

BOC Aviation Investor Presentation

DECEMBER 2023

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Recent Developments



STRONG ASSET QUALITY

- 681 aircraft owned, managed and on order¹
- 4.8 years² average fleet age; 7.8 years² average remaining lease term
- >99% aircraft utilisation rate



PROACTIVE INVESTMENT STRATEGY

- Took delivery of 27 in 9M (including one acquired by an airline customer on delivery)
- Signed 169 lease commitments Sep YTD
- Committed to acquire 64 aircraft in first 9M



FUTURE GROWTH

- Since 1 July, announced transactions with:
 - IndiGo for 10 A320NEO aircraft
 - JetBlue for seven A321NEO and 13 A220-300 aircraft,
 - Cathay Pacific for nine A321NEO aircraft
 - American Airlines for eight B737-8 and two B787-9 aircraft
- 30 of these are scheduled to close in 2023, 10 in 2024 and remaining nine after 2025



ROBUST LIQUIDITY

- More than US\$5 billion of available liquidity³
- Additional US\$650 million of 5Y bonds raised in November at yield of less than 6%
- US\$208 million cash in Russian insurance settlement received in early November
- Covers future investment and maturing liabilities



STRONG CREDIT RATINGS

- A- by S&P Global Ratings
- A- by Fitch Ratings
- Both reaffirmed ratings and outlook in 2Q 2023



EXPERIENCED MANAGEMENT AND OWNERSHIP

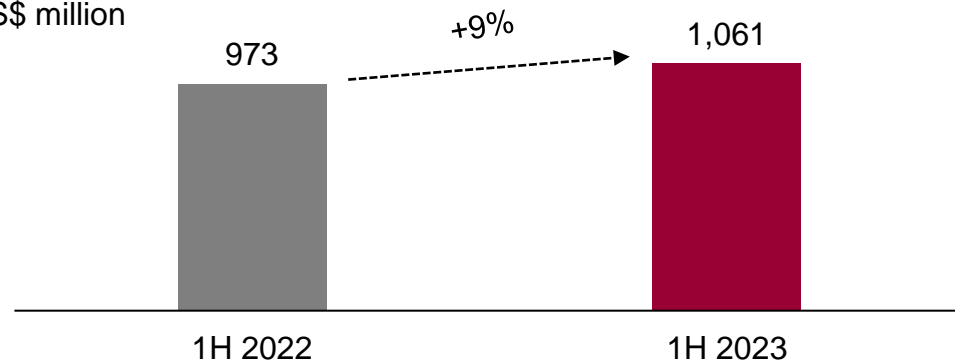
- Experienced management team successfully managed through multiple cycles
- Steven Townend appointed as MD & CEO from 1 Jan 2024, succeeding Robert Martin
- President of BOC appointed as Chairman in April 2023
- Bank of China provides ongoing support

Long-term sustainable growth

1H 2023: Returning to Growth

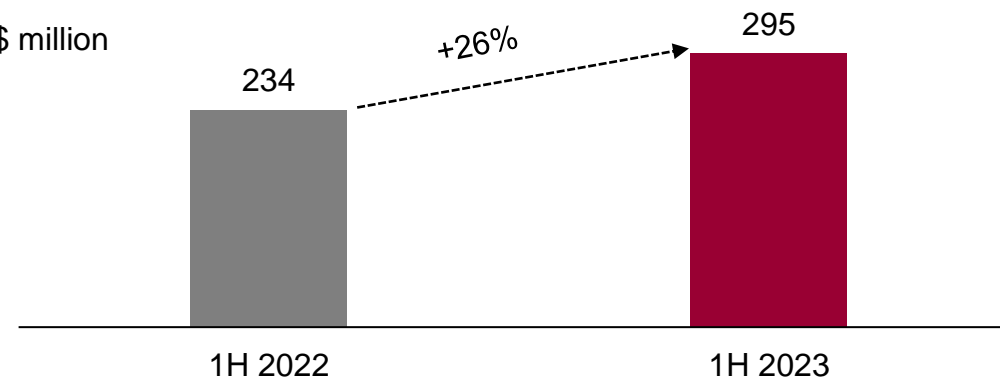
Core revenues¹

US\$ million



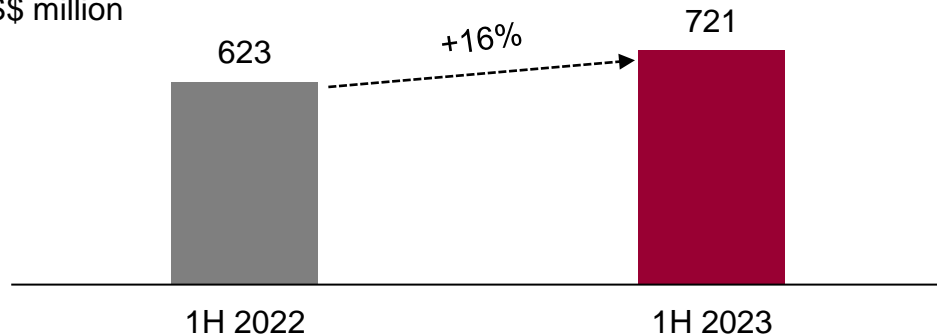
Core profit before tax¹

US\$ million



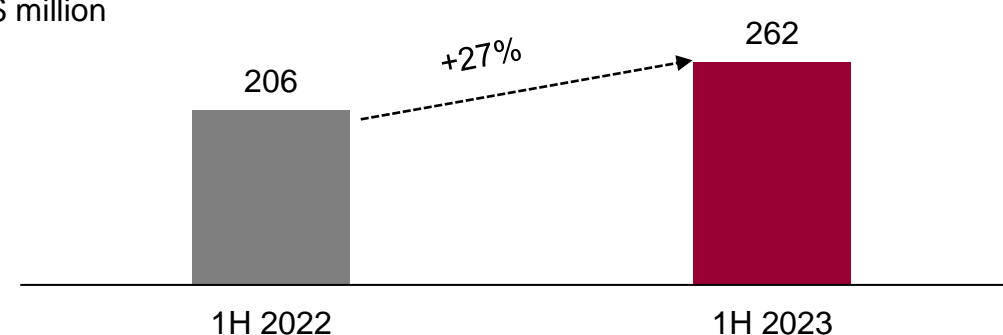
Core operating cash flow net of interest^{1,2}

US\$ million



Core net profit after tax¹

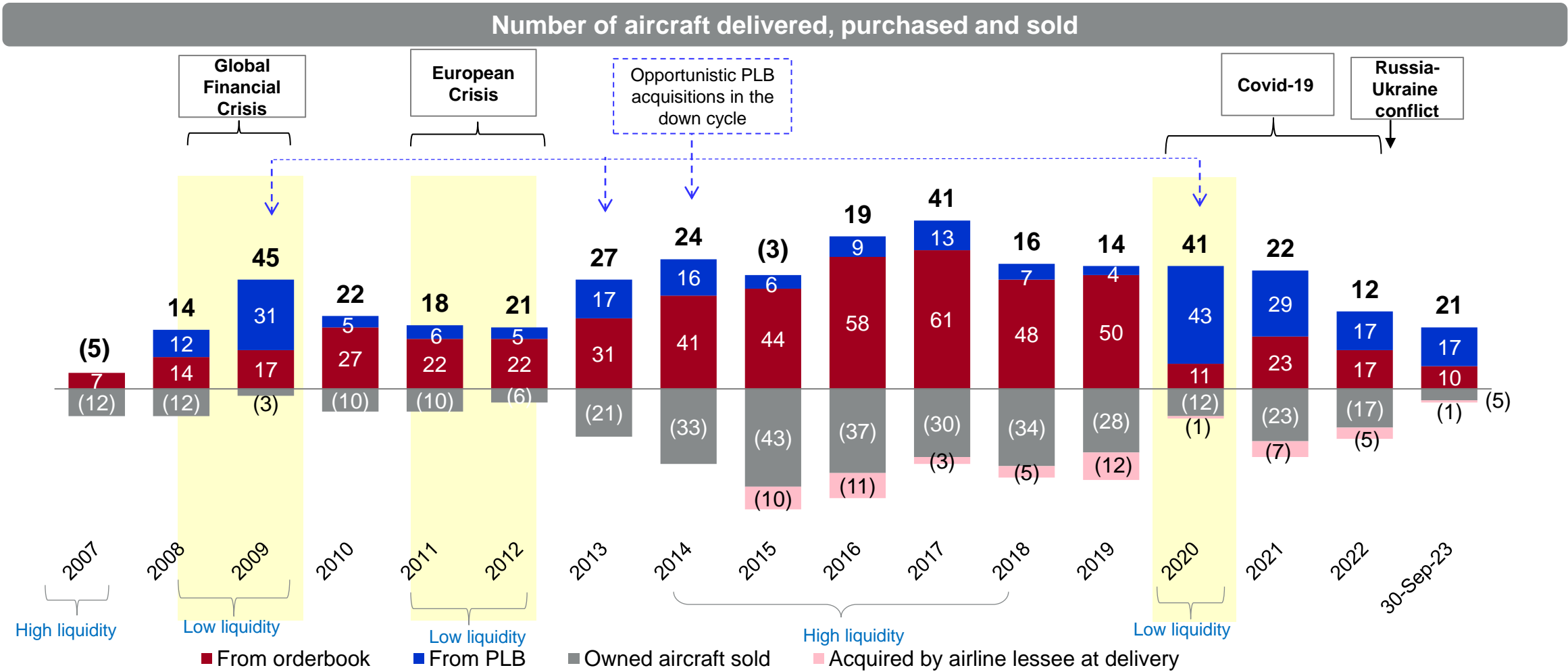
US\$ million



Significant improvement in all key metrics

See Appendices - Endnotes

How We Invest



Committed to acquire more than 1,000 aircraft since inception

100% of Orderbook Comprises Latest Technology Aircraft

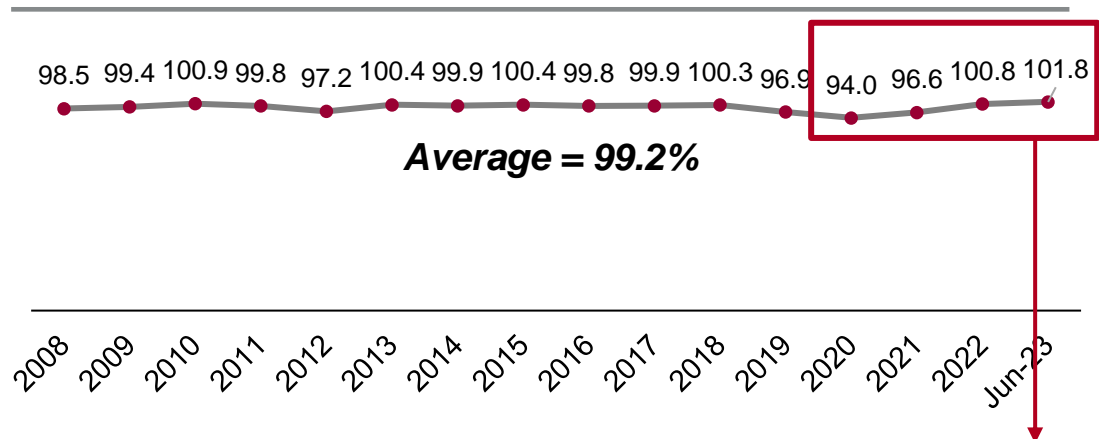
Our aircraft portfolio				
Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order ¹	Total
Airbus A220 family	5	0	5	10
Airbus A320CEO family	95	15	0	110
Airbus A320NEO family	102	0	138	240
Airbus A330CEO family	8	1	0	9
Airbus A330NEO family	6	0	0	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	72	13	0	85
Boeing 737-8/9	56	0	85	141
Boeing 777-300ER	27	4	0	31
Boeing 787 family	28	1	5	34
Freighters	5	1	0	6
Total	413	35	233	681

