

2017 FINAL RESULTS REVIEW

Information Slides

14 March 2018



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2017 OVERVIEW

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

Strong Operational Performance in 2017

- Ended 2017 with total fleet of 491¹
 - Portfolio utilization of 99.8% and cash collection rate of 99.9%
 - Average fleet age of 3.0 years²
 - Average lease term remaining extended to 8.2 years²
- Record delivery of 74 aircraft³
 - Introduced new technology aircraft to our portfolio
 - Added 17 new customers globally
- Sold 32 aircraft (30 owned, two managed)
- Total future committed CAPEX of c.US\$8 billion
 - Acquired additional 48 aircraft to be delivered through to 2021
 - 53 aircraft scheduled for delivery in 2018
 - 100% placed⁴

2017 was a record year of activity

All data as at 31 December 2017 unless otherwise indicated

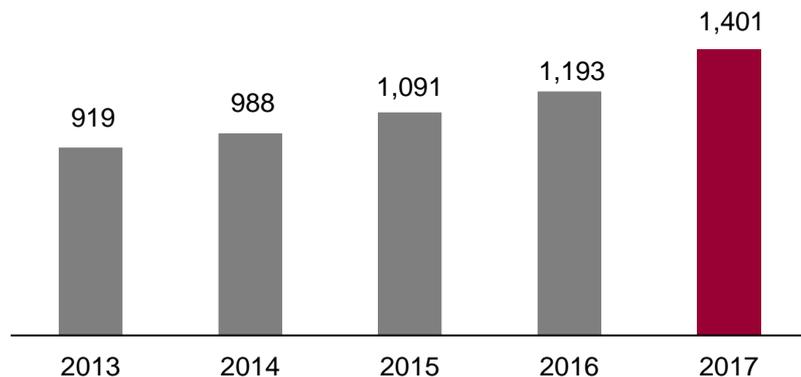
Notes:

1. Included owned, managed and aircraft on order
2. Weighted by net book value of owned fleet
3. Included three acquired by airline customer on delivery
4. As at 14 March 2018

Record Financials

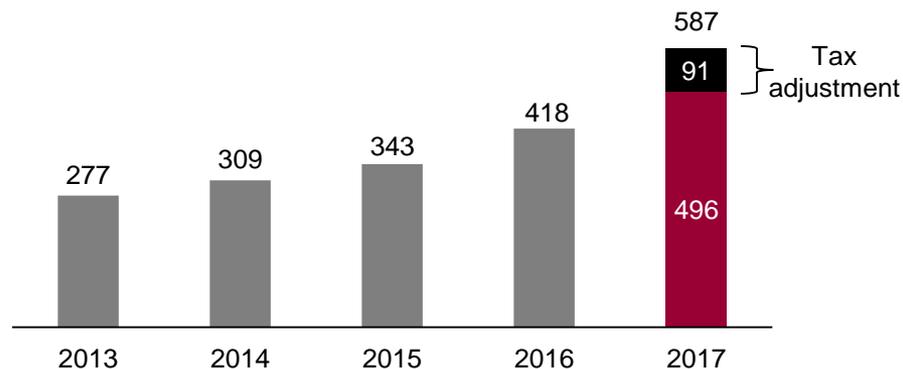
Fleet growth underpins lift in revenues

US\$ million



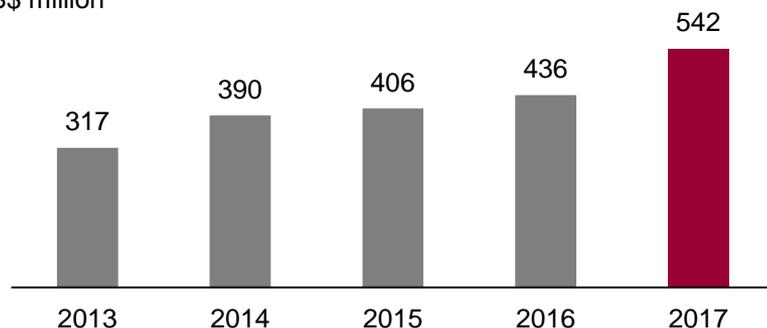
NPAT growth driven by growth in leasing portfolio and adjustment of US tax provision

