



HSBC 5th Annual Asia Credit Conference

23 JUNE 2021

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2020 RESULTS RECAP

2020: Another Year of Unbroken Profitability

Resilient core business¹

US\$2,054 million		4%
Total revenues and other income		
US\$1,355 million		13%
Operating cash flows net of interest ²		
US\$715 million		3%
Core lease rental contribution ³		
US\$563 million		27%
Profit before tax		
US\$510 million		27%
Net profit after tax		
US\$0.73		27%
Earnings per share		

Robust balance sheet¹

US\$23.6 billion		19%
Total assets		
US\$5.1 billion		12%
Total available liquidity		
US\$4.8 billion		4%
Total equity		
US\$6.88		4%
Net assets per share		

Credit ratings

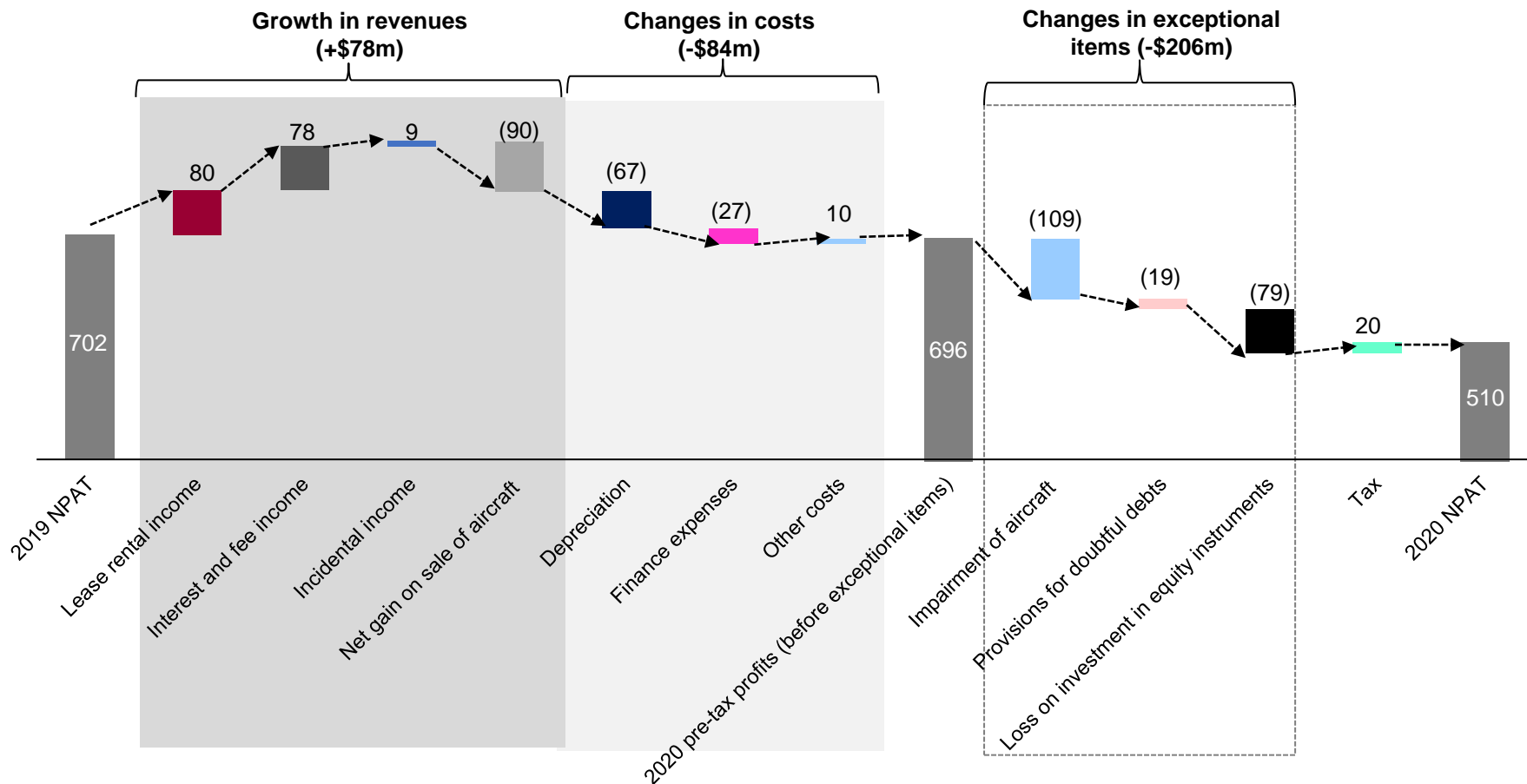
S&P Global Ratings	A- (stable outlook)
Fitch Ratings	A- (stable outlook)

All data as at 31 December 2020

- Notes:
1. Compared to FY2019 or as at 31 December 2019
 2. Calculated as net cash flows from operating activities less finance expenses paid
 3. Calculated as lease rental income less aircraft depreciation and finance expenses apportioned to lease rental income, amortisation of deferred debt issue cost and lease transaction closing cost

FY2020 NPAT Drivers

Year-on-Year change (US\$ million)



Core leasing business remains strong

Due to rounding, numbers presented may not add up precisely to the totals provided



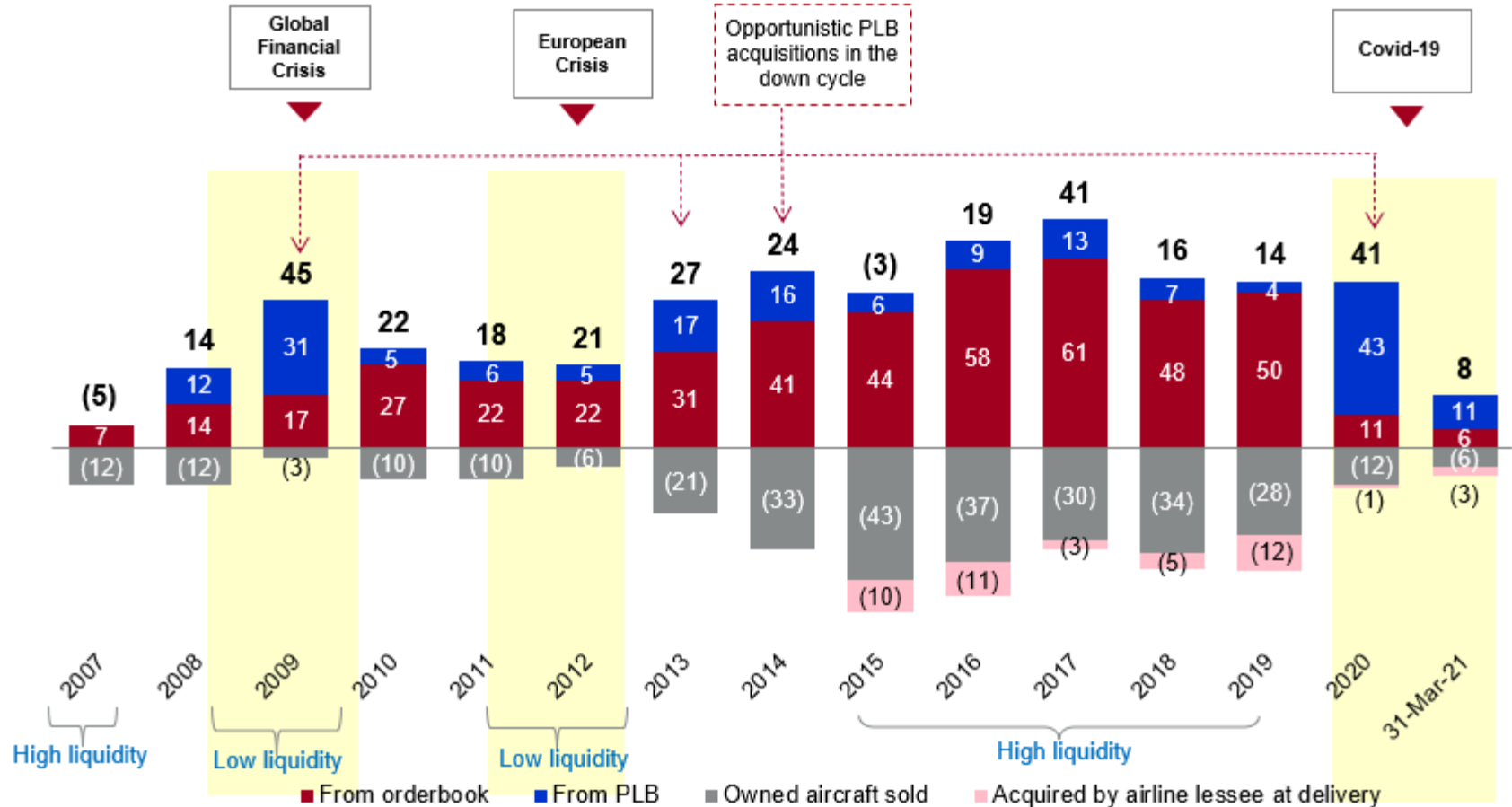
Key Success Factors in a Challenging Environment

- We had a downturn plan
 - Key was to execute rapidly
 - Experienced management team has successfully led the Company through multiple cycles
 - Started 2020 with US\$4.6 billion in total available liquidity and grew it to over US\$5 billion by year-end
- Proactive dialogues with airline customers and manufacturers
 - We expect our airline customers to emerge stronger from the Covid-19 pandemic
 - Purchase-and-leasebacks to support capital needs
 - Deferrals when required
 - Placed all new aircraft scheduled for delivery prior to 2023
 - Proactively resculpted orderbook
 - Acquired or committed to acquire 97 aircraft in 2020, of which 77 aircraft were from the PLB market
 - Added our 300th Boeing aircraft in June 2020 and our 400th Airbus aircraft in January 2021
- Very focused on asset quality and cashflows
 - Highly diversified global customer base of 87 airlines in 39 countries and regions
 - Portfolio utilization of 99.6%
 - Total operating cash flows net of interest increased 13% year-on-year

Executed on our downturn plan

How We Invest

Number of aircraft delivered, purchased and sold



Proactive switch to PLBs in 2020

All data as at the end of the relevant period

Popular and Fuel-Efficient Fleet

Our aircraft portfolio

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order ^{1,2}	Total
Airbus A320CEO family	108	15	0	123
Airbus A320NEO family	72	0	59	131
Airbus A330CEO family	12	2	0	14
Airbus A330NEO family	4	0	2	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	78	15	0	93
Boeing 737 MAX family	34	0	58	92
Boeing 777-300ER	24	4	3	31
Boeing 777-300	0	1	0	1
Boeing 787 family	20	1	22	43
Freighters	5	1	0	6
Total	366	39	144	549