71% of existing fleet is latest technology aircraft²

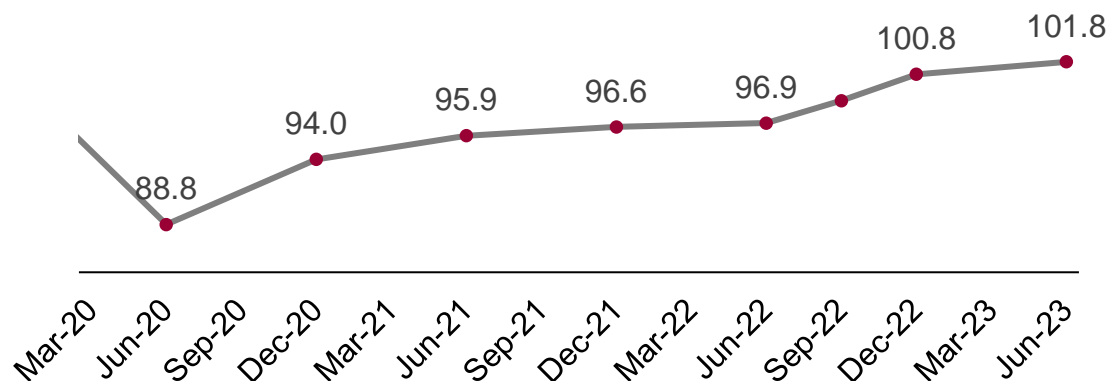
All data as at 30 September 2023
See Appendices - Endnotes

Rental Collection Consistently Above 100%

Annual collection rate (%)



Collection rate since pandemic (%)



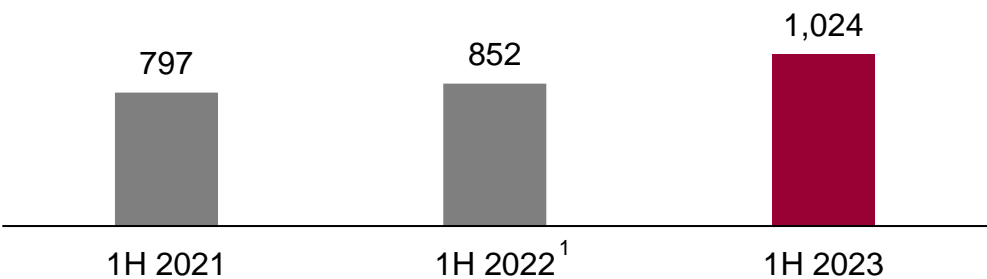
- Long term cash collection from airline customers remains high, at an average rate of 99.2% since 2008
- Collections were severely affected by the Covid-19 outbreak in early 2020, but have been recovering quickly to pre-pandemic level
- Collection rate as at 30 June 2023 was high at 102%

Maintaining high collection rate as deferred and overdue amounts are repaid

Record High Operating Cash Flow Net of Interest

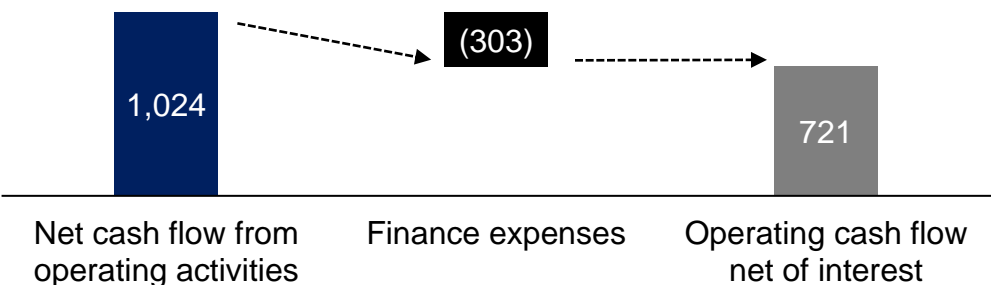
Net cash flow from operating activities

US\$ million

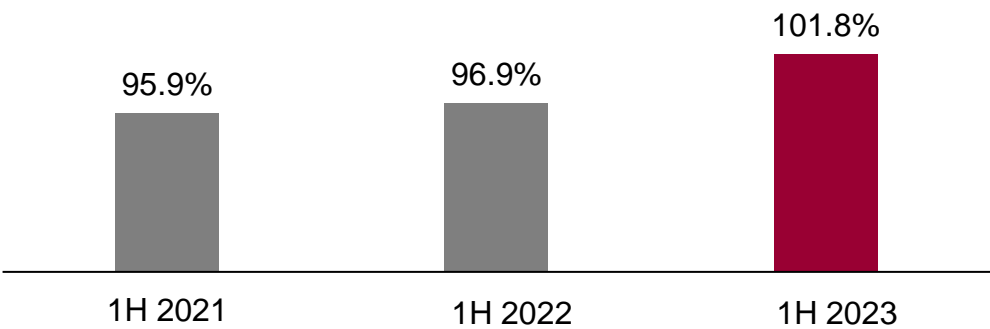


1H 2023 operating cash flow net of interest²

US\$ million

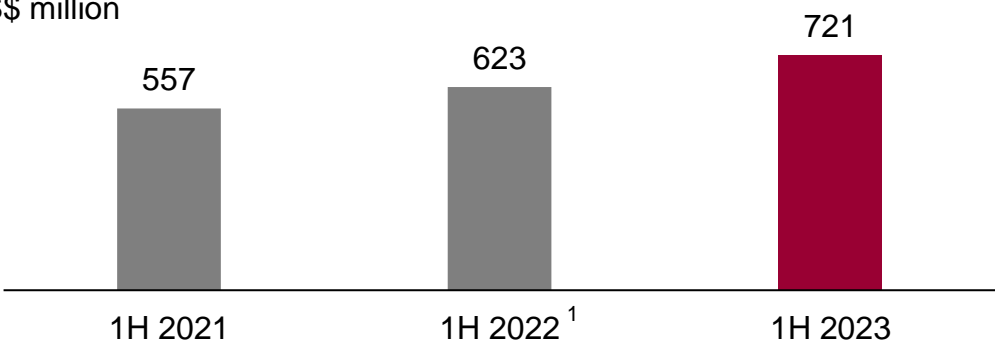


Collection rate in excess of 100%



Improving operating cash flow net of interest²

US\$ million



High collection rate contributes to record high cash flow

See Appendices - Endnotes

Airline Industry has Returned to 2019 Levels

Passenger traffic¹

97%

Capacity¹

97%

Passenger load factor

83%

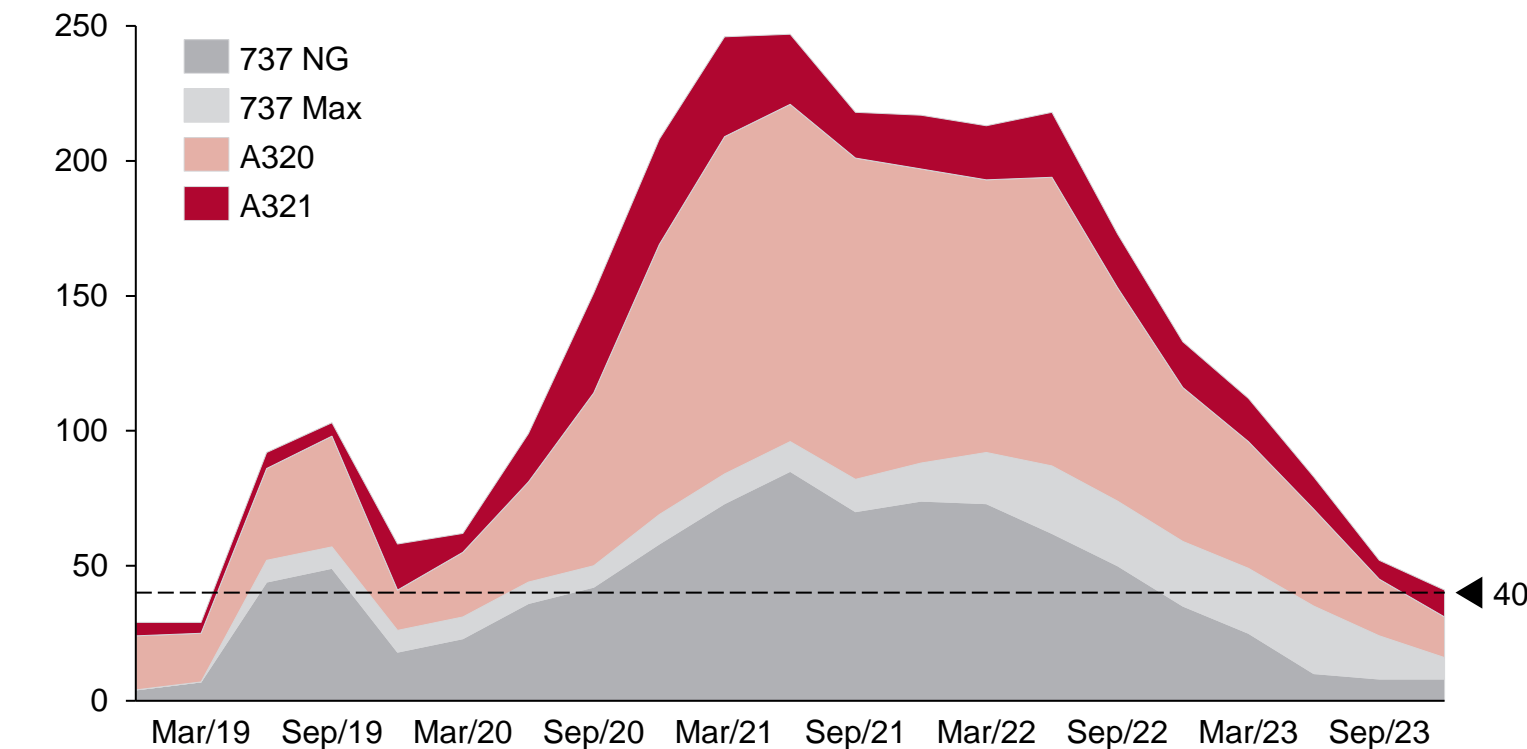
Strong momentum in air travel activities

See Appendices - Endnotes

Aircraft Supply: Lessor Supply of Used Aircraft is at Cycle Low

The off-lease aircraft have reduced significantly since 2022 and continues on a downward trajectory because of narrowbody shortage

Monthly Narrowbody Lessor Aircraft Off Lease
Count by Aircraft Type, Aircraft under 12 years old remained off lease at month-end



Aircraft Type	AOG (units)	Total (units)	% fleet AOG
737-8/9	8	1,344	0.6%
737 NG	8	3,010	0.3%
A320-V2500	6	620	1.0%
A320-CFM56	6	1,259	0.5%
A321-V2500	3	628	0.5%
A321-CFM56	2	458	0.4%
A320neo-PW1000G	3	749	0.4%
A320neo-LEAP	0	1,086	0.0%
A321neo-PW1000G	2	663	0.3%
A321neo-LEAP	3	526	0.6%
Total	41	10,343	0.4%