US\$ million

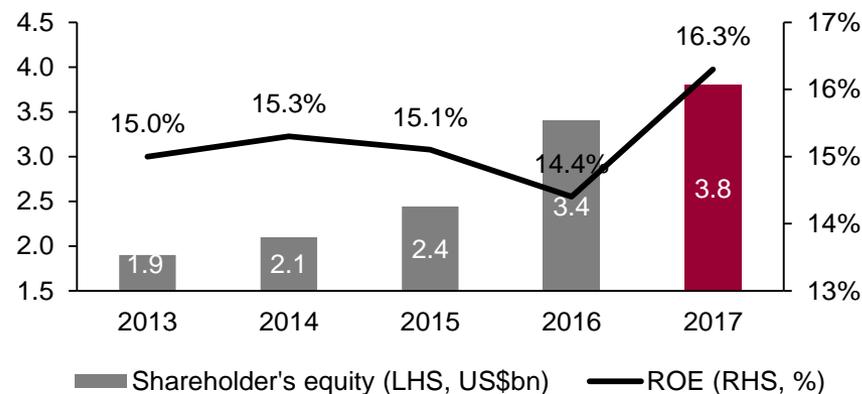


Continued growth in core lease rental contribution¹

US\$ million



Consistently strong returns on equity

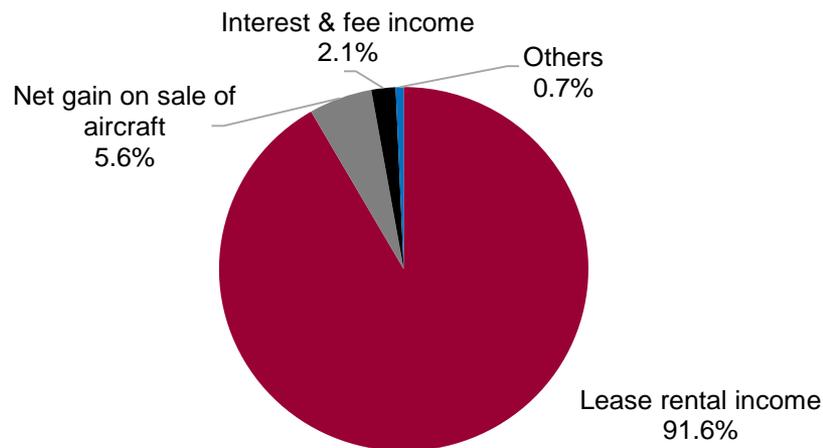


All data as at 31 December 2017

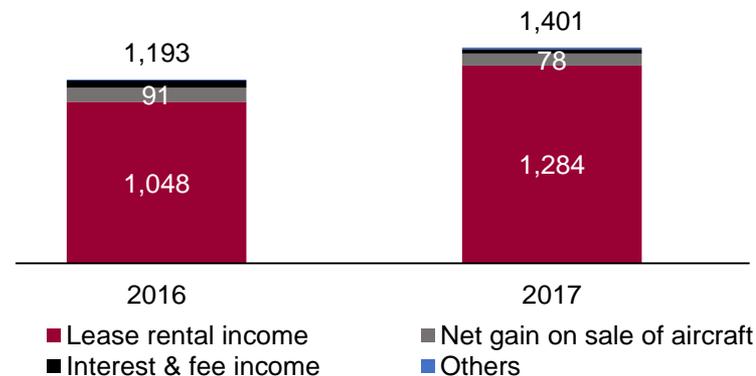
Note:
1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs

Lease Rental Income Dominates P&L

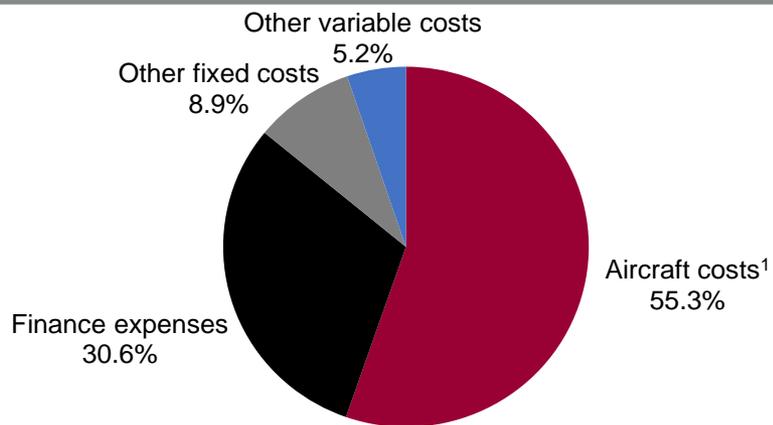
Lease rental income consistently c.90% of total revenue and other income



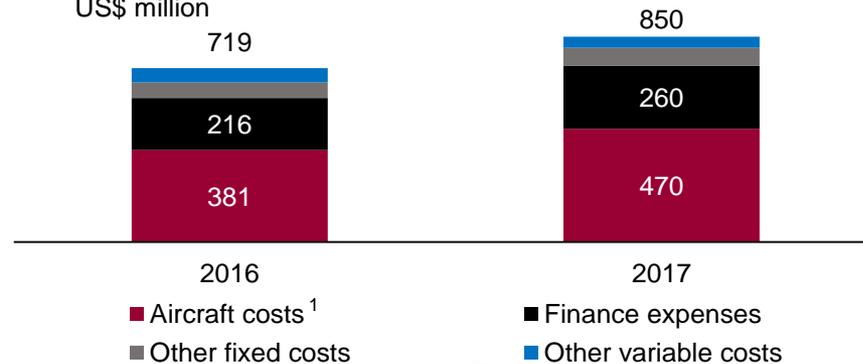
US\$ million



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



US\$ million



All data as at 31 December 2017

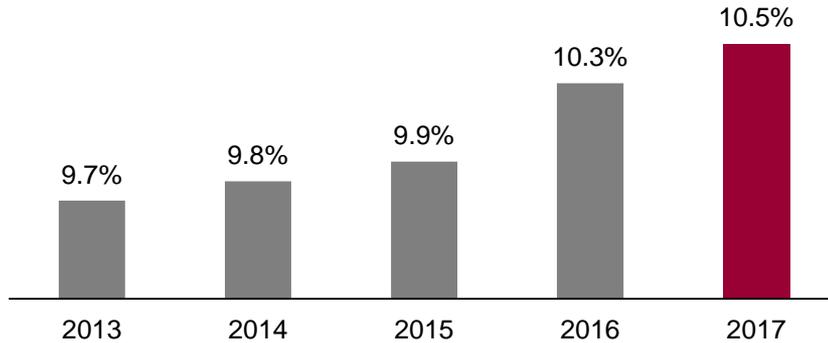
Note:

