

2018 INTERIM RESULTS REVIEW

Information Slides

15 August 2018



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1H18 OVERVIEW



1H18 - Another Record Performance

Strong earnings growth¹

US\$297 million  **24%**

Net profit after tax

US\$0.43  **24%**

Earnings per share²

Driven by:

US\$825 million  **23%**

Total revenues and other income

US\$312 million  **20%**

Core lease rental contribution³


8.5%  **Stable**

Net lease yield⁴

Robust balance sheet⁵

US\$17.1 billion  **7%**

Total assets

US\$4.0 billion  **4%**

Total equity

US\$5.75  **4%**

Net assets per share²

Higher dividend per share

US\$0.1284  **24%⁷**

Interim dividend per share⁶

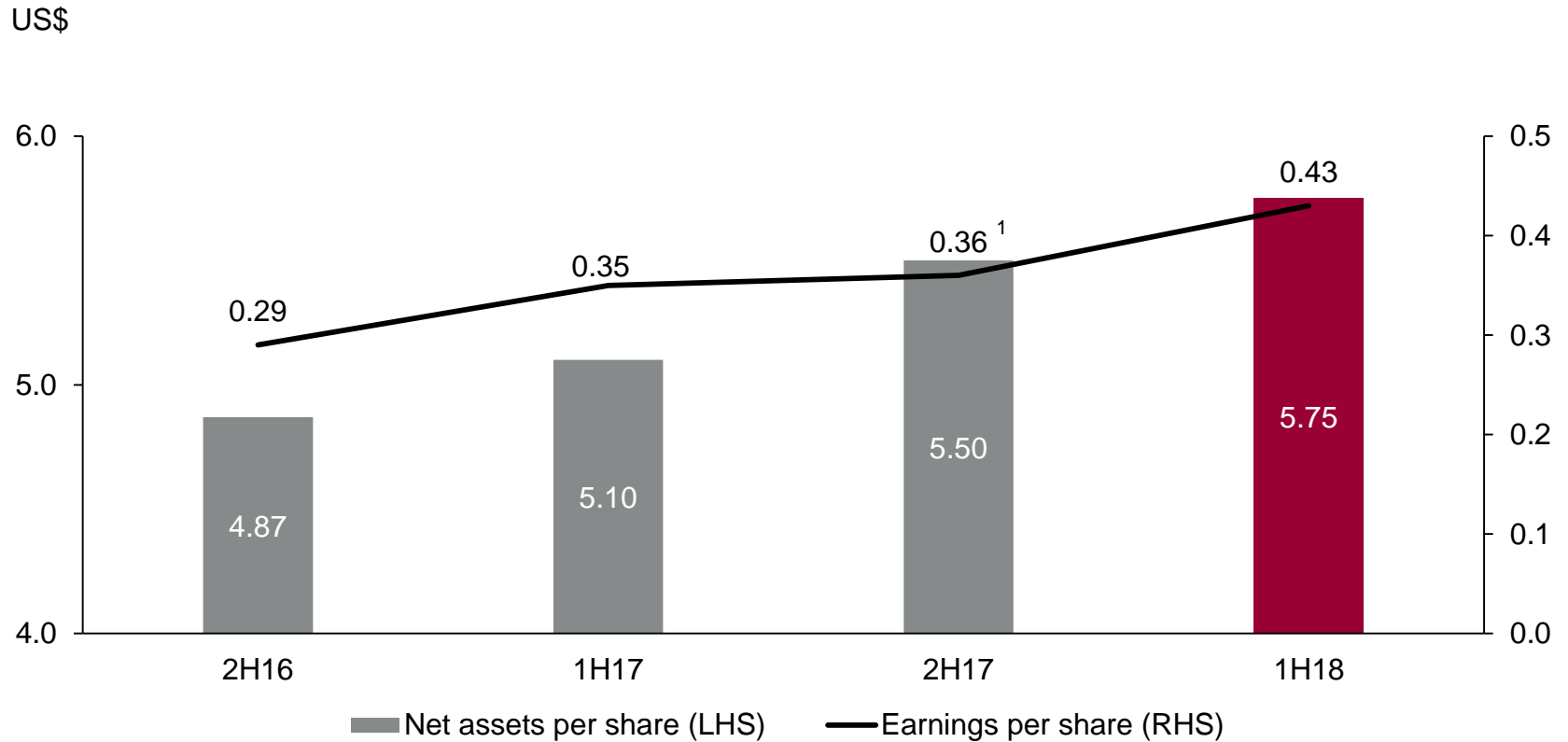
All data as at 30 June 2018

Notes:

1. Compared to the first six months of 2017
2. Based on the number of shares outstanding as at the end of the relevant period
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 2017
6. Payable to shareholders registered at the close of business on the record date, being 5 October 2018
7. Compared to US\$0.1038 paid for 1H17



Continued Growth in Net Assets and Earnings Per Share



18% EPS CAGR since IPO

All data as at the end of the relevant period

Note:

1. Excludes the adjustment for net deferred tax liabilities in the USA



Strong Operational Performance in 1H18

- Ended June 2018 with total fleet of 487¹
 - Portfolio utilization of 100% and cash collection rate of 99.5%
 - Average fleet age of 3.0 years²
 - Average lease term of 8.3 years²
- Took delivery of 27 aircraft in 1H18³
 - Delivered our 250th Boeing and first Boeing 737 MAX 8 aircraft
 - Added ten new airline customers
- Signed 30 lease commitments in 1H18
- Sold 18 owned and one managed aircraft in 1H18
- Increased 2018 CAPEX by US\$0.9 billion to US\$3.5 billion
 - 31 deliveries from our orderbook scheduled for 2H18
 - All aircraft scheduled for delivery in 2H18 placed

Portfolio growth drove another active first half

All data as at 30 June 2018 unless otherwise indicated

Notes:

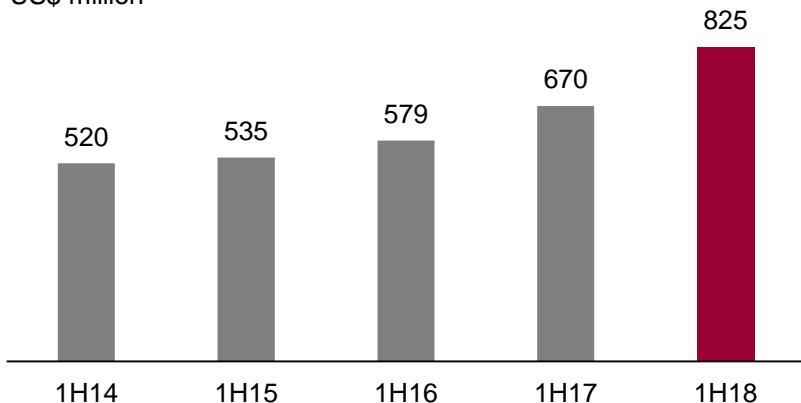
1. Included owned, managed and aircraft on order
2. Weighted by net book value of owned fleet
3. Including one acquired by an airline customer on delivery