Future orders focus on new technology

All data as at 31 March 2021

Notes:

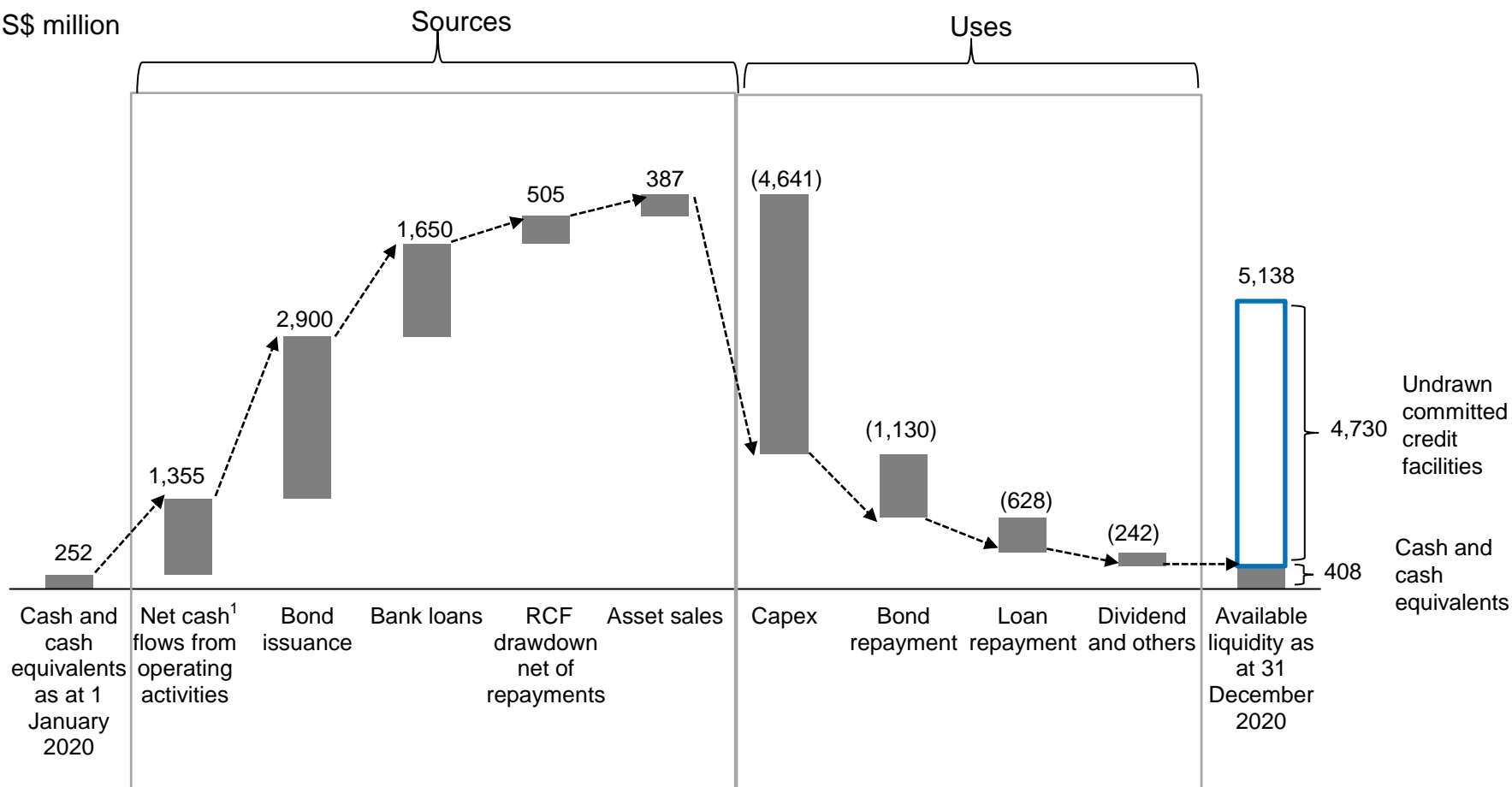
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
2. On 10 March 2020, we announced an agreement to purchase 22 Boeing 787-8 aircraft for delivery in 2020 and 2021. In March 2021, we amended the agreement to extend the delivery period for the undelivered aircraft to 2023 and to convert five of the undelivered aircraft to the Boeing 787-9 variant



Diverse Funding Channels Utilised in 2020

Sources and Uses of Cash

US\$ million



Proactive use of diverse funding sources in 2020

All data as at 31 December 2020

Note:

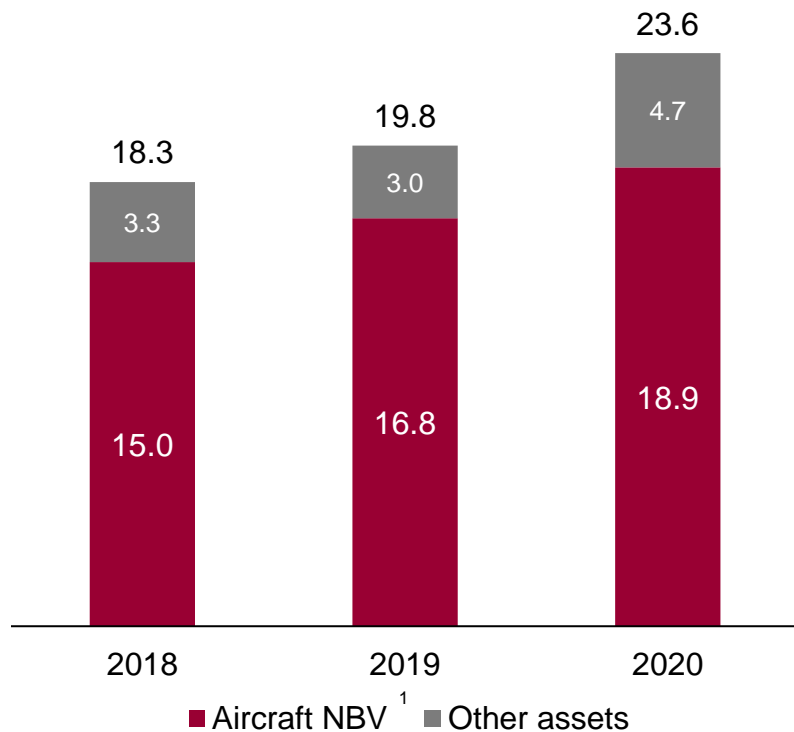
1. Calculated as net cash flows from operating activities less finance expenses paid



Strong Balance Sheet & Liquidity

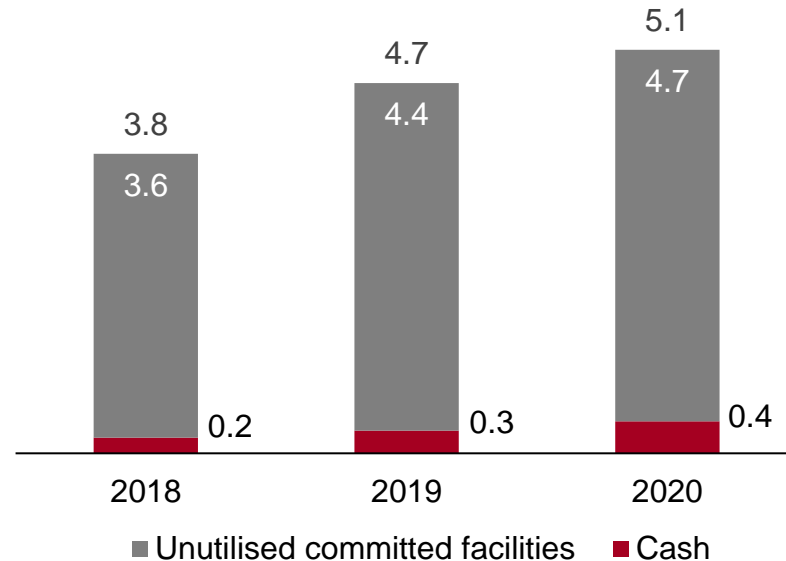
Growing balance sheet

US\$ billion



Liquidity remains robust

US\$ billion



Total liquidity in excess of US\$5 billion

All data as at 31 December 2020

Note:

1. Excludes aircraft on leases classified as finance leases



Recent Developments

- Announced total fleet of 549 as at 31 March 2021
 - Our owned and managed portfolio exceeded 400 aircraft for the first time
 - Average fleet age of 3.6 years¹
 - Average remaining lease term of 8.5 years¹
 - Owned aircraft utilization at 99.8%
- Executed a total of 45 transactions in the first quarter of 2021
 - Took delivery of 17 aircraft²
 - Sold six owned and one managed aircraft
 - Committed to purchase eight Airbus A320NEO aircraft in a PLB transaction with Indigo
 - Signed 13 lease commitments
- Active in the debt capital markets
 - Raised US\$1.5 billion of bonds in 2021 to-date comprising:
 - US\$500 million in January 2021 at lowest cost ever for five-year bond
 - US\$1 billion in April/May 2021 at lowest fixed rate cost for three-year bond

A strong start to 2021



All data as at 31 March 2021 unless otherwise indicated

Notes:

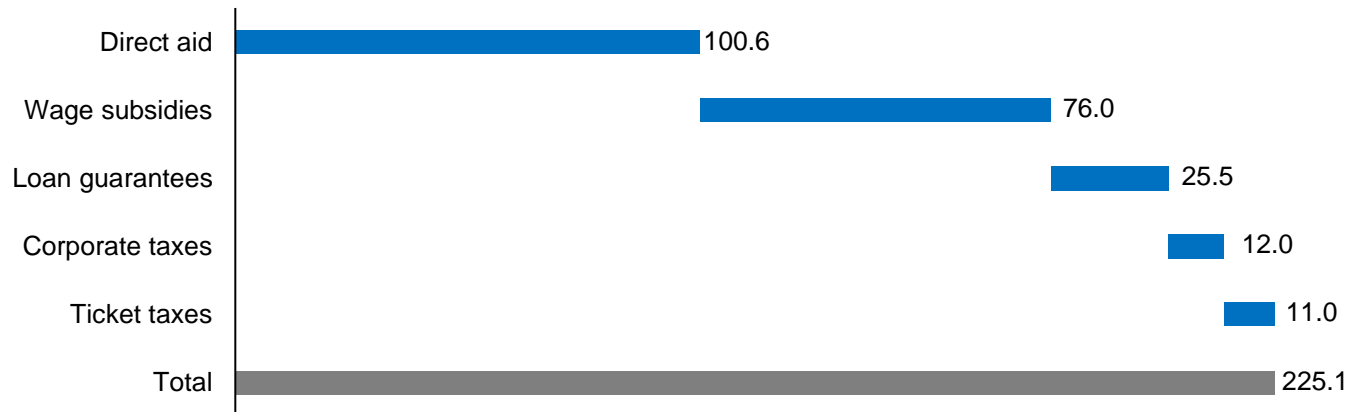
1. Weighted by net book value of owned fleet
2. Including three acquired by airline customers on delivery