1. Comprise aircraft depreciation and impairment charges

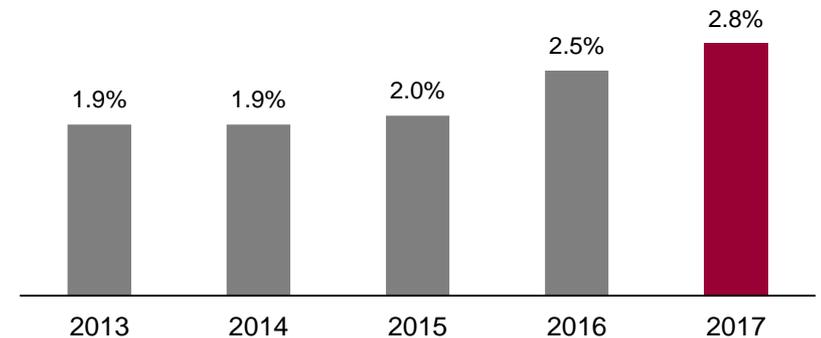


Consistently High Net Lease Yield Drives Profitability

Higher lease rate factor¹ reflects increased fixed rate leases

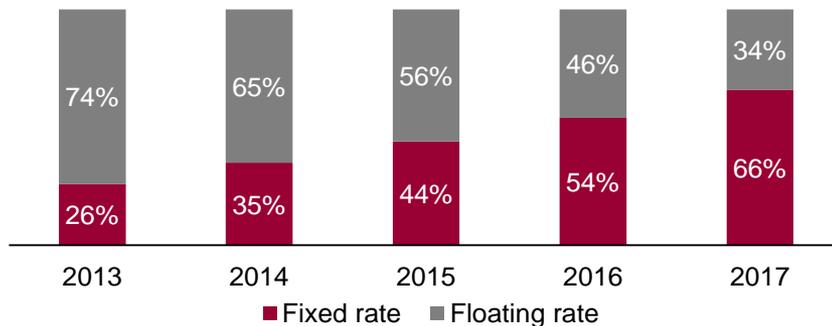


... with a higher proportion of fixed rate debt affecting finance expenses⁴

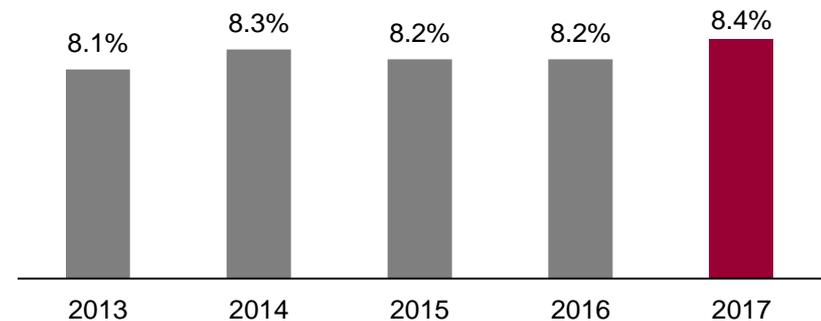


Proportion of fixed rate leases rising steadily^{2,3}

By net book value



Maintaining net lease yield⁵ > 8%



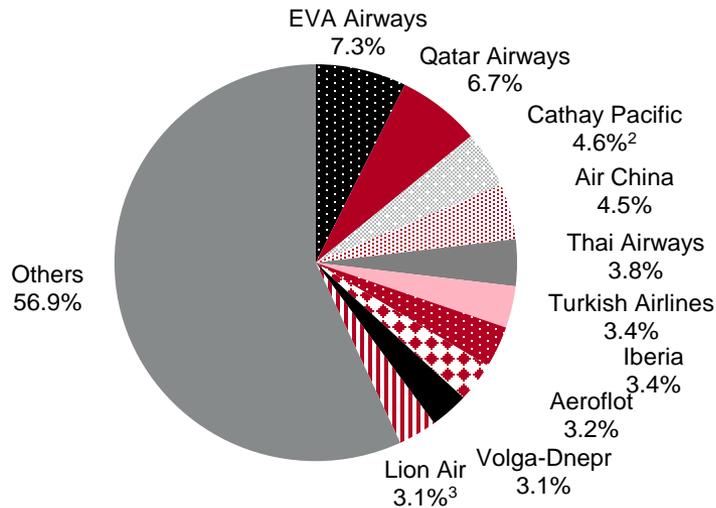
All data as at 31 December 2017

Notes:

