BNP Paribas Asia Pacific Financials and Property Conference

Hong Kong
January 2018







BOC AVIATION

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BOC AVIATION

1H17 - Balance Sheet & Stable Yield Drive Earnings

Consistent execution underpins strong earnings[1]

US$240 million ↑ 13%
Net profit after tax

US$0.35 ↑ 13%
Earnings per share[2]

Driven by:

US$670 million ↑ 16%
Total revenues and other income

US$259 million ↑ 18%
Core lease rental contribution[3]

8.5% ↔ Stable
Net lease yield[4]

Robust Balance Sheet[5]

US$14.4 billion ↑ 7%
Total assets

US$3.5 billion ↑ 5%
Total equity

US$5.10 ↑ 5%
Net assets per share[2]

Increasing dividend payout[1]

US cents 10.38 ↑ 70%[7]
Interim dividend per share[6]

Driven by:

- Payout ratio ↑ 50%
- Earnings per share[2] ↑ 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

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Operational Developments

- Ended 3Q17 with 268 owned and 34 managed aircraft
  - Portfolio utilization high at 99.7%
  - Cash collection of 100%[1]
  - Average fleet age of 3.2 years[2] – one of the youngest in the industry
  - Average lease term remaining of 7.8 years[2]
- Exceeded last year's record of 67 aircraft deliveries, including:
  - New technology Airbus A320NEO
  - New technology Airbus A350-900
- Sold 21 owned aircraft through end-3Q17
- Maintained total owned and managed portfolio of more than 300 aircraft

All data as at 30 September 2017 unless otherwise indicated

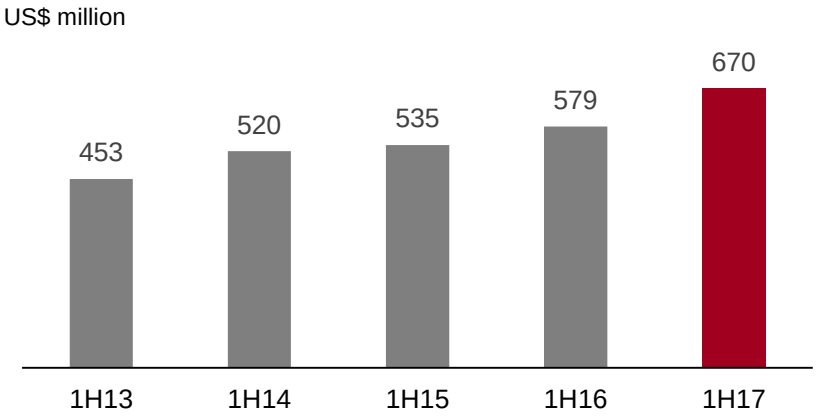
Notes:

1. As at 30 June 2017
2. Weighted by net book value of owned fleet

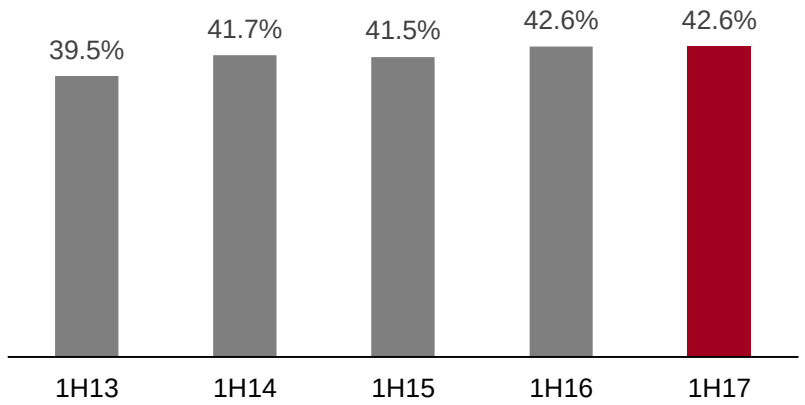
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1H17 Revenue and NPAT Growth