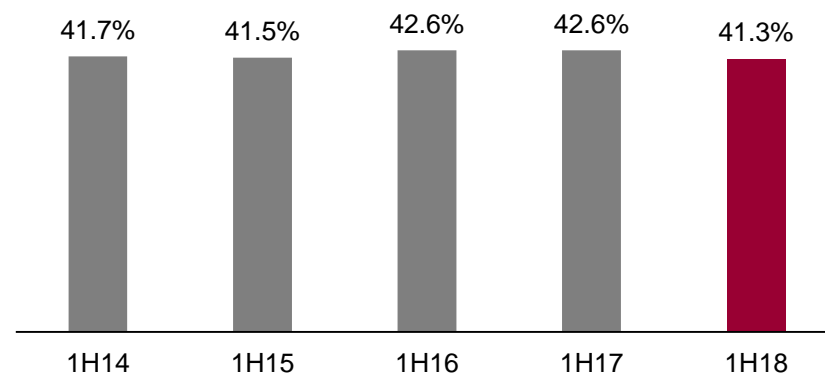
1H18 Revenue and NPAT Growth

Fleet growth underpins lift in revenues

US\$ million

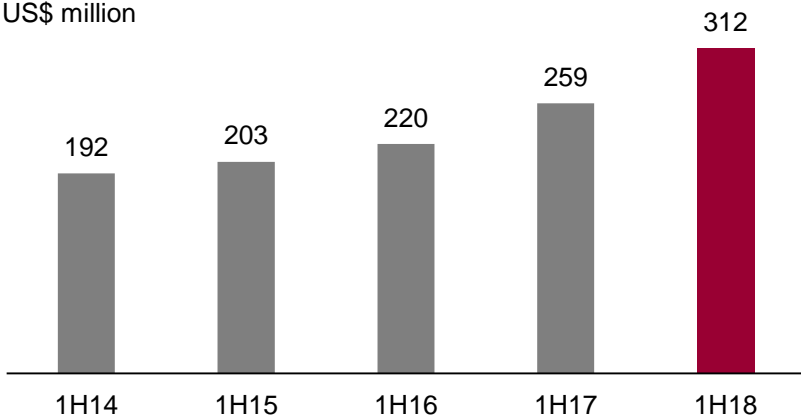


Operating margin > 40%²



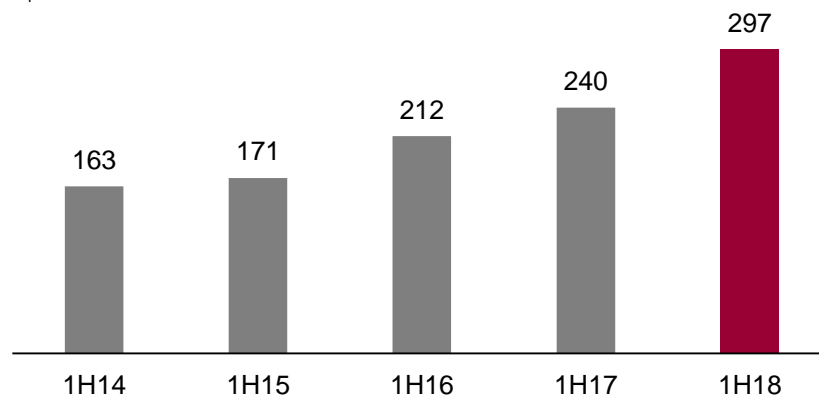
Higher core lease rental contribution¹

US\$ million



Strong NPAT growth

US\$ million



All data as at 30 June 2018

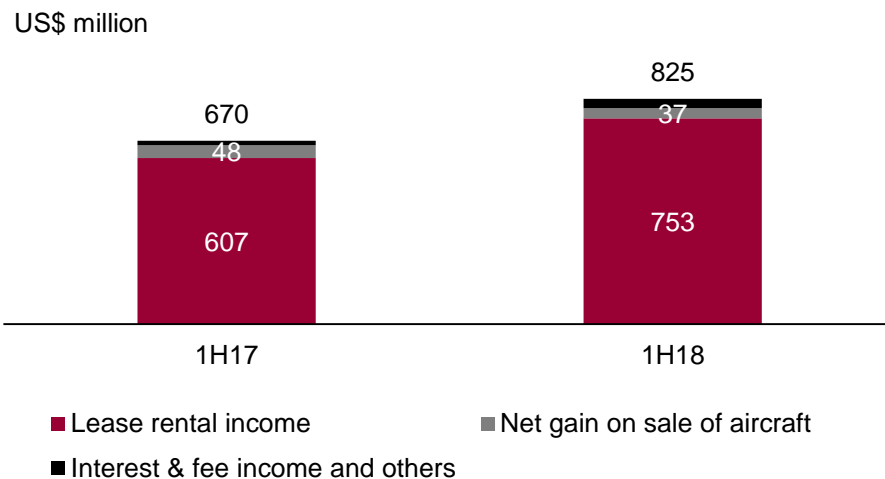
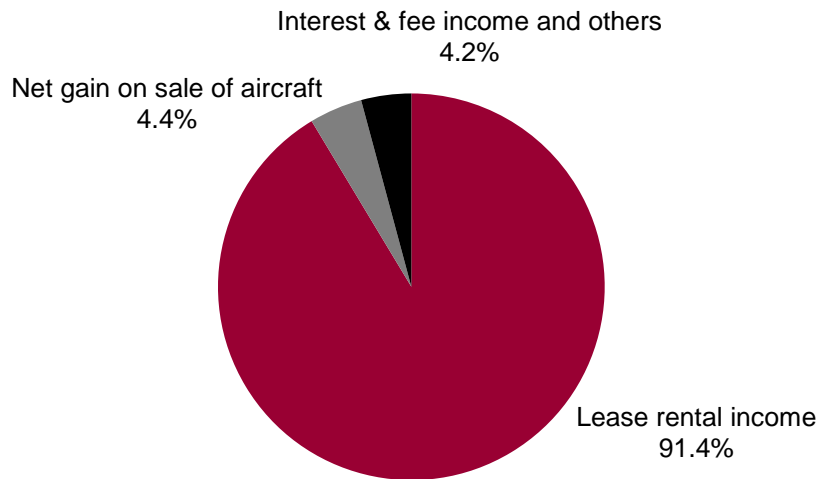
Notes:

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

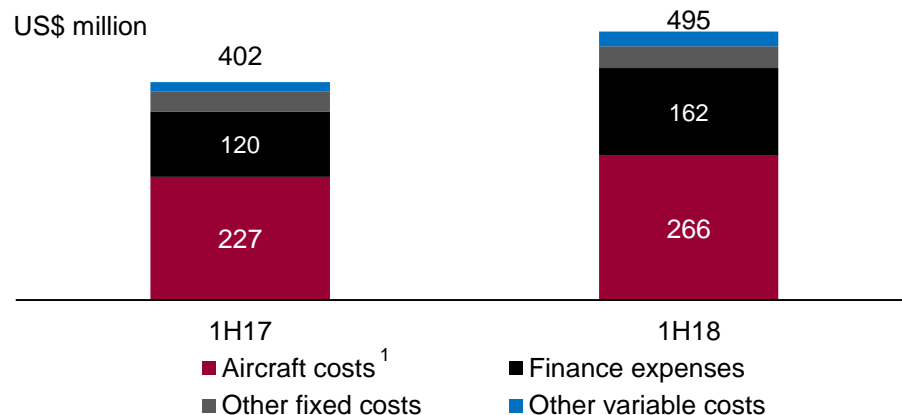
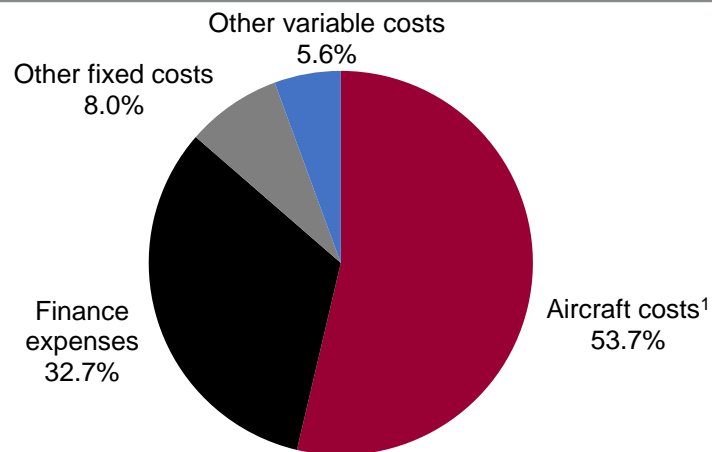


Lease Rental Income Dominates P&L

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 2018

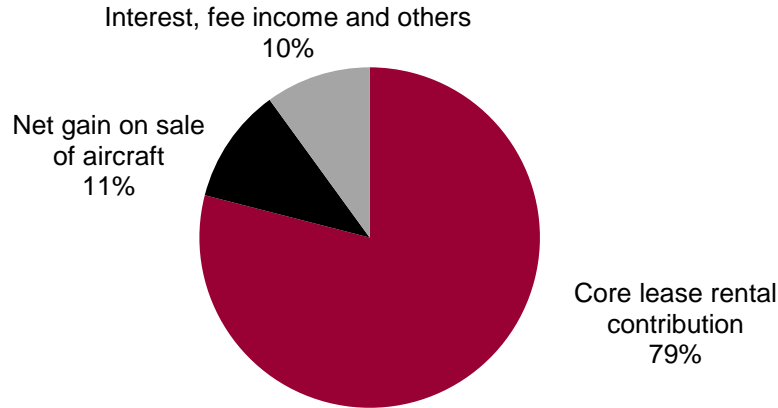
Note:

1. Comprises aircraft depreciation and impairment charges



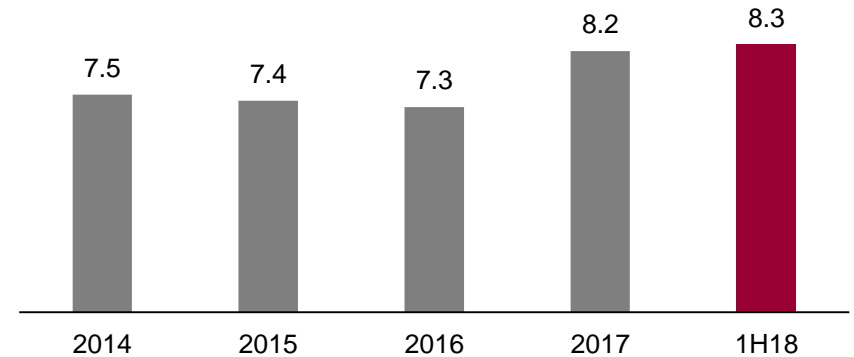
Core Leasing Business Anchors Earnings Growth