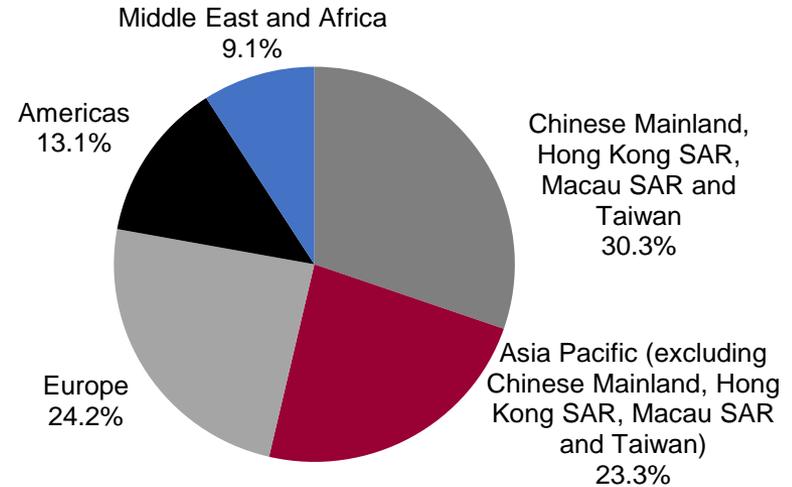
1. Calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%
2. By net book value including aircraft held for sale
3. Excluded aircraft off lease
4. Calculated as the sum of finance expenses and capitalized interest, divided by average total indebtedness.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

Diversified Portfolio Delivers High Utilization, High Collection Rate

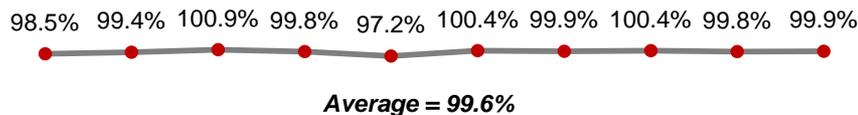
Lease portfolio diversified by customer^{1,4}



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

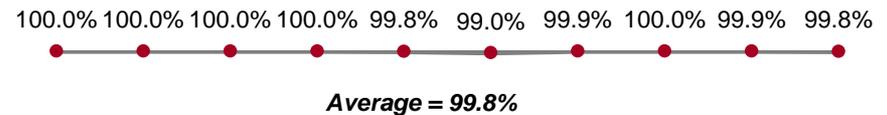


High collection rate



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

High fleet utilization⁵



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

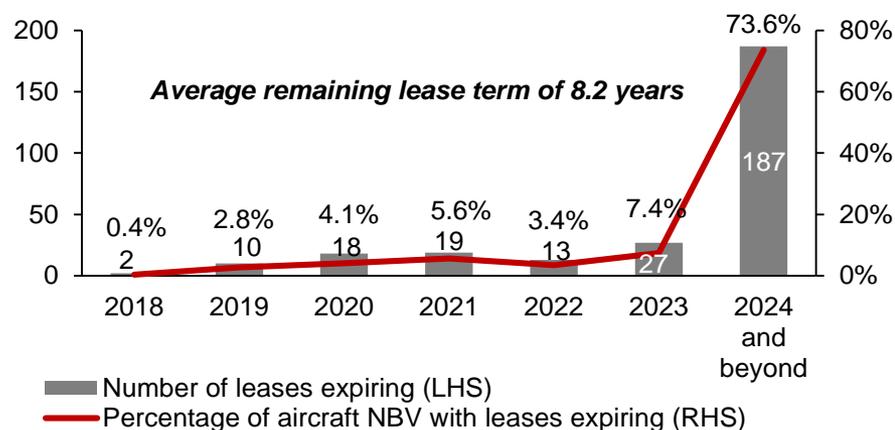
All data as at 31 December 2017 unless otherwise indicated

Notes:

1. Based on net book value as at 31 December 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. 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. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period

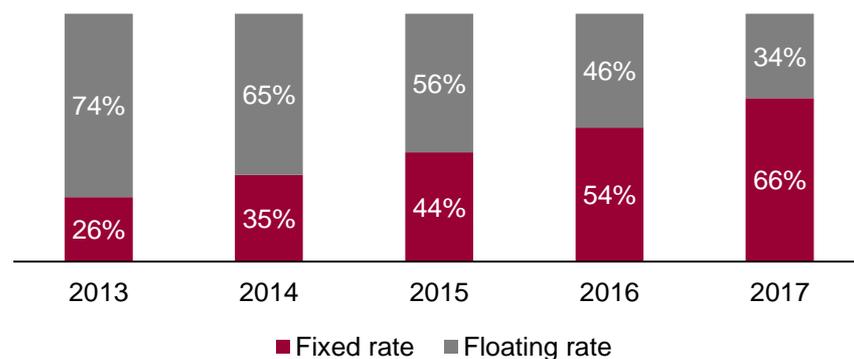
Long-term, Stable and Contracted USD Cash Flows

Well-dispersed lease expiries¹



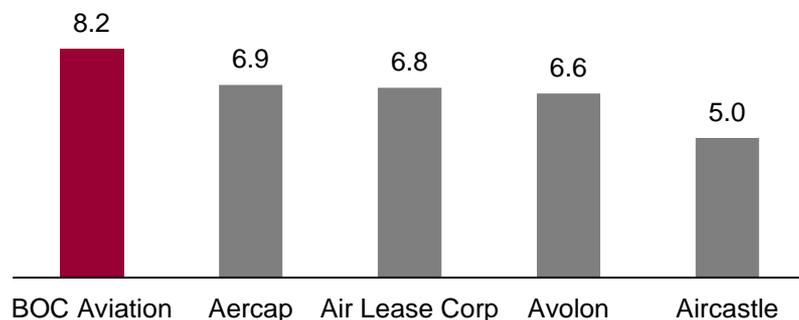
Proportion of fixed rate leases rising steadily^{3,4}

