

Peter Davis

Head of Treasury



- More than 25 years of experience in the banking and leasing sectors
- 9 years with BOC Aviation
- Responsible for the Company's global treasury, funding, hedging, cash flow planning and cash management activities. A member of BOC Aviation's Funding Committee and Finance Committee

Treasury in BOC Aviation

- Six staff based in Singapore
 - Overall responsibility for cost of debt (loans and note issuance)
 - Raised over US\$22 billion in new debt over the past 11 years
- Key areas of responsibility
 - Originate debt financing for the company
 - Liquidity and cash flow management
 - Management of interest rate exposure



BOC Aviation's Credit Ratings

- A- from Fitch Ratings and S&P Global Ratings
 - Rated since 2012
 - Ratings are applied to our US\$10 billion Global Medium Term Note Program
- Investment grade ratings are important to secure consistent and cost-effective debt funding
 - Financing costs are our biggest cash operating cost
 - Ratings agencies are now one of our most important relationships
 - Ratings support debt capital markets financing as well as bank financing

BOC Aviation is committed to maintaining strong investment grade ratings



Credit Ratings for Aircraft Operating Lessors

Lessor	Fitch	S&P	Moody's
BOC Aviation	A-	A-	NR
SMBC Aviation Capital	A-	BBB+	NR
Aviation Capital Group	BBB	A-	NR
Air Lease Corporation	BBB	BBB	NR
Aercap	BBB-	BBB-	Baa3
Avolon	BB	BB+	Ba2
Aircastle	NR	BB+	Ba1
Dubai Aerospace¹	NR	BB	Ba2
FLY Leasing	NR	BB-	Ba3

Highest credit rating amongst aircraft operating leasing companies

Source: Bloomberg, April 2018

Note:

1. Dubai Aerospace completed its acquisition of the AWAS portfolio in August 2017



Debt Funding

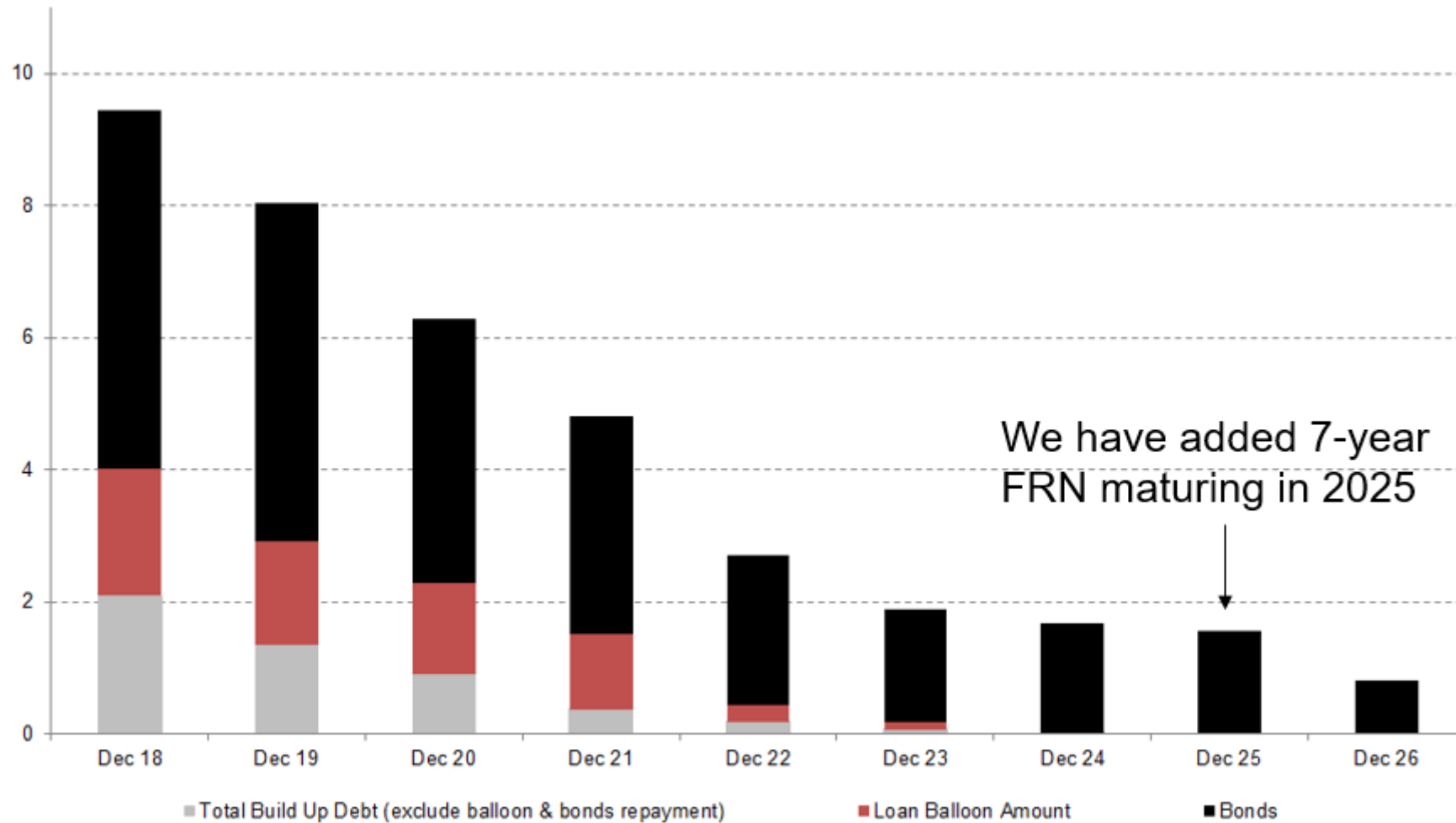
- BOC Aviation has a new debt funding requirement each year of at least US\$2 billion
- Focus is on raising debt from scalable funding sources on an unsecured basis
- Diversified sources of debt financing
 - Debt capital markets
 - Loans
- Minimal financial covenants in loans, no financial covenants for bonds
- No shareholder/change of control covenants