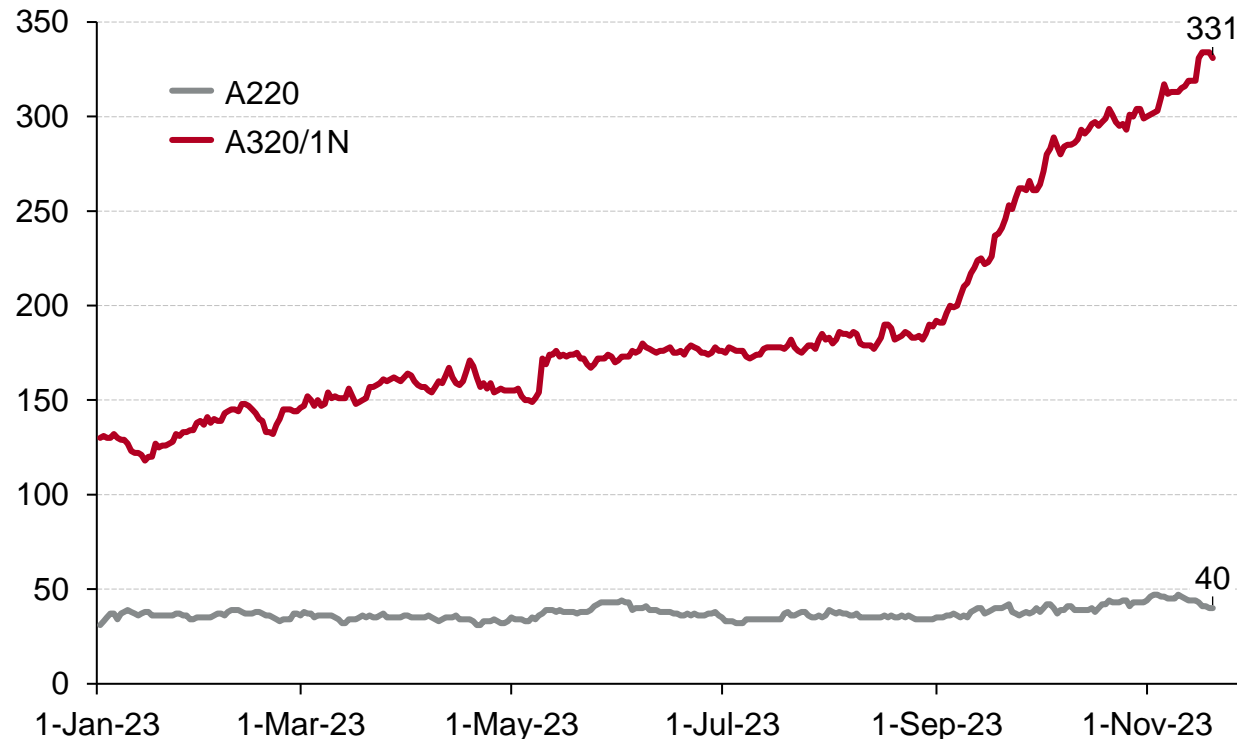
See Appendices - Endnotes

Aircraft Supply: PW Engines, A Key Dynamic For The Next Few Years

Powdered metal related GTF shop visits likely to extend well into 2026. AOG numbers will continue to rise over the next few months. Peak AOGs expected in 2024, but AOGs will remain high for some years

Inactive A320/1N & A220-100/300 PW-powered Aircraft

Inactive refers to aircraft that has been on the ground for longer than 7 days



Latest updates on situation

1

Pratt and Whitney expects peak AOGs at 650 in 2024, this is 46% of the fleet of PW powered A320/1 neo fleet

2

The AOG issues are expected to extend well into 2026 and even new production engines will require inspections

3

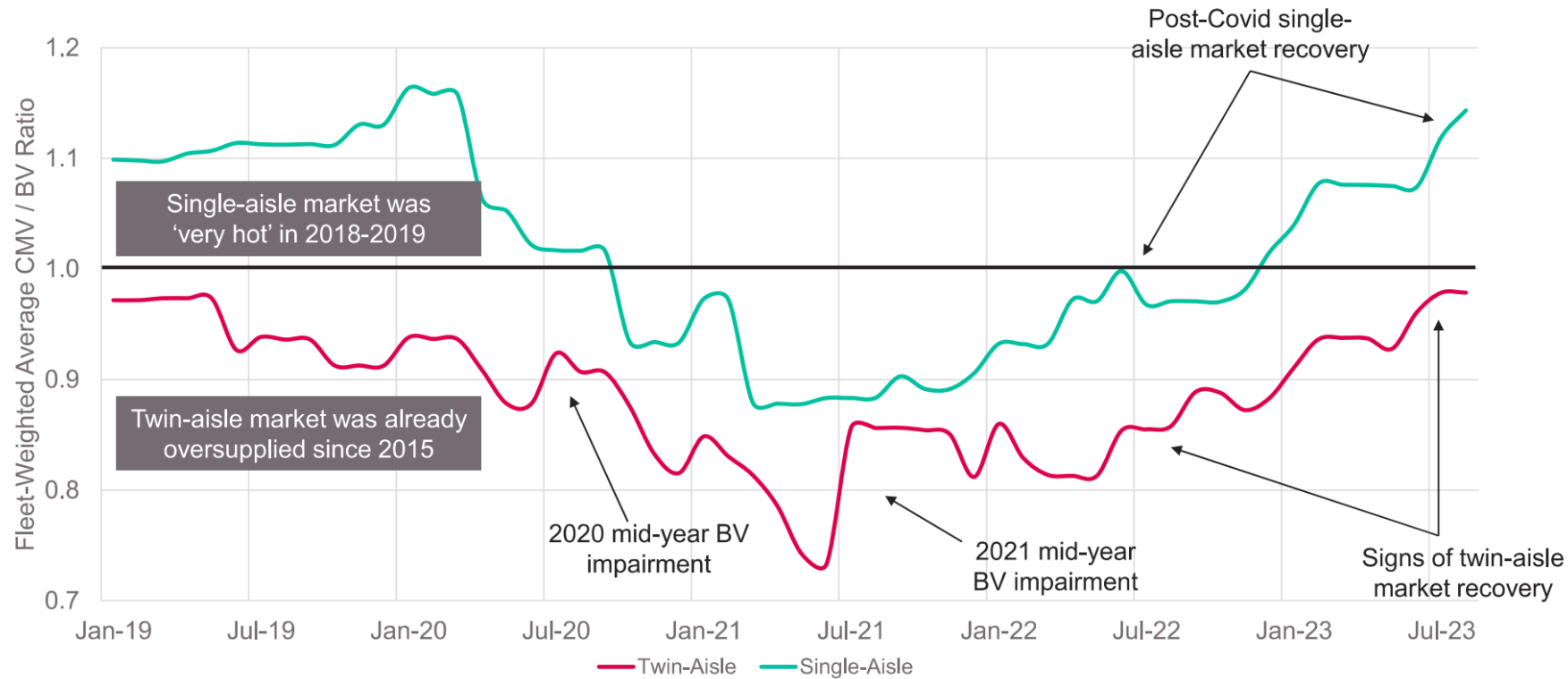
Peak AOGs will be around 4% of total narrowbody aircraft

4

PW are providing guidance of 250-300 days from removal from aircraft to return of engine from shop

Aircraft Supply: Lease Rates Have Seen a Step Change

Narrowbody aircraft market values are nearing 120% of base values, highlighting the robustness in this market. Despite recent strengthening, this trend might not have been fully acknowledged by appraisers yet, especially on used aircraft

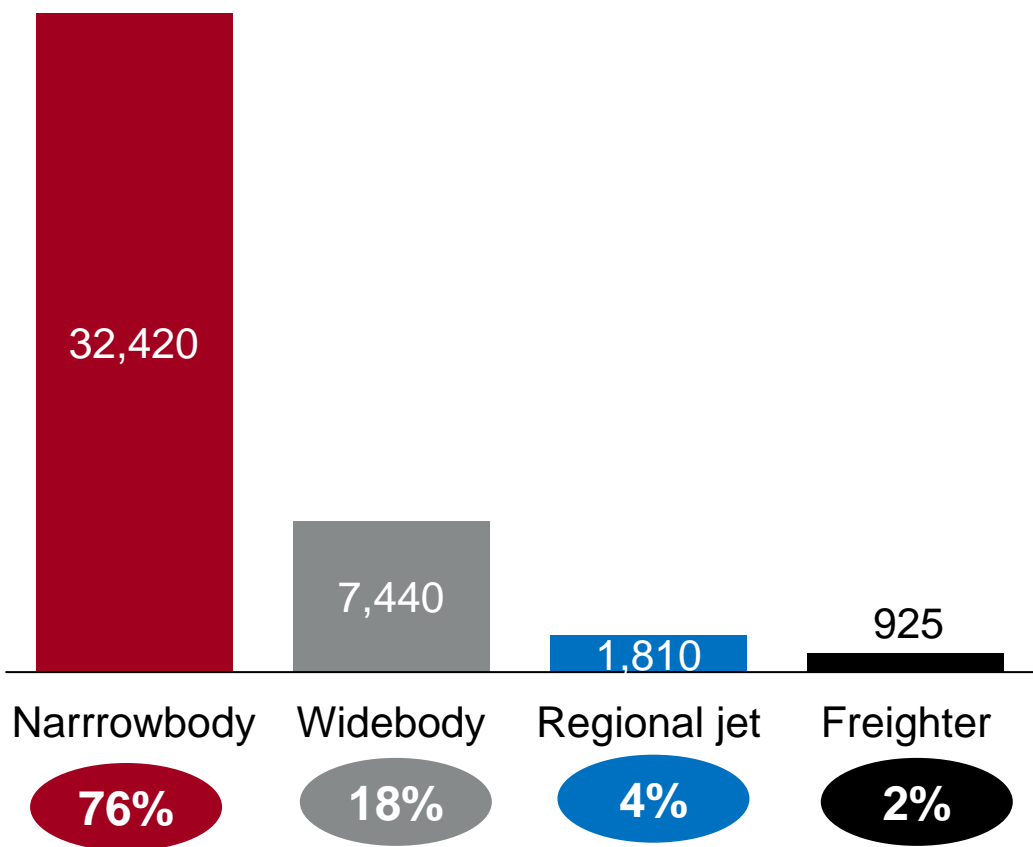


Comments

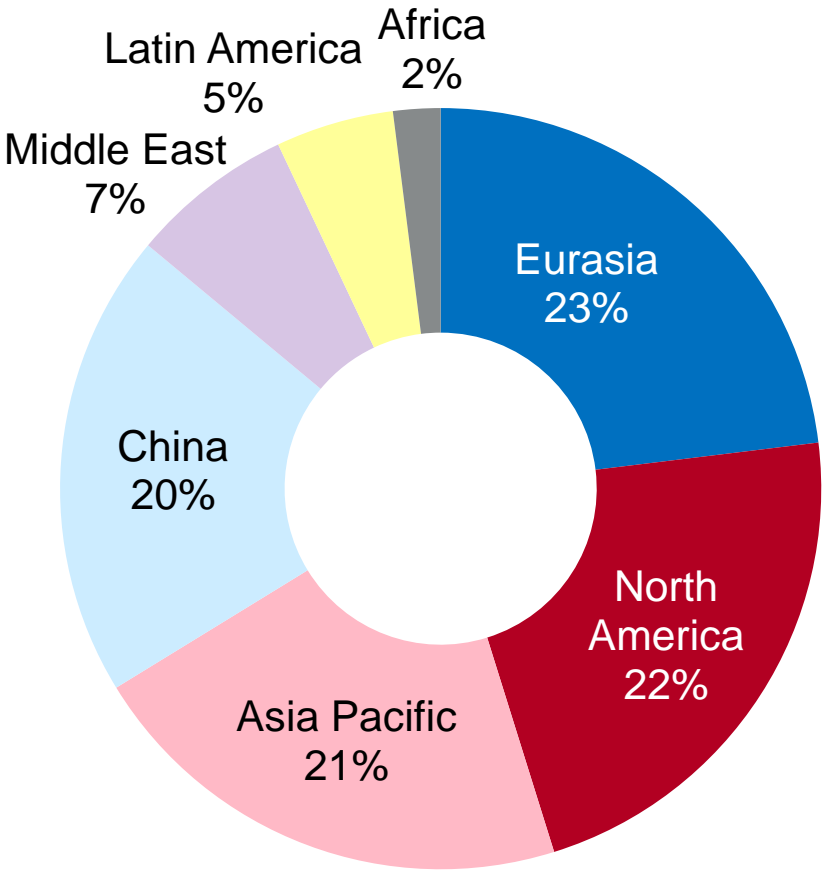
- Used aircraft seem to have outperformed new aircraft
- Used narrowbody rates have gone up by ~40K per month since start of year
- Widebody market has shown a consistent and robust improvement with A350 lease backs back at pre-Covid level

