



2018 FINAL RESULTS REVIEW

INFORMATION SLIDES

13 MARCH 2019



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2018 OVERVIEW



2018 - A New Milestone

Record 2018 earnings¹

US\$685 million ↑ 24%
Profit before tax

US\$620 million ↑ 6%²
Net profit after tax

US\$0.89 ↑ 6%²
Earnings per share

Driven by:

US\$1,726 million ↑ 23%
Total revenues and other income

US\$623 million ↑ 15%
Core lease rental contribution³

8.3% ↔ -0.1% pt
Net lease yield⁴

Robust balance sheet¹

US\$18.3 billion ↑ 14%
Total assets

US\$4.2 billion ↑ 10%
Total equity

US\$6.05 ↑ 10%
Net assets per share

Higher annual dividend per share

US\$0.3129 ↑ 6%⁶
Total dividend per share⁵

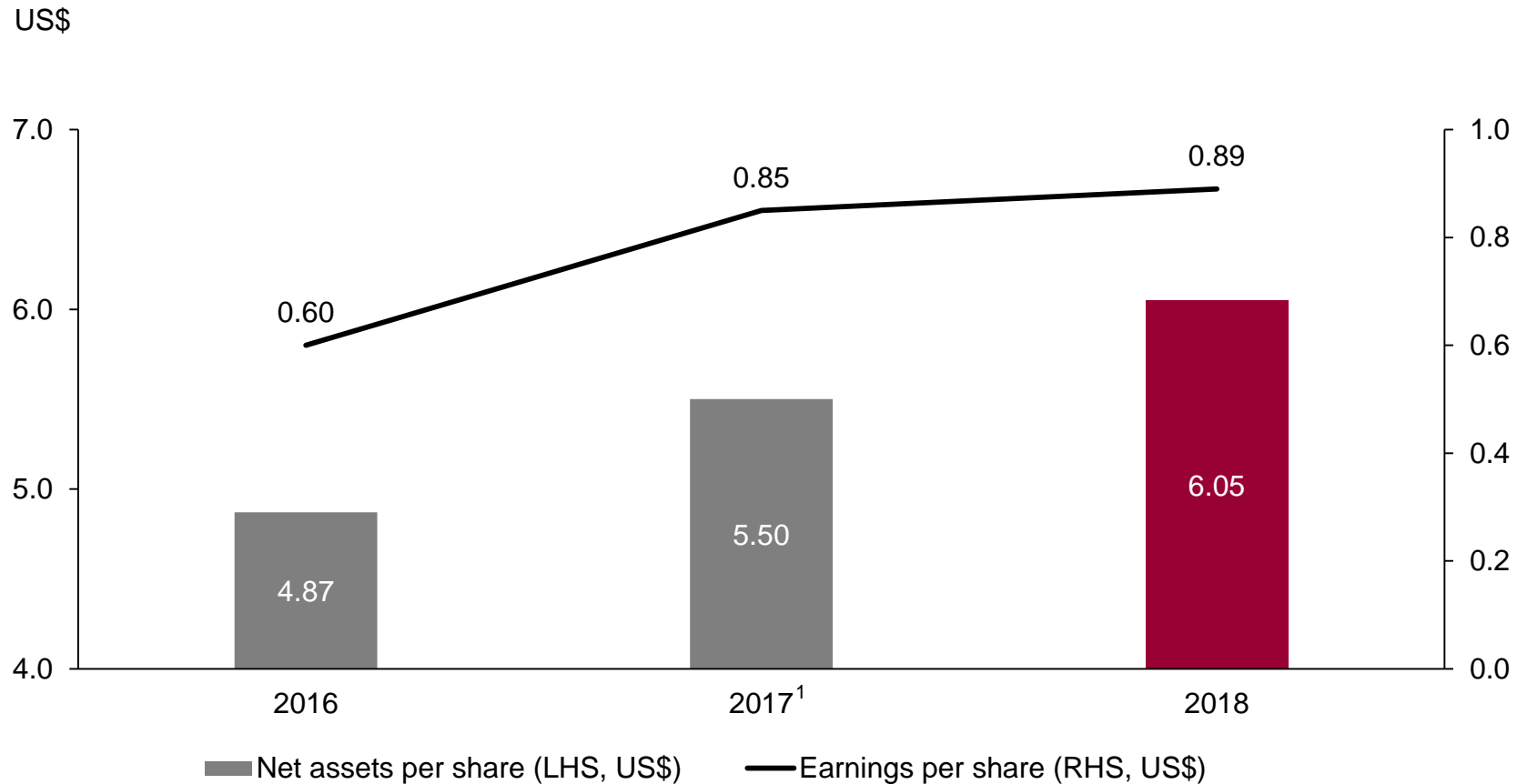
All data as at 31 December 2018

Notes:

1. Compared to FY2017 or as at 31 December 2017
2. 2017 comparison includes one-off US\$91m tax adjustments in the USA
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. Includes interim dividend of US\$0.1284 per share paid on 5 October 2018. The final dividend of US\$0.1845 per share will be payable to shareholders registered at the close of business on the record date, being 6 June 2019
6. US\$0.3129 in 2018 compared to US\$0.2958 paid for 2017



Steady Increase in Net Assets and Earnings Per Share



22% EPS CAGR since IPO

All data as at the end of the relevant period

Note:

1. 2017 comparison includes one-off US\$91m tax adjustments in the USA



25 Years of Success

- Company celebrated our 25th anniversary in November 2018
- New Chairman Sun Yu joined the Board in February 2019
- Largest aircraft operating lessor headquartered in Asia
 - Listed on HKEX on 1 June 2016
 - Market capitalisation increased 38% to US\$5.1 billion as at end-2018 vs US\$3.8 billion at IPO¹
- Leading industry indicators
 - Young fleet age of 3.0 years²
 - Long average lease term of 8.3 years²
 - Low cost of funds
- The longest serving CEO in the same operating lease company
 - Robert Martin's 21st year as CEO
- Highest credit ratings of A- amongst aircraft operating lessors

A top 5 global aircraft lessor today

All data as at 31 December 2018 unless otherwise indicated

Notes:

1. Source: Bloomberg
2. Weighted by net book value of owned fleet



A Robust Performance in 2018

- Ended 2018 with total fleet of 511 comprising 303 owned, 25 managed and 183 on order
 - Portfolio utilization of 99.9%
 - Cash collection rate of 100%
 - CAPEX of US\$4.1 billion
- Took delivery of 55 aircraft¹
 - Added 17 new airline customers
- Signed 92 lease commitments
- Sold 41 aircraft
 - 34 owned, seven managed
- A very busy 2H18 - Took delivery of 28 aircraft² - more than one per week
- Total future committed CAPEX of c.US\$9.2 billion