By net book value



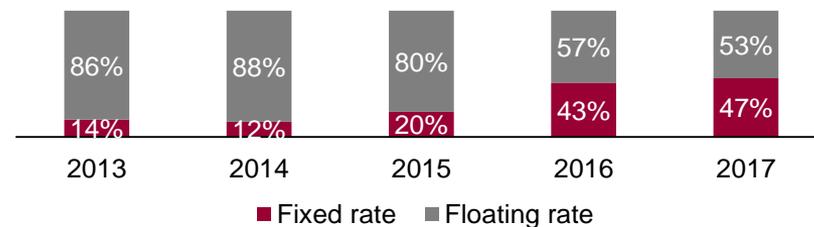
A long average remaining lease term²

Number of years



Proportion of fixed rate debt also rising⁵

- Hedged c.70% of mismatched 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\$2.6 million based on the lease portfolio, deposits and debt composition as at 31 December 2017



Source: Respective company websites

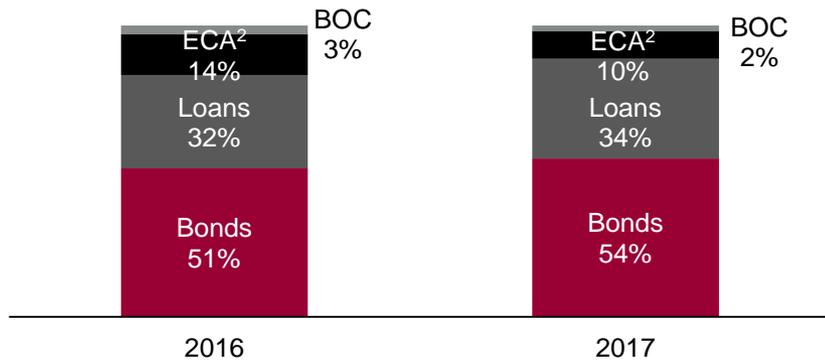
All data as at 31 December 2017

- 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. Weighted by net book value of owned fleet
 3. By net book value including aircraft held for sale
 4. Excluded aircraft off lease
 5. Fixed rate debt included floating rate debt swapped to fixed rate liabilities

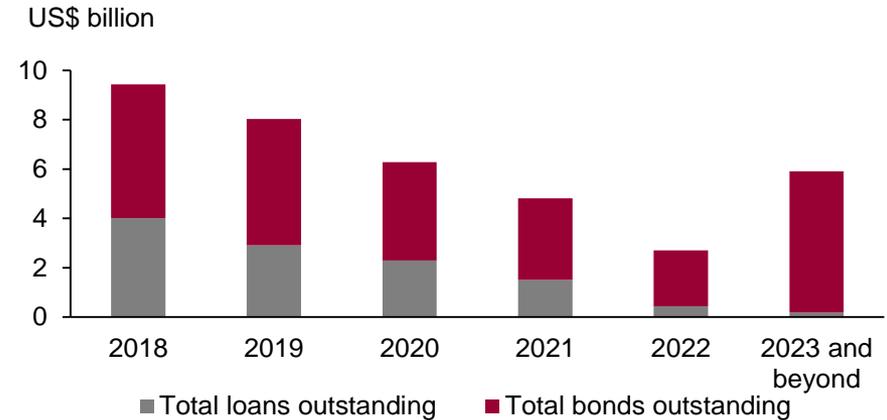


Flexible and Well-Funded Capital Structure

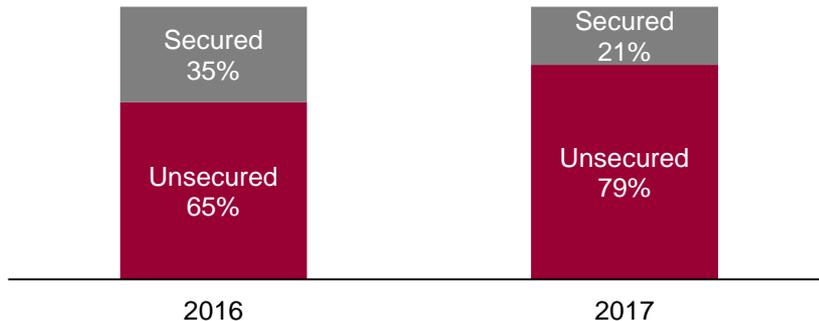
Sources of debt¹



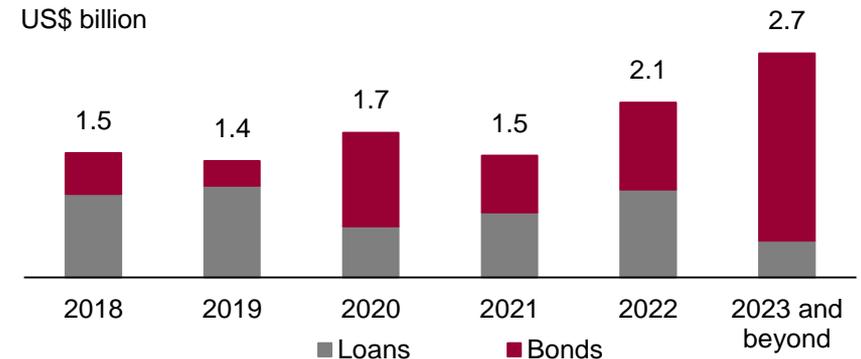
Outstanding debt amortises over nine years