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

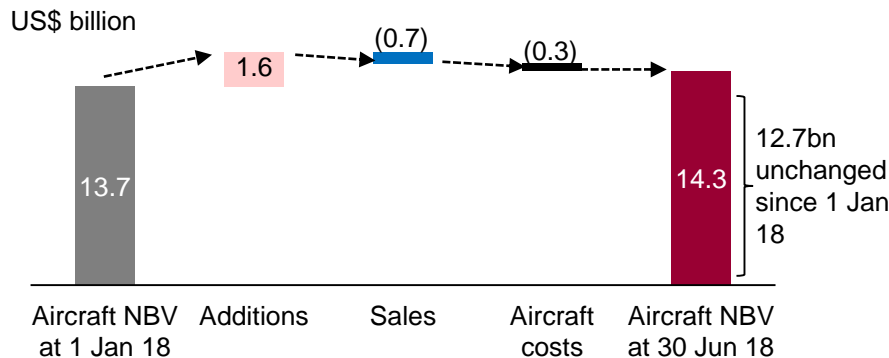


We have a longer average remaining lease term²

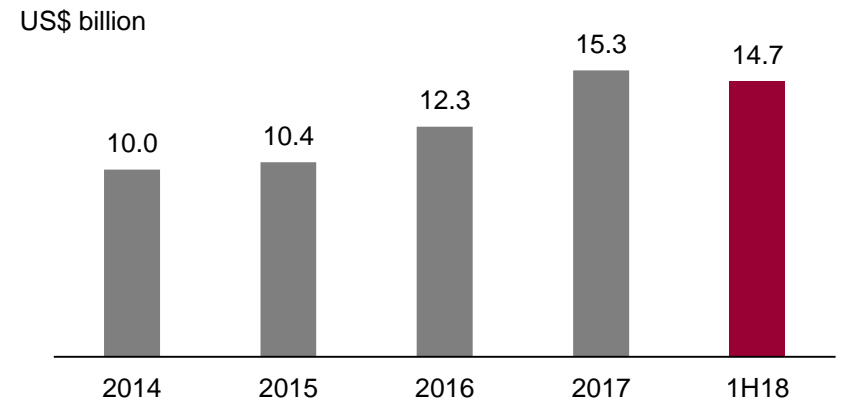
Number of years



...and reflects rising investment in our fleet



... and high future committed lease revenue



All data as at 30 June 2018 unless otherwise indicated

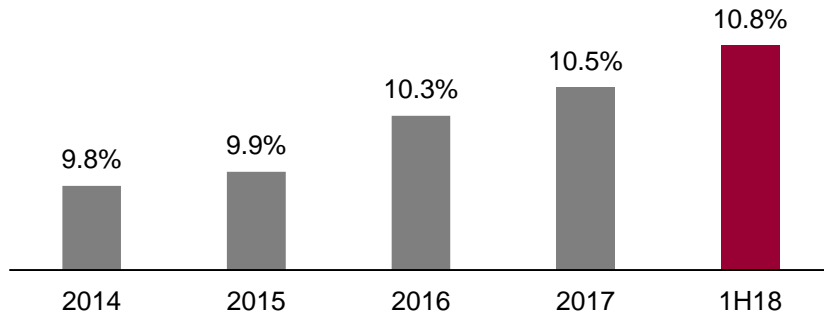
Notes:

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

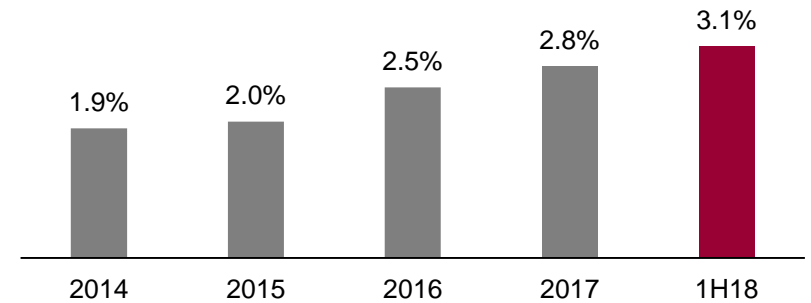


Consistently High Net Lease Yield Drives Profitability

Higher lease rate factor^{1,5} reflects increased proportion of fixed rate leases