2018 ended on strong momentum

All data as at 31 December 2018 unless otherwise indicated
Notes:

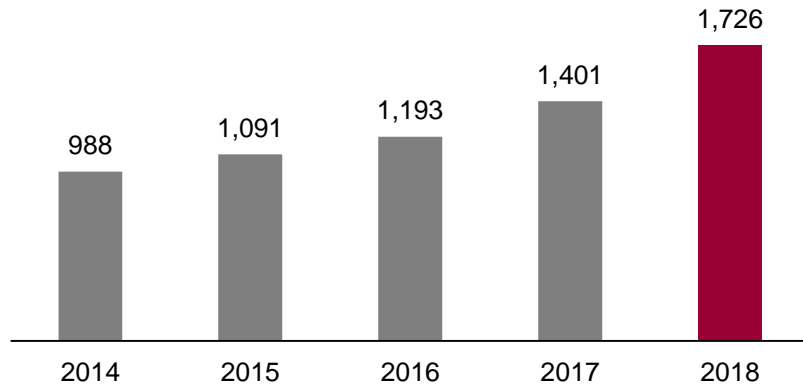
1. Including five acquired by airline customers on delivery
2. Including four acquired by airline customers on delivery



Record NPAT

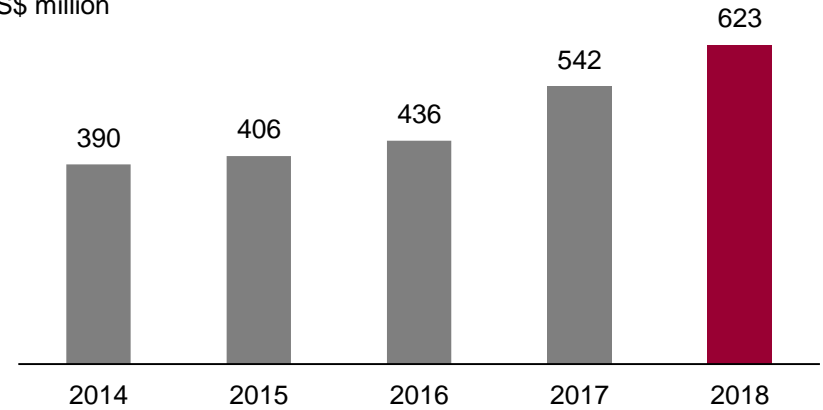
Fleet growth underpins lift in revenues

US\$ million



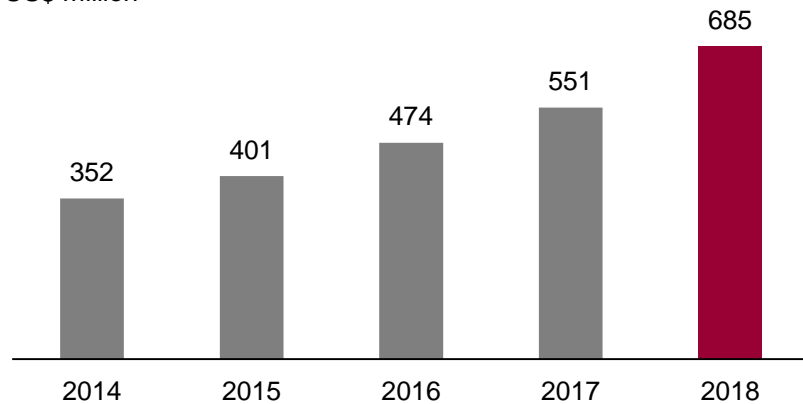
Steadily increasing core lease rental contribution¹

US\$ million



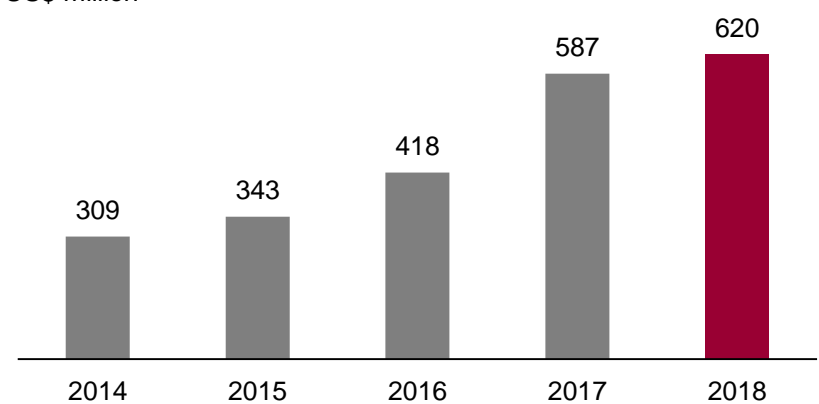
Strong PBT Growth

US\$ million



Robust NPAT performance¹

US\$ million



All data as at 31 December 2018

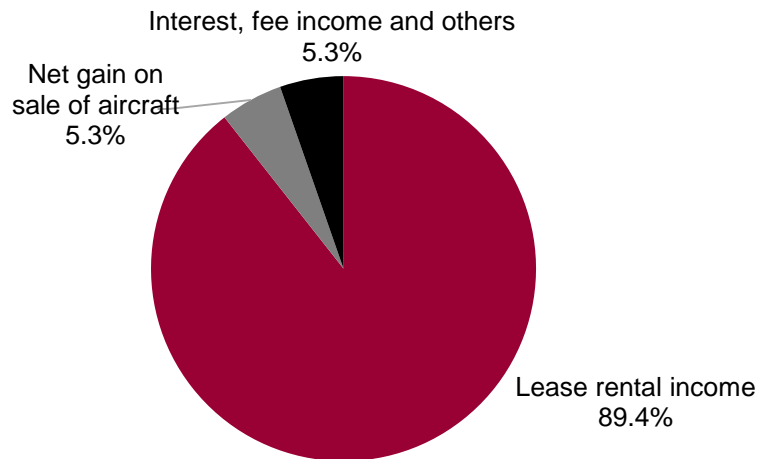
Note:

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

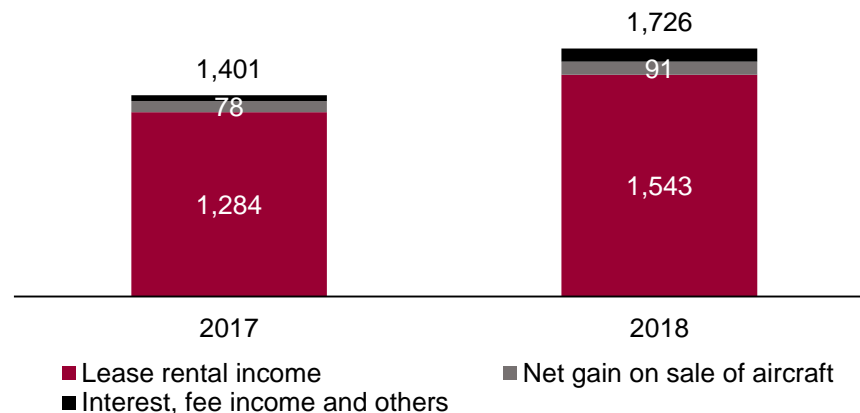


Lease Rental Income Continues to Dominate Revenue

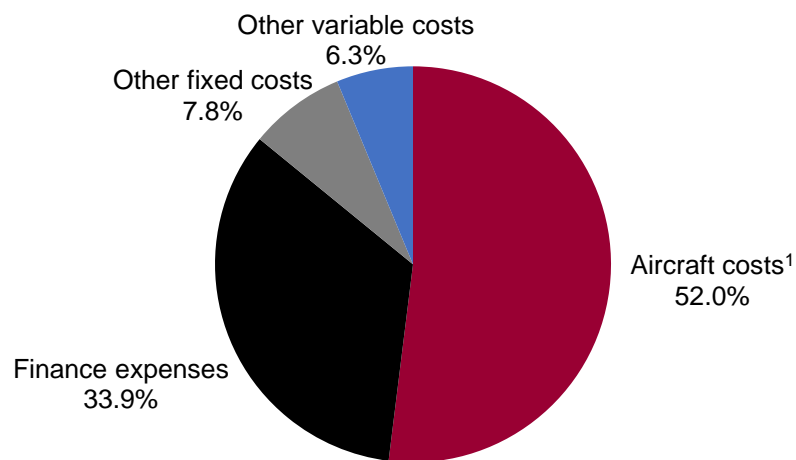
Lease rental income consistently c.90% of total revenue and other income



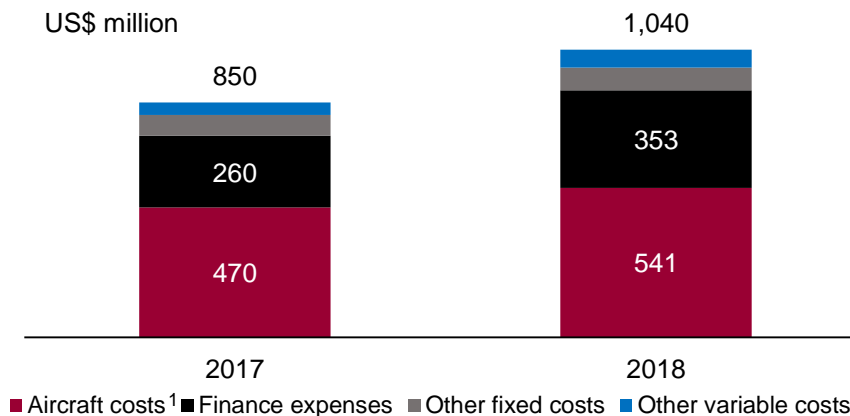
US\$ million



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



US\$ million



All data as at 31 December 2018

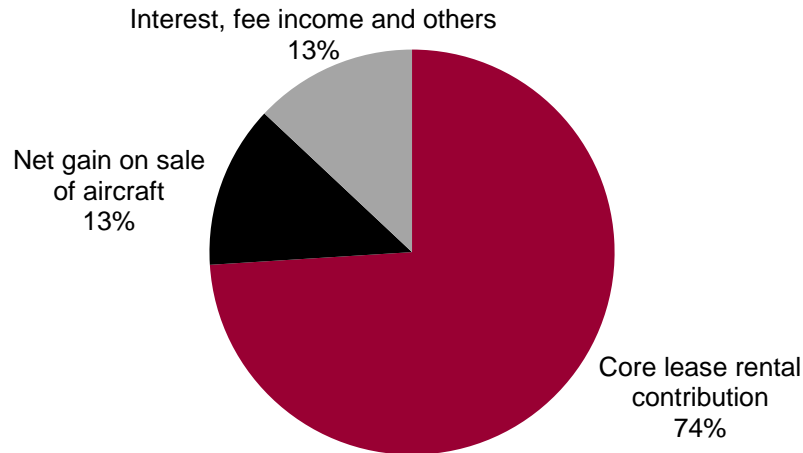
Note:

1. Comprises aircraft depreciation and impairment charges



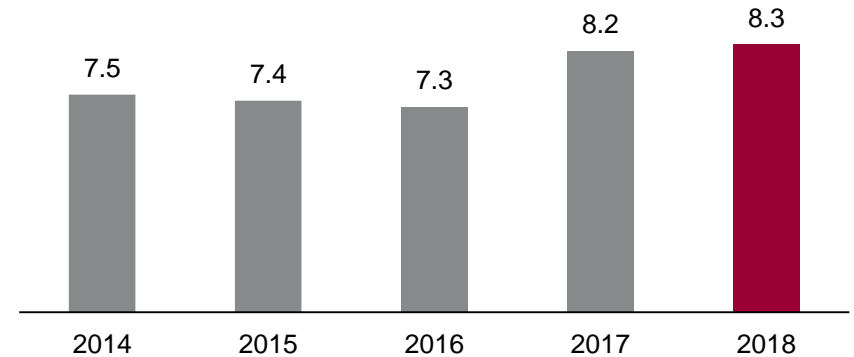
Core Leasing Business Supports Earnings Growth