Increasing unsecured funding



Debt repayment by year



Undrawn committed credit lines of US\$3.7 billion as at 31 December 2017

All data as at 31 December 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



Popular and Fuel-Efficient Fleet

Our Aircraft Portfolio

| Aircraft Type | Owned Aircraft ¹ | Managed Aircraft | Aircraft on Order ² | Total |
|-----------------------|-----------------------------|------------------|--------------------------------|------------|
| Airbus A320CEO family | 135 | 11 | 3 | 149 |
| Airbus A320NEO family | 5 | 0 | 61 | 66 |
| Airbus A330CEO family | 12 | 7 | 0 | 19 |
| Airbus A330NEO family | 0 | 0 | 2 | 2 |
| Airbus A350 family | 2 | 0 | 4 | 6 |
| Boeing 737NG family | 99 | 9 | 15 | 123 |
| Boeing 737 MAX family | 0 | 0 | 84 | 84 |
| Boeing 777-300ER | 23 | 1 | 0 | 24 |
| Boeing 777-300 | 0 | 1 | 0 | 1 |
| Boeing 787 family | 1 | 0 | 4 | 5 |
| Embraer E190 family | 5 | 0 | 0 | 5 |
| Freighters | 5 | 2 | 0 | 7 |
| Total | 287 | 31 | 173 | 491 |

All data as at 31 December 2017

Notes:

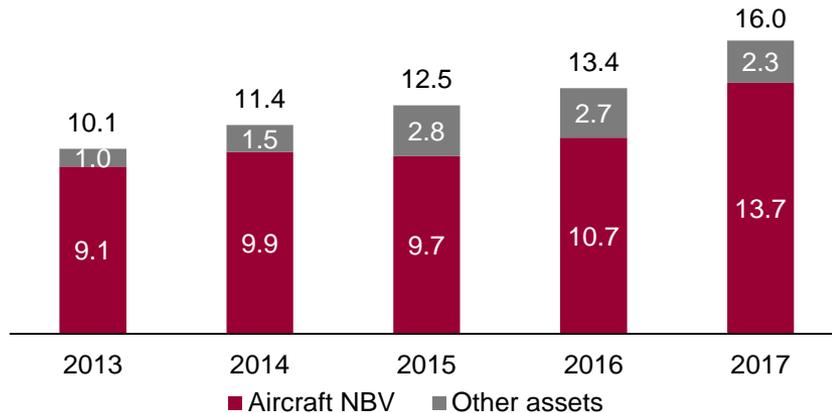
1. Includes one aircraft subject to finance lease
2. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



Orderbook Underpins Future Balance Sheet Growth

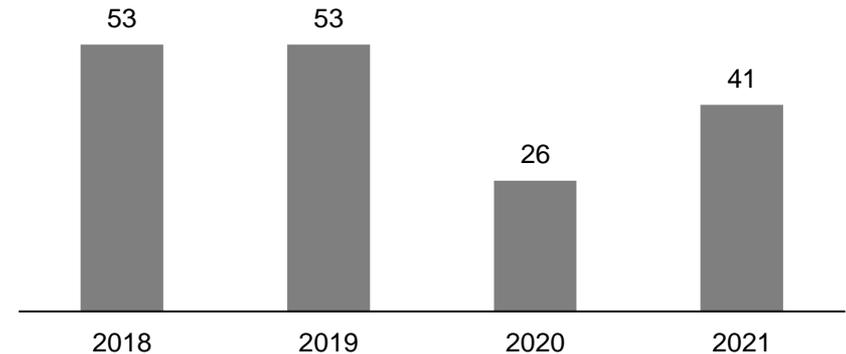
Growing balance sheet

US\$ billion



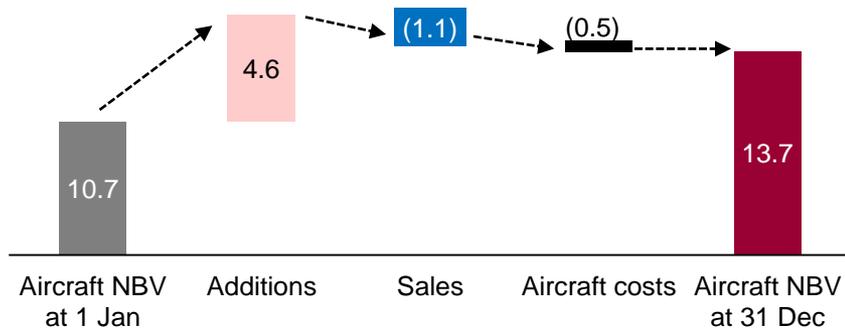
Committed deliveries of 173 aircraft until 2021