Aim to achieve the lowest cost of debt from scalable funding sources on an unsecured basis



Debt Balance by Year

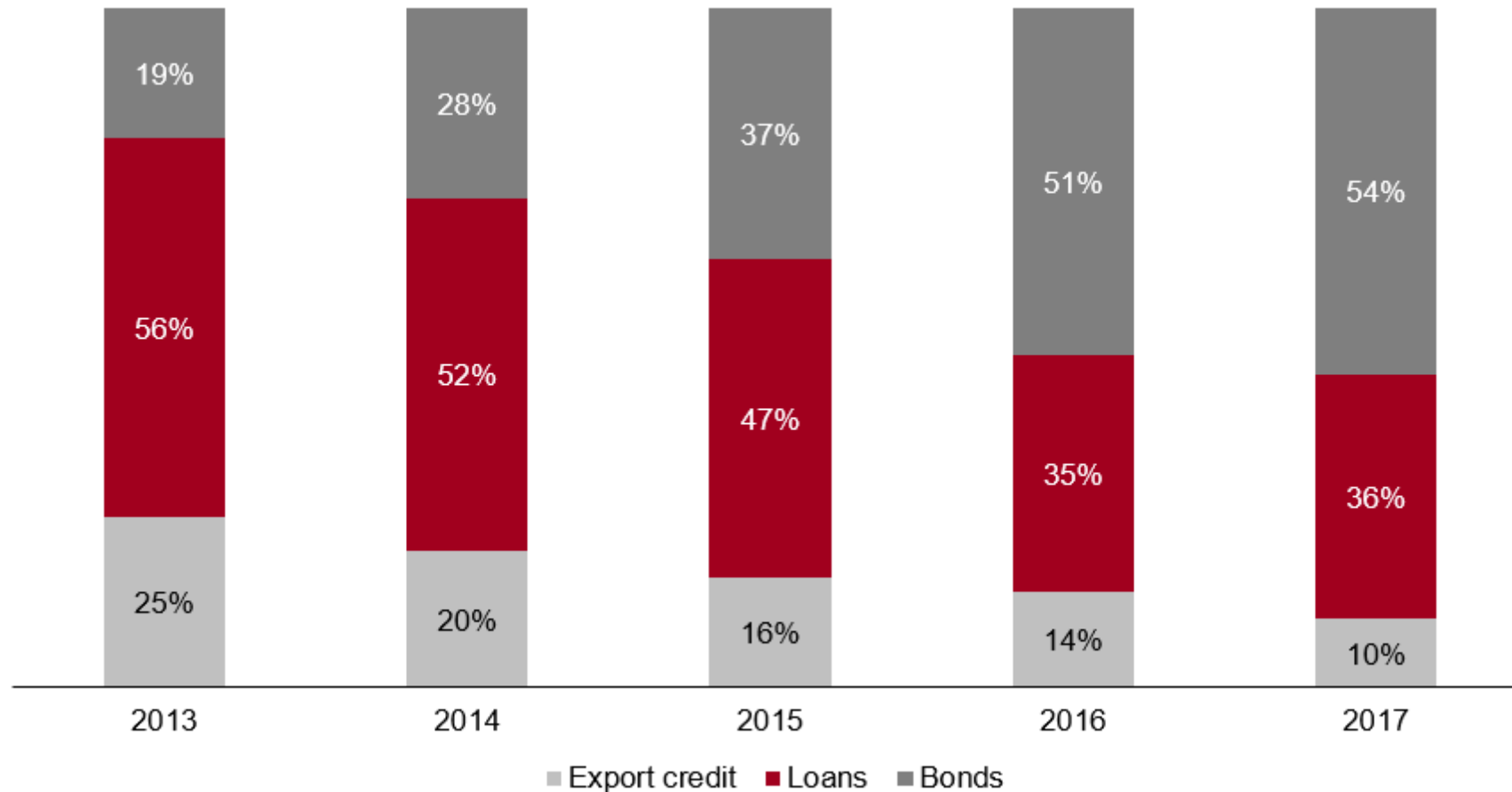
US\$ Billions



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



Sources of Funding

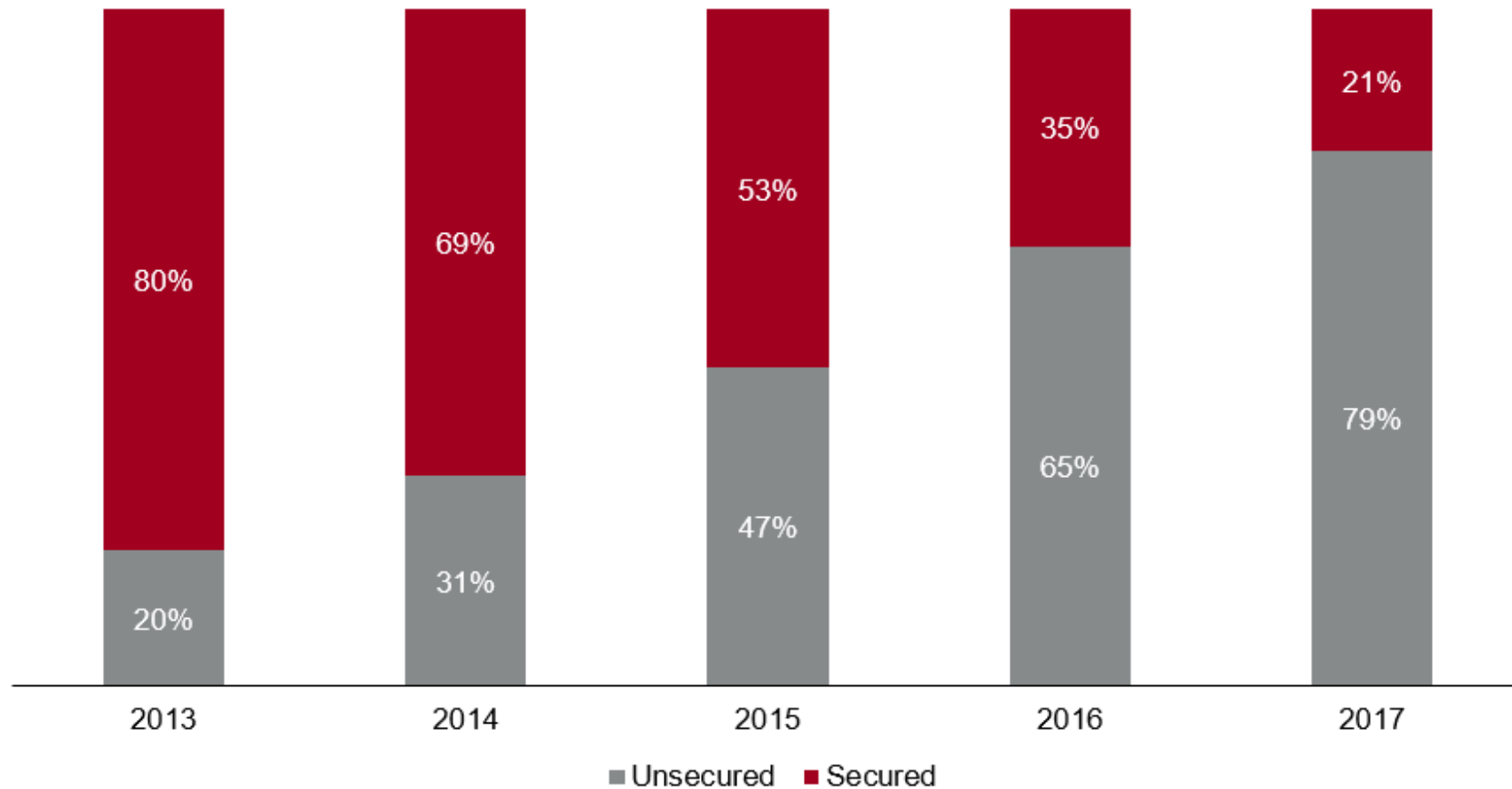


Bonds are now our largest source of funding

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



BOC Aviation Financing Mix – Unsecured vs Secured



Increasing proportion of unsecured debt has been positive for our credit ratings and give us flexibility

