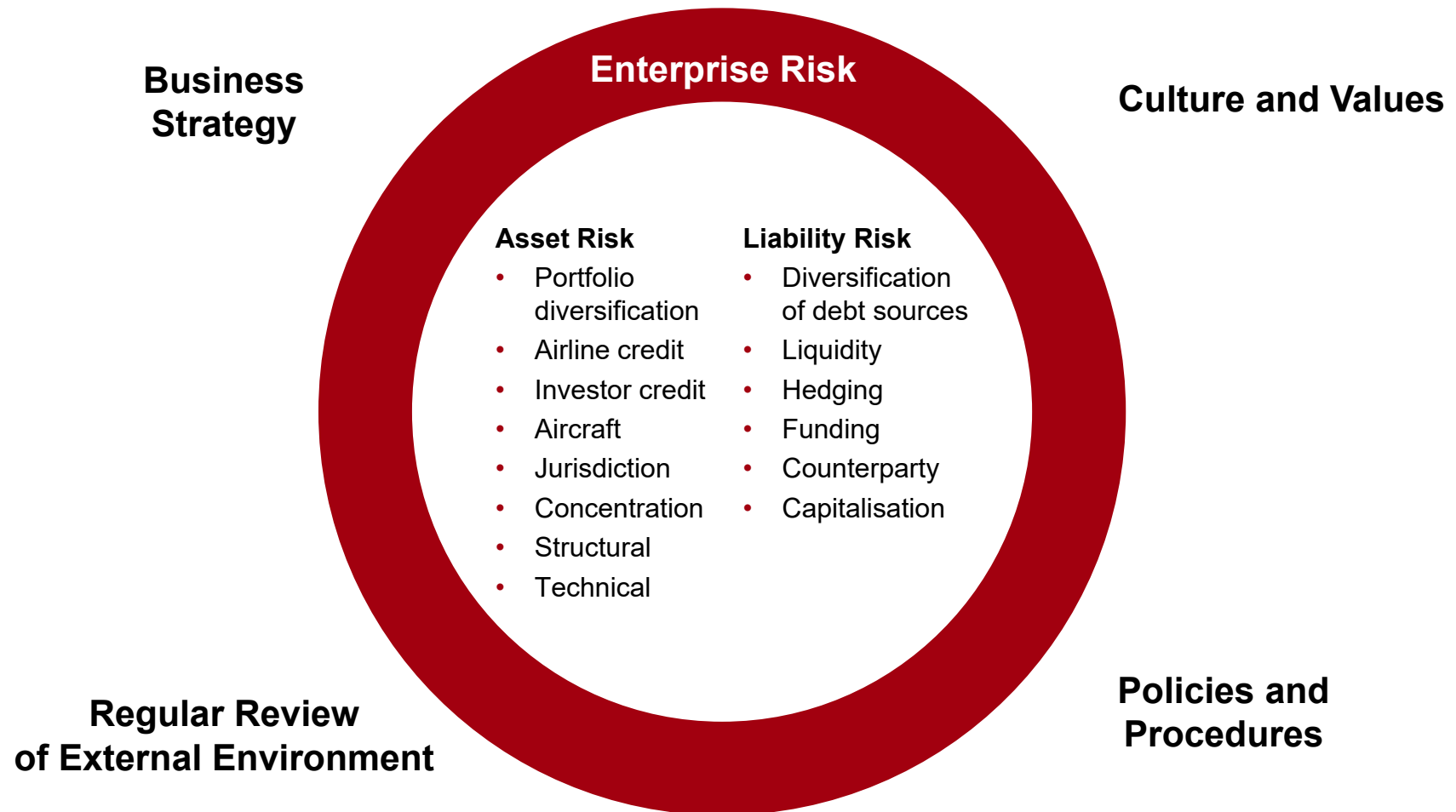
US\$ Billions



All data as at 31 December of relevant year unless otherwise indicated



Risk Management – 360° Focus



A successful lessor will focus risk management on both sides of the balance sheet