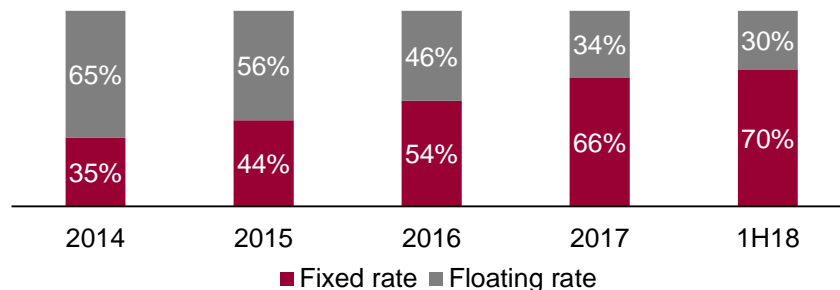


... with a higher proportion of fixed rate debt affecting finance expenses^{3,5}

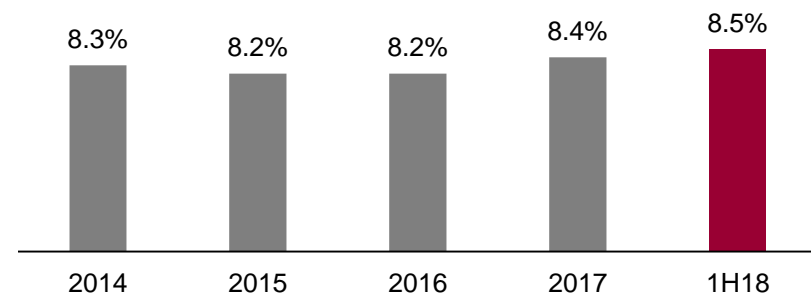


Proportion of fixed rate leases rising steadily²

By net book value



Maintaining net lease yield > 8%^{4,5}



All data as at 30 June 2018

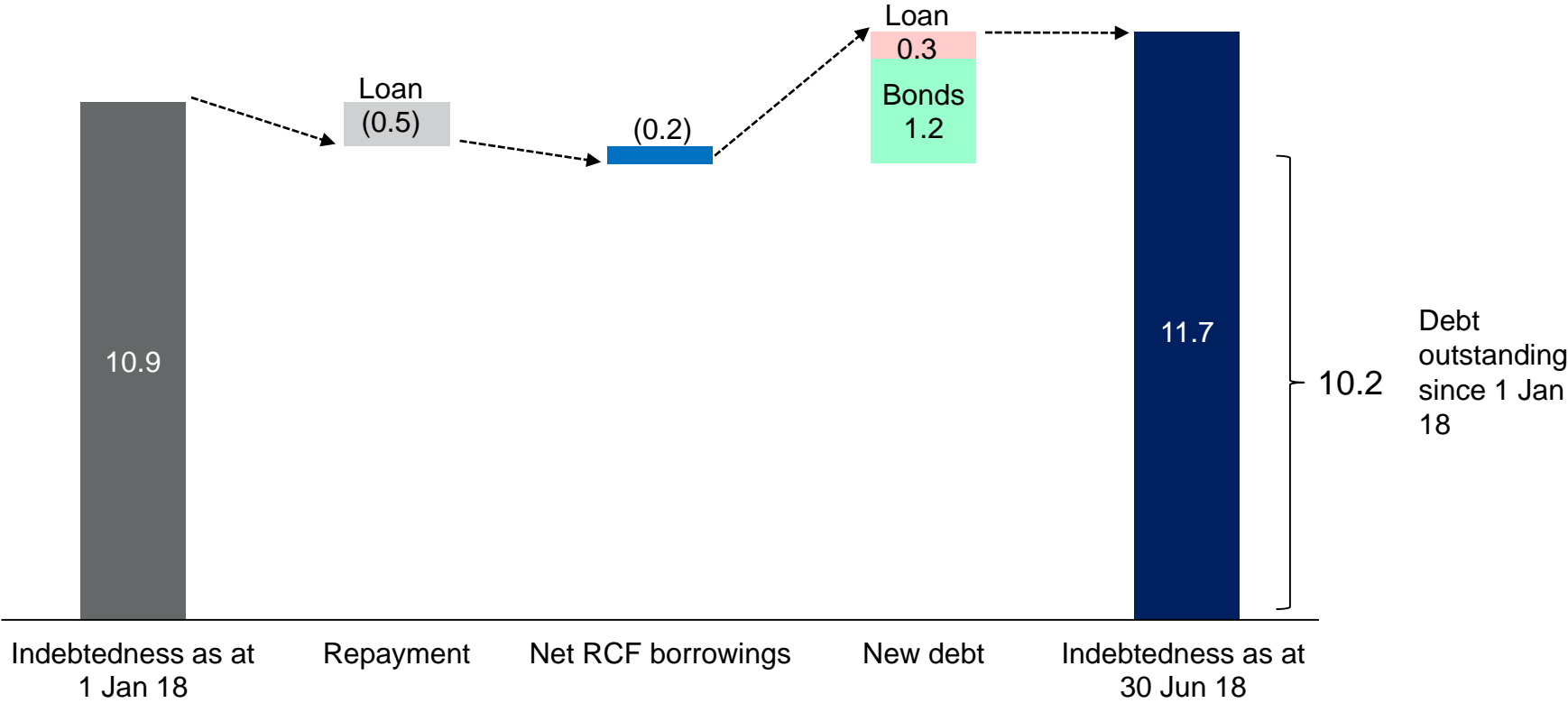
Notes:

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 and excluding aircraft subject to finance lease as well as aircraft off lease
3. 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, revaluations and discounts/premiums to medium term notes
4. Calculated as lease rental income less finance expenses divided by average net book value of aircraft
5. 1H18 calculated on annualised basis



Debt Stability Reduces Finance Expense Volatility

US\$ billion



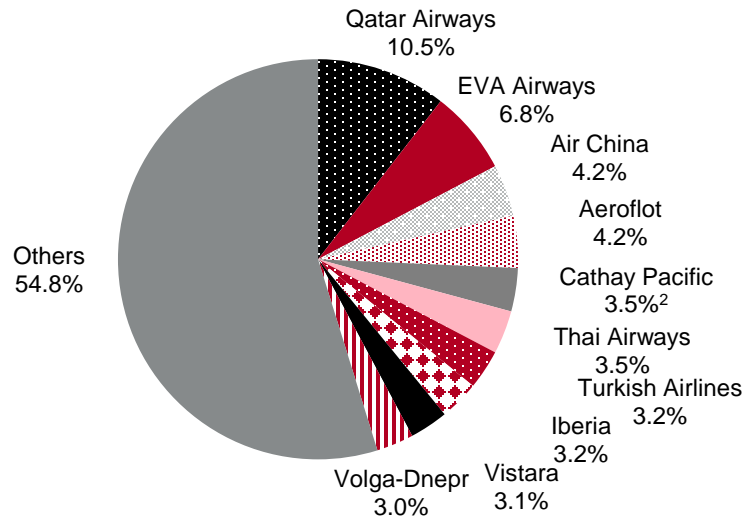
Over 90% of debt unchanged from 1 January 2018

All data as at 30 June 2018

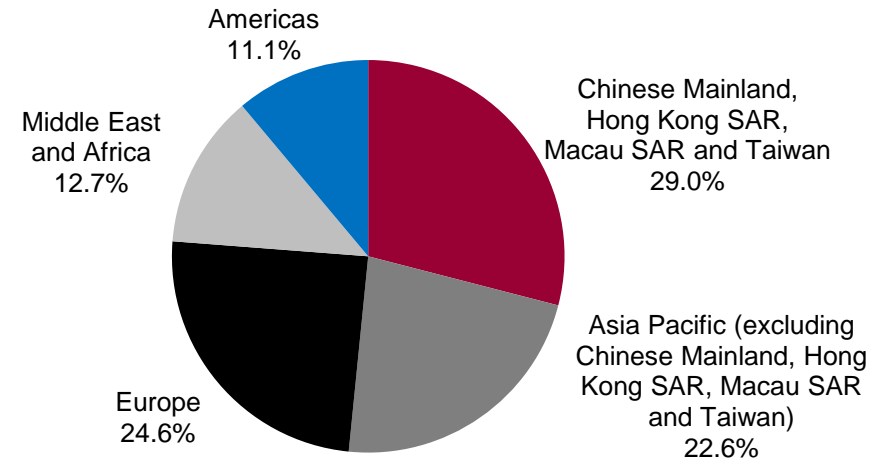


Diversified Portfolio Delivers High Utilization, High Collection Rate

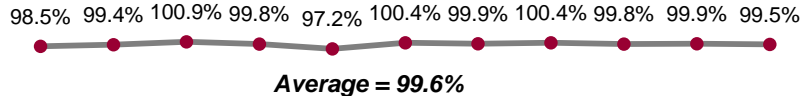
Lease portfolio diversified by customer^{1,3}



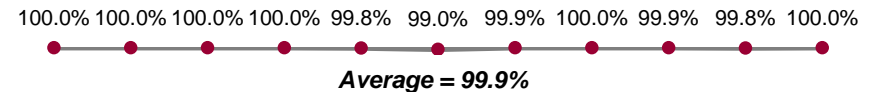
...and diversified by geography^{1,3}



High collection rate



High fleet utilization⁴



All data as at 30 June 2018 unless otherwise indicated

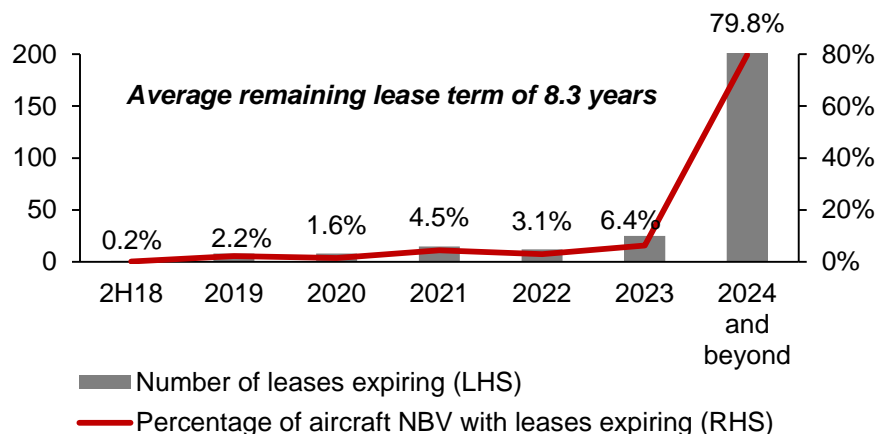
Notes:

1. Based on net book value as at 30 June 2018
2. Includes our leases with Cathay Pacific (Hong Kong) and Cathay Dragon (Hong Kong)
3. 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
4. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period



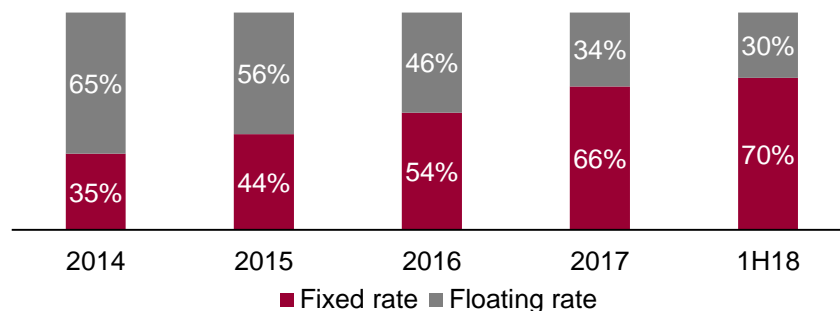
Long-term Contracted USD Cash Flows

Well-dispersed lease expiries¹



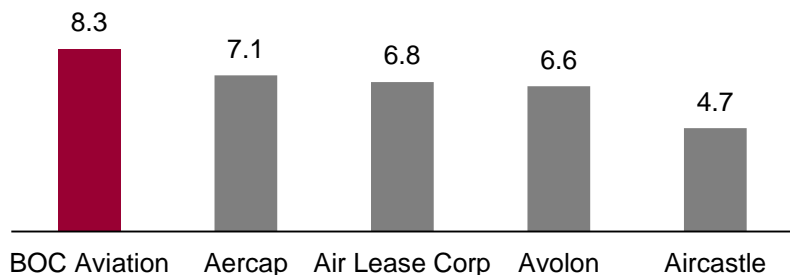
Proportion of fixed rate leases rising steadily³

By net book value



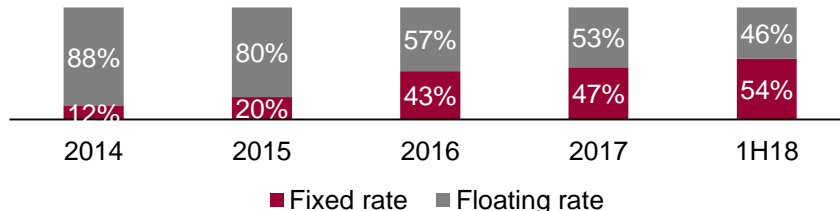
Long average remaining lease term²

Number of years



Proportion of fixed rate debt also rising⁴

- Hedged c.80% 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\$1.8 million based on the lease portfolio, deposits and debt composition as at 30 Jun 18



Source: Respective company websites

All data as at 30 June 2018 unless otherwise indicated

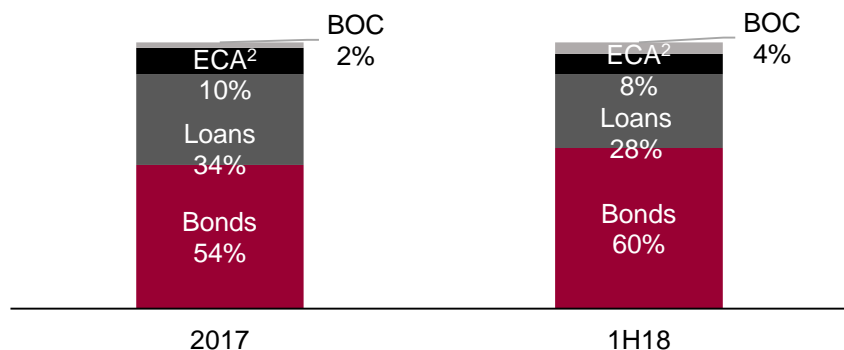
Notes:

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 and excluding aircraft subject to finance lease
2. Weighted by net book value of owned fleet as at 30 June 2018
3. By net book value including aircraft held for sale, as well as excluding aircraft subject to finance lease and aircraft off lease
4. Fixed rate debt included floating rate debt swapped to fixed rate liabilities