INDUSTRY UPDATE

Strong Government Support Underpins Airlines Liquidity

- Availability of government support has been important for liquidity and investor sentiment
 - US\$225 billion of aviation-specific government aid since the start of the pandemic to March 2021¹
 - 50% in the form of direct aid (loans, cash injection, equity financing)
 - US recently extended a US\$14 billion third round of government support to airlines²

Government relief as at March 2021¹



- Air Canada received CAD5.9 billion of bailout in April 2021
- Recovering cashflows and capital markets support seeing government debt actually repaid
 - Both American Airlines and United Airlines plan to repay government debt from debt capital markets^{3,4} offerings

Taxpayer funding has provided an essential cushion for airlines

Notes:

1. Source: IATA (COVID-19 has been an unprecedented shock, March 2021)
2. Bloomberg
3. Source: Financial Times, 13 April 2021
4. Source: Channel News Asia, 1 March 2021

Active Airline Capital Raising in 1Q 2021¹

- Buoyant capital markets help to bolster airline cash balances
 - Airlines raised US\$178 billion from the capital markets in 2020, comprising US\$138 billion of bonds and US\$40 billion of equity
 - In 1Q 2021, airlines raised US\$65 billion from non-government sources
 - Around 50% was sourced from the debt capital markets

Capital raising	Amount (US\$ billion)
Equity	9.6
Bonds	30.6
Loans	17.7
Preferred	6.8
Total	64.7

- Strong momentum sustained into 2Q 2021 to-date
 - Around US\$14 billion of bonds issued by 16 airlines
 - Around US\$2 billion of equity from three airlines

...while capital markets have opened up across the stack

Notes:

1. Bloomberg, 16 June 2021

Short Haul Leisure Travel Will Be First To Return

- Airlines will recover from Covid-19 at different paces
- An airline's typical customer segments will have a big impact on the type of recovery

Customer segments	Description	Typical haul of travel	Price sensitivity	Relative recovery
Leisure value	<ul style="list-style-type: none"> - Younger and VFR more price sensitive travellers are expected to return to travel first - Travellers have higher risk tolerance and less susceptibility to COVID-19 	Short & Mid	\$\$\$	1st
Leisure premium	<ul style="list-style-type: none"> - Typically older demographic and will be more risk adverse - Unlikely to travel significantly until vaccine or treatment is in place 	Short, Mid & Long	\$\$	2nd
Business regional	<ul style="list-style-type: none"> - Will slowly return to traveling as countries are declared safe - Volumes will be lower than pre-COVID-19 levels for some time 	Short & Mid	\$\$	3rd
Business intercon	<ul style="list-style-type: none"> - Corporates have CSR policies that will limit traveling - Economic situation is likely to reduce travel budgets 	Long	\$	4th

Interim Bubbles And Strong Domestic Markets

Stronger domestic markets

- **USA**
- **China**
- **Australia**
- **New Zealand**

Accelerated domestic travel recovery ahead:

- Domestic travel in 2H21 expected to be back at 96% of pre-crisis 2019 levels (48% up from 2020)
- Regions with large domestic markets are expected to be in a stronger position

Region	Domestic market size, based on % of RPKs ¹
North America	66%
Latin America	48%
Asia Pacific	45%
Africa	14%
Europe	11%
Middle East	3%

Bubbles

Australia-New Zealand

- Initial success

Taiwan-Palau

- Lack of passengers

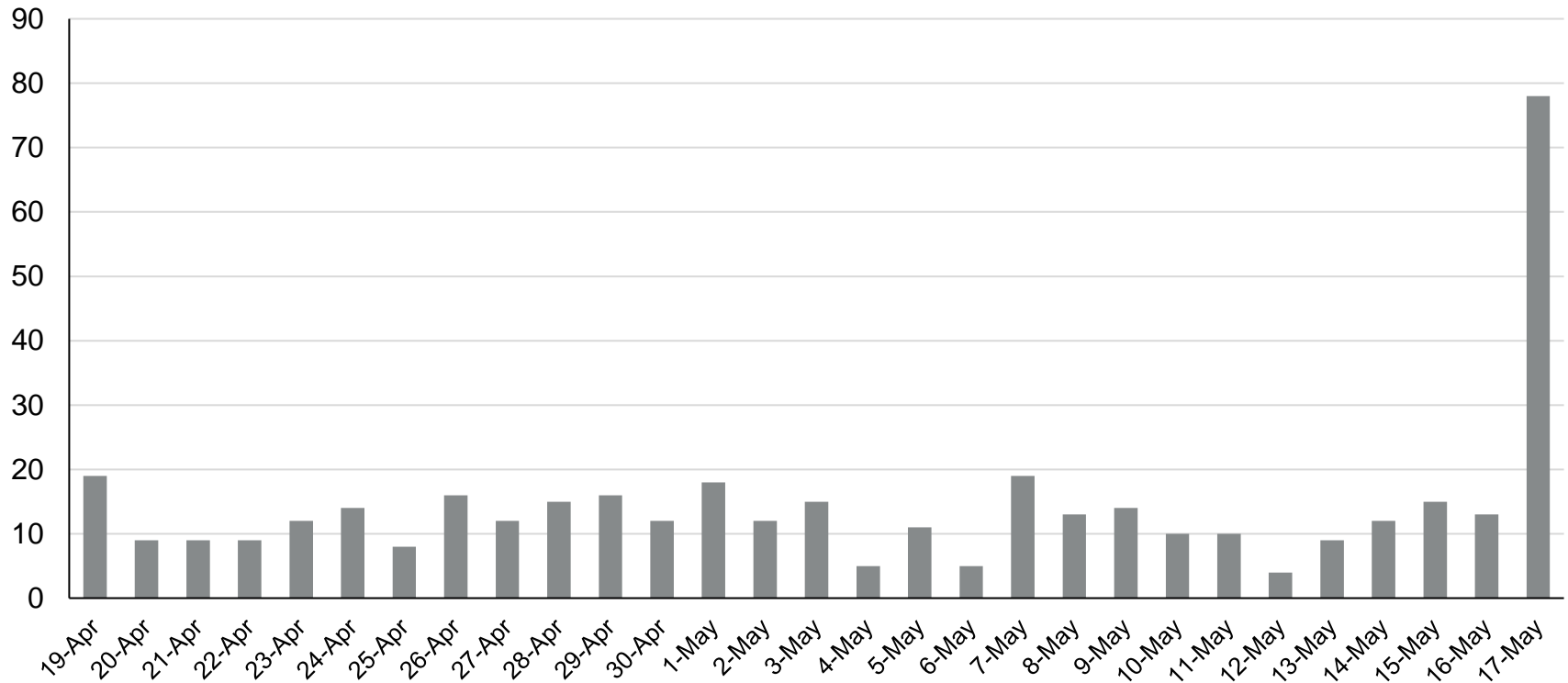
Source: IATA, Airline Industry Economic Performance, 21 April 2021

Notes:

1. Percentage of domestic RPKs, based on 2019 levels

Easing of Travel Restrictions Positive For Demand

Flights between UK and Portugal



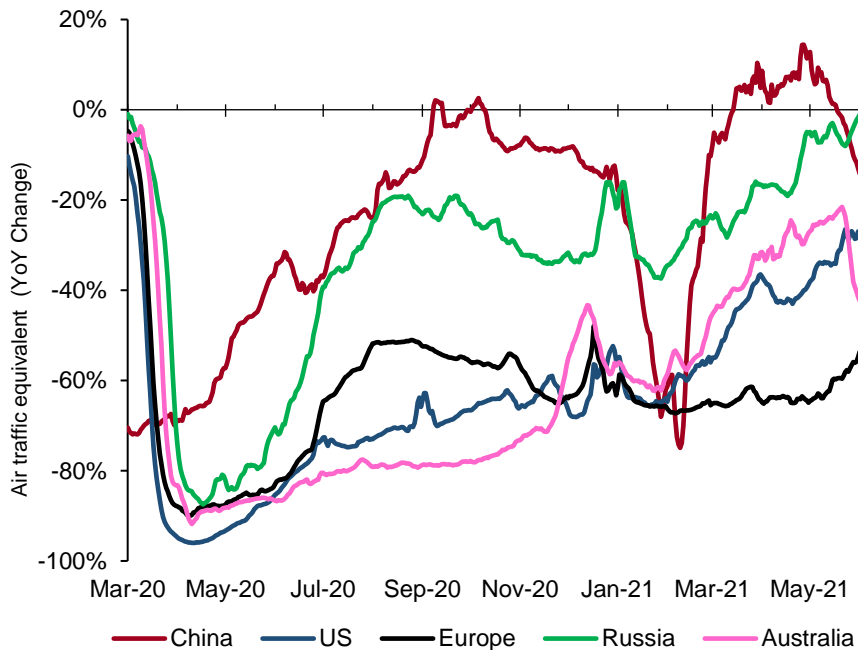
Flights between the UK and Portugal increased nearly 8x in just a week!