Global Fleet to Double to >48,000 Aircraft by 2042

By type (number of aircraft)



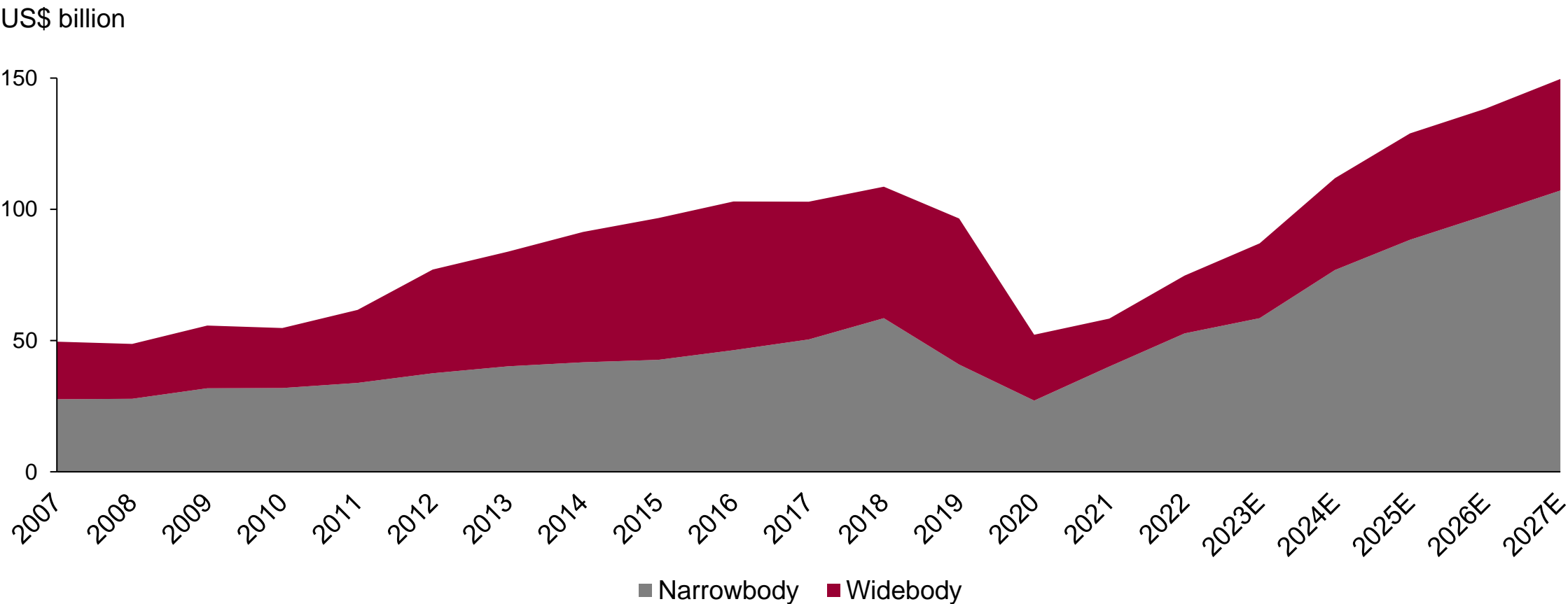
By region



42,600 new aircraft required over the next 20 years

See Appendices - Endnotes

Airlines' Capital Investments Are Projected to Exceed US\$125 Billion by 2025

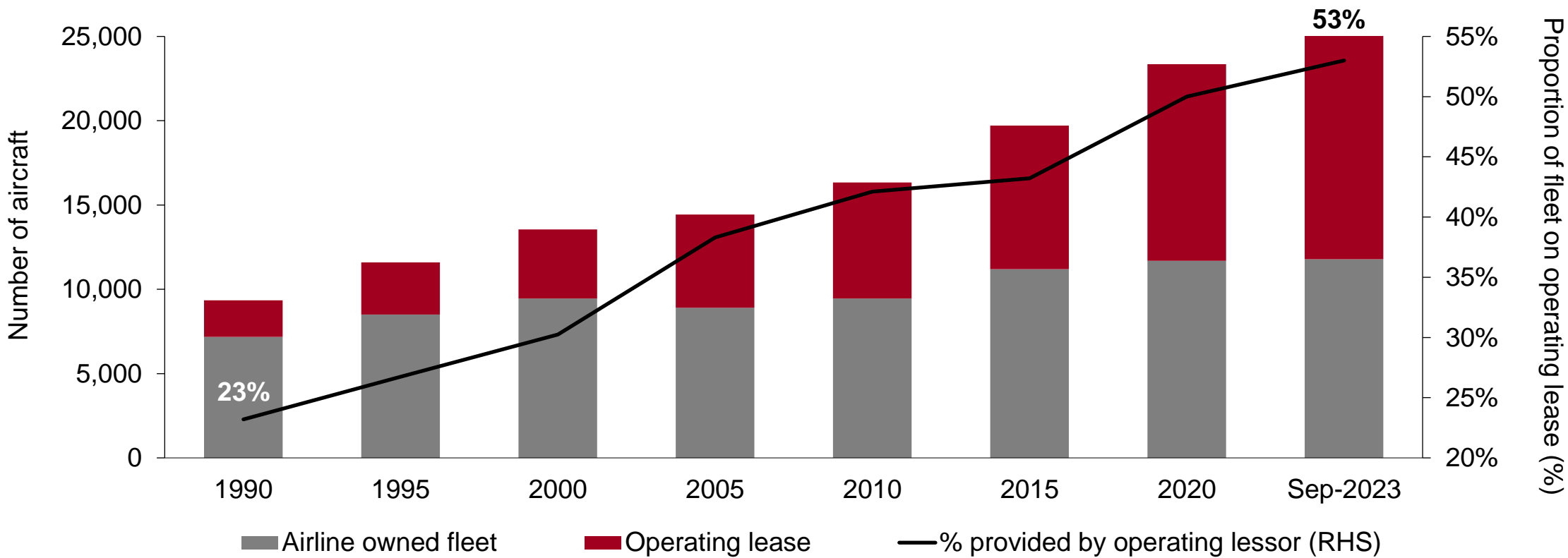


Value of deliveries expected to rise in the next four years

All data as at 30 June 2023
See Appendices - Endnotes

Operating Lessors' Share of the Market

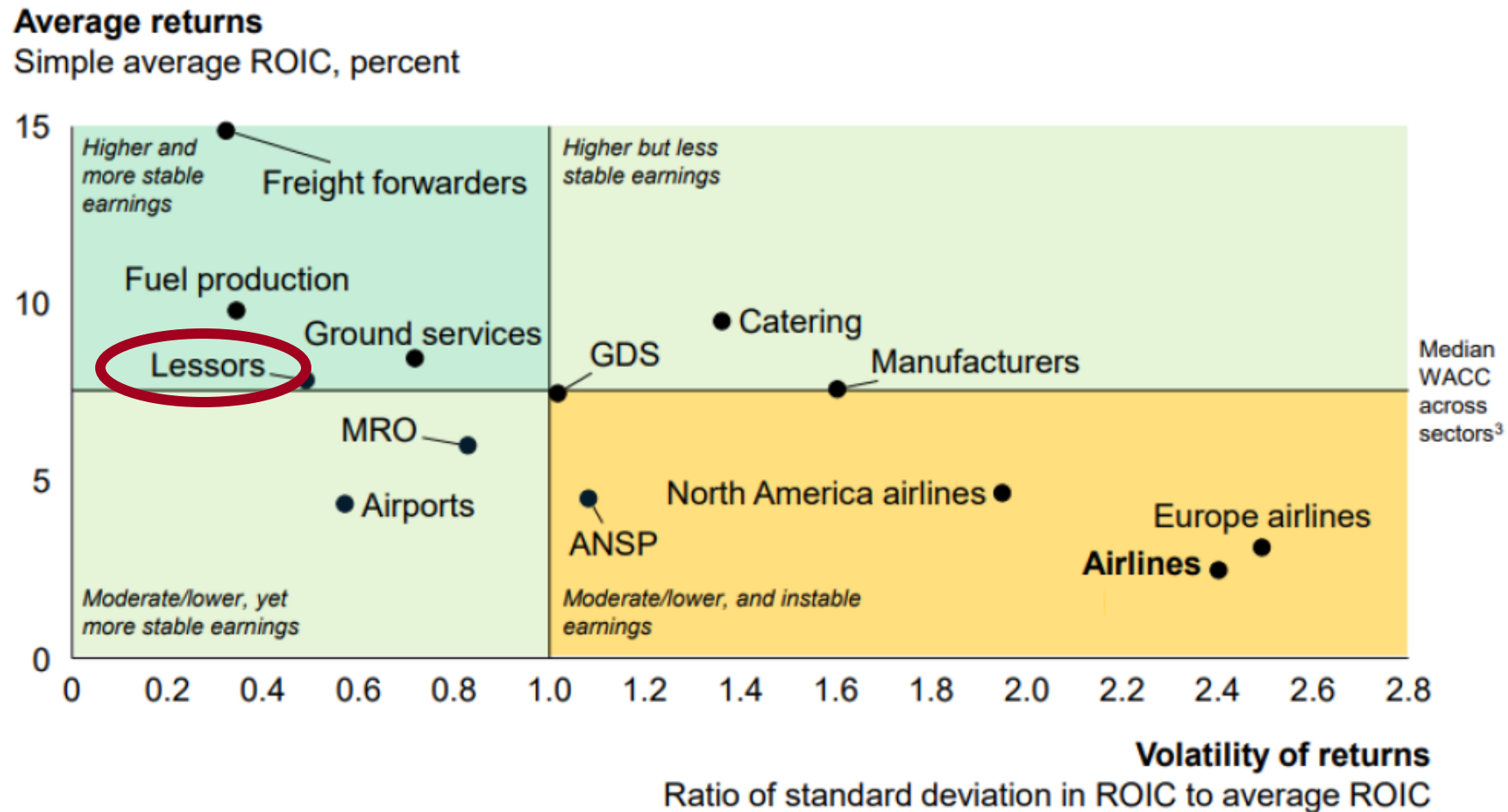
Proportion of fleet on operating lease



Lessors own 53% of the aircraft market today

See Appendices - Endnotes

Lessors Offer Relatively Higher Returns in the Aerospace Industry



1. After-tax ROIC incl. goodwill. ROIC as NOPAT/Invested capital

2. ROE instead of ROIC

3. WACC differs by aviation subsector. Hence median WACC in 2022 cannot be used to determine economic profit (ROIC less WACC) by subsector

Source: McKinsey & Company Air Travel Value Chain Analysis

Conclusion

- On track for 30th year of unbroken profitability
 - More than US\$5.7 billion of cumulative earnings¹
- A very active 2023 so far
 - 1H 2023 net profit after tax (NPAT) rose 27%² to US\$262 million
 - Record high lease rental income of US\$940 million
 - Record high operating cash flow net of interest of US\$721 million
 - Maintained interim dividend at 30% of 1H 2023's NPAT
 - Maintained credit ratings of A- from S&P Global and Fitch Ratings
 - Committed to acquire 84 aircraft in 2023 YTD – 46 of which are scheduled for delivery in 2023³
- Experienced management team to drive growth
 - Global passenger traffic returned to 2019 levels
 - Rebound in airline profits driving demand for new aircraft, lifting aircraft valuations and lease rates
 - Significant future capex of US\$11 billion provides future balance sheet growth
 - High liquidity of more than US\$5.7 billion to support further aircraft investments

Capitalising on growth

All data as at 30 June 2023 unless otherwise indicated
See Appendices - Endnotes

APPENDICES

The BOC Aviation Journey – 30 Years in 2023

Ownership

1993	SALE established with 50:50 joint ownership between Singapore Airlines and Boullion Aviation Services
1997	Temasek and GIC each became 14.5% shareholders
2006	Bank of China acquired 100% of SALE on 15 Dec 2006
2016	Listed on HKEx on 1 June - 70% by Bank of China - 30% by public float
2023	7 th year as a listed company on 1 June

Total assets

		US\$ billion
1997	>0.3	
2000	>1	
2006	>3	
2009	>5	
2013	>10	
2017	>15	
2020	>20	
30 June 2023	22.9	

Market capitalisation of US\$4.8 billion¹

See Appendices - Endnotes

BOC Aviation – Who are We?