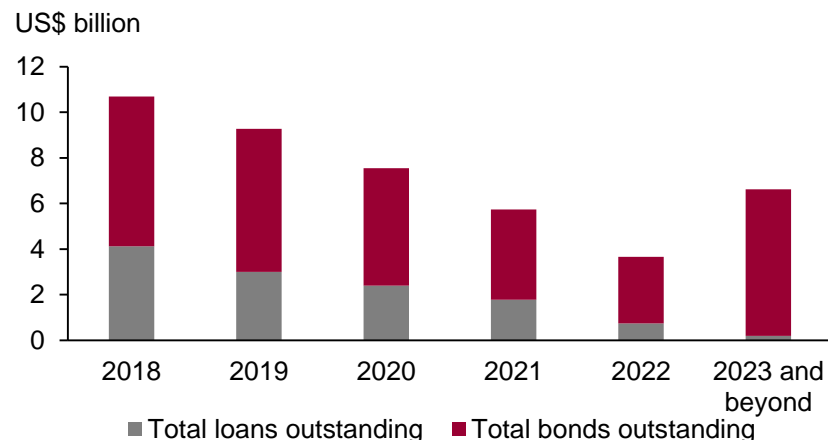


Flexible Capital Structure and Ample Backstop Liquidity

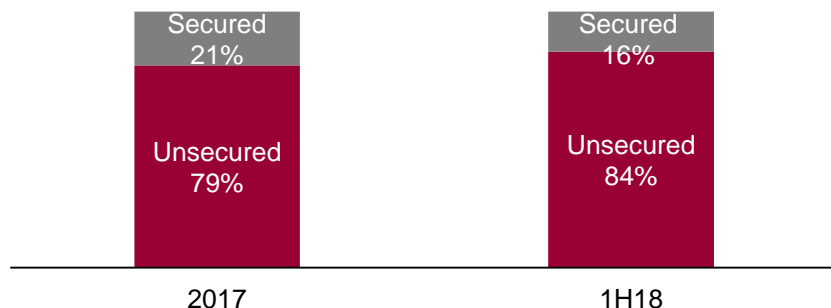
Sources of debt¹



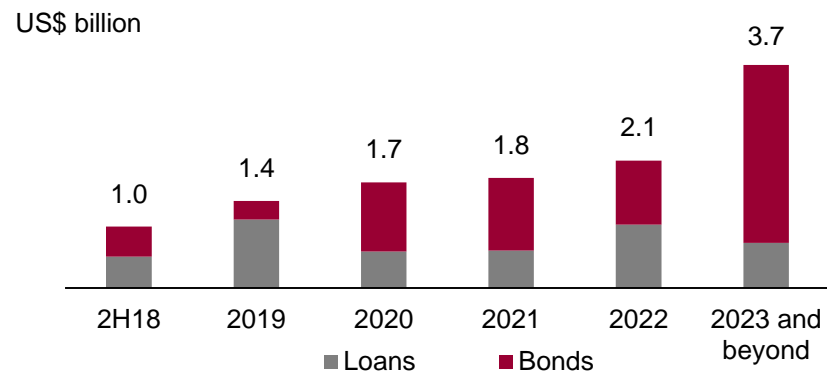
Outstanding debt amortises over a long term



Increasing unsecured funding



Debt repayment by year



Undrawn committed credit lines and cash of US\$3.9 billion

All data as at 30 June 2018 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



Popular and Fuel-Efficient Fleet

Our aircraft portfolio

Aircraft type	Owned aircraft ¹	Managed aircraft	Aircraft on order ²	Total
Airbus A320CEO family	130	11	3	144
Airbus A320NEO family	12	0	58	70
Airbus A330CEO family	12	6	0	18
Airbus A330NEO family	0	0	2	2
Airbus A350 family	6	0	0	6
Boeing 737NG family	106	9	5	120
Boeing 737 MAX family	2	0	82	84
Boeing 777-300ER	21	1	0	22
Boeing 777-300	0	1	0	1
Boeing 787 family	1	0	13	14
Freighters	5	1	0	6
Total	295	29	163	487

All data as at 30 June 2018

Notes:

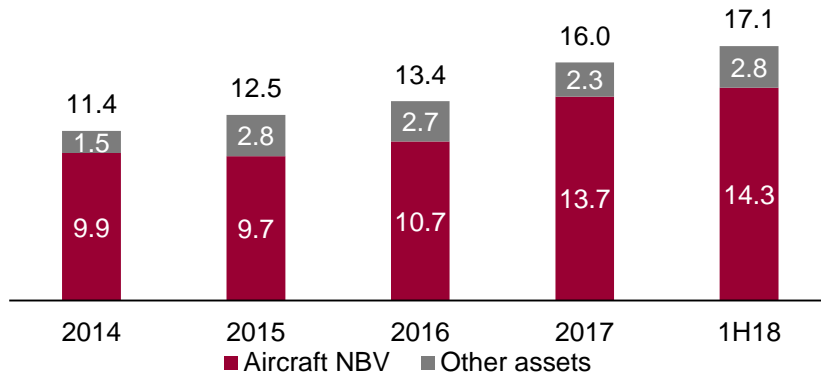
1. Includes one aircraft subject to finance lease
2. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery. Certain airline customers notified us of their intention to acquire on delivery a total of 14 of our aircraft on order, including five scheduled for delivery in the second half of 2018, comprising six Airbus A320NEO family aircraft, two Airbus A330NEO family aircraft and six Boeing 787 family aircraft.



Orderbook Underpins Future Balance Sheet Growth

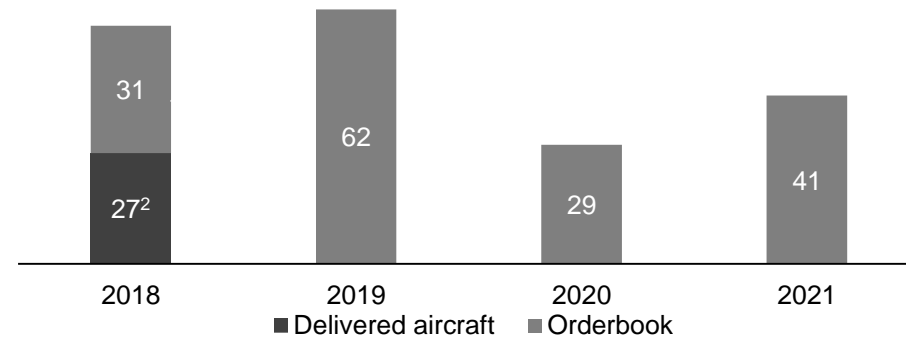
Growing balance sheet

US\$ billion



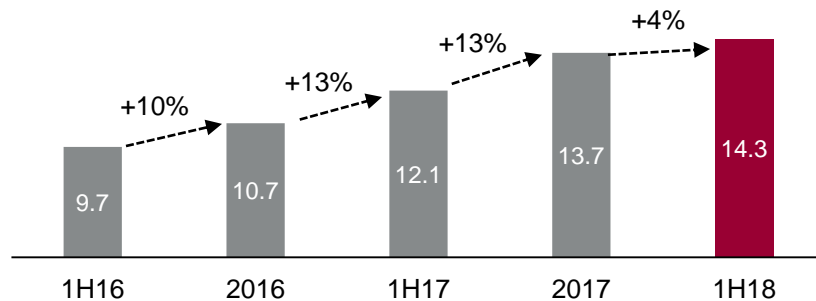
Committed deliveries of 163 aircraft until 2021¹