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



Benefits of Unsecured Debt

- Credit Ratings
 - Ratings agencies value the flexibility of unsecured debt in their credit assessment
 - Is valued in bank internal credit rating models
- Flexibility
 - Our business model is centred on buying and selling large numbers of aircraft
 - This embeds a high degree of operational complexity into our business
 - Unsecured financing separates asset ownership from financing and improves flexibility
- Scalability
 - As the business becomes larger, scalable financing solutions become important
 - Large scale financing such as bonds and syndicated loans help to minimise execution costs and free up internal legal resource for more critical revenue based jobs.
- Volumes
 - Secured aircraft financing is limited to a relatively small group of banks
 - More volumes available in the unsecured syndicated loan market
 - Bond markets provide much greater depth plus more pricing efficiency for long term debt

Have progressively migrated to an unsecured financing model over the last six years



Debt Capital Markets Issuance

- We issue notes off a US\$10 billion Global Medium Term Note (“GMTN”) Program
- This is a framework agreement setting out certain terms & conditions for our note issuance
 - Terms & conditions of the program and description of BOC Aviation are set out in an information memorandum – an Offering Circular or “OC”
 - Program is rated and listed on SGX – our OC is on the SGX website
- In practical terms it means we don’t need to do new documentation for each note
- Our program is very flexible. Key benefits are:
 - Can execute quickly
 - Can do large scale issuance via a book build or small private placements
 - No restrictions on tenor
 - Can issue in multiple currencies and access different pools of investors
 - Minimal legal costs

Our GMTN Program is a flexible platform for funding



Profile of Debt Capital Markets Issuance

- We have issued more than US\$7 billion in unsecured notes off our GMTN Program since 2012
- 24 series of notes
- 80% of issuance in USD, the remainder in other currencies such as AUD, CNY, HKD and SGD
 - All non-USD issuance is swapped to USD
- We issued US\$2 billion in 2017, priced US\$1.15 billion to date in 2018
- Through our GMTN Program we are able to reach out to a broad and diversified group of investors
 - Reached out to +190 investor accounts in our latest issuance
 - Fund managers, asset managers, insurers, sovereign wealth funds, bank ALMs and private banks
 - Fixed and floating formats

Increasing importance of debt capital markets issuance in our funding mix

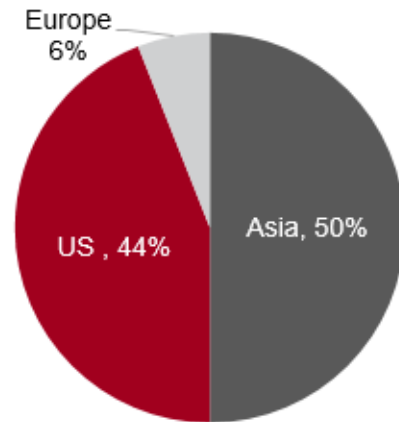
All data as at 2 May 2018 unless otherwise indicated