Top 5

Global aircraft operating lessor¹

Listed on HKEX

HKEX code: 2588

>US\$5.7 billion

Cumulative profits since inception²

>US\$5.7 billion

Available liquidity²

233

Aircraft on order³

Bank of China

70% owned by BOC

A- Investment grade credit ratings from S&P and Fitch

US\$22.9 billion

Total assets²

681

Aircraft in fleet⁴

4.8 years; 7.8 years

Average fleet age & lease term remaining⁵

Industry leader focused on long-term sustainable earnings

All data as at 30 September 2023 unless otherwise indicated
See Appendices - Endnotes

Our Management Team



Robert Martin
*Managing Director &
Chief Executive
Officer*

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



Zhang Xiaolu
*Vice-Chairman &
Deputy Managing
Director*

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



Steven Townend
*Deputy Managing
Director & Chief
Financial Officer*

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



Tom Chandler
*Chief Operating
Officer*

- 26 years of airline, legal and banking experience
- In charge of Procurement, Technical, all operations and related departments



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

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



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

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



Nationality

Highly experienced senior management team

All data as at October 2023

Core Competencies - BOC Aviation Track Record

Since inception in 1993:

• Purchasing	More than 1,000 aircraft purchased totalling more than US\$61 billion
• Leasing	More than 1,300 leases executed with 190 airlines in > 60 countries and regions
• Financing ¹	More than US\$40 billion in debt raised

• Sales	More than 420 owned and managed aircraft sold
• Transitions	More than 130 transitions
• Repossessions ²	65 aircraft in 19 jurisdictions

The outcome:

• Total number of aircraft delivered	847
• Proportion of aircraft sold ³	50%
• Proportion of transitions ⁴	10%
• Proportion of repossessions ⁴	5%

All data as at 30 September 2023, since inception unless otherwise indicated
See Appendices - Endnotes

BOC Aviation Bonds Issued on the Tightest Spreads in 2023

Issuer	Issue Date	Tenor (years)	Amt Issued (US\$ million)	Coupon (%)	Yield (%)	T-Spread at Issue (bps)
BOC Aviation Limited	23/5/2023	5	500	4.500	4.627	120
BOC Aviation USA Corp	9/11/2023	5	650	5.750	5.917	130
BOC Aviation USA Corp	3/5/2023	10	500	4.875	5.015	160
Aercap	18/9/2023	7	850	6.150	6.262	185
Air Lease Corp	13/1/2023	5	700	5.300	5.560	190
SMBC Aviation Capital Finance	25/7/2023	10	1,000	5.700	5.745	195
SMBC Aviation Capital Finance	3/5/2023	5	650	5.450	5.489	200
Aercap	6/6/2023	5	1,000	5.750	5.977	217
Aviation Capital Group LLC	5/10/2023	5	500	6.750	6.810	225
Aircastle	18/7/2023	5	650	6.500	6.544	260
Aviation Capital Group LLC	3/4/2023	5	600	6.250	6.438	275
Avolon Holdings Funding Ltd	4/5/2023	5	750	6.375	6.624	300
Griffin Global Asset Management	15/11/2023	3	400	8.000	8.250	360
Macquarie Airfinance Holdings Ltd	11/9/2023	5	500	8.125	8.125	372
Griffin Global Asset Management	8/6/2023	5	600	8.000	8.000	421
Macquarie Airfinance Holdings Ltd	18/4/2023	5	500	8.375	8.375	479

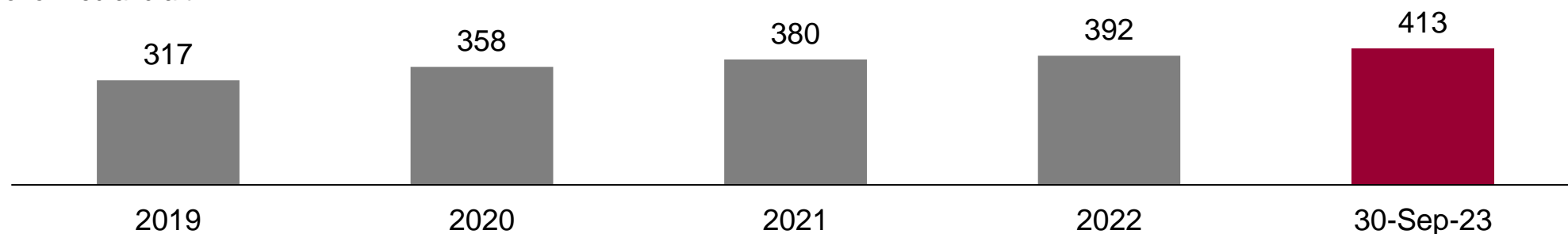
Nearest comparable 5-year transaction priced almost 100 bp wider than our recent issue

See Appendices - Endnotes

Growing Balance Sheet and Fleet

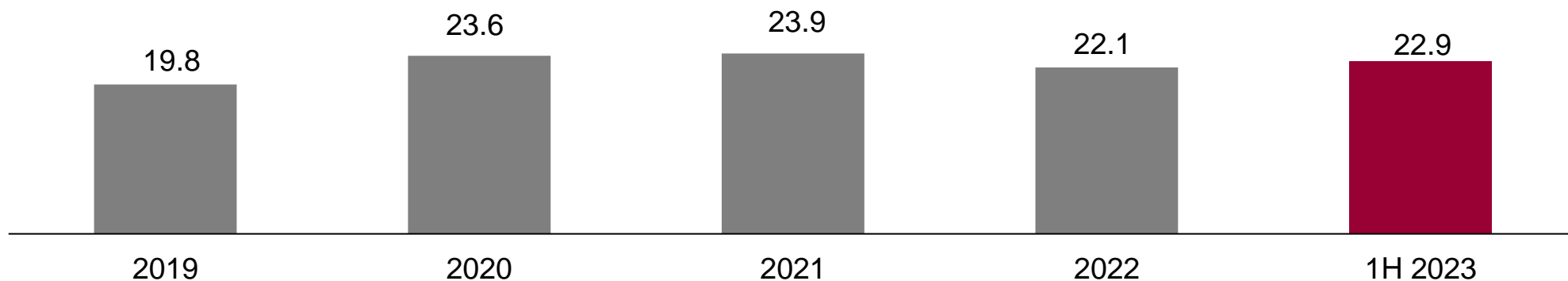
Owned fleet exceeded 400 aircraft

Number of owned aircraft¹



Returning to asset growth

Total assets (US\$ billion)

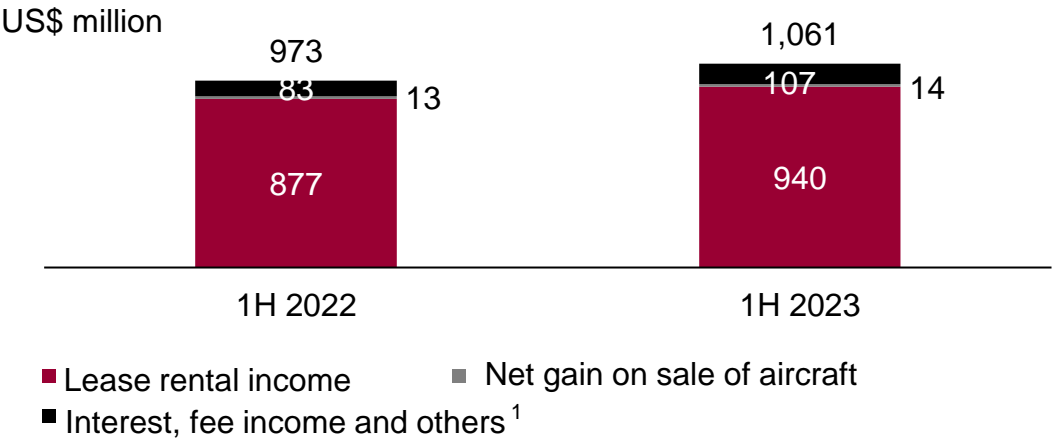
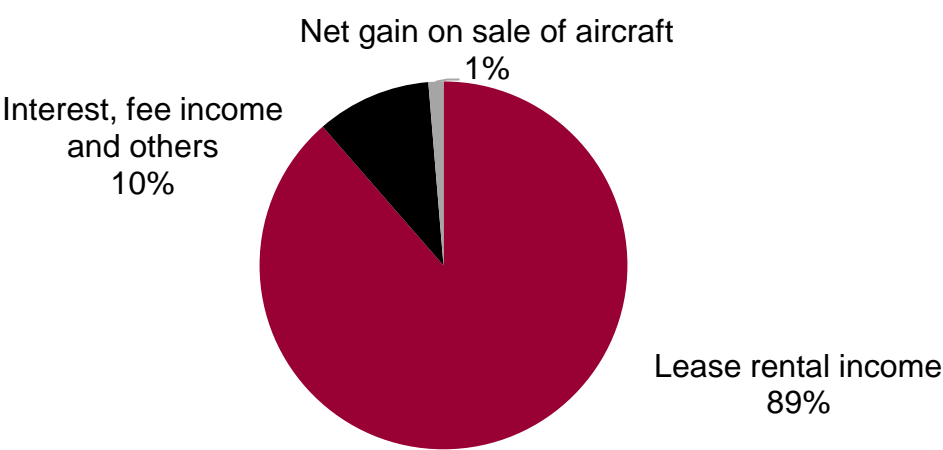


Continued aircraft investment supported by rising aircraft valuations

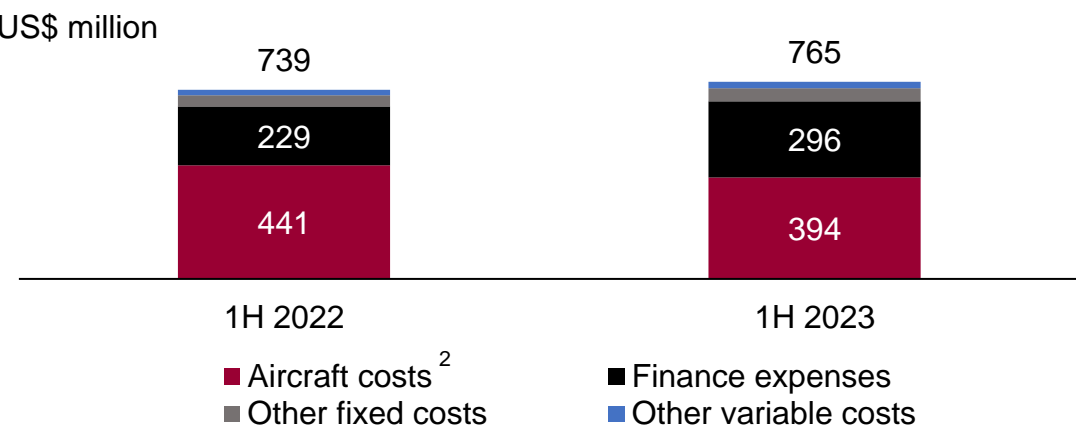
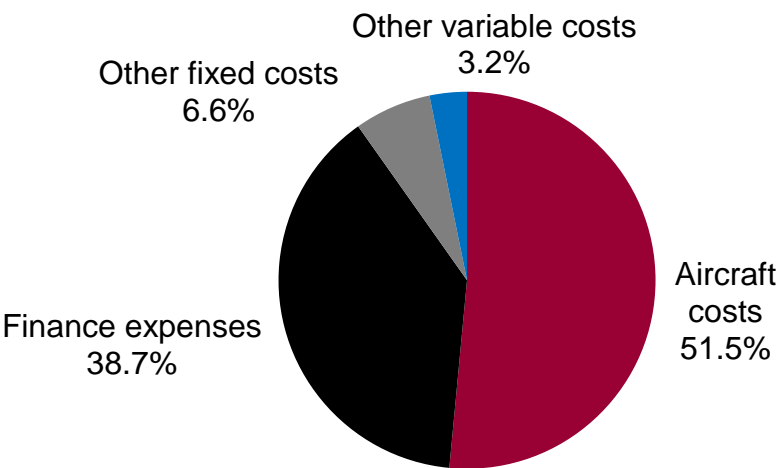
See Appendices - Endnotes

