

2017 INTERIM RESULTS REVIEW

Information Slides

29 August 2017



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1H17 OVERVIEW

1H17 - Delivering on Promises

Consistent execution underpins strong earnings¹

US\$240 million  **13%**

Net profit after tax

US\$0.35  **13%**

Earnings per share²


Driven by:

US\$670 million  **16%**

Total revenues and other income

US\$259 million  **18%**

Core lease rental contribution³

8.5%  **Stable**

Net lease yield⁴

Robust Balance Sheet⁵

US\$14.4 billion  **7%**

Total assets


US\$3.5 billion  **5%**

Total equity

US\$5.10  **5%**

Net assets per share²


Increasing dividend payout¹

US cents 10.38  **70%⁷**

Interim dividend per share⁶

Driven by:

- Payout ratio  **50%**

- Earnings per share²  **13%**

All data as at 30 June 2017

Notes:

1. Compared to the first six months of 2016
2. Based on the number of shares outstanding as at period end
3. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
4. Calculated as lease rental income less finance expenses divided by average net book value of aircraft
5. Compared to 31 December 2016
6. Payable to shareholders registered at the close of business on the record date, being 25 September 2017
7. Compared to US cents 6.1 paid for 1H16

1H17 - Operational Developments

- Ended 1H17 with 261 owned and 36 managed aircraft
 - Portfolio utilization high at 99.6%
 - 99.9% for 2Q17
 - Cash collection of 100%
 - Average fleet age of 3.1 years¹ – one of the youngest in the industry
 - Average lease term remaining of 7.8 years¹
- 34 aircraft added to the owned portfolio in 1H17²
 - Took delivery of our first Airbus A320NEO
 - Nine new customers added to owned and managed portfolios
- Sold 19 owned aircraft
- 41 deliveries from our orderbook scheduled for 2H17³
- Increased 2017 CAPEX by c.US\$1 billion or 37% to US\$3.9 billion
 - All aircraft delivered/scheduled for delivery in 2017 placed

Strong operational performance

All data as at 30 June 2017 unless otherwise indicated

Notes:

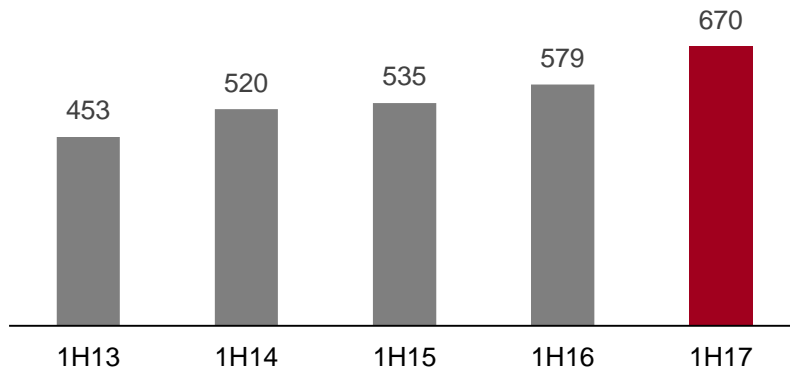
1. Weighted by net book value of owned fleet
2. Delivered 37 aircraft including three acquired by airline customer on delivery
3. Subsequent to 30 June 2017, two aircraft that were originally scheduled for delivery in 4Q17 are now scheduled to be delivered in 2018. The actual number of aircraft scheduled to be delivered in 2017 is 78, of which 37 (including three acquired by airline customer on delivery) were already delivered in 1H17, resulting in 41 scheduled deliveries for 2H17