c.75% of PBT is from core lease rental contribution¹

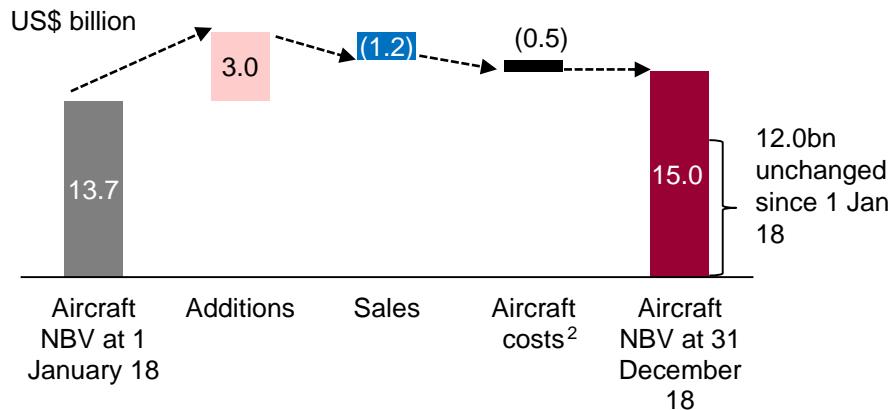


We have a longer average remaining lease term³

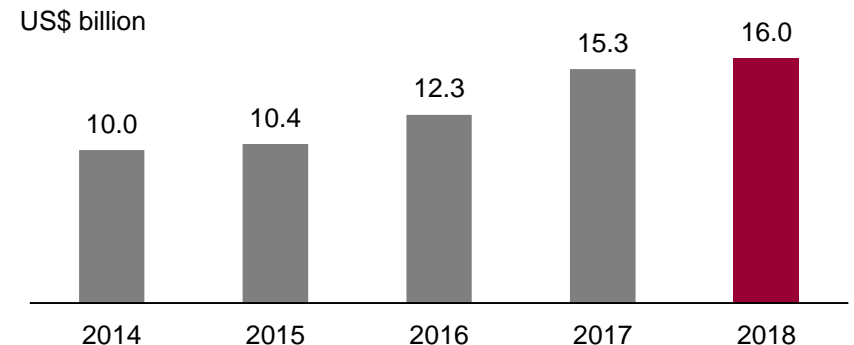
Number of years



...and reflects rising investment in our fleet



... and high future committed lease revenue



All data as at 31 December 2018 unless otherwise indicated

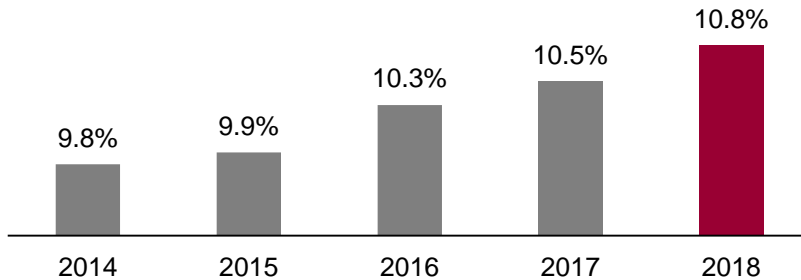
Notes:

1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
2. Comprises aircraft depreciation and impairment charges
3. Weighted by net book value of owned fleet

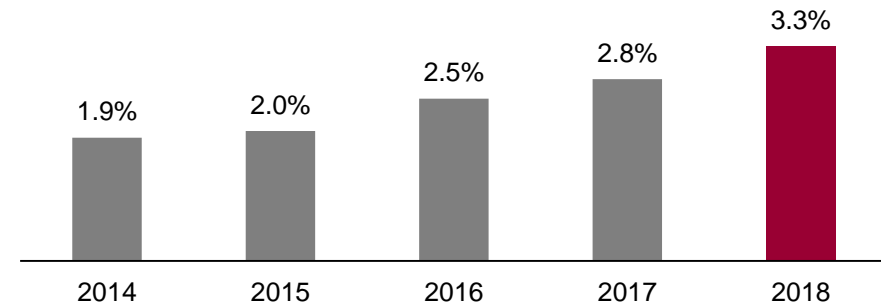


Consistent Net Lease Yield Drives Profitability

Higher lease rate factor¹ reflects increased proportion of fixed rate leases

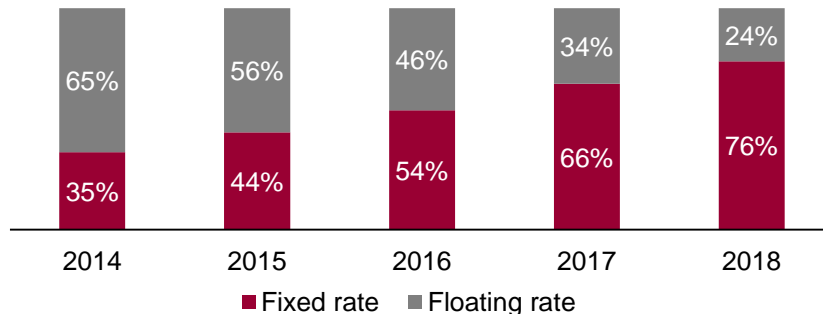


... with a higher share of fixed rate debt and higher base rates affecting finance expenses³