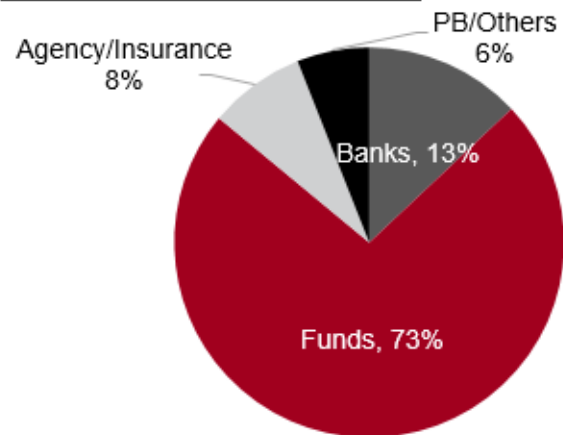
Diversified Investor Base

3-year floating rate notes – 2 May 2018

Allocation by Geography

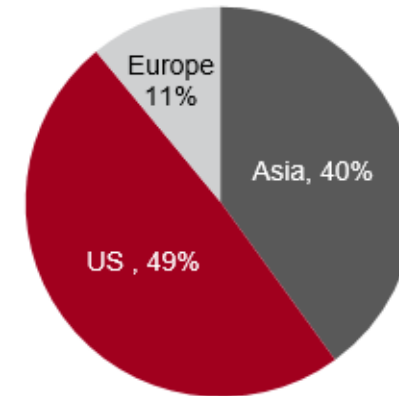


Allocation by Investor Type

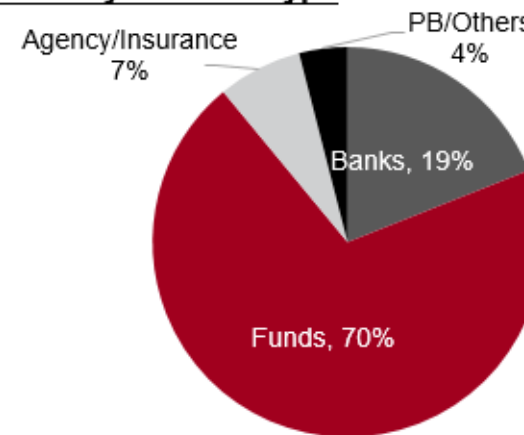


5-year fixed rate notes – 18 Sep 2017

Allocation by Geography



Allocation by Investor Type



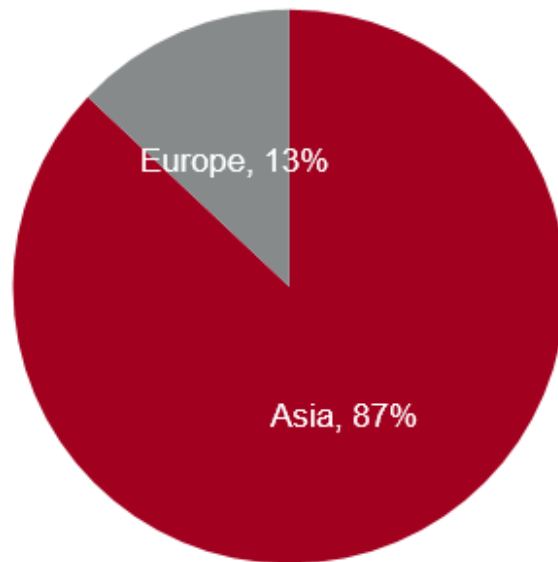
Broad distribution by geography and investor type



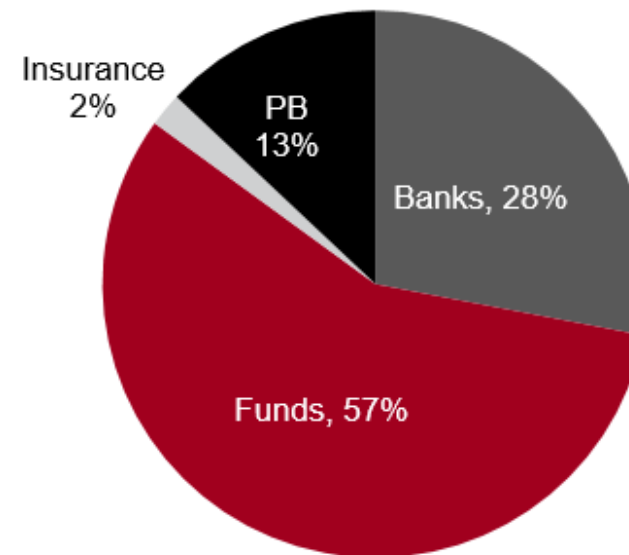
Breaking New Ground – 7 Year Floating Rate Note

- Priced our first 7-year floating rate note on 14 May
- Took advantage of emerging demand amongst institutional investors for longer dated FRNs