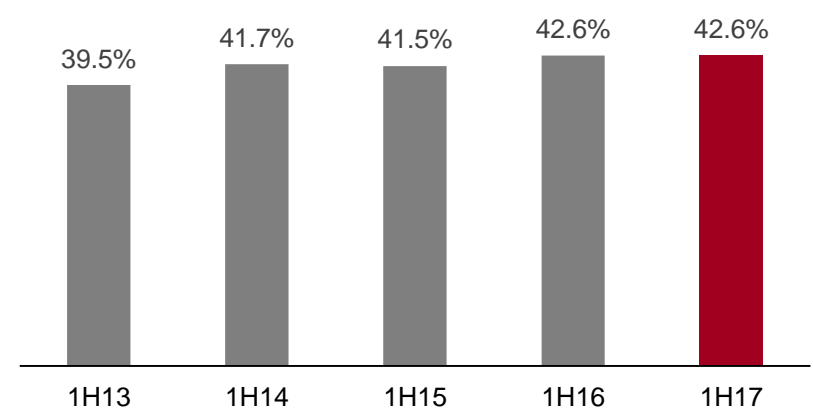
1H17 Revenue and NPAT Growth

Fleet growth underpins lift in revenues

US\$ million

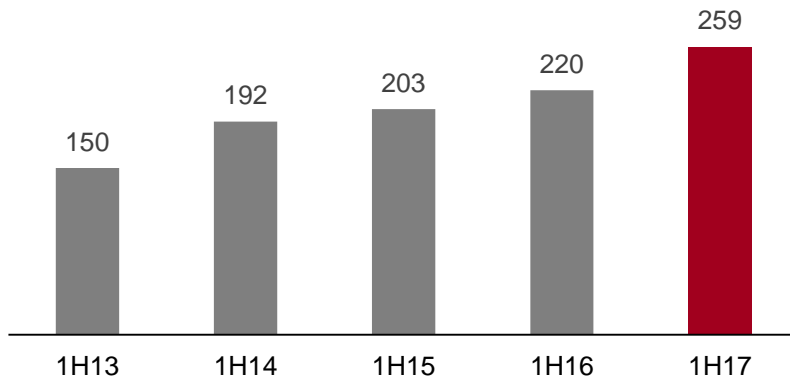


Operating margin >40%²



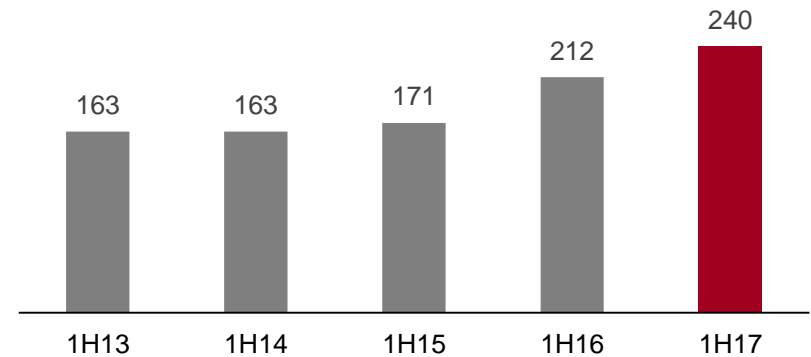
Rising core lease rental contribution¹

US\$ million



Consistent NPAT growth

US\$ million



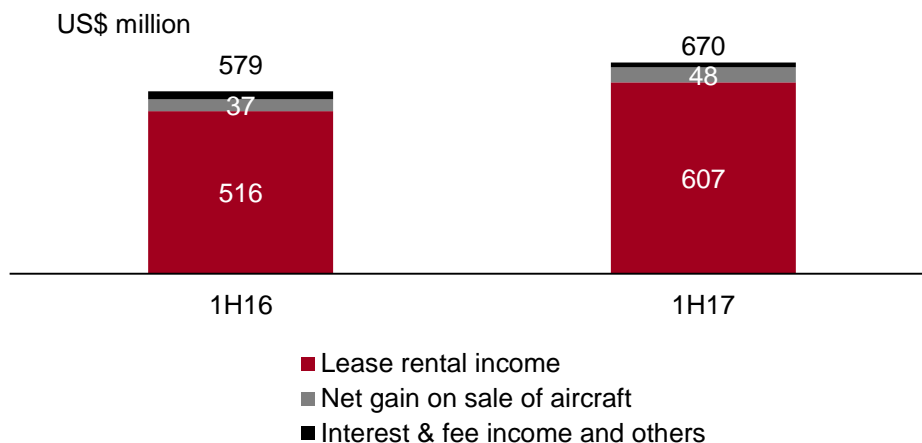
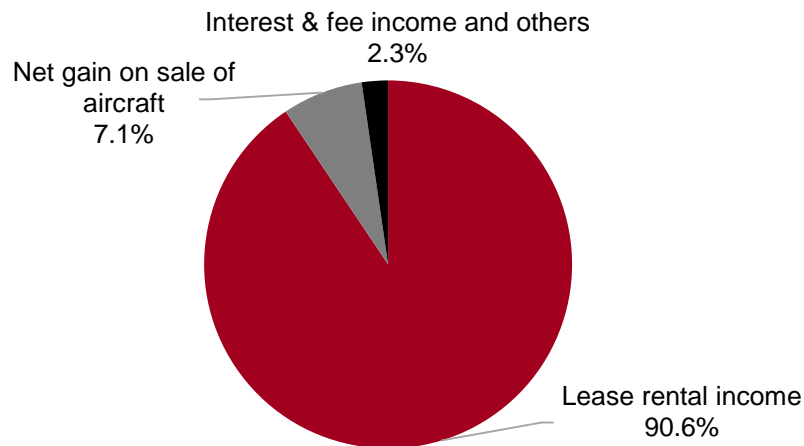
All data as at 30 June 2017

Notes:

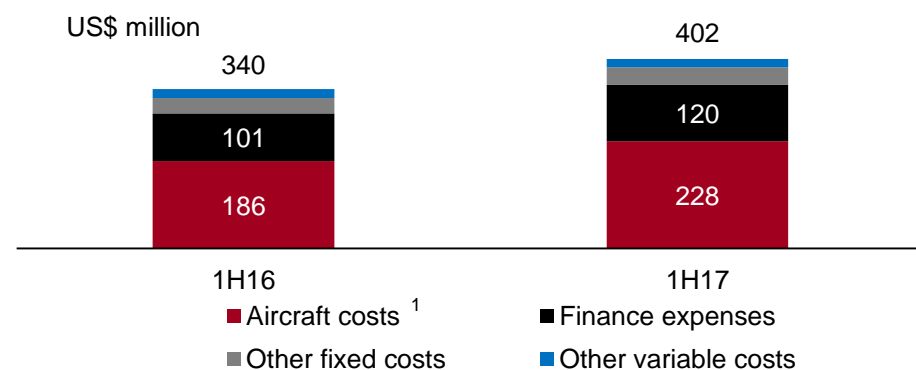
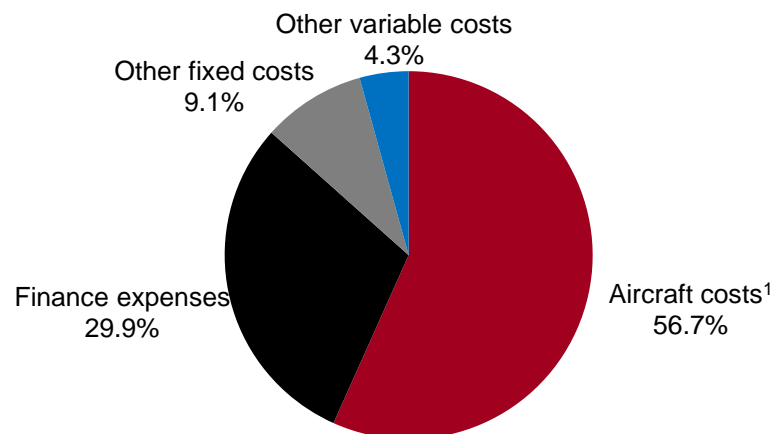
1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
2. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs divided by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

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 >85% of total costs



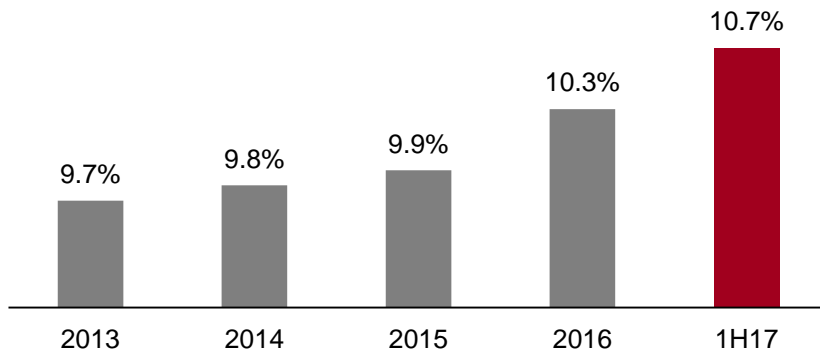
All data as at 30 June 2017

Note:

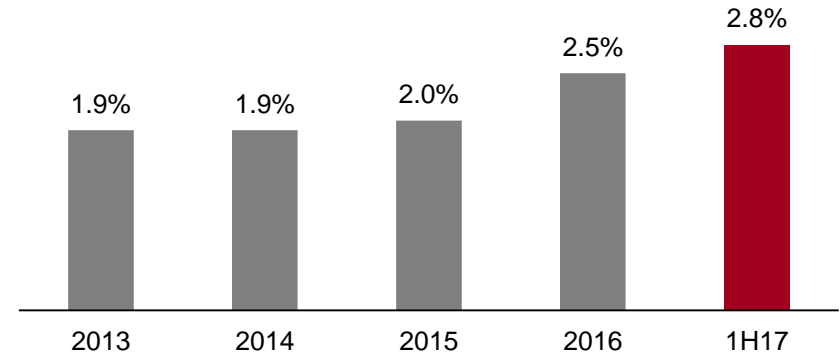
1. Comprises depreciation and impairment charges