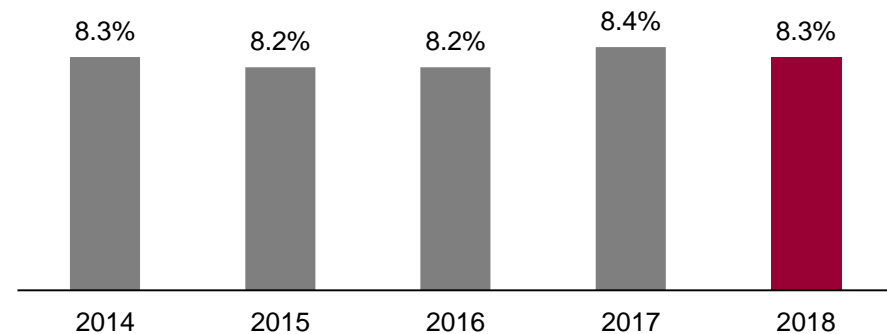


Proportion of fixed rate leases rising steadily²

By net book value



Maintaining net lease yield > 8%⁴



All data as at 31 December 2018

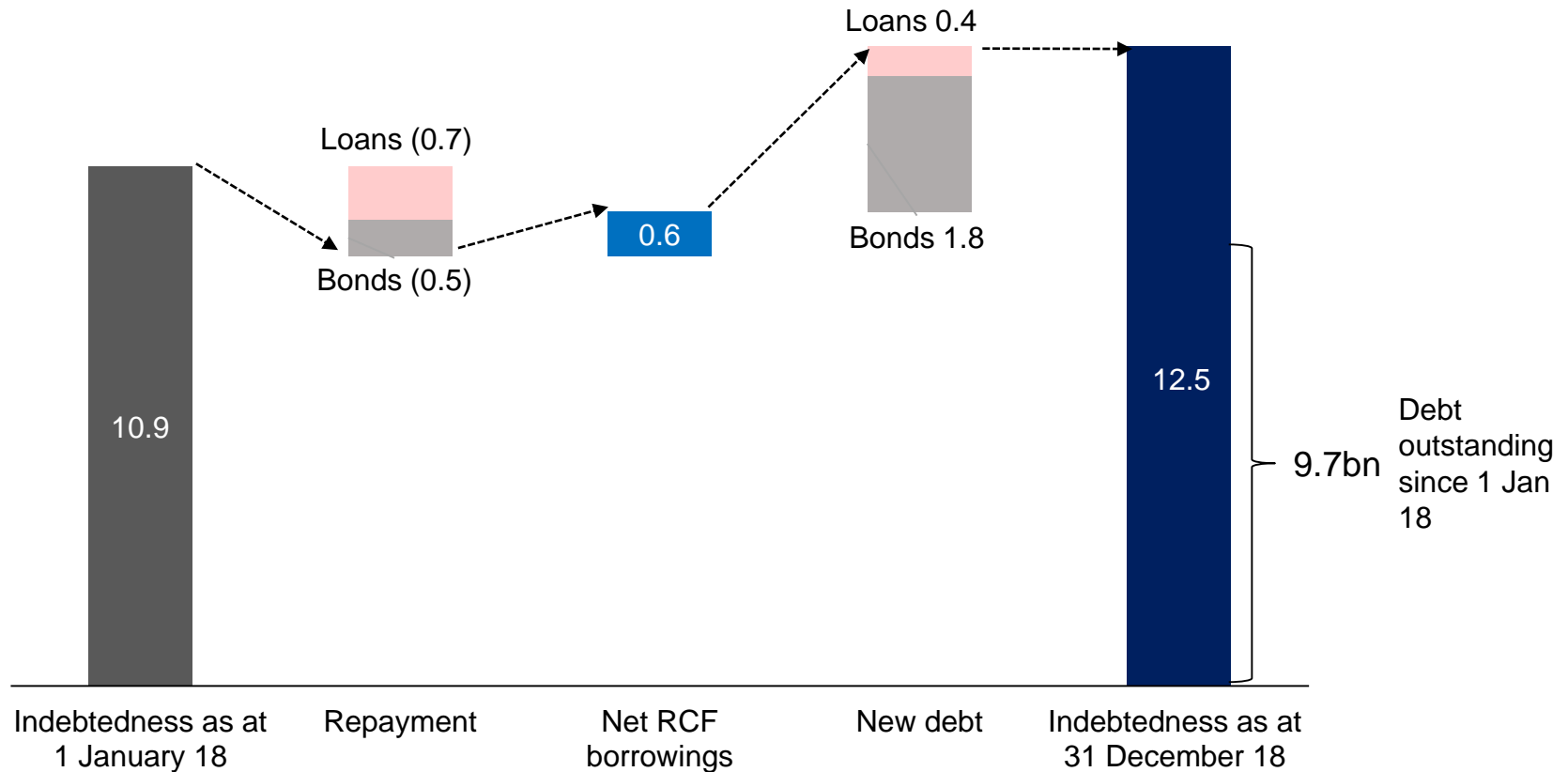
Notes:

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



Stable Debt Structure Limits Interest Rate Effects

US\$ billion

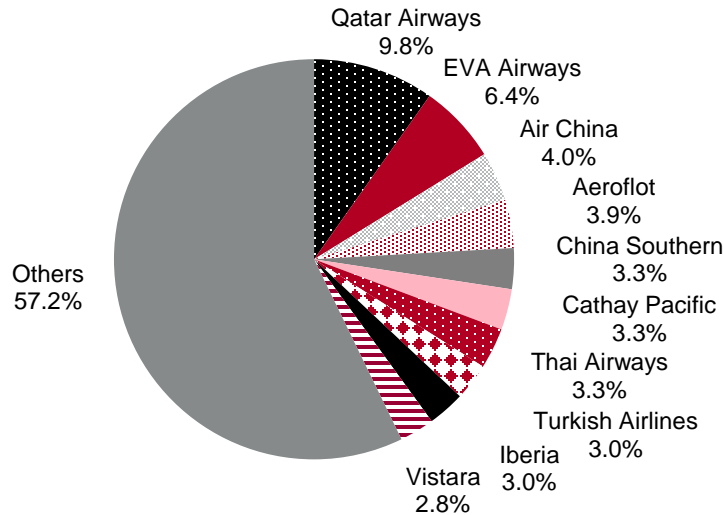


Close to 80% of debt unchanged from 1 January 2018

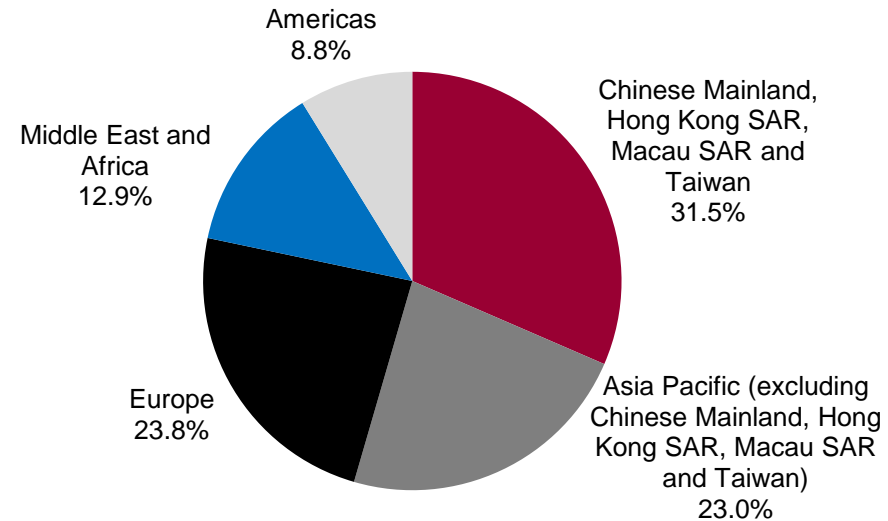


Diversified Portfolio Delivers High Utilization, High Collection Rate

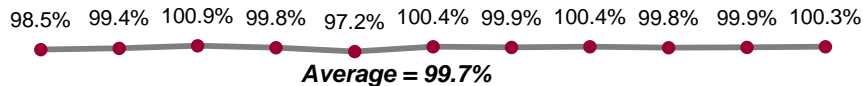
Lease portfolio diversified by customer^{1,2,3}