Number of aircraft



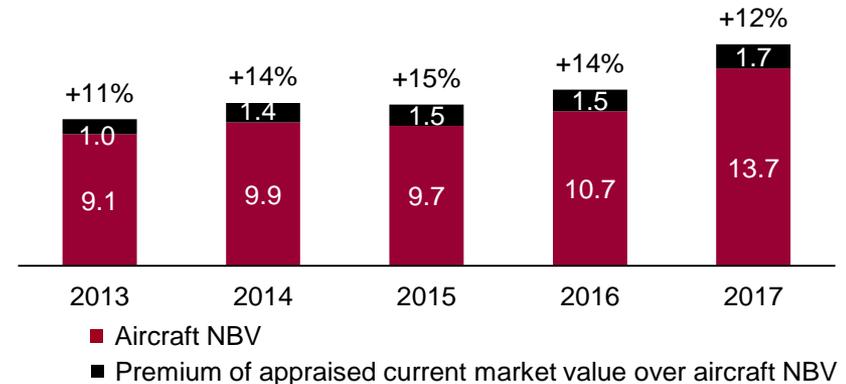
Fleet NBV evolution

US\$ billion



Premium over aircraft NBV^{1,2}

US\$ billion



All data as at 31 December 2017 unless otherwise indicated

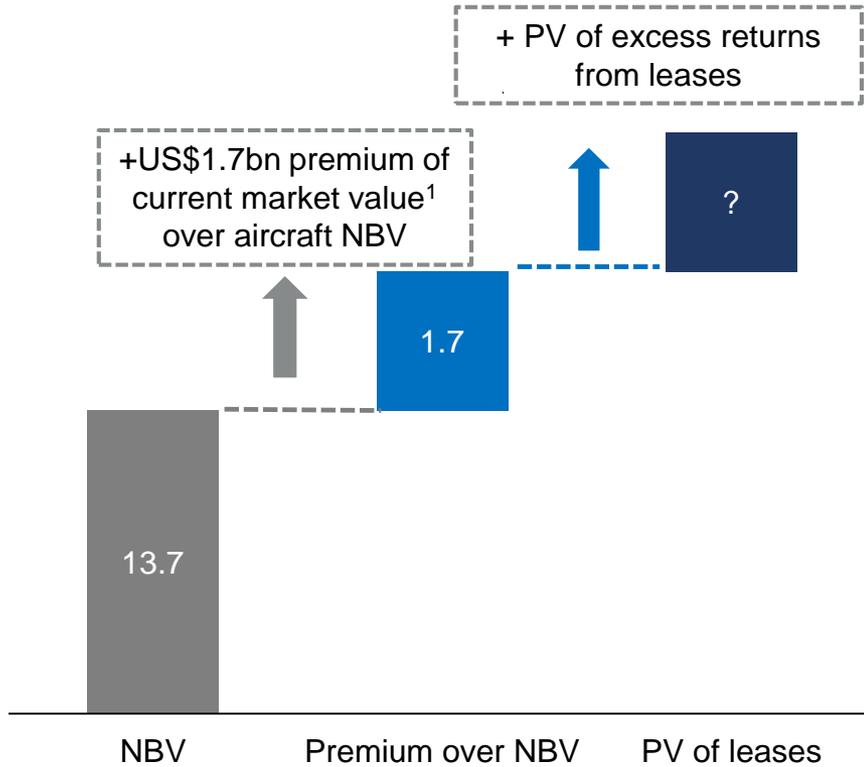
Notes:

1. Average of five appraisers
2. Percentages refer to premium of appraised current market value over aircraft NBV

Value Driven by Fleet and Committed Lease Revenues

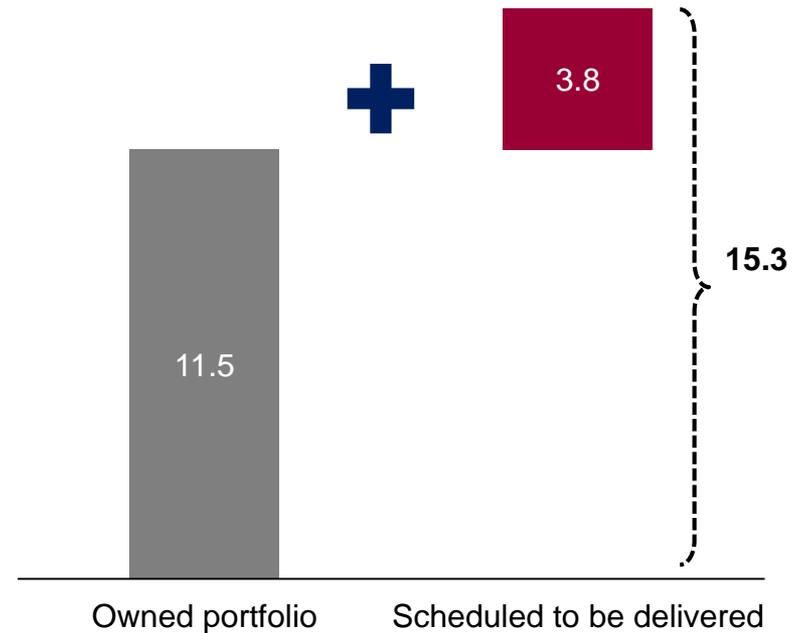
Net Book Value understates business value