Improving Net Lease Yield Drives Profitability

Higher lease rate factor¹ reflects increased fixed rate leases

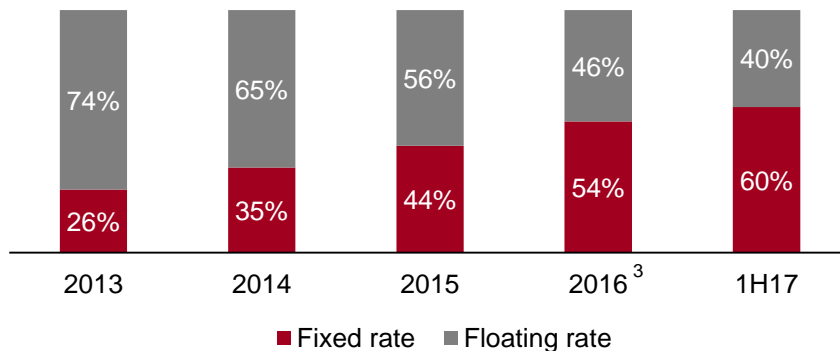


... with a higher proportion of fixed rate debt affecting finance expenses⁴

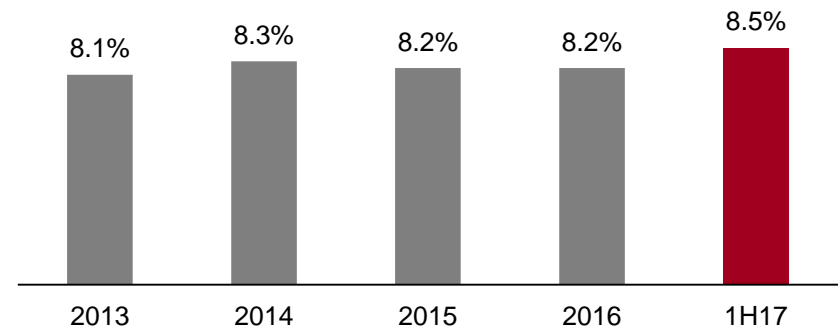


Proportion of fixed rate leases rising steadily²

By net book value



Maintaining net lease yield⁵



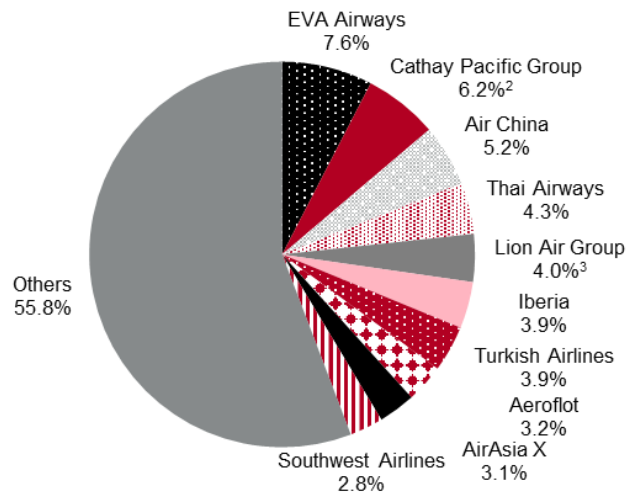
All data as at 30 June 2017

Notes:

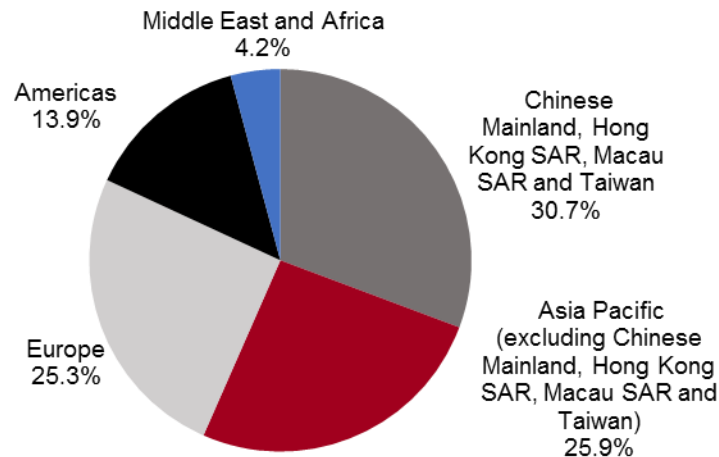
1. Calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%
2. By net book value including aircraft held for sale
3. Excluded aircraft off lease
4. Calculated as the sum of finance expenses and capitalized interest, divided by average total indebtedness. 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
5. Calculated as lease rental income less finance expenses divided by average net book value of aircraft

Our Portfolio Remains Well Diversified

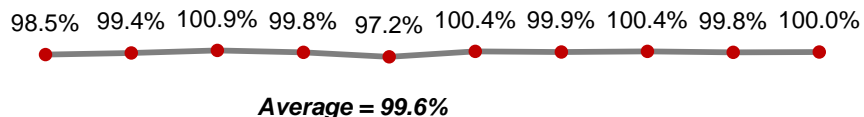
Lease portfolio diversified by customer^{1,4}



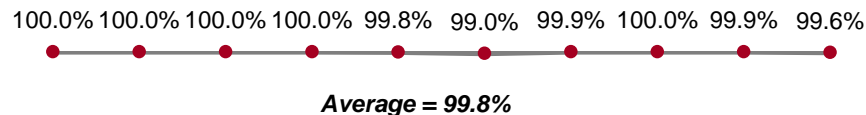
...and diversified by geography^{1,4}



High collection rate



High fleet utilization⁵



2008 2009 2010 2011 2012 2013 2014 2015 2016 1H17

2008 2009 2010 2011 2012 2013 2014 2015 2016 1H17

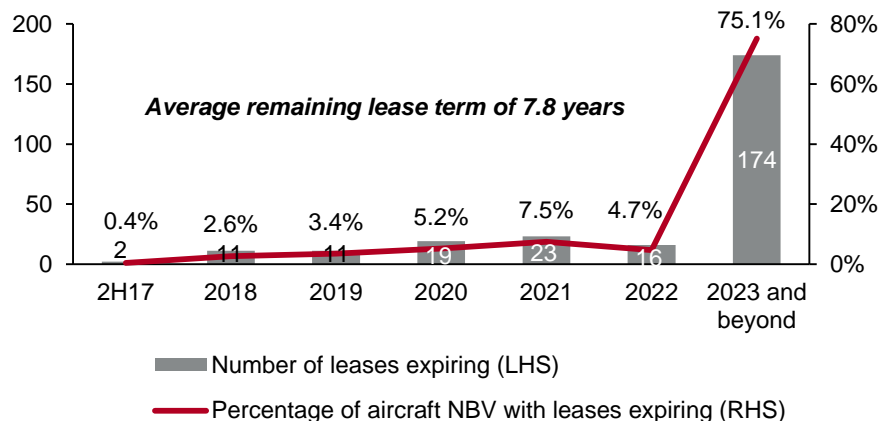
All data as at 30 June 2017

Notes:

1. Based on net book value as at 30 June 2017
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
5. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period

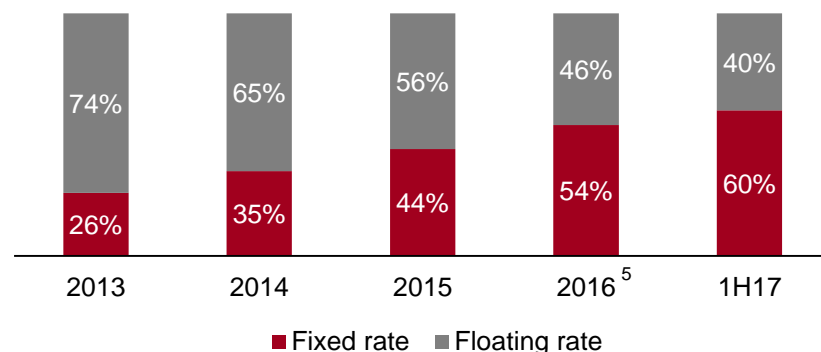
Long-term, Stable and Contracted USD Cash Flows

Well-dispersed lease expiries^{1,2}



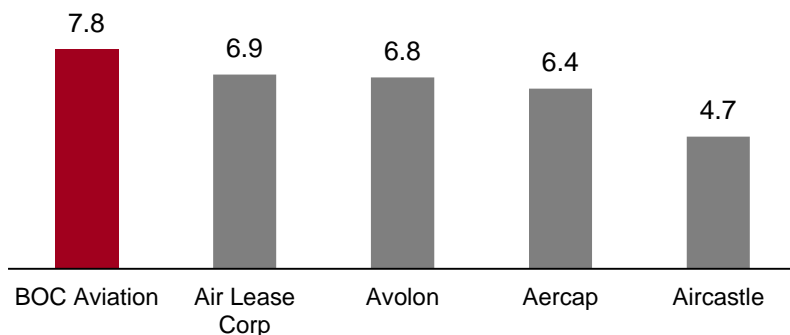
Proportion of fixed rate leases rising steadily⁴

By net book value



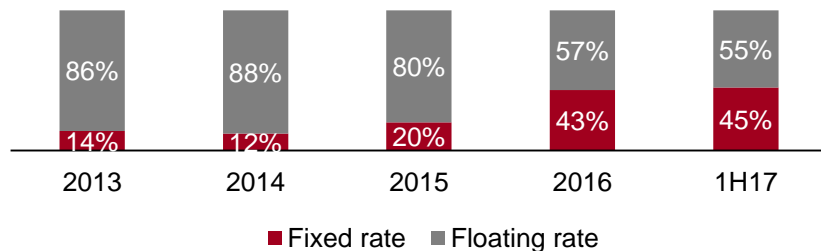
A long average remaining lease term³

Number of years



Proportion of fixed rate debt also rising⁶

- Hedged c.70% of mismatched floating 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\$1.2 million based on the lease portfolio, deposits and debt composition as at 30 June 2017