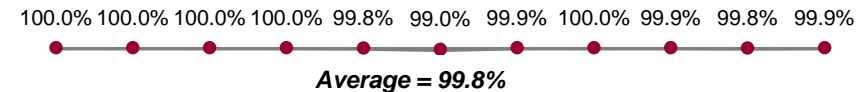
...and diversified by geography^{1,3}



High collection rate



High fleet utilization⁴



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

All data as at 31 December 2018 unless otherwise indicated

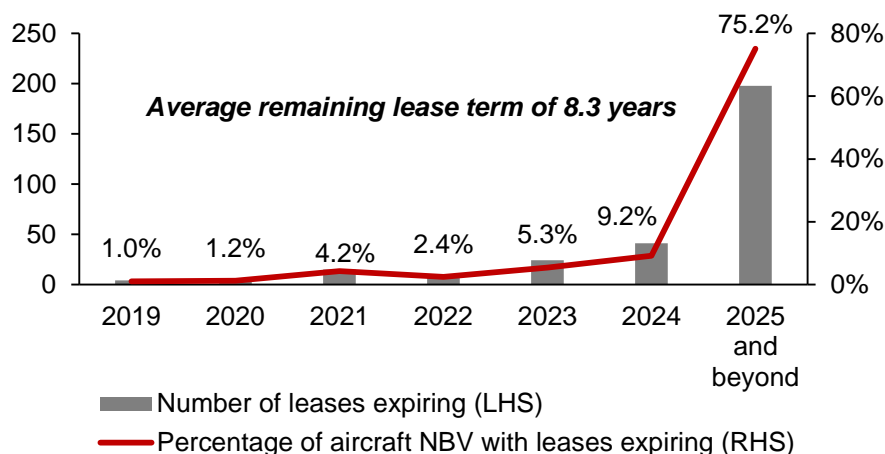
Notes:

1. Based on net book value as at 31 December 2018
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. Excludes two Airbus A320 aircraft off lease as at 31 December 2018 which were delivered to a customer in Americas in January 2019
4. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period



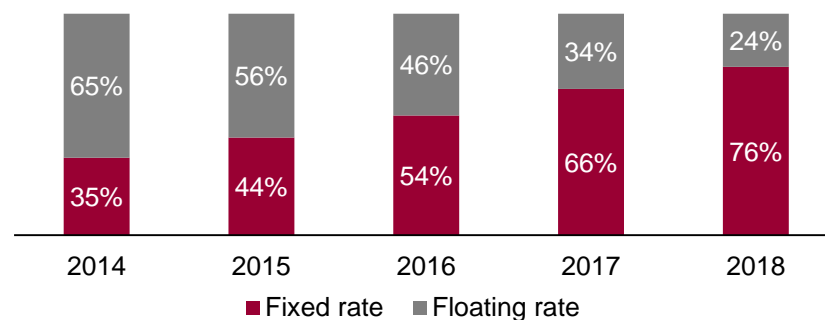
Long-term Contracted USD Leases

Well-dispersed lease expiries¹



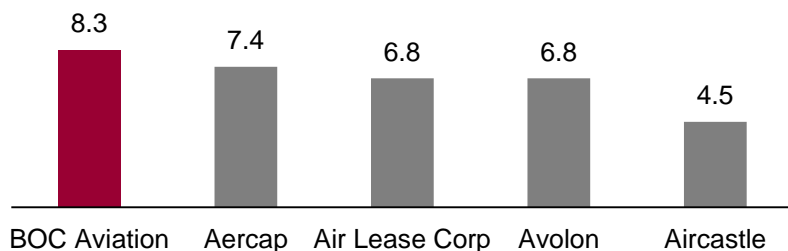
Proportion of fixed rate leases rising steadily³

By net book value



Long average remaining lease term²

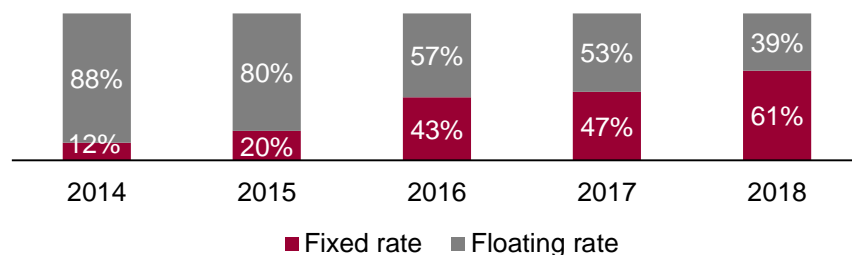
Number of years



Source: Respective company websites

Proportion of fixed rate debt also rising⁴

• Hedged c.80% of mismatched interest rate exposure



All data as at 31 December 2018 unless otherwise indicated

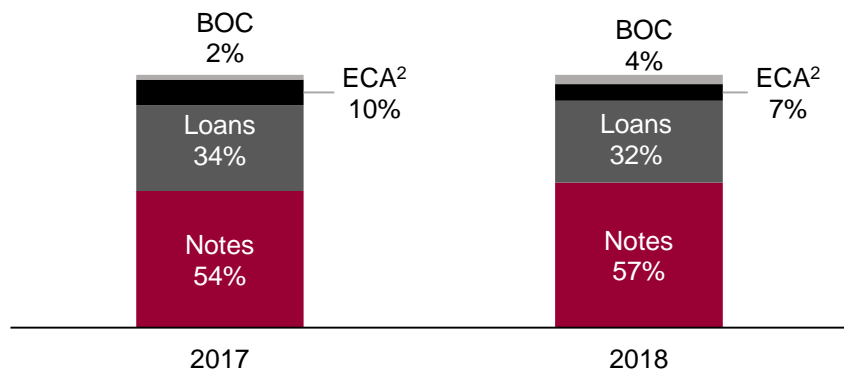
Notes:

- 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 aircraft off lease as at 31 December 2018
- Weighted by net book value of owned fleet
- By net book value including aircraft held for sale and excluding aircraft subject to finance lease as well as aircraft off lease
- Fixed rate debt included floating rate debt swapped to fixed rate liabilities