Lease Rental Income Continues to Drive Revenue

Lease rental income drives total revenues and other income



Depreciation of aircraft and financing costs are key costs

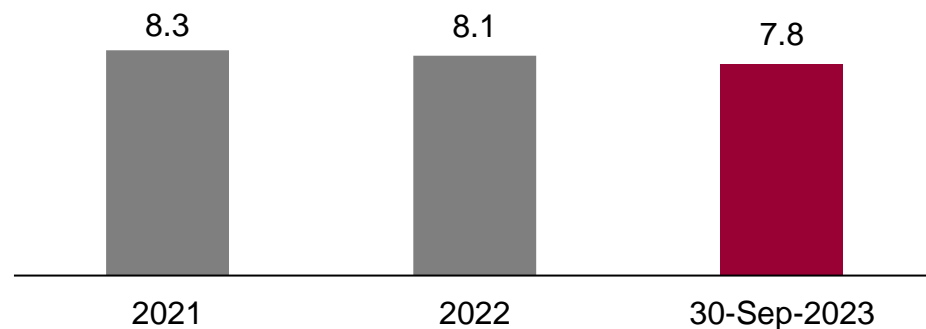


All data as at 30 June 2023
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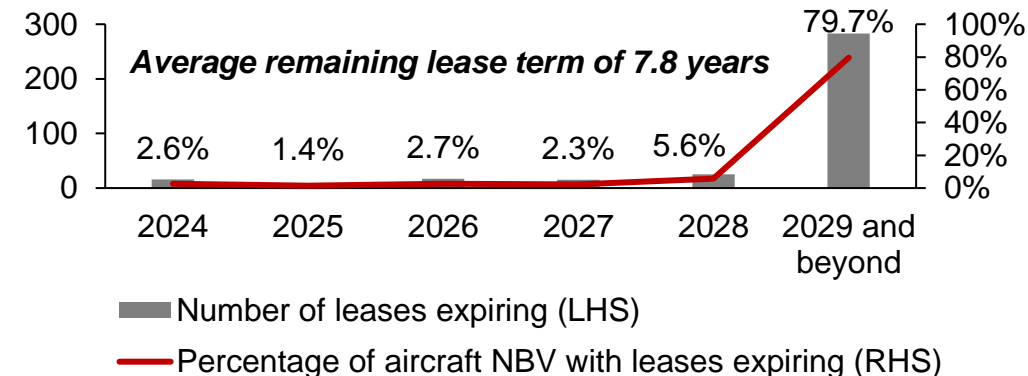
Long-Term Leases Enhance Revenue Visibility

A long average remaining lease term¹

Number of years

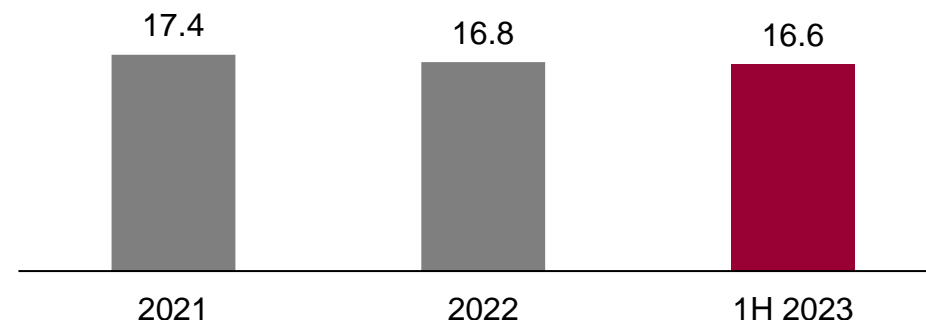


Well-dispersed scheduled lease expiries²



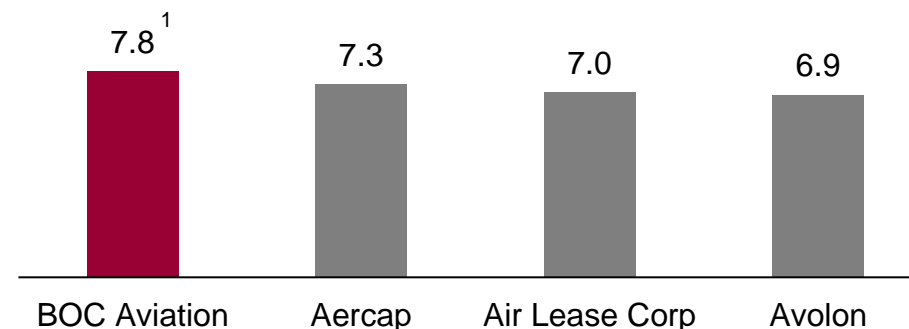
High future committed lease revenue

US\$ billion



Industry-leading average remaining lease term³

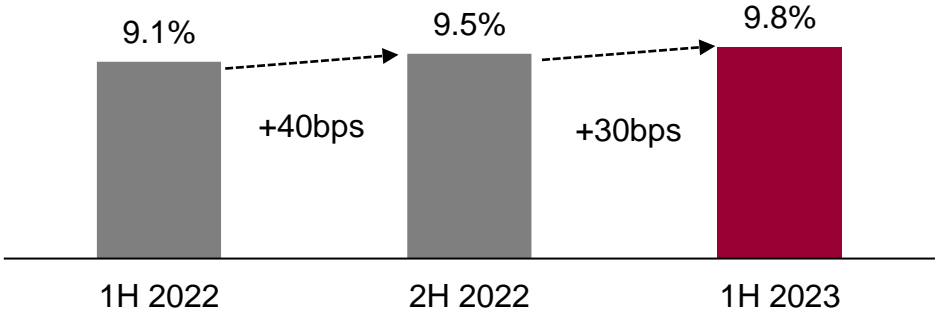
Number of years



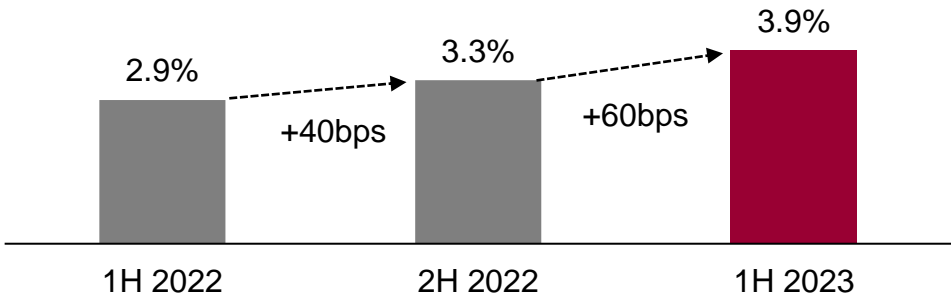
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Lease Rate Factor Trending Higher in 2023

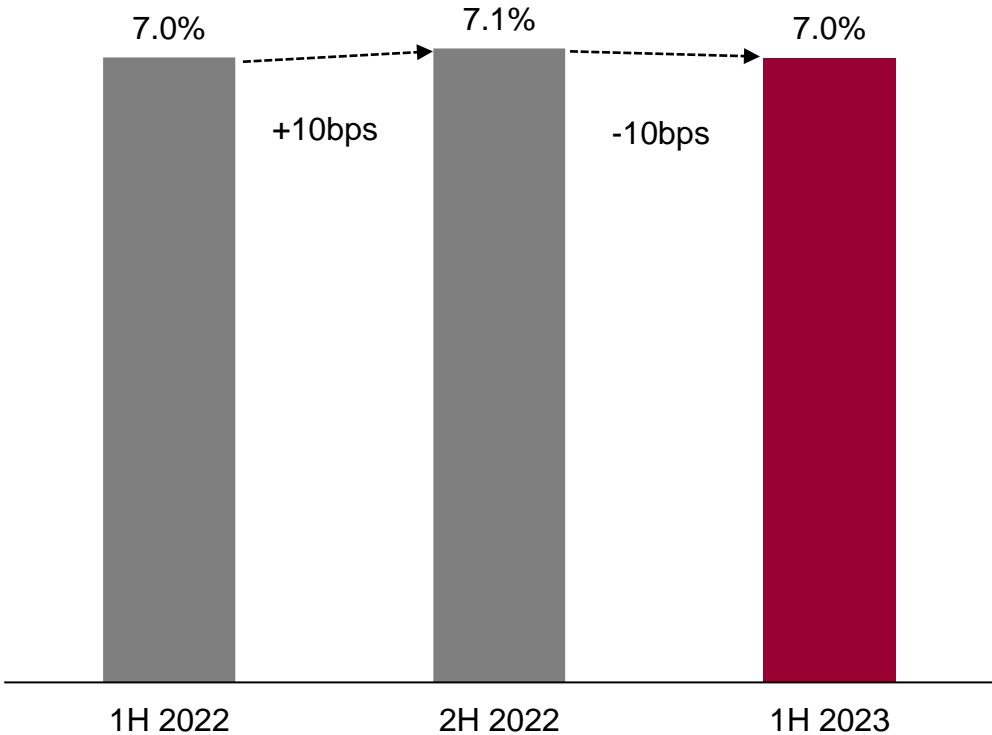
Lease rate factor¹



Cost of debt²



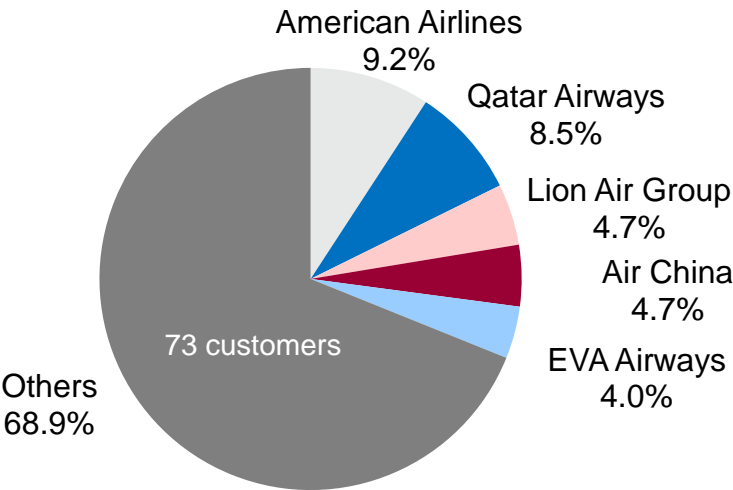
Net lease yield³



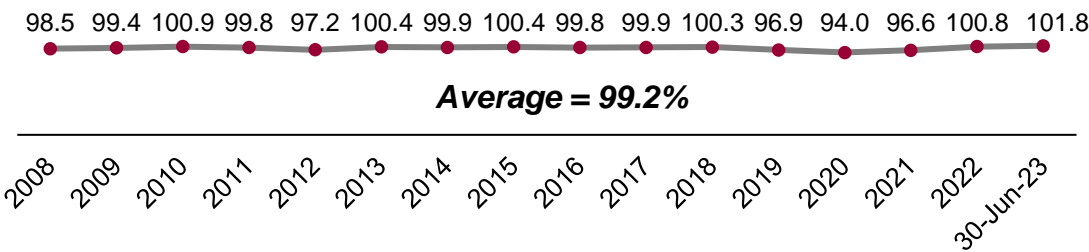
All data as at 30 June 2023
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Globally Diversified Portfolio