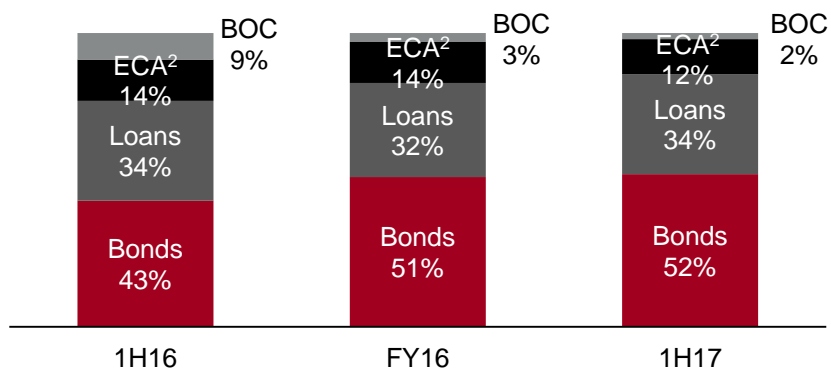
Source: Respective company websites

All data as at 30 June 2017

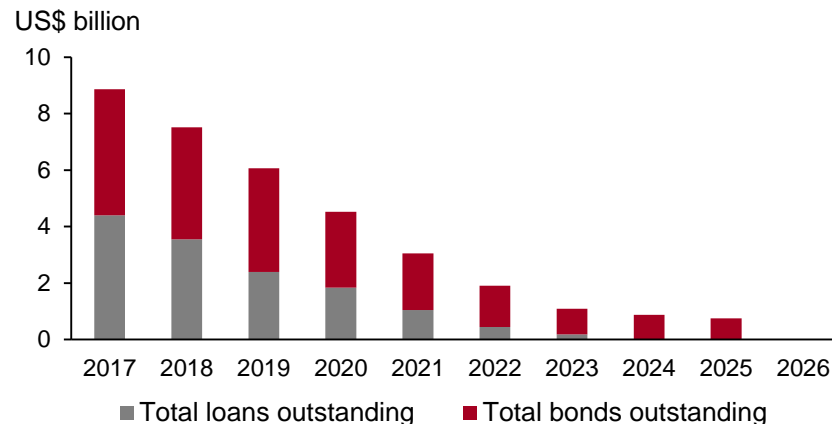
- Notes:
1. Owned aircraft with lease expiring in each calendar year adjusted for any aircraft for which BOC Aviation has sale or lease commitments, weighted by net book value including book value of assets held for sale
 2. Subsequent to 30 June 2017, the two leases expiring in 2017 have committed extensions
 3. Weighted by net book value of owned fleet
 4. By net book value including aircraft held for sale
 5. Excluded aircraft off lease
 6. Fixed rate debt included floating rate debt swapped to fixed rate liabilities

Debt Profile

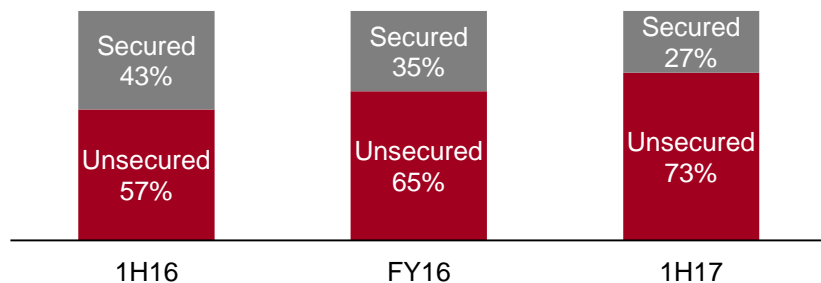
Sources of debt¹



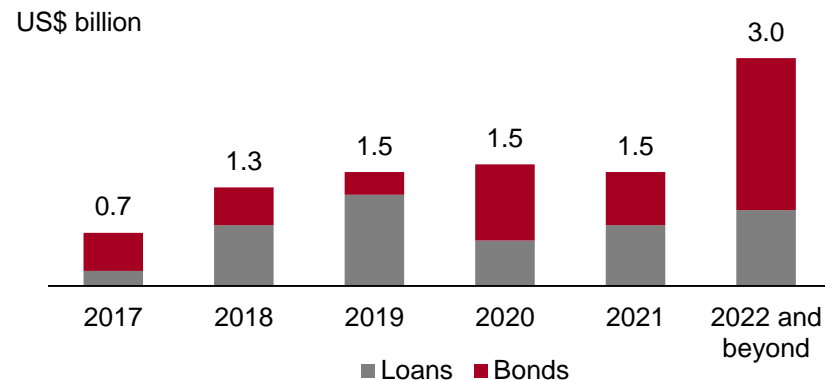
Outstanding debt balances



Increasing unsecured funding



Debt repayment by year



Undrawn committed credit lines of over US\$4 billion as at 30 June 2017

All data as at 30 June 2017

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

Our Fleet

Our Aircraft Portfolio

Aircraft Type	Owned Aircraft	Managed Aircraft	Aircraft on Order ¹	Total
Airbus A320CEO family	126	13	17	156
Airbus A320NEO family	1	0	65	66
Airbus A330CEO family	12	7	1	20
Airbus A330NEO family	0	0	2	2
Airbus A350 family	0	0	6	6
Boeing 737NG family	91	8	27	126
Boeing 737 MAX family	0	0	74	74
Boeing 777-300ER	21	1	0	22
Boeing 777-300	0	1	0	1
Boeing 787 family	1	0	4	5
Embraer E190 family	5	2	0	7
Freighters	4	4	0	8
Total	261	36	196	493

All data as at 30 June 2017

Note:

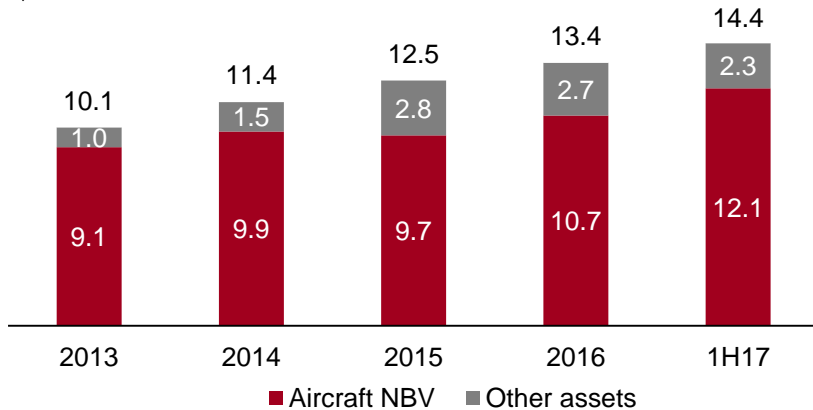
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