Source: Eurocontrol (18 May 2021)



Air Traffic Recovery With Rising Utilisation Rates for Younger Narrowbody Aircraft

Countries with significant domestic markets demonstrate resurgent passenger demand

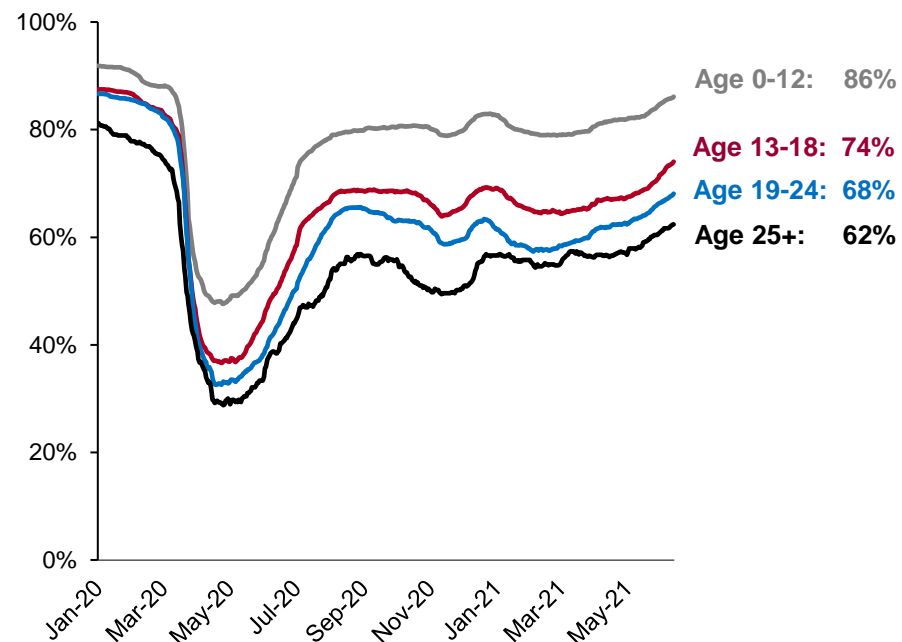


Day 0 for each region: China 25-Jan-20, US, Europe, Russia & Australia 7-Mar-20.

Sources: China MoT (Air Pax YoY) TravelSky (Traffic), TSA (Throughput), Eurocontrol (Flights), AWN ADS-B (Flights)

Rising utilisation rates for younger narrowbody aircraft

1st Jan 2020 – 12th Jun 2021

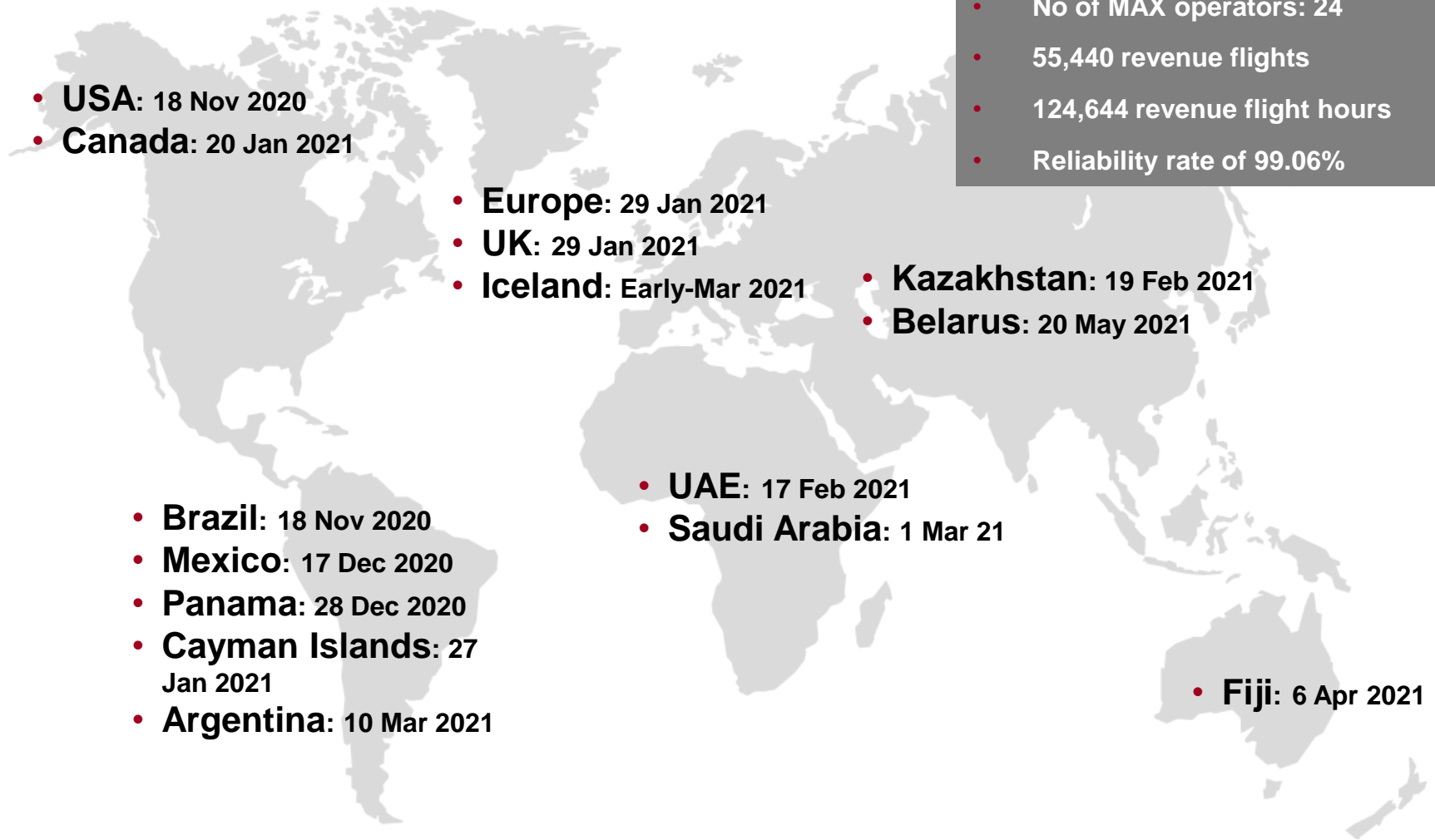


Sources: Cirium fleet data, BOC Aviation analysis

Domestic and shorthaul recovery drives demand for narrow body aircraft



MAX Return To Service Overview¹



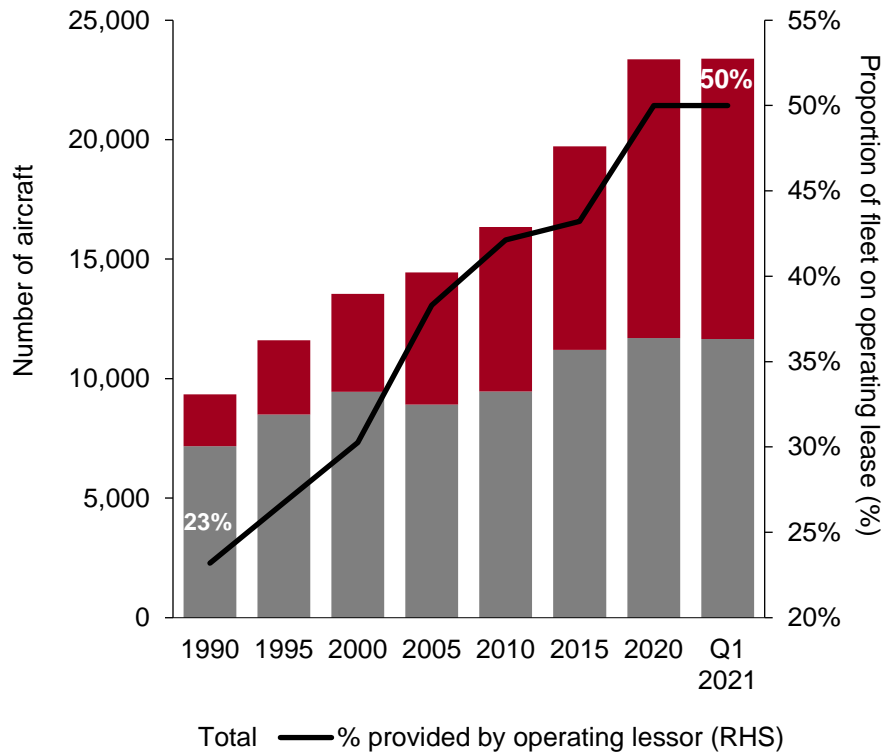
- No of MAX operators: 24
- 55,440 revenue flights
- 124,644 revenue flight hours
- Reliability rate of 99.06%

Airspace confirmed open in 173 of the 195 countries across which the MAX operates

Note:
1. Source: Boeing as at 15 June 2021

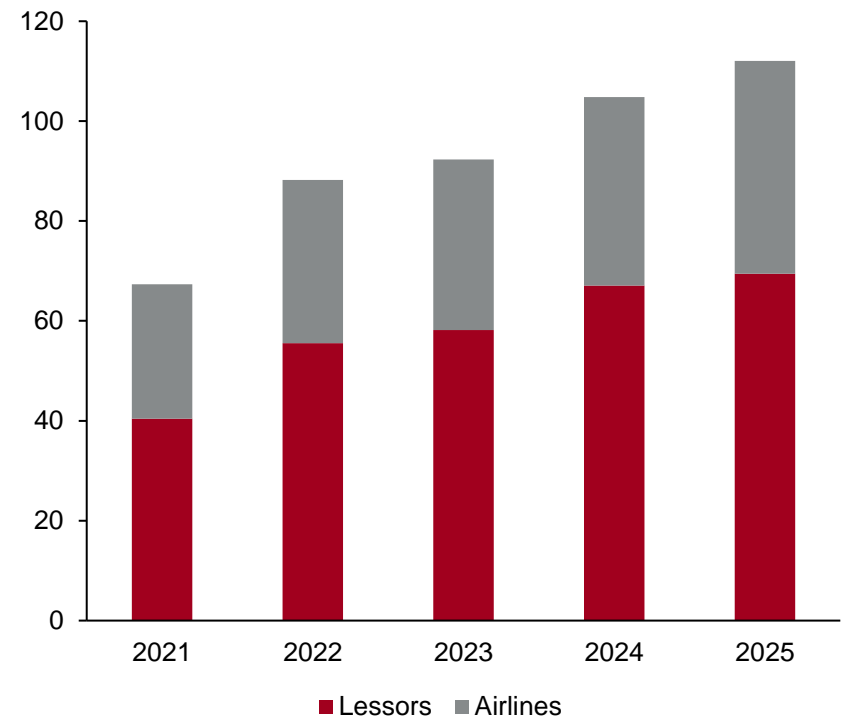
Lessors Own 50% Of The Aircraft Market Today

Proportion of fleet on operating lease¹



Projected new aircraft per annum²

US\$ billion



Lessors own 50% of the aircraft market today; this proportion is expected to grow with increasing share of new aircraft to be funded by lessors

Notes:

1. Source: Ascend, as at 31 March 2021, based on aircraft of 100+ seats. Fleet data for 2020 onwards includes aircraft in-service and aircraft additionally parked from end-2019 due to Covid-19 fleet grounding
2. Source: BOC Aviation analysis, AWN ADS-B data, SRS schedule analyser, IHS Markit GDP forecast OEM reports, Bernstein research, Cirium