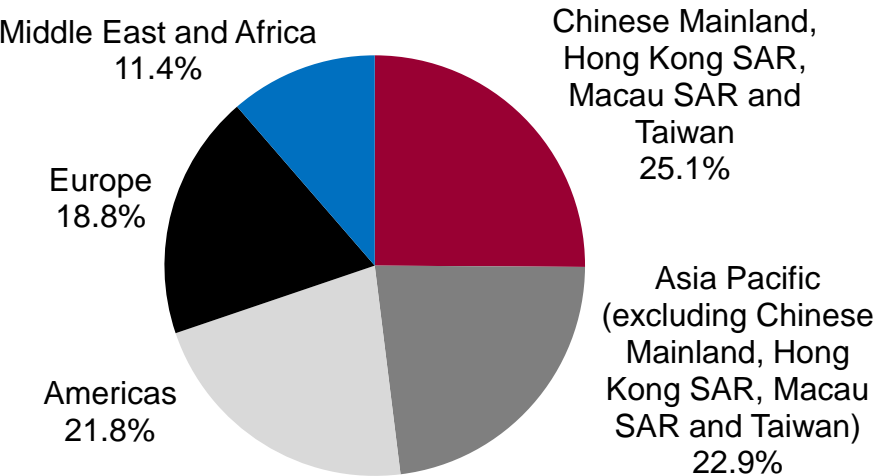
Lease portfolio diversified by customer^{1,2}



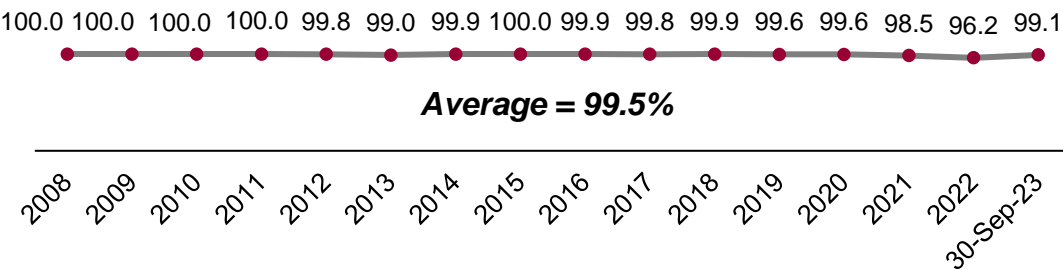
Collection rate (%)



...and increasingly diversified by geography^{3,4}

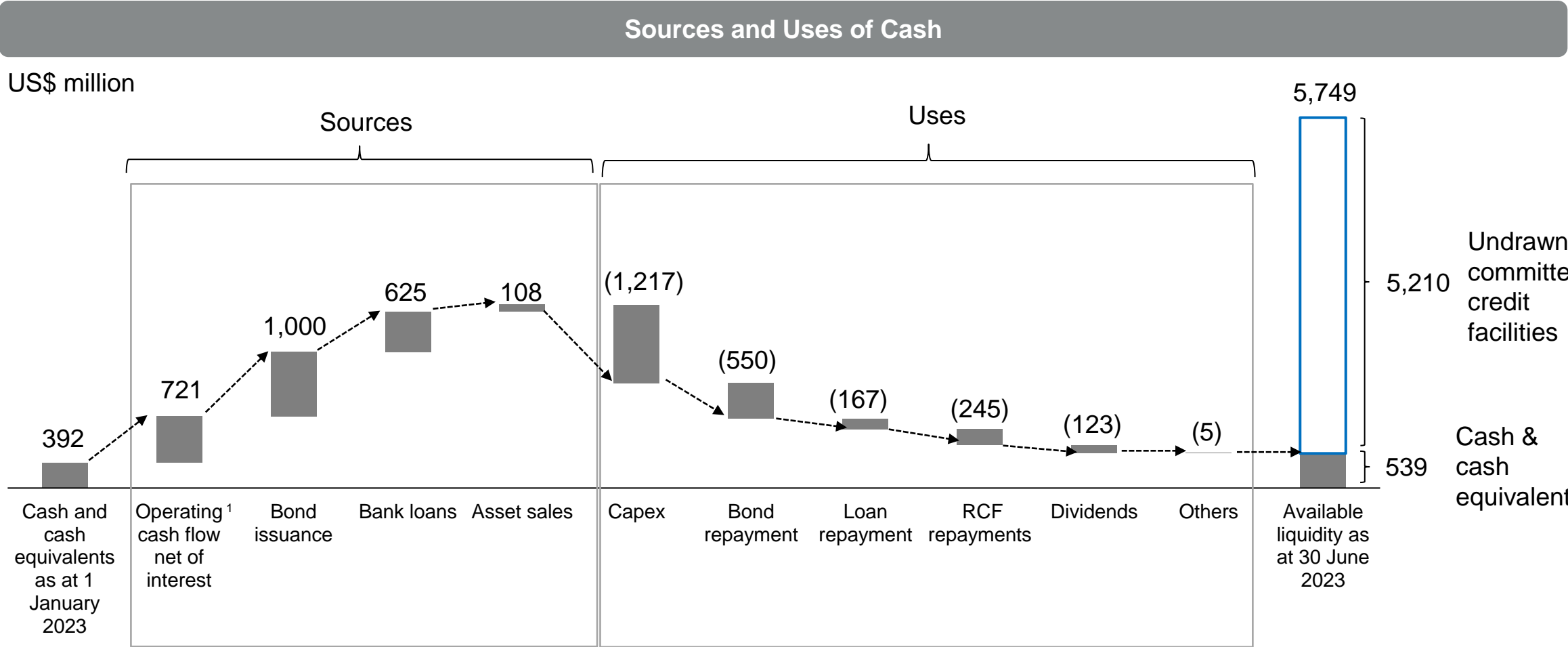


Fleet utilisation (%)⁵



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Diverse Funding Channels Utilised in 1H 2023

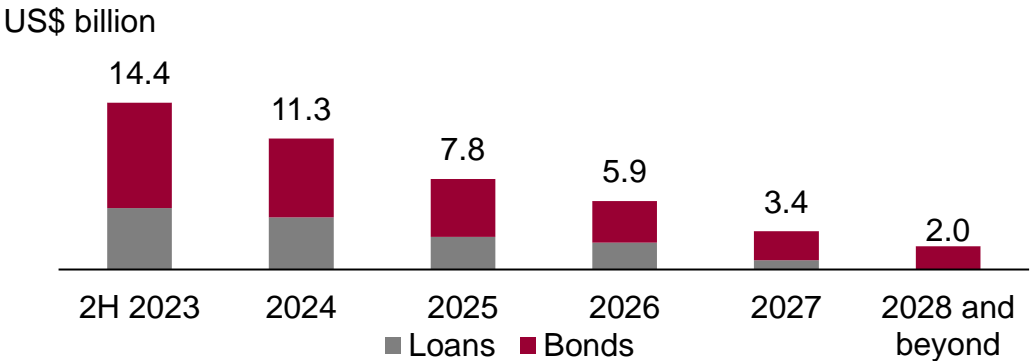


More than US\$5.7 billion of committed liquidity

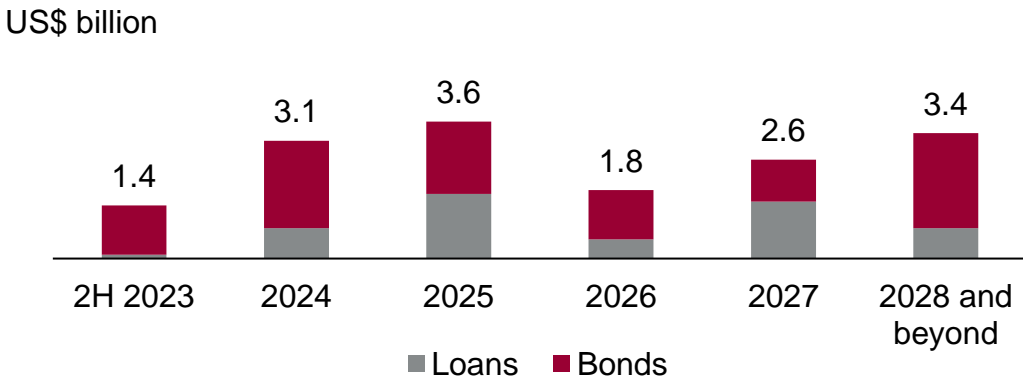
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Flexible Capital Structure

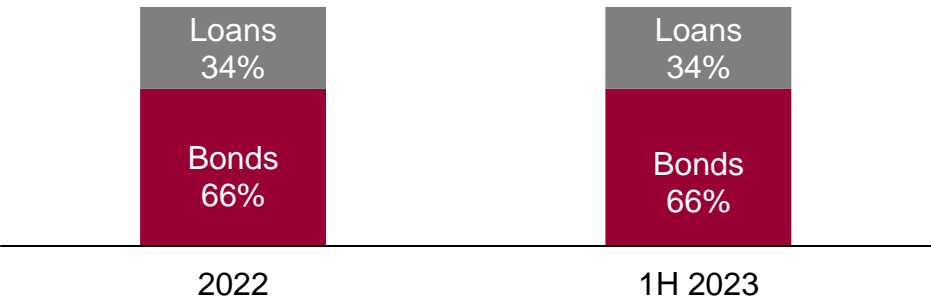
Outstanding debt amortises over a long term



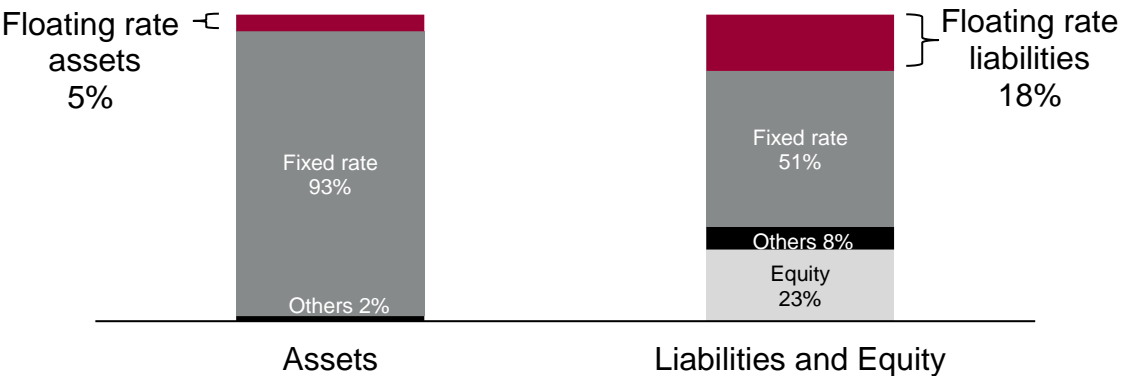
Outstanding debt maturity profile



Sources of debt¹



Asset and liability profile



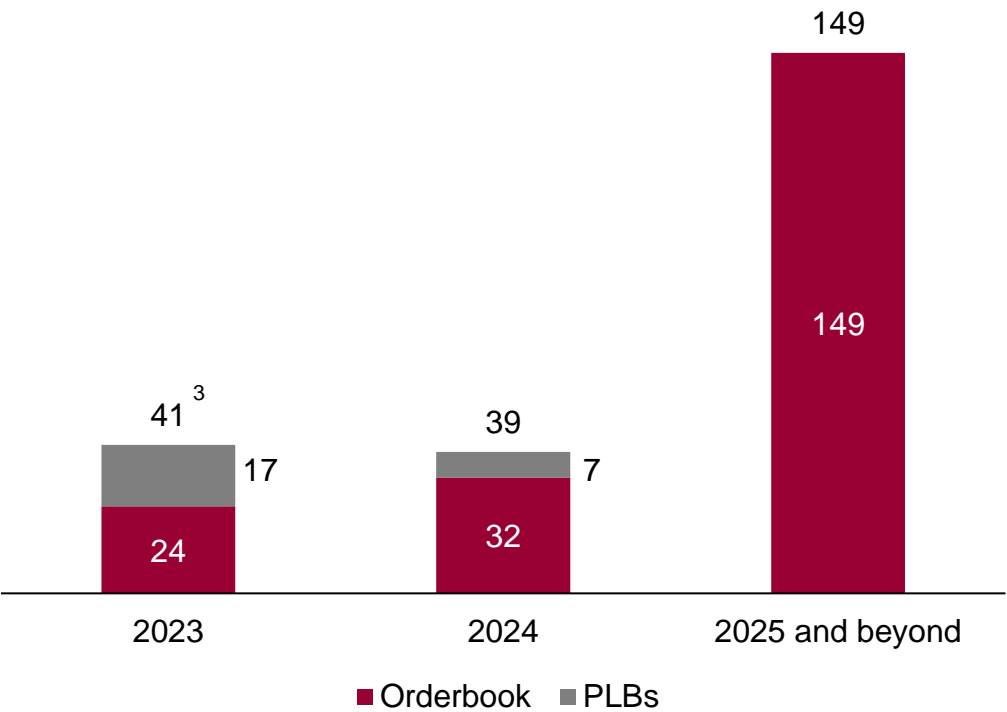
Long-term unsecured debt is a key strength