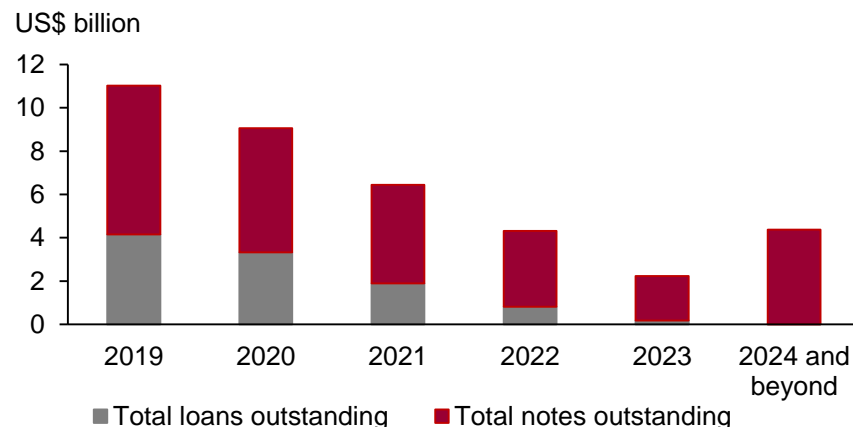


Flexible Capital Structure and Ample Backstop Liquidity

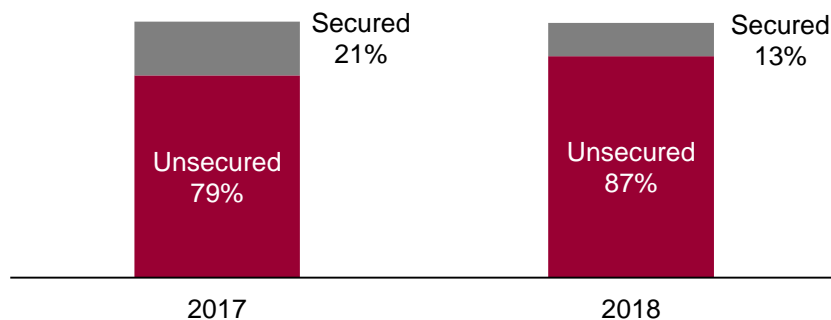
Sources of debt¹



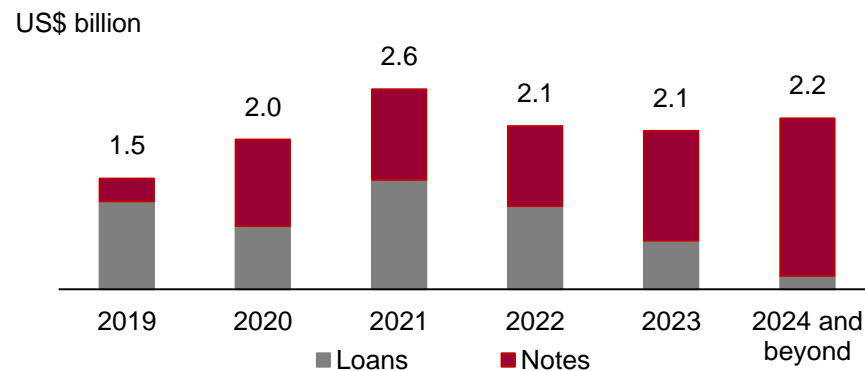
Outstanding debt amortises over a long term



Increasing unsecured funding



Debt repayment by year



Undrawn committed credit lines and cash of US\$3.8 billion at year end

All data as at 31 December 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	Managed aircraft	Aircraft on order ¹	Total
Airbus A320CEO family	130	8	0	138
Airbus A320NEO family	24	0	62	86
Airbus A330CEO family	12	4	0	16
Airbus A330NEO family	0	0	12	12
Airbus A350 family	6	0	2	8
Boeing 737NG family	98	8	2	108
Boeing 737 MAX family	5	0	90	95
Boeing 777-300ER	19	3	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	4	0	12	16
Freighters	5	1	0	6
Total	303	25	183	511

All data as at 31 December 2018

Note:

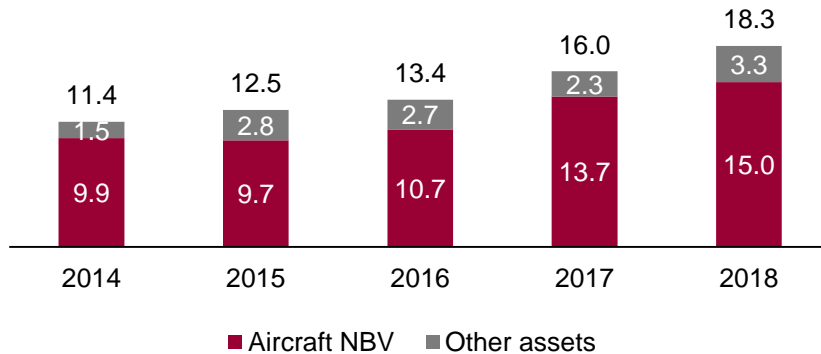
1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery



Orderbook Underpins Future Balance Sheet Growth

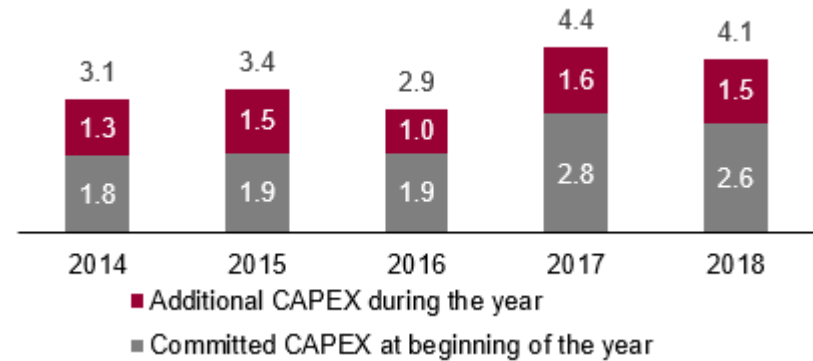
Growing balance sheet

US\$ billion



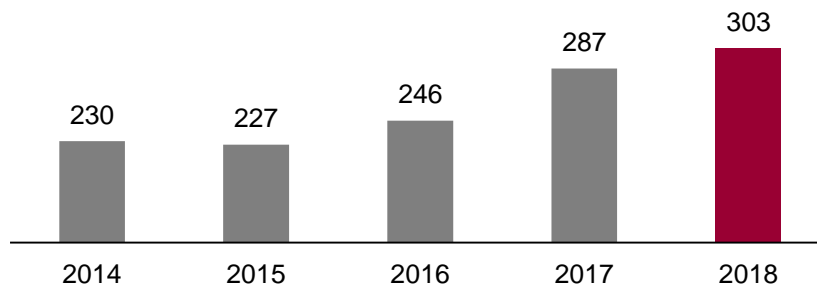
Average annual CAPEX of around US\$4 bn since IPO