Orderbook Underpins Future Balance Sheet Growth

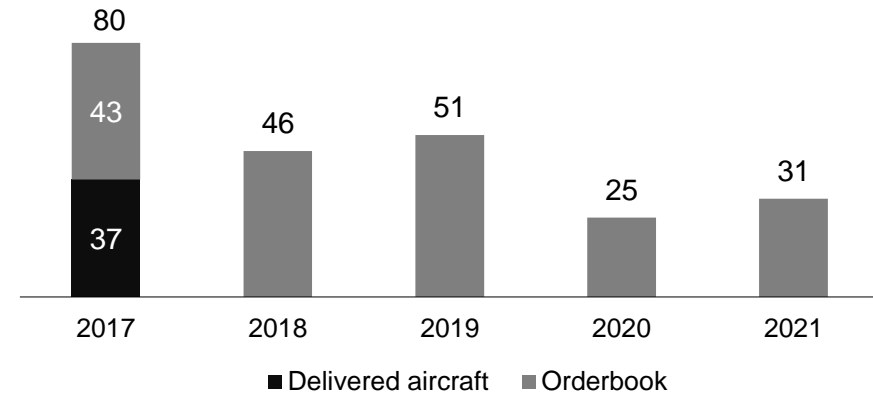
Growing balance sheet

US\$ billion



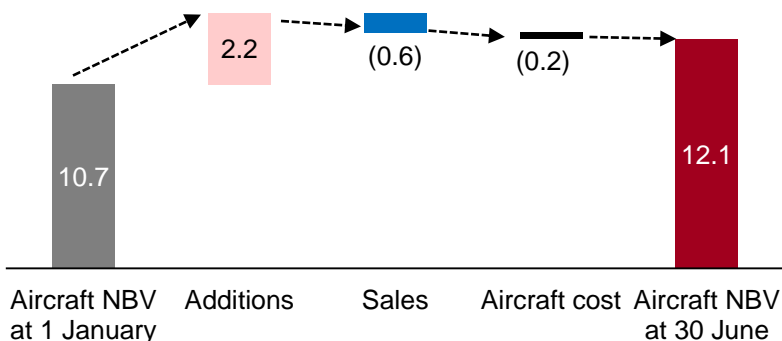
Committed deliveries of 196 aircraft till 2021¹

Number of aircraft



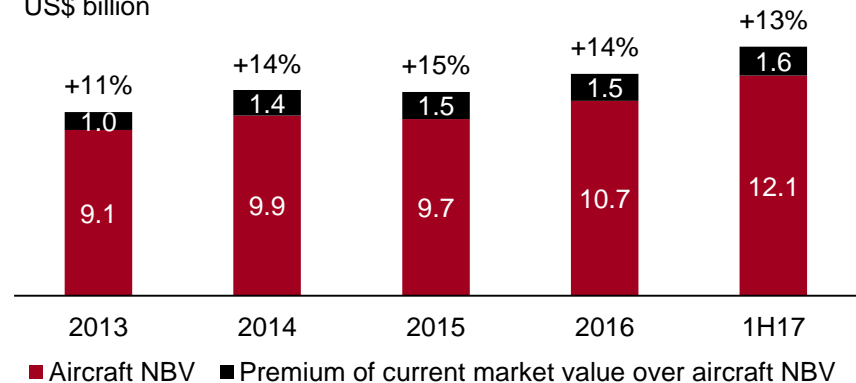
Fleet NBV evolution

US\$ billion



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

US\$ billion



All data as at 30 June 2017 unless otherwise indicated

Notes:

- Subsequent to 30 June 2017, two aircraft that were originally scheduled for delivery in 4Q17 are now scheduled for delivery in 2018. The actual number of aircraft scheduled to be delivered in 2017 is 78.
- Average of five appraisers
- Percentages refer to premium of appraised current market value over aircraft NBV