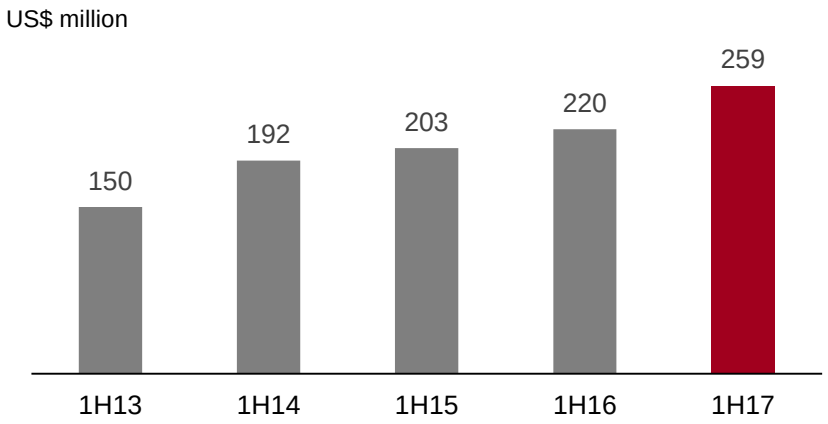
Fleet growth underpins lift in revenues



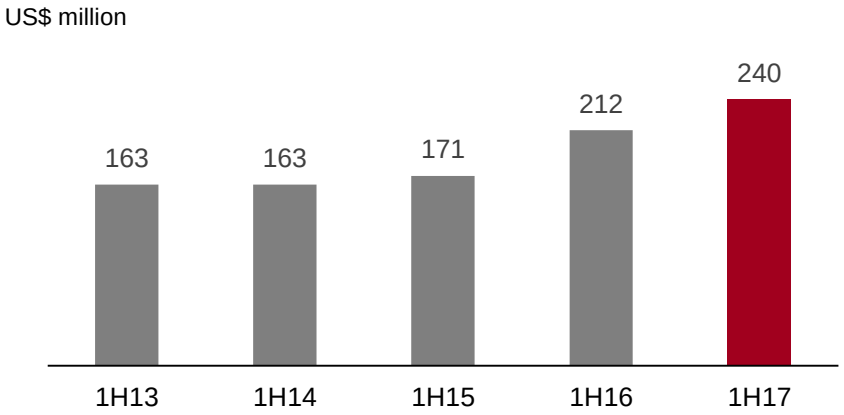
Operating margin >40%[2]



Rising core lease rental contribution[1]



Consistent NPAT growth



All data as at 30 June 2017

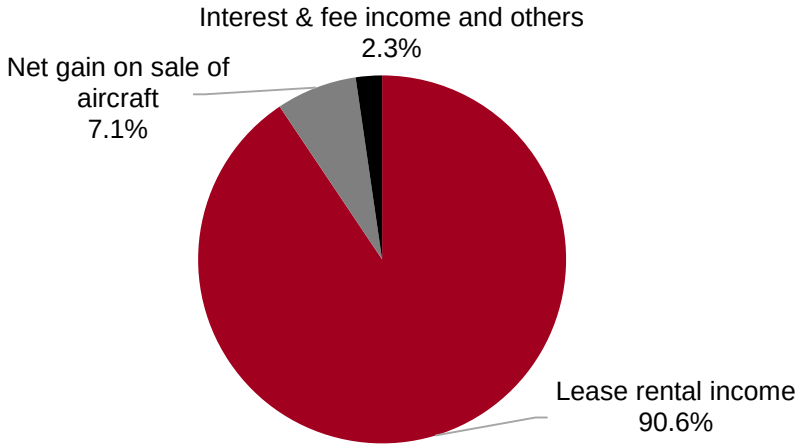
Notes:

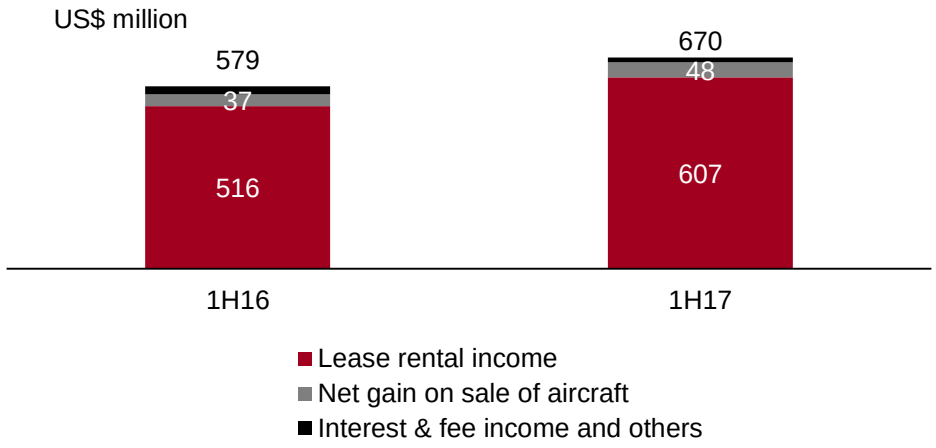
1. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs
2. Calculated as lease rental income less depreciation and finance expenses, amortization of debt issue costs and lease transaction closing costs divided by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