Allocation by Geography



Allocation by Investor Type



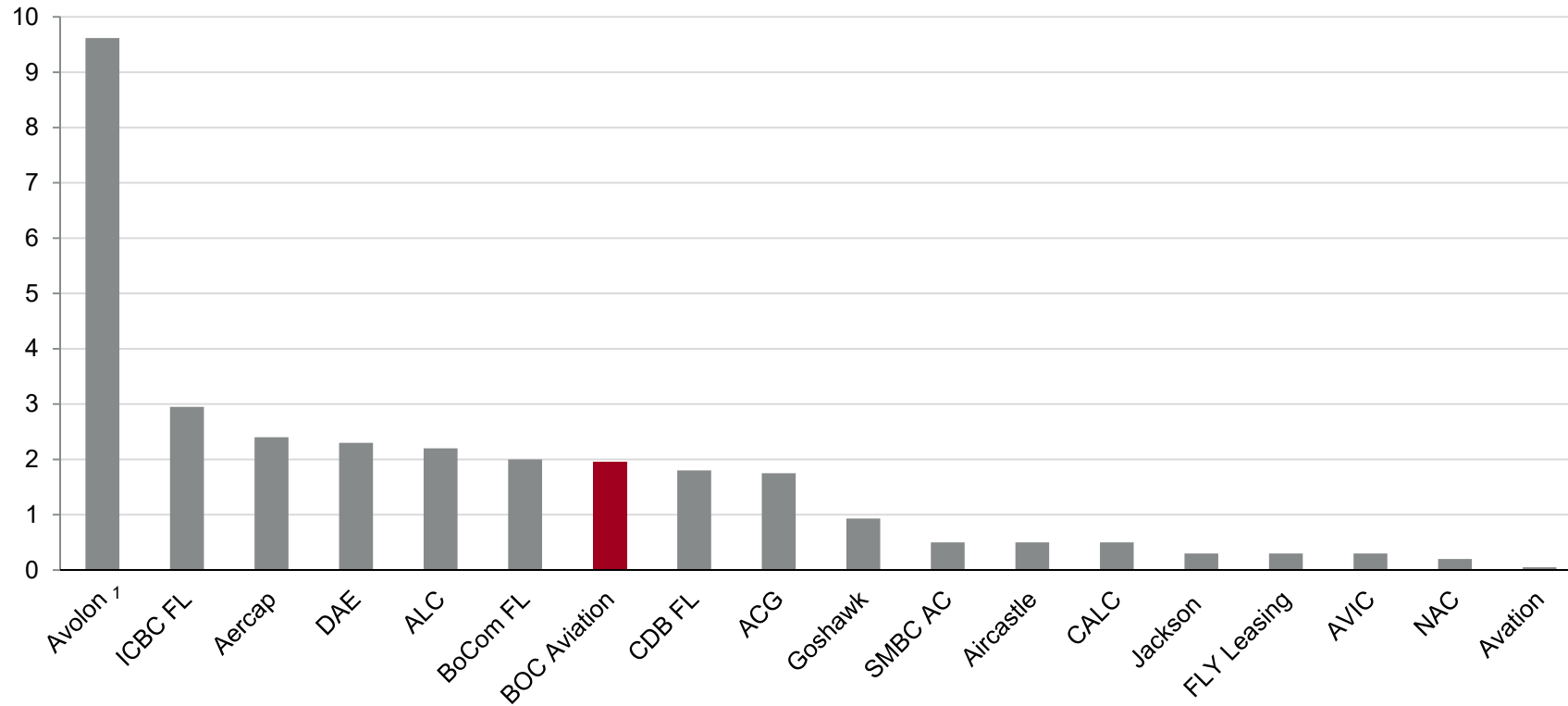
First 7-year FRN for an aircraft operating lessor

All data as at 14 May 2018 unless otherwise indicated



Capital Markets Issuance by Lessors in 2017

US\$ billion



Approximately US\$31bn of debt issued by lessors in 2017

Source: Bloomberg and Company websites on debt issued by lessors, based on publicly available data only for the year 2017

Note:

1. Avolon total includes US\$5.5 billion of rated institutional term loans.



Loan Financing

- BOC Aviation is active in the unsecured syndicated loan market in Asia
- We have now developed a strong base of lenders with US\$2.9 billion in syndicated loan facilities raised since 2015
- Key transactions include:
 - July 2015 – a US\$300 million term loan syndicated to Japanese regional and domestic banks
 - December 2015 – a US\$500 million term loan syndicated principally to banks in Asia ex-Japan
 - October 2016 – a US\$1.5 billion revolving credit facility syndicated principally to banks in Asia ex-Japan
 - June 2017 – A US\$500 million term loan syndicated on a “self-arranged basis”
- Syndicated loan market allows us to broaden our financing reach in loan markets

Across all of our loan facilities we have more than 80 lenders



Revolving Credit Facilities

- BOC Aviation has over US\$4.1 billion in committed revolving credit facilities. These include:
 - US\$2 billion facility from Bank of China
 - US\$1.5 billion syndicated facility
 - The remainder are bilateral facilities
- These facilities are used for our day to day funding of capex
- Our funding pattern will typically see us utilizing our RCFs to fund ongoing capex with drawings repaid through:
 - Proceeds of term financing events
 - Aircraft sales proceeds
- Active use of RCFs in this way allows us to minimise the carrying cost of cash
- Our RCFs also provide back stop liquidity for the company
 - Maturities staggered to mitigate refinancing risk