All data as at 30 June 2023
See Appendices - Endnotes

Record High Committed Capex

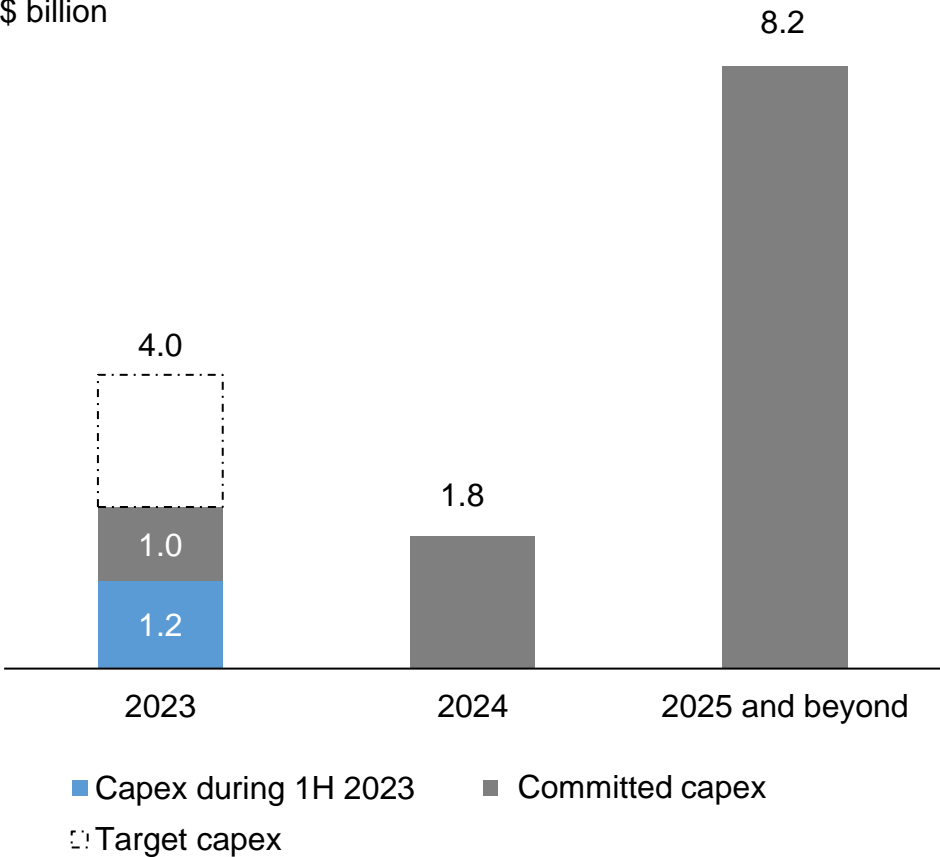
Orderbook by direct orders vs PLBs^{1,2}

Number of aircraft



Total committed capex of US\$11 billion⁴

US\$ billion



Robust capex provides future growth visibility

All data as at 30 June 2023
See Appendices - Endnotes

ESG is a Key Focus

Environmental

- **100%** carbon neutral for direct emissions
- **100%** latest technology aircraft in the orderbook
- **More than 70%** of our owned fleet is latest technology aircraft¹
- **4.8** years average fleet age²

Social

- **Supports Airlink** and other global and local NGOs
- **1,300** volunteer hours in local communities
- **More than 4,200** training hours across the company
- **50%** female representation in the workforce
- **20** nationalities across five offices

Governance

- **Three** female Board of Directors out of 11
- **Three** nationalities on the Board
- **30%** females in the management team
- **Nil** regulatory breaches
- **100%** completion of compliance training

ESG Committee chaired by Chief Operating Officer

Aviation in a Low Carbon Environment

	2020	2025	2030	2035	2040	2045	2050
Commuter » 9-50 seats » < 60 minute flights » <1% of industry CO ₂	SAF	Electric and/or SAF	Electric and/or SAF	Electric and/or SAF	Electric and/or SAF	Electric and/or SAF	Electric and/or SAF
Regional » 50-100 seats » 30-90 minute flights » ~3% of industry CO ₂	SAF	SAF	Electric or Hydrogen fuel cell and/or SAF	Electric or Hydrogen fuel cell and/or SAF	Electric or Hydrogen fuel cell and/or SAF	Electric or Hydrogen fuel cell and/or SAF	Electric or Hydrogen fuel cell and/or SAF
Short haul » 100-150 seats » 45-120 minute flights » ~24% of industry CO ₂	SAF	SAF	SAF	SAF	Electric or Hydrogen combustion and/or SAF	Electric or Hydrogen combustion and/or SAF	Electric or Hydrogen combustion and/or SAF
Medium haul » 100-250 seats » 60-150 minute flights » ~43% of industry CO ₂	SAF	SAF	SAF	SAF	SAF	SAF	SAF potentially some Hydrogen
Long haul » 250+ seats » 150 minute + flights » ~30% of industry CO ₂	SAF	SAF	SAF	SAF	SAF	SAF	SAF

See Appendices - Endnotes

Endnotes (1)

- **SLIDE 3: Recent Developments**
 1. Includes owned, managed and aircraft on order
 2. Weighted by net book value of owned fleet
 3. As at 30 June 2023
- **SLIDE 4: 1H 2023: Returning to Growth**
 1. Excluding the net impact of aircraft in Russia in 1H 2022
 2. Calculated as net cash flow from operating activities less finance expenses paid
- **SLIDE 6: 100% of Orderbook Comprises Latest Technology Aircraft**
 1. Includes all commitments to purchase aircraft including two where an airline customer has the right to acquire the relevant aircraft on delivery
 2. Based on net book value and including aircraft subject to finance leases
- **SLIDE 8: Record High Operating Cash Flow Net of Interest**
 1. Excluded the net impact of aircraft in Russia
 2. Calculated as net cash flow from operating activities less finance expenses paid
- **SLIDE 9: September Passenger Demand Provides Solid End to Third Quarter** - Source: IATA, Air passenger market in detail – September 2023
 1. Compared to 2019
- **SLIDE 10: Aircraft supply: Lessor supply of used aircraft is at cycle low** – Source: BOC Aviation analysis, Cirium fleet data
- **SLIDE 11: Aircraft supply: PW engines, a key dynamic for the next few years** – Source: BOC Aviation analysis, Cirium fleet data, ADSB flight tracking data
- **SLIDE 12: Aircraft supply: Lease rates have seen a step change** – Source: BOC Aviation analysis, Cirium
- **SLIDE 13: Global Fleet to Double to >48,000 Aircraft by 2042** – Source: Boeing Commercial Market Outlook 2023 -2042 (15 June 2023)
- **SLIDE 14: Airlines' Capital Investments Are Projected to Exceed US\$125 Billion by 2025** – Source: BOC Aviation Analysis

Endnotes (2)

- **SLIDE 15: Operating Lessors' Share of the Market** – Source: Ascend, as at 30 September 2023 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
- **SLIDE 16: Lessors Offer Relatively Higher Returns in the Aerospace Industry** – Source: IATA Sustainability & Economics (13 October 2023)
- **SLIDE 17: Conclusion**
 1. Since the Company's inception in 1993
 2. Compared to core NPAT of US\$206 million in 1H 2022
 3. As at 3 November 2023
- **SLIDE 19: The BOC Aviation Journey – 30 Years in 2023**
 1. Source: Bloomberg (as at 30 September 2023)
- **SLIDE 20: BOC Aviation – Who Are We?**
 1. By net book value of owned aircraft
 2. As at 30 June 2023
 3. Includes all commitments to purchase aircraft including two where an airline customer has the right to acquire the relevant aircraft on delivery
 4. Includes owned, managed and aircraft on order
 5. Weighted by net book value of owned fleet
- **SLIDE 22: Core Competencies - BOC Aviation Track Record**
 1. Since 1 January 2007
 2. Includes reposessions and consensual early returns
 3. As a proportion of aircraft delivered
 4. As a proportion of leases executed
- **SLIDE 23: BOC Aviation Bonds Issued on the Tightest Spreads in 2023** – Sources: Bloomberg and BOC Aviation's estimates

Endnotes (3)

- **SLIDE 24: Growing Balance Sheet and Fleet**

1. Includes aircraft on leases classified as finance lease in accordance with IFRS 16 (Leases) as at 30 September 2023

- **SLIDE 25: Lease Rental Income Continues to Dominate Revenue**

1. Excludes income arising from termination of leases with airlines in Russia in 2022
2. Comprises aircraft depreciation and impairment charges (excludes the impairment of aircraft in Russia in 2022)

- **SLIDE 26: Long-Term Leases Enhance Revenue Visibility**

1. Weighted by net book value of owned fleet and finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases)
2. Owned aircraft with leases expiring in each calendar year, weighted by net book value including finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases), and excluding any aircraft for which the Company has sale, lease or lease extension commitments, and any off-lease aircraft as at 30 September 2023
3. Updated as at 30 September 2023 for BOC Aviation, AerCap, Air Lease and Avolon

- **SLIDE 27: Lease Rate Factor Trending Higher in 2023**

1. Calculated as operating lease rental income divided by average net book value of aircraft and multiplied by 100%. Semi-annual lease rate factors are calculated on an annualised basis
2. Calculated as the sum of finance expenses and capitalised interest, divided by average total indebtedness. Total indebtedness represents loans and borrowings before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes. Semi-annual cost of debt is calculated on an annualised basis
3. Calculated as operating lease rental income less finance expenses apportioned to operating lease rental income, divided by average of aircraft net book value. Semi-annual net lease yields are calculated on an annualised basis

- **SLIDE 28: Globally Diversified Portfolio**

1. Based on net book value (excluding off lease aircraft) and including finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases)
2. For certain airlines, the percentage includes leases to affiliated airlines whose obligations are guaranteed by the named airline

Endnotes (4)

1. Based on net book value of aircraft including finance lease receivables in respect of aircraft on leases classified as finance leases in accordance with IFRS 16 (Leases)
 2. Off lease aircraft are allocated to the region of the prospective operator if a lease commitment is in place or to the region of the prior operator if no lease commitment is in place
 3. Fleet utilisation is the total days on-lease in the period as a percentage of total available lease days in the period, as at 30 September 2023
- **SLIDE 29: Diverse Funding Channels Utilised in 1H 2023**
 1. Calculated as net cash flow from operating activities less finance expenses paid
 - **SLIDE 30: Flexible Capital Structure**
 1. Drawn debt only
 - **SLIDE 31: Record High Committed Capex**
 1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
 2. Based on expected delivery dates as at 30 June 2023
 3. Includes 16 aircraft delivered in 1H 2023
 4. As at 30 June 2023
 - **SLIDE 32: ESG is a Key Focus**
 1. As at 30 June 2023
 2. As at 30 September 2023
 - **SLIDE 33: Aviation in a Low Carbon Environment** – Source: ATAG Waypoint 2050 Report



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