US\$ billion



Committed future revenues of > US\$15 billion

US\$ billion



Committed future lease revenues create additional value

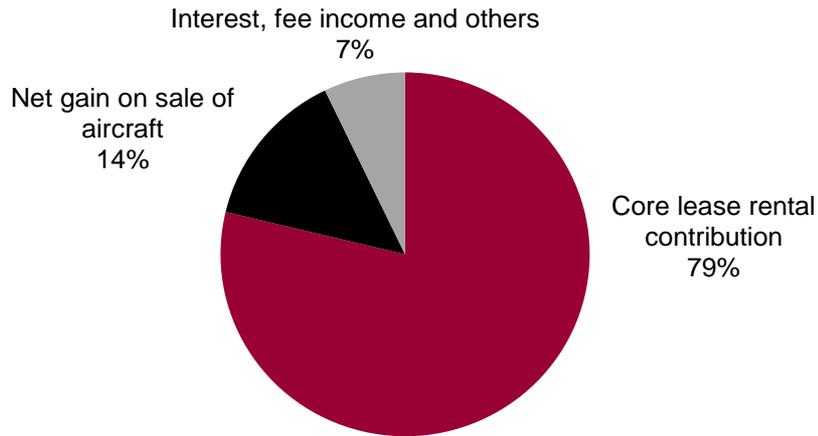
All data as at 31 December 2017

Note:
1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$15.3 billion, on a full-life, current market value basis, which compared with a net book value of US\$13.7 billion

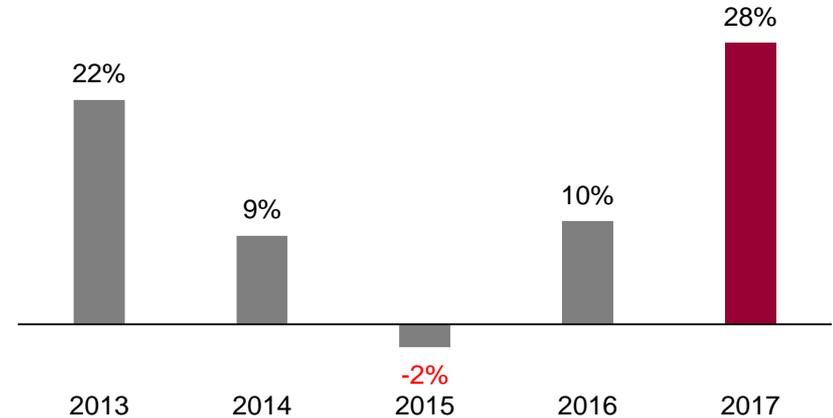


Core Leasing Business Anchors Earnings Growth

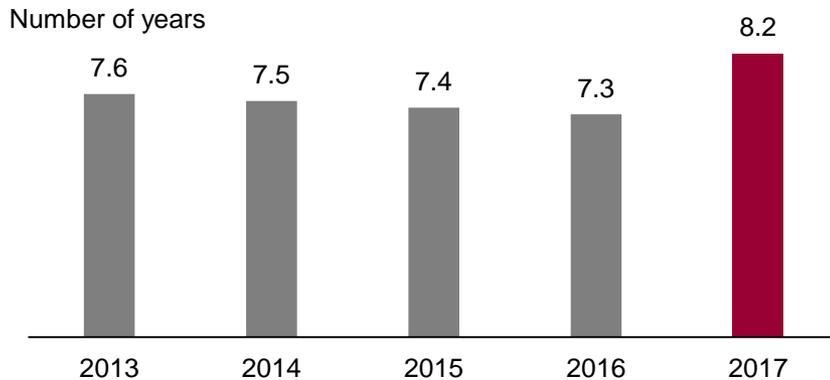
c.80% of PBT is from core lease rental contribution¹



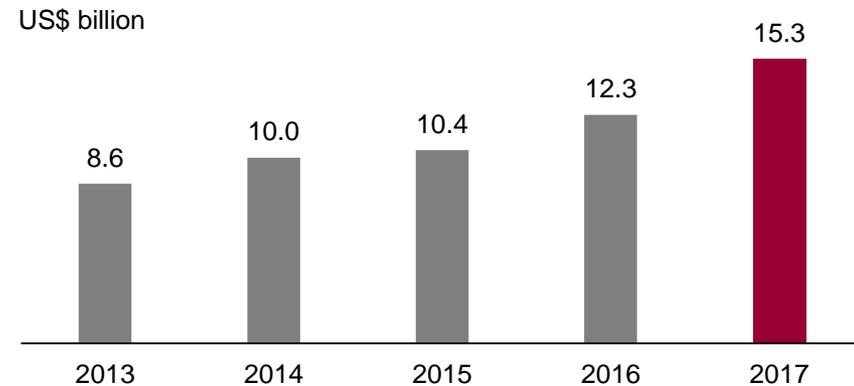
... and rises with fleet NBV



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

Conclusion

- Delivered the best performance in Company history in 2017
 - NPAT increased 40% to US\$587 million
 - Driven by fleet growth and tax adjustment in USA
 - ROE of 16.3%
 - Dividend payout ratio raised to 35%
 - Total dividends increased 64% year-on-year to US\$0.2958/share
- Improved long-term revenue visibility and sustainability
 - Committed lease revenues in excess of US\$15 billion
 - Orderbook of 173 aircraft through 2021 provides future balance sheet growth
- Strong operations
 - Executed by experienced, stable senior management
 - Average industry experience of >25 years each
 - Strong asset quality
 - Robust asset-liability management

2017 was our most active, most profitable year, and dividend is up 64%

All data as at 31 December 2017 unless otherwise indicated



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