US\$ billion



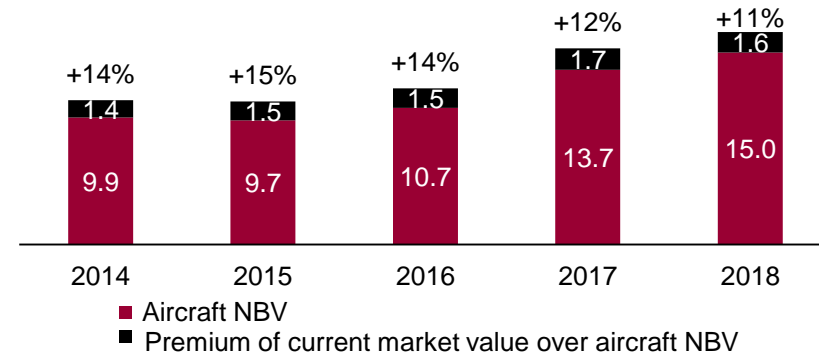
Expanding fleet size

Number of owned aircraft



Premium over aircraft NBV^{1,2}

US\$ billion



Aircraft net book value grew 40% since 2016

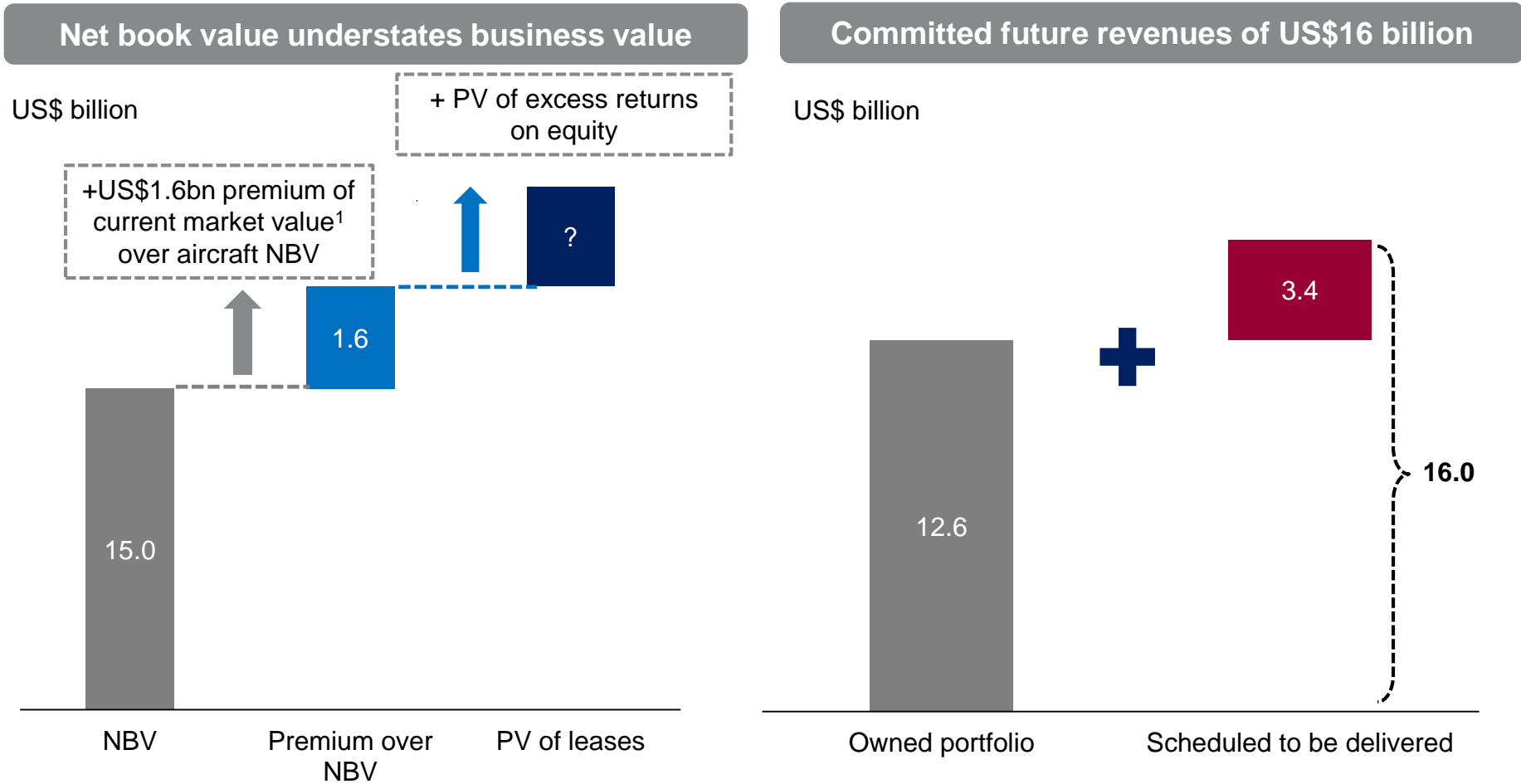
All data as at 31 December 2018 unless otherwise indicated

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



Committed future lease revenues underpin value creation

All data as at 31 December 2018

Note:

1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$16.6 billion, on a full-life, current market value basis, which compared with a net book value of US\$15.0 billion



Conclusion

- Another stellar year
 - FY2018 PBT up 24%
 - NPAT increased 6% to US\$620 million
 - ROE of 15.5% - above 12-years average of 15%
 - Dividend payout ratio maintained at 35% of full year NPAT
 - Total annual dividends of US\$0.3129/share
- High liquidity, long-term revenue visibility and sustainability
 - Committed lease revenues increased to US\$16 billion
 - Orderbook of 183 aircraft provides future balance sheet growth
 - Available liquidity of US\$3.8 billion at year end to support future investment
- Strong operations
 - 100% cash collection rate and 99.9% fleet utilization rate
 - Robust asset-liability management minimizes impact of interest rate movements
- Positive outlook
 - 2019 expected to be the airline industry's 10th consecutive year of above trend passenger demand growth¹
 - 79 aircraft scheduled to be delivered to BOC Aviation in 2019²

2018: Record earnings in a landmark year

All data as at 31 December 2018 unless otherwise indicated

Notes:

1. IATA
2. Certain airline customers have notified us of their intention to acquire on delivery a total of 18 of our aircraft scheduled for delivery in 2019





www.bocaviation.com