Number of aircraft



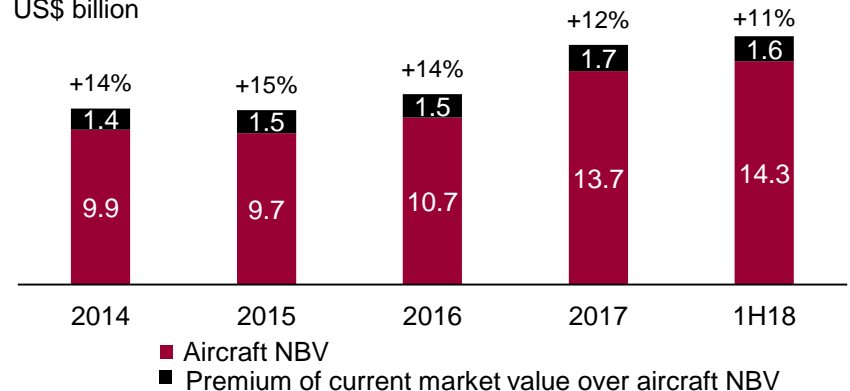
NBV growth since IPO

US\$ billion



Premium over aircraft NBV^{3,4}

US\$ billion



Aircraft net book value grew 18% in the last 12 months

All data as at 30 June 2018 unless otherwise indicated

Notes:

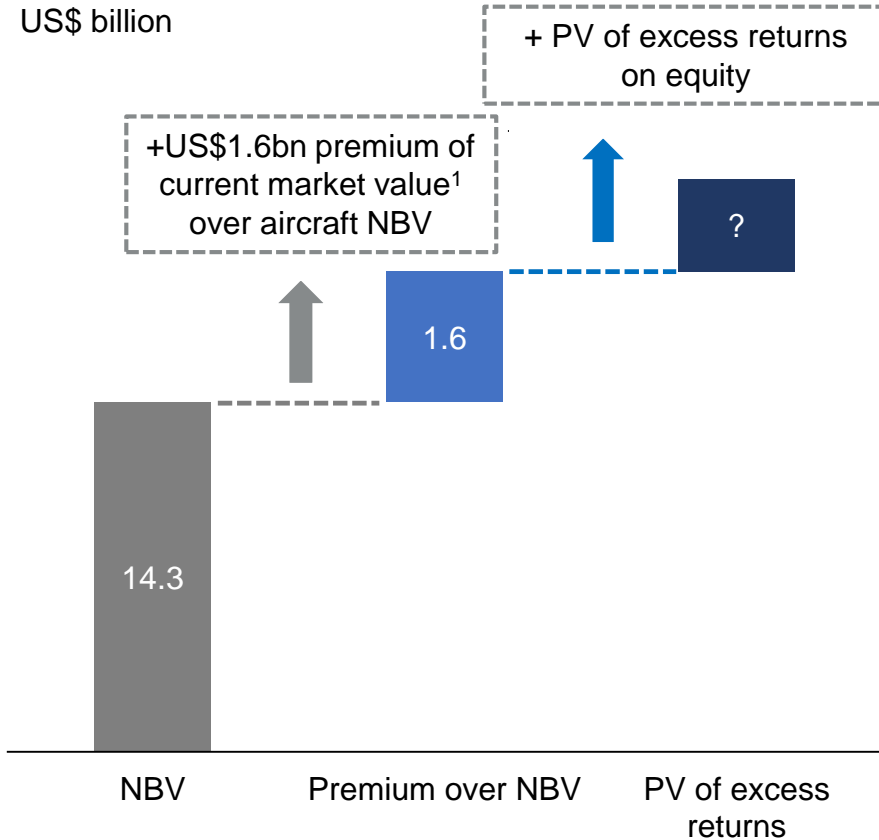
- Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
- Includes one acquired by an airline customer on delivery
- Average of five appraisers
- Percentages refer to premium of appraised current market value over aircraft NBV



Value Driven by Fleet and Committed Lease Revenues

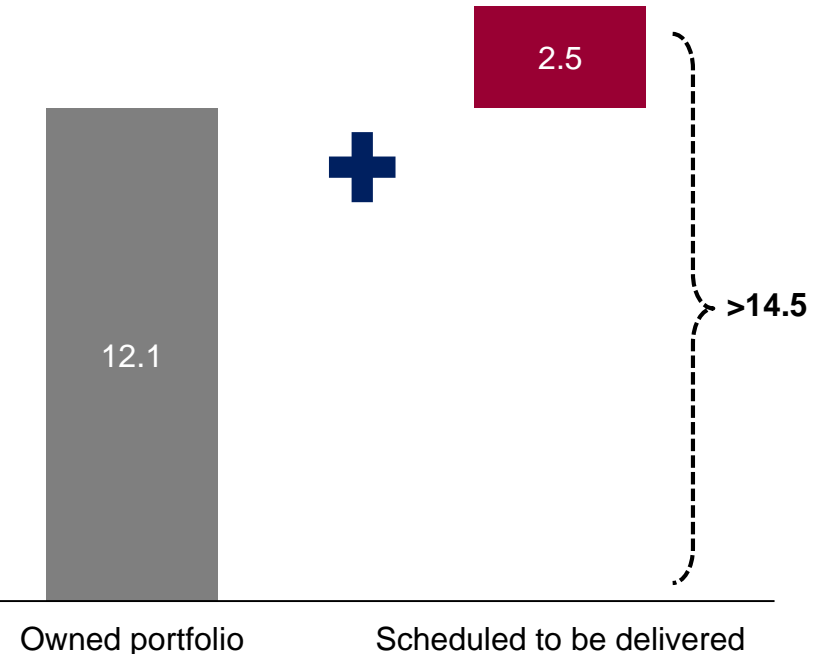
Net book value understates business value

US\$ billion



Committed future revenues of US\$14.7 billion

US\$ billion



Committed future lease revenues underpin value creation

All data as at 30 June 2018

Note:

1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$15.9 billion, on a full-life, current market value basis, which compared with a net book value of US\$14.3 billion



Conclusion

- Another record performance
 - 1H18 NPAT increased 24% to US\$297 million
 - Interim dividend also increased 24% year-on-year to US\$0.1284/share
 - Net assets and earnings per share have grown consistently since our IPO
- Long-term revenue visibility and sustainability
 - Committed lease revenues of approximately US\$15 billion
 - Orderbook of 163 aircraft through 2021 provides future balance sheet growth
- Strong corporate governance and management team
 - Mr. Chen Siqing stepped down after six years of leadership as our Chairman
 - Mr. Liu Qiang was appointed as the new Chairman of our Board of Directors
 - He is also an Executive Vice President of Bank of China
 - Our senior management team has an average industry experience of > 25 years each
 - Mr. Robert Martin has just celebrated his 20th year as the CEO
- 2018 marks another milestone in the Company's history
 - 25th anniversary in November
 - Delivered/scheduled to deliver 58 aircraft

Strong first half: record earnings in a landmark year

All data as at 30 June 2018 unless otherwise indicated





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