RCFs provide us with flexibility for funding of capital expenditure



Lending Group

Agricultural Bank of China	E.Sun Commercial Bank	Morgan Stanley
Aozora Bank	First Bank of Toyama	Nanyang Commercial Bank
Apple Bank for Savings	Flushing Savings Bank	National Australia Bank
Australia and New Zealand Bank	Goldman Sachs	National Bank of Abu Dhabi
Bank of China	Gunma Bank	New York Life
Bank of China (Hong Kong) Limited	Hachijuni Bank	Nishi-Nippon City Bank
Bank of Communications	Higo Bank	Nomura Trust and Banking
Bank of East Asia	Hiroshima Bank	North Pacific Bank
Bank of The Philippine Islands	Hokuriku Bank	Overseas-Chinese Banking Corporation
Bank of Tokyo-Mitsubishi	HSBC	PEFCO
Bank of Yokohama	Hua Nan Commercial Bank	Shanghai Commercial & Savings Bank
Bank Sinopac	Hyakugo Bank	Shiga Bank
BDO Unibank	Hyakujushi Bank	Shinkin Central Bank
BNP Paribas	ICBC	Shizuoka Bank
BOT Lease Co Ltd	ING Bank	State Bank of India
Cathay United Bank	Iyo Bank	Standard Chartered Bank
China Construction Bank	Joyo Bank	Sumitomo Mitsui Trust Bank
China Development Bank	JPMorgan Chase	Sunny Bank
Chong Hing Bank	Juroku Bank	Tai Fung Bank
Chugoku Bank	Kexim Bank (UK) Limited	Taishin International Bank
Citibank	Kookmin Bank	Toho Bank,Ltd.The
Commonwealth Bank of Australia	Korea Development Bank	Tomato Bank,Ltd
Dah Sing Bank	Kreditanstalt für Wiederaufbau	Toronto Dominion Bank
Daishi Bank	Land Bank of Taiwan	United Overseas Bank
DBS Bank	Malayan Banking	Wells Fargo Bank
Deutsche Bank	Mega International Commercial Bank	Westpac Banking Corporation
Deutsche Pfandbriefbank	Minato Bank	Yamaguchi Bank
Development Bank of Japan		

Global access to bank market with more than 80 financial institutions in our lending group

Data as at 30 April 2018



Interest Rate Exposure & Hedging Policy

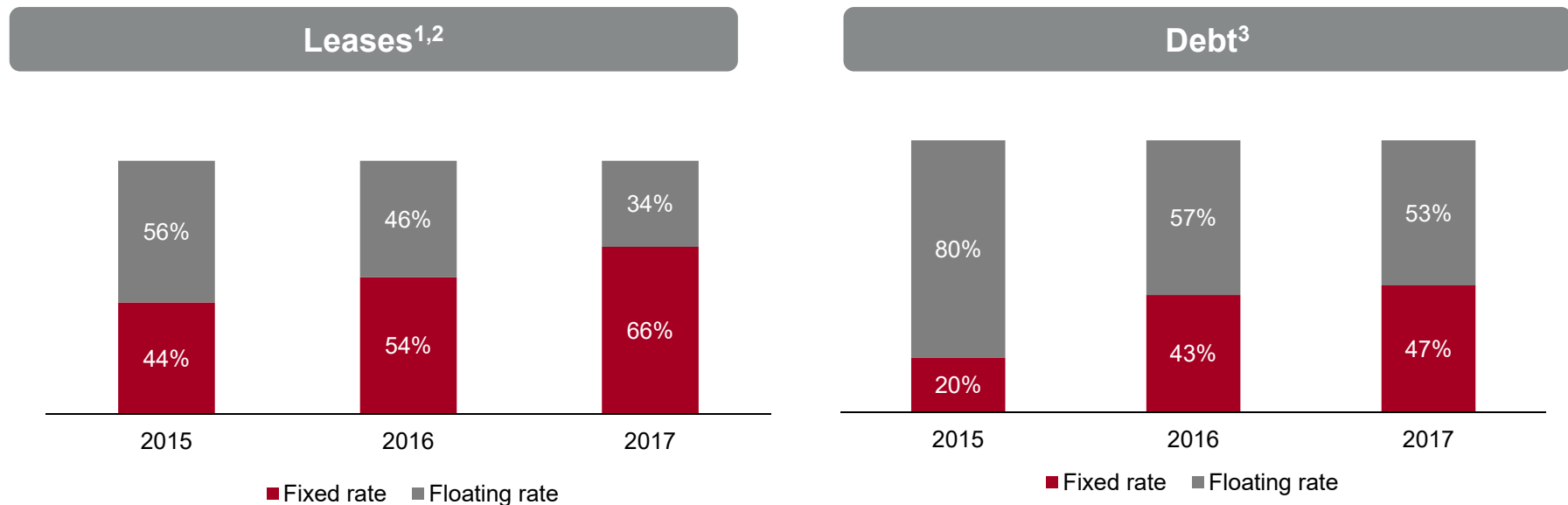
- We have interest rate exposure to the risk that the cost of debt funding for our fixed rate portfolio of aircraft could increase without a commensurate increase in revenue.
- We calculate our exposure using internal assumptions for the debt to equity ratio of the group
- We hedge at least 50% of this exposure using:
 - Issuance of fixed rate debt
 - Plain vanilla interest rate swaps
- We are currently hedged at approximately 75%
- We have added more than US\$1 billion in hedging in 2018 to date through issuance of fixed rate notes and interest rate swaps
- Due to our credit rating, hedging is able to be executed on an unsecured basis

Active hedging of our liability side as our fixed or floating balance of our leases



Interest Rate Hedging Follows Revenue

- Interest hedging for the company is managed actively
- Hedging is added or adjusted as we have visibility on our revenue mix
- As our fixed rate leases have adjustment factors built in up until delivery we aim to add fixed rate debt or hedging in a similar time frame – so forward protection is built into leases