2020 ESG Highlights Indicate Robust Commitment

Environmental

- ✓ 100% carbon neutral for direct emissions
- ✓ 100% latest technology aircraft in the orderbook
- ✓ 3.5 years average aircraft fleet age
- ✓ All used IT equipment recycled
- ✓ US\$2.5 million investment in new technology and digital initiatives
- ✓ Digital Workplace Transformation to reduce waste and increase efficiency

Social

- ✓ 20 nationalities in our workforce
- ✓ 1,300+ training hours for employee development
- ✓ 51% female representation in BOC Aviation
- ✓ More than US\$80,000 in donations to local and global charitable organisations
- ✓ Maintaining the health and safety of employees by providing corporate gym membership, influenza vaccinations and cycle-to-work subsidies

Governance

- ✓ Strong board diversity from three nationalities
- ✓ Three female directors including the Vice Chairman¹
- ✓ 100% compliance training conducted for all employees
- ✓ Nil regulatory compliance breaches or violation of sanctions related laws reported



Note:
1. As of June 2021

Conclusion

- 1 Resilient performance achieved in a challenging environment
- 2 Proactive investment strategy focuses on in-demand aircraft
- 3 Airline customer liquidity supported by ongoing government aid and investors that are focused on re-opening trades
- 4 Clear domestic recovery fuelling demand for latest technology single aisle aircraft
- 5 Long-term aircraft demand underpinned by recovering economic activity and growing lessor penetration
- 6 Robust liquidity of US\$5 billion¹ underpinned by successful capital markets initiatives including active support from BOC and US\$1.5 billion bond offerings so far in 2021
- 7 Industry-leading ESG focus intensifying ahead of market disclosure requirements

Well positioned to benefit from the recovery

All data as at 31 March 2021 unless otherwise indicated

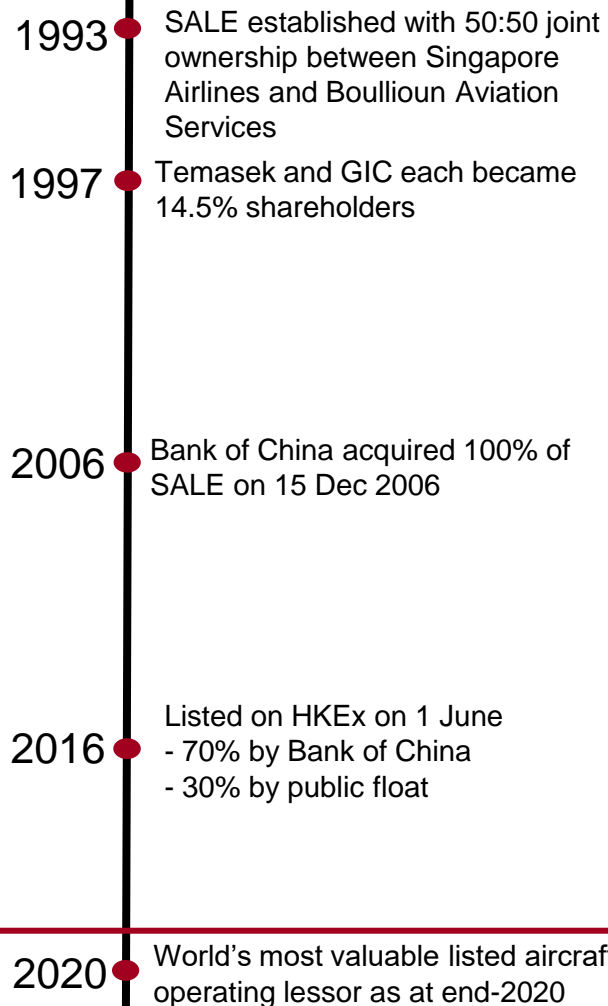
Note:

1. As at 31 December 2020

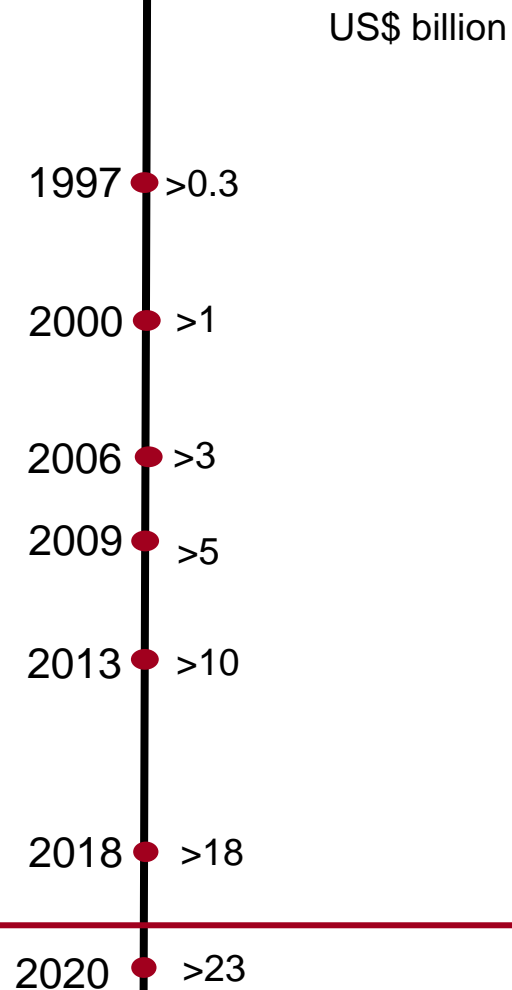
APPENDICES

The BOC Aviation Journey

Ownership



Total assets



All data as at the end of the relevant period

BOC Aviation – Who Are We?

Top 5 global aircraft operating lessor

- The largest based in Asia, by value of owned fleet
- Bank of China owns 70%
- Listed on the HKEX

Total assets of US\$23.6bn

- Aircraft net book value of US\$18.9bn¹
- 405 owned and managed aircraft²
- 144 aircraft on order^{2,3}

27th year of profitability

- Consistently profitable since inception
- US\$4.9bn in cumulative profits since inception

Industry leading performance

- Average ROE of c.15% since 2007
- Maintained highest ROE amongst peers in 2020
- Investment grade credit ratings of A- from S&P and Fitch

Industry leader with best in class financial performance

All data as at 31 December 2020 unless otherwise indicated

Notes:

1. Excludes aircraft on leases classified as finance leases
2. As at 31 March 2021
3. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



Core Competencies – BOC Aviation Track Record

Since inception in 1993:

- Purchasing More than 890 aircraft purchased totalling more than US\$51 billion
- Leasing 1,070 leases executed with > 160 airlines in 57 countries and regions
- Financing¹ More than US\$34 billion in debt raised since 1 January 2007

- Sales More than 370 aircraft sold
- Transitions More than 90 transitions
- Repossessions² 51 aircraft in 16 jurisdictions

All data as at 31 March 2021, since inception unless otherwise indicated

Notes:

1. As at 31 December 2020

2. Includes repossessions and consensual early returns

Globally Diverse Management Team



Robert Martin
Managing Director & Chief Executive Officer

Zhang Xiaolu
Vice-Chairman & Deputy Managing Director

Steven Townend
Deputy Managing Director & Chief Financial Officer

David Walton
Deputy Managing Director & Chief Operating Officer

Deng Lei
Chief Commercial Officer (Asia Pacific & the Middle East)

Paul Kent
Chief Commercial Officer (Europe, Americas, Africa)

- 33 years of banking and leasing experience
- Managing Director since July 1998

- 30 years of banking experience
- In charge of Risk Management, Market Research, Board Secretariat and Corporate Affairs departments

- 29 years of banking and leasing experience
- In charge of Finance, Treasury, Tax, Investor Relations and Settlement

- 34 years of legal, aviation finance and leasing experience
- In charge of Procurement, all operations and related departments

- 22 years of banking experience
- In charge of revenue activities for Asia Pacific and Middle East

- 25 years of aircraft finance and leasing experience
- In charge of revenue activities for Europe, Americas and Africa

Nationality



Years of experience

33

30

29

34

22

25

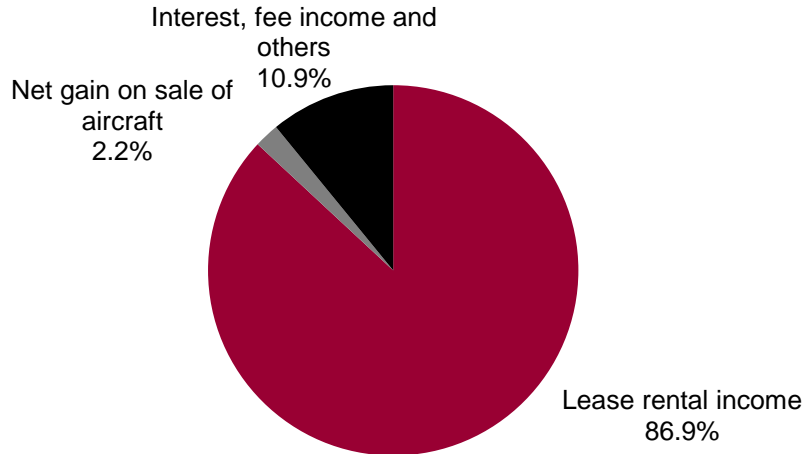
Highly experienced senior management team

All data as at June 2021

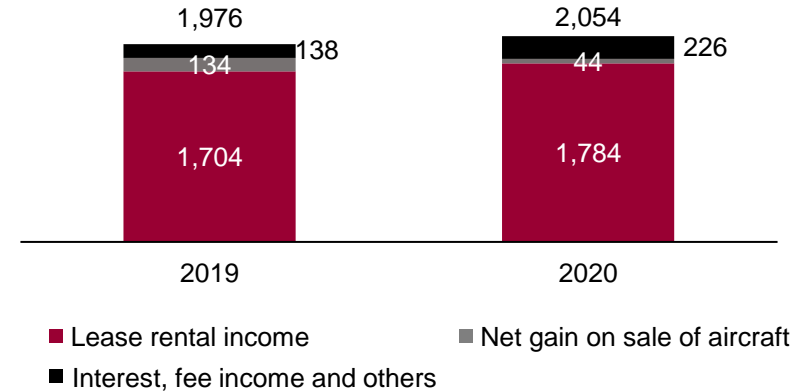


Lease Rental Income Continues to Dominate Revenue

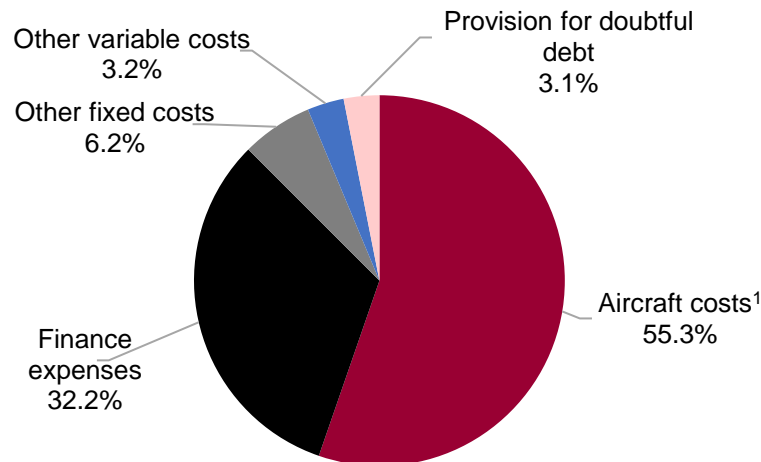
Lease rental income consistently over 85% of total revenues and other income