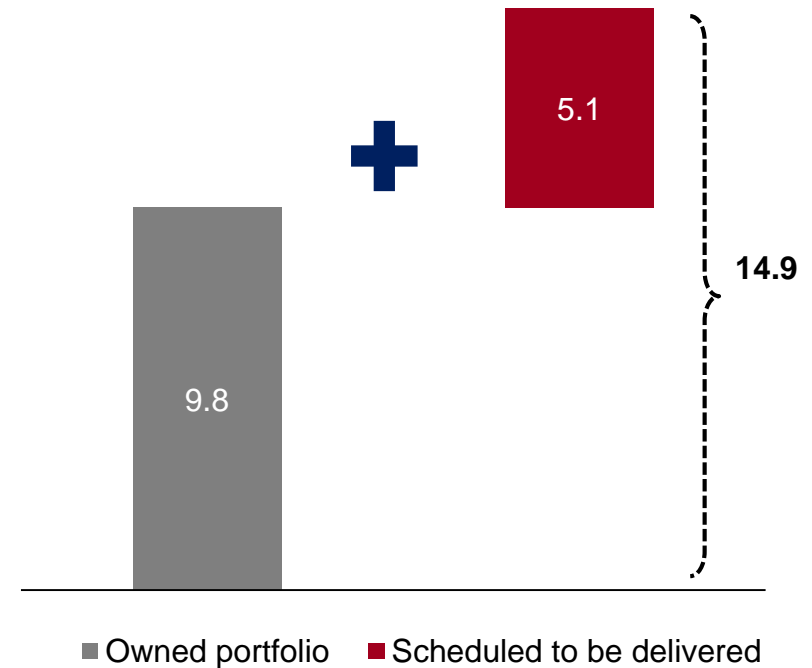
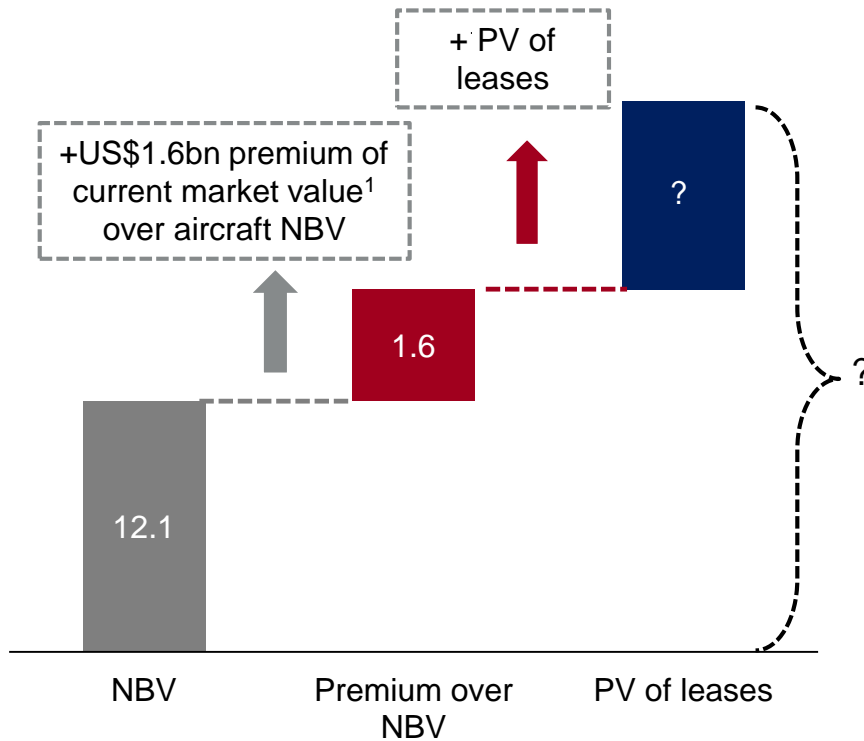
Value Driven by Fleet and Committed Lease Revenues

Net Book Value understates business value

Committed future revenues of c.US\$15 billion

US\$ billion

US\$ billion



Committed future lease revenues create additional value today

All data as at 30 June 2017

Note:
1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$13.7 billion, on a full-life, current market value basis, which compared with a net book value of US\$12.1 billion



Sustainable Value Creation (1)

- 1H17 has been our best semi-annual performance to date:
 - Record NPAT - up 13% YoY to US\$240 million
 - Stable net lease yield
 - US\$1.4 billion growth in NBV of aircraft will drive future lease revenues
 - Committed future lease revenue higher at c.US\$15 billion, up 21% compared to end-2016
- Improving asset quality
 - Introduced new technology aircraft to our fleet
 - Committed to 10 Boeing 737 MAX 10, six Airbus A350 and two Airbus A330NEO for future deliveries
 - Taken delivery of both CFM and P&W powered Airbus A320NEO aircraft
- Funding position strengthened
 - Over US\$4 billion of committed funding available
 - GMTN program limit increased to US\$10 billion
 - Raised US\$500 million of senior unsecured notes in 1H17
 - Reduced proportion of secured debt to less than 30% of total debt
 - Credit ratings of A- by S&P Global Ratings and Fitch Ratings

Sustainable Value Creation (2)

- Robust air travel environment
 - 2017 YTD passenger demand growth continues to exceed expectations and long term trend¹
 - Strong air traffic continues to underpin demand for new aircraft
- 2017 will be another record year of activity - our busiest in the Company's history
 - 78 aircraft scheduled to be/ already delivered²
 - Opportunistically increase CAPEX by building out orderbook in 2018 and beyond
 - Future CAPEX through to 2021 already increased to US\$9.1 billion
- Shareholder return is a priority
 - Earnings per share growth of 13%
 - 2017 interim dividend payout at 30% of 1H17 NPAT – an increase of 70% over 2016's interim dividend
 - Dividend policy adjusted to distribute up to 35% of full year's NPAT
 - Alignment of management interest with shareholders
 - Half of management's long term incentives will be invested in the Company's shares acquired in the secondary market
 - The shares will vest after three years

Management focused on further enhancing shareholder value

Notes:

1. International Air Transport Association
2. Subsequent to 30 June 2017, two aircraft that were originally scheduled for delivery in 4Q17 are now scheduled to be delivered in 2018. The actual number of aircraft scheduled to be delivered in 2017 is 78, of which 37 (including three acquired by airline customer on delivery) were already delivered in 1H17





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