We actively hedge our liability side as our fixed or floating balance of our leases becomes visible

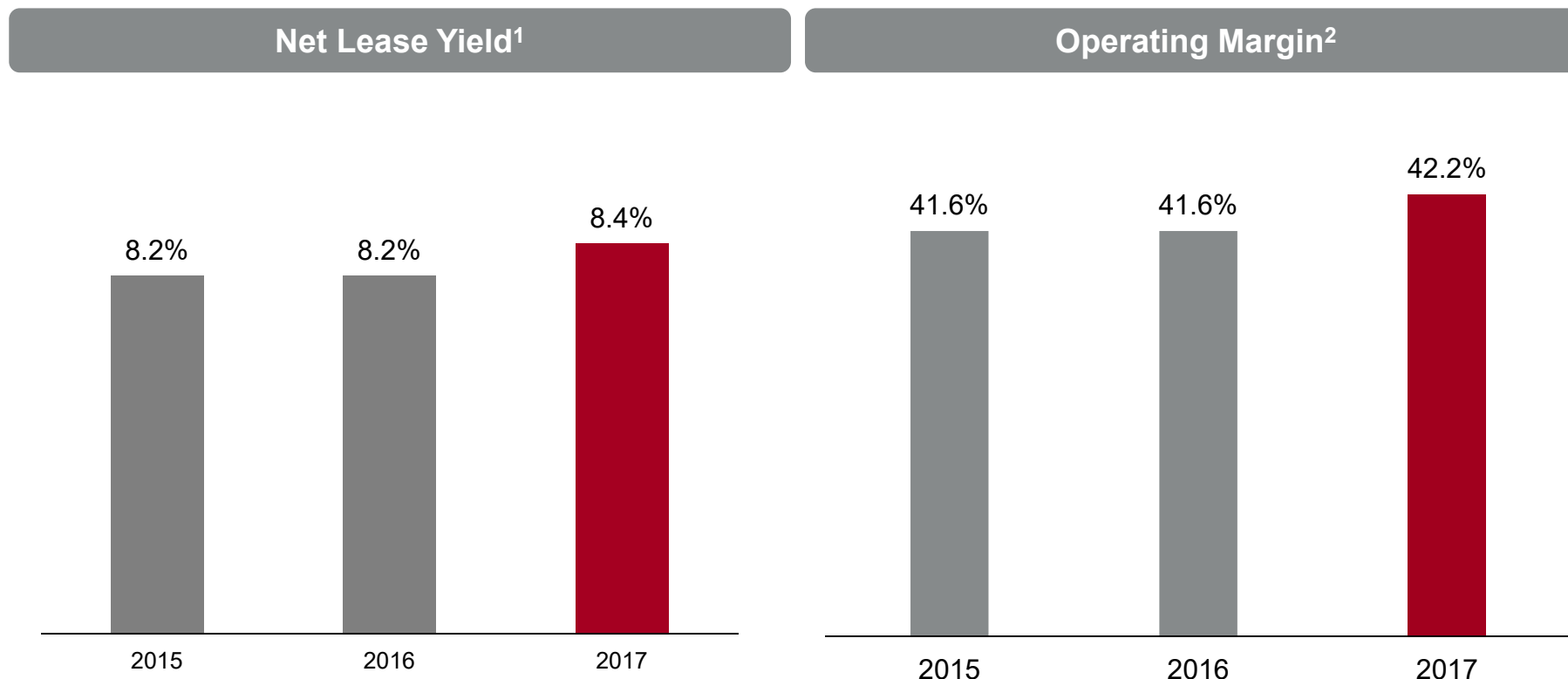
All data as at 31 December 2017

Notes:

1. By net book value including aircraft held for sale
2. Excluded aircraft off lease
3. Fixed rate debt included floating rate debt swapped to fixed rate liabilities and fixed rate debt included floating rate debt swapped to floating rate liabilities



Aim of Hedging is to Protect Net Yield and Margin



Net lease yield and operating margin maintained in a rising interest rate environment

All data as at 31 December 2017 unless otherwise indicated

Notes:

1. Calculated as lease rental income less finance expenses divided by average net book value of aircraft
2. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs, divided by lease rental income



Taking Cost out of the Liability Side

- Regular review of our debt portfolio
 - To see if we can repay or refinance loan facilities
 - From 2015 to 2018 we voluntarily prepaid and re-priced more than \$2 billion in relatively expensive secured debt.
- Efficient use of revolving credit facilities
 - Minimises the impact of negative carry cost of cash on our margin.
 - Gives us flexibility to fund capital expenditure around term financing events
- Continual outreach to lenders and debt investors
 - Investor roadshows
 - Bank meetings
 - Industry conferences

Continuing review process to enhance debt pricing efficiency