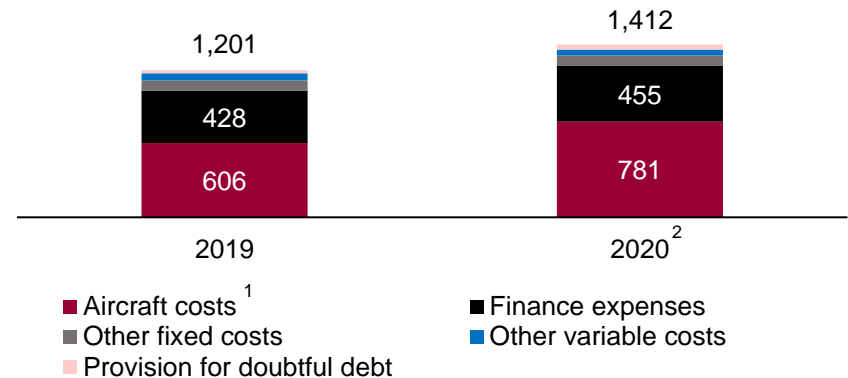
US\$ million



Depreciation of aircraft plus financing costs make up >85% of total costs



US\$ million



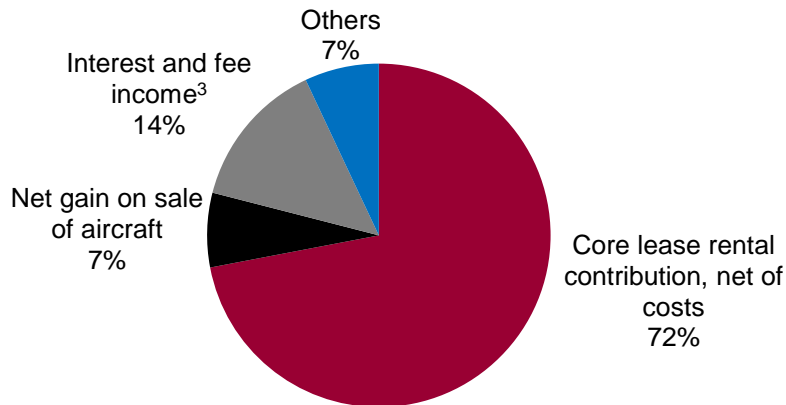
All data as at 31 December 2020

Notes:

1. Comprises aircraft depreciation and impairment
2. Excludes loss on investment in equity instruments

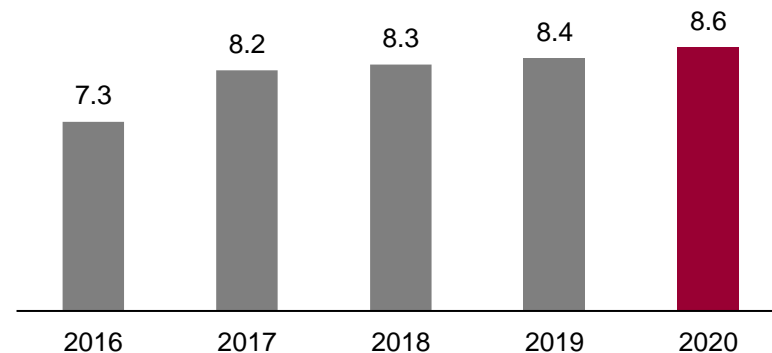
Core Leasing Business Supports Growth

More than 70% of PBT¹ is from core lease rental contribution², net of costs



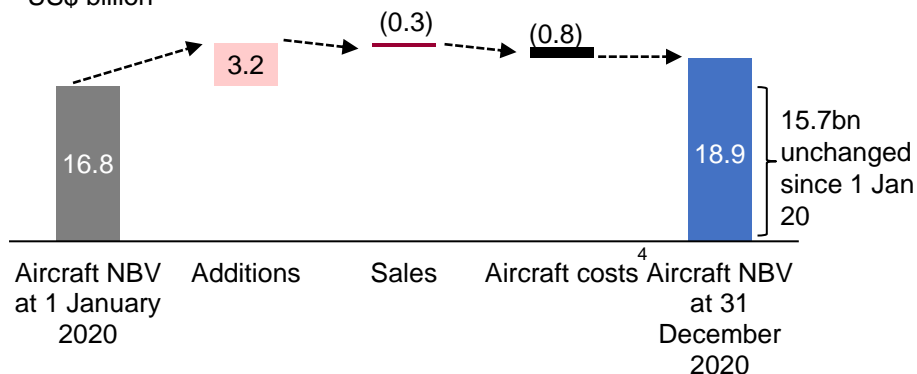
We have a long average remaining lease term⁵

Number of years



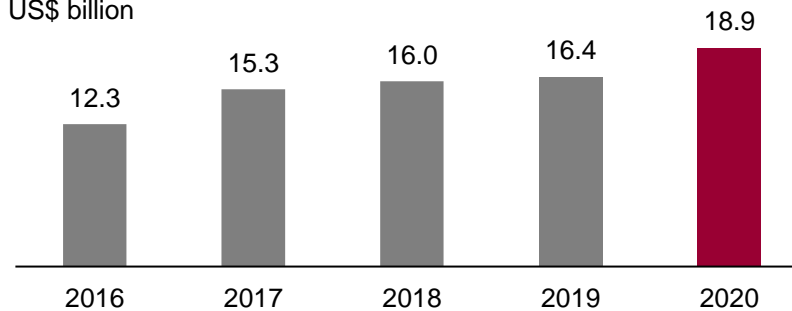
Reflects continued investment in our fleet

US\$ billion



High future committed lease revenue

US\$ billion



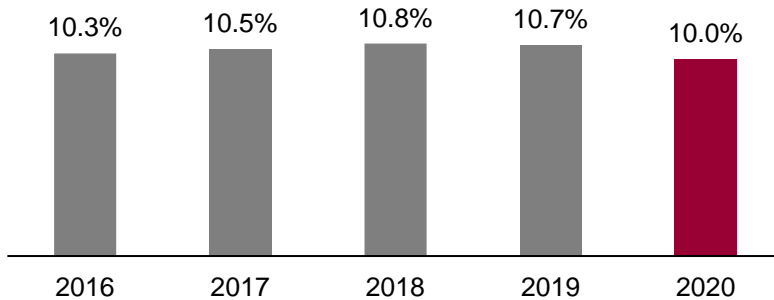
All data as at 31 December 2020

Notes:

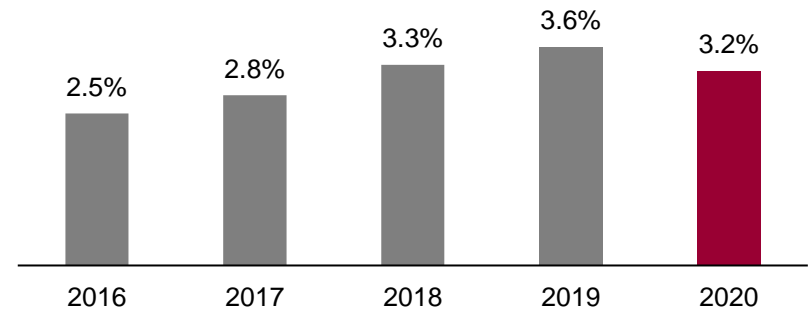
1. Excludes loss on investment in equity instruments
2. Calculated as lease rental income less aircraft depreciation and finance expenses apportioned to lease rental income, amortisation of deferred debt issue cost and lease transaction closing cost
3. Calculated as interest and fee income less finance expenses apportioned to interest and fee income
4. Comprises aircraft depreciation and impairments
5. Weighted by net book value of owned fleet

Leasing Model Remains Resilient

Lease rate factor¹ remains above 10%

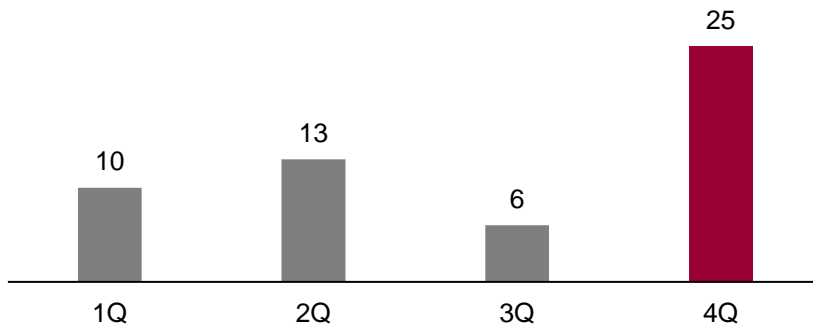


Reduced cost of debt²

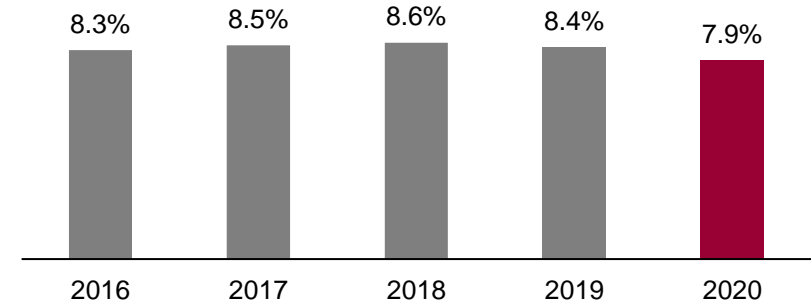


2020 aircraft deliveries by quarter

Number of aircraft



Lower net lease yield³ impacted by 4Q deliveries



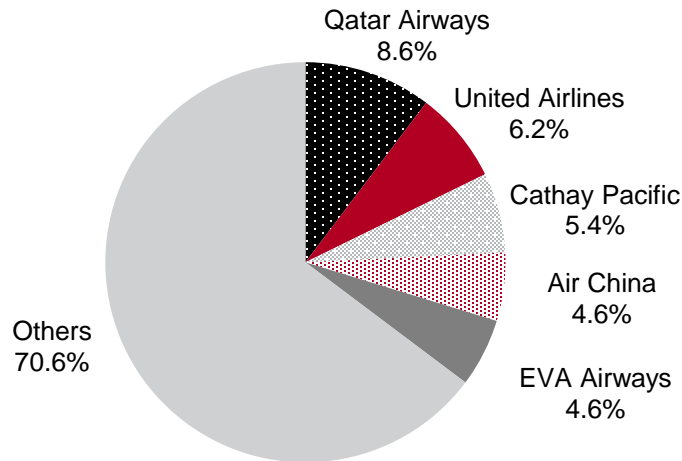
All data as at 31 December 2020

Notes:

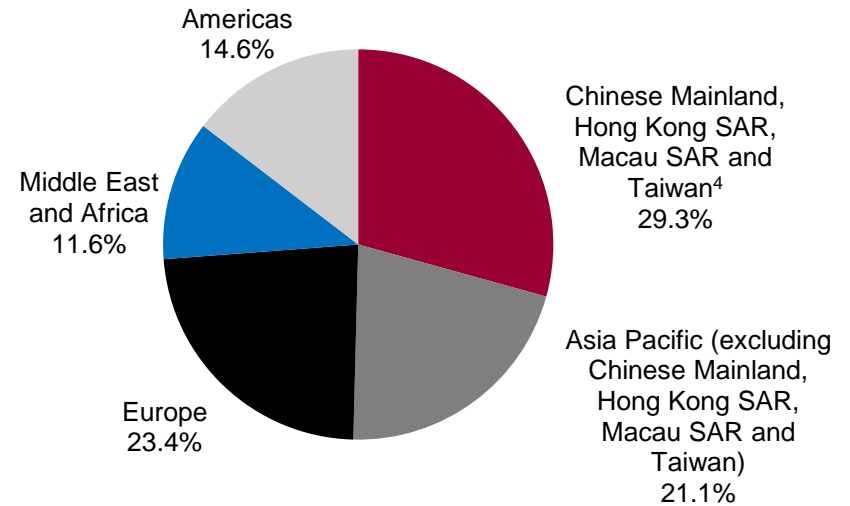
1. Calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%
2. Calculated as the sum of finance expenses and capitalized interest, divided by average total indebtedness. Total indebtedness represents loans and borrowings and finance lease payables before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

Globally Diversified Portfolio

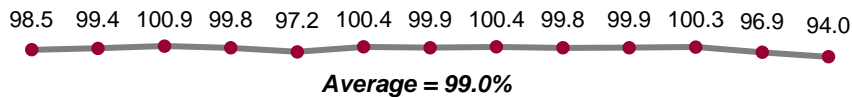
Lease portfolio diversified by customer^{1,2}



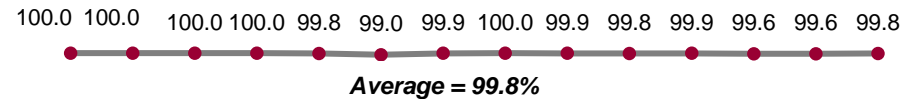
...and increasingly diversified by geography^{1,3}



Collection rate (%)



Fleet utilization (%)⁵



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 31-Mar-21

All data as at 31 December 2020 unless otherwise indicated

Notes:

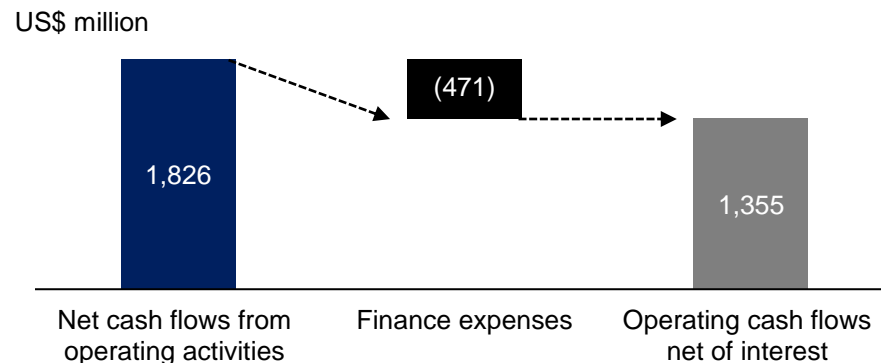
1. Based on net book value including aircraft subject to finance leases as at 31 December 2020
2. For certain airlines, the percentage includes leases to affiliated airlines whose obligations are guaranteed by the named airline
3. Based on the jurisdiction of the primary obligor under the relevant operating lease
4. One single-aisle aircraft was off lease at 31 December 2020 and was delivered on lease to an airline in this region in January 2021
5. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period

Robust Operating Cash Flows Net of Interest

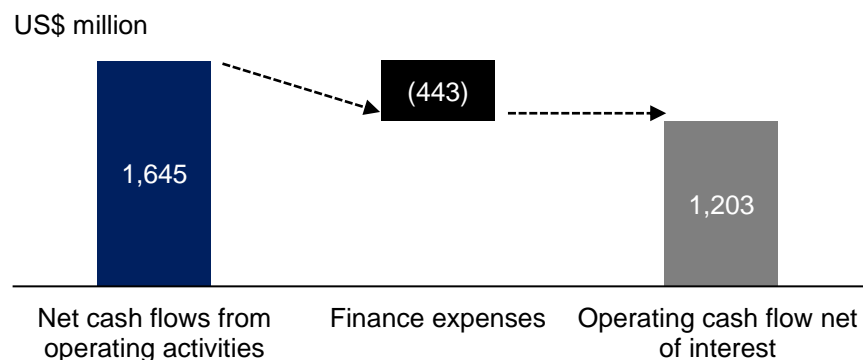
Operating cash flows net of interest¹

- 2020 operating cash flows net of interest remained robust despite challenging operating environment
- Up 13% compared with 2019
- The incremental committed investment in 77 purchase-and-leasebacks in 2020, of which 39 had delivered by end-2020, will further enhance cash flows in 2021

Operating cash flows net of interest¹ for FY2020



Operating cash flows net of interest¹ for FY2019



Key focus on driving operating cash flows net of interest higher

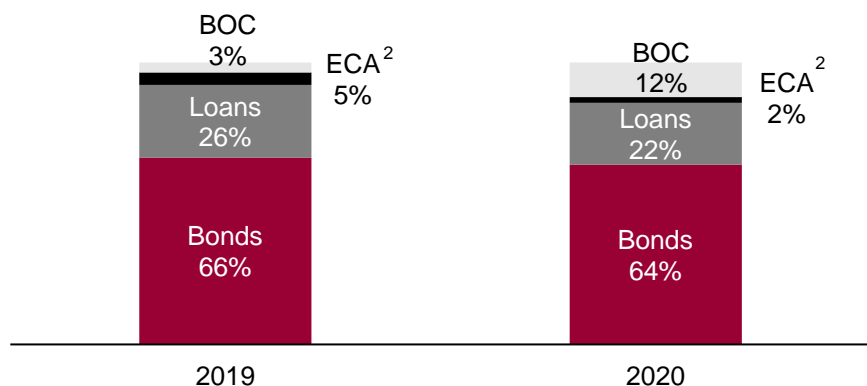
All data as at 31 December 2020

Note:

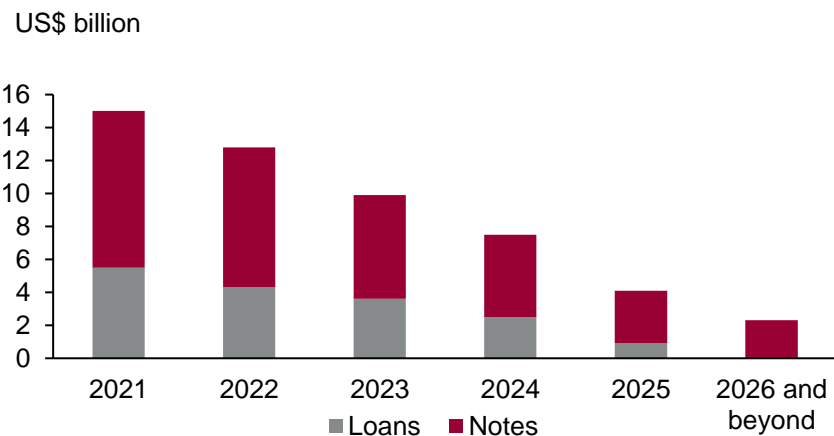
1. Calculated as net cash flows from operating activities less finance expenses paid

Flexible Capital Structure and Ample Backstop Liquidity

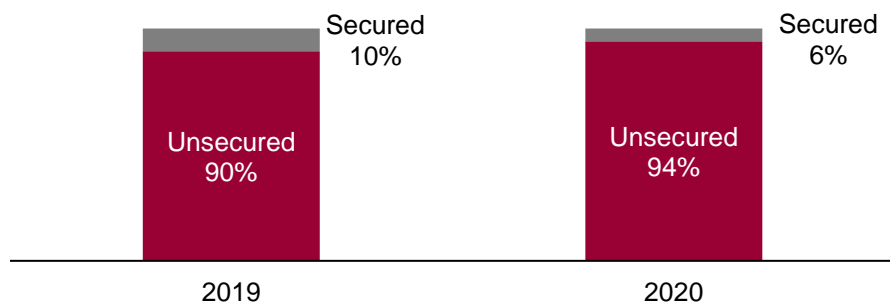
Sources of debt¹



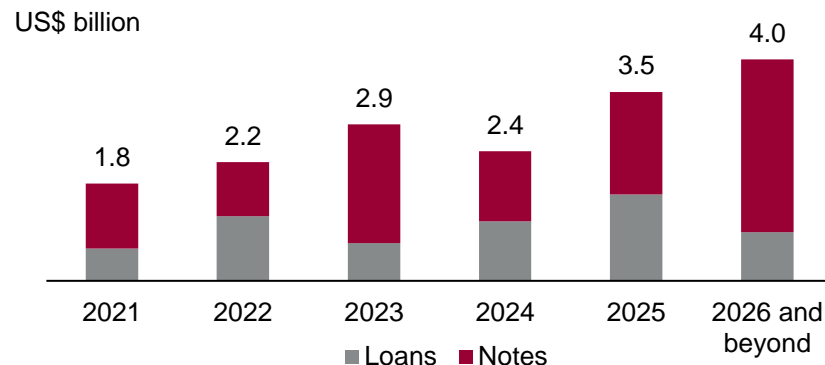
Outstanding debt amortises over a long term



Increasing unsecured funding



Near term debt maturities well covered by US\$5 billion available liquidity



Liability management is a key strength

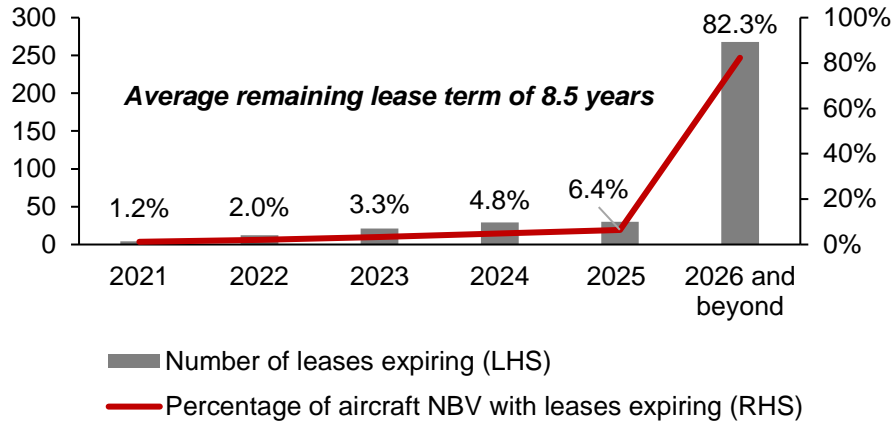
All data as at 31 December 2020 unless otherwise indicated

Notes:

1. Drawn debt only
2. ECA refers to debt guaranteed by the export credit agencies of France, Germany, the United Kingdom or the United States

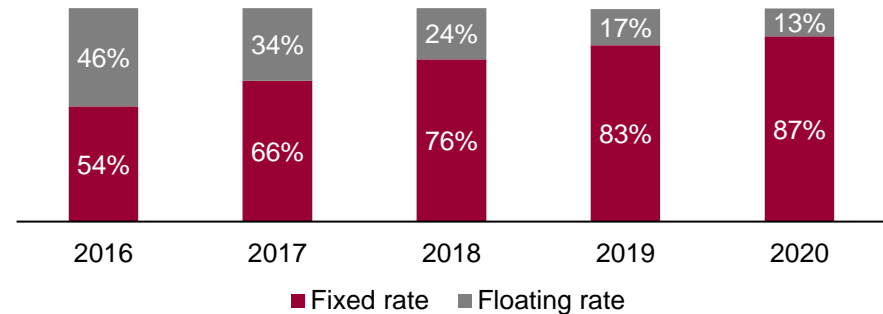
Long Term Leases Enhance Revenue Visibility

Well-dispersed lease expiries¹



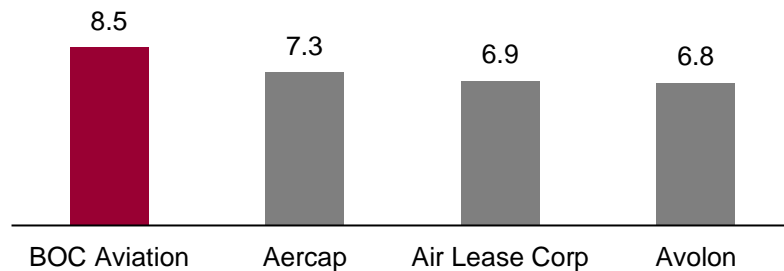
Proportion of fixed rate leases rising steadily³

By net book value



Long average remaining lease term²

Number of years



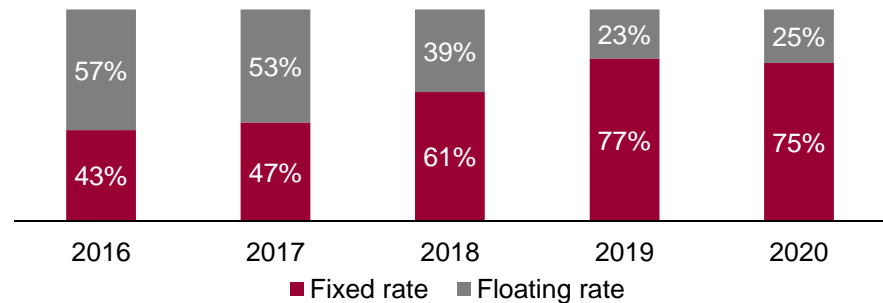
Source: Respective company websites

All data as at 31 December 2020 unless otherwise indicated

Notes:

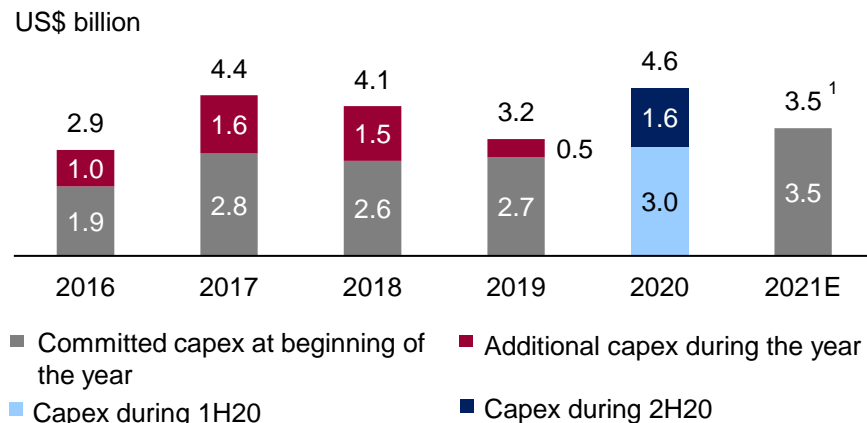
1. Owned aircraft with lease expiring in each calendar year excluding any aircraft for which BOC Aviation has a sale or lease commitment, weighted by net book value of owned fleet as at 31 March 2021
2. Weighted by net book value of owned fleet as at 31 March 2021 for BOC Aviation, AerCap and Air Lease, as at 31 December 2020 for Avolon
3. By net book value including aircraft subject to finance lease and aircraft held for sale, and excluding aircraft off lease
4. Fixed rate debt included floating rate debt swapped to fixed rate liabilities

Stable proportion of fixed rate debt⁴

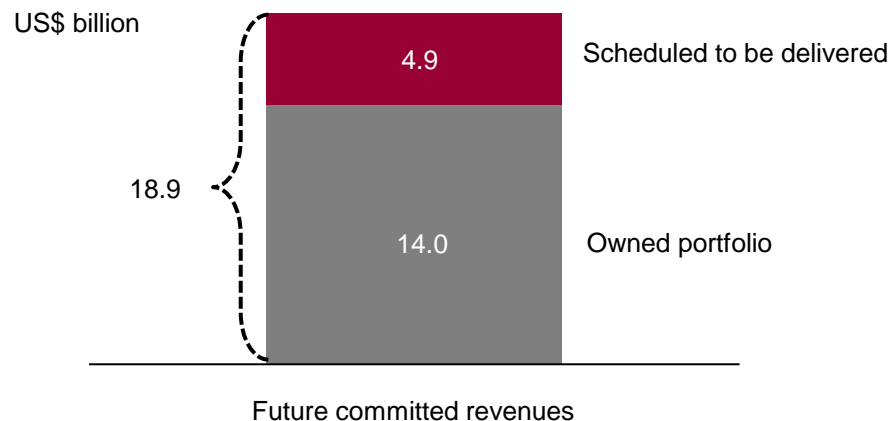


New Investments Drive Growing Committed Lease Revenues

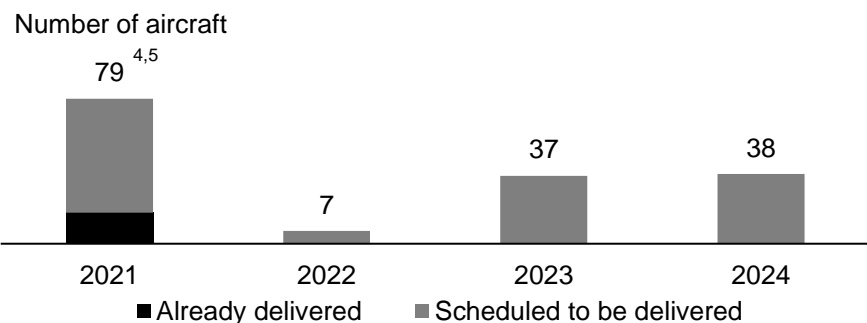
Sustained annual capital expenditure since IPO



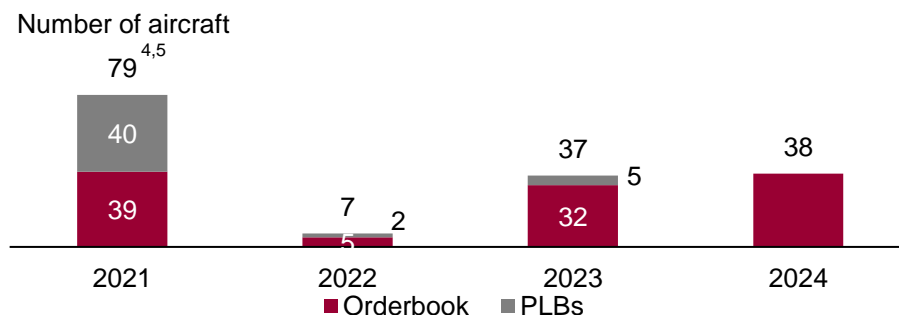
Committed future lease revenues of US\$19 billion



Orderbook delivery schedule^{2,3} as at 11 March 2021



Orderbook by direct orders vs PLBs as at 11 March 2021



Healthy pipeline of future lease revenues

All data as at 31 December 2020 unless otherwise indicated

Notes:

- As at 11 March 2021
- Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
- Based on expected delivery dates
- Includes 17 aircraft that have already been delivered in 1Q 2021
- Includes 11 commitments where airline customers have the right to acquire the relevant aircraft on delivery



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