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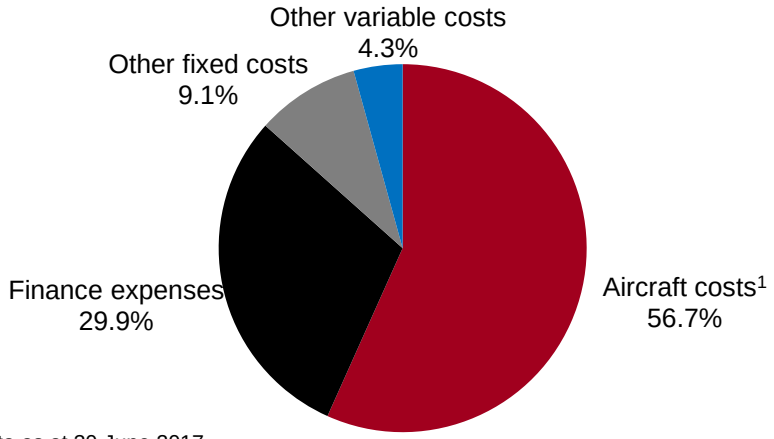
Lease Rental Income Dominates P&L

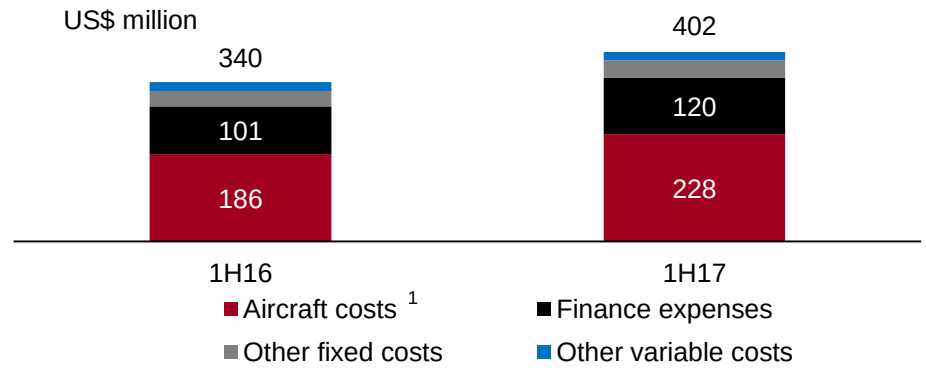
Lease rental income consistently c.90% of total revenue and other income





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





All data as at 30 June 2017

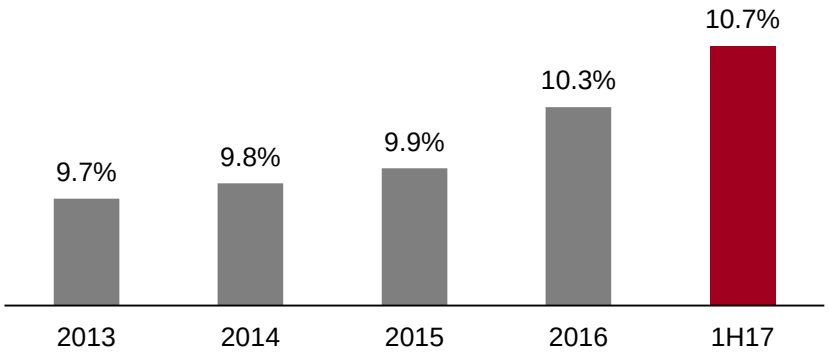
Note:

1. Comprises depreciation and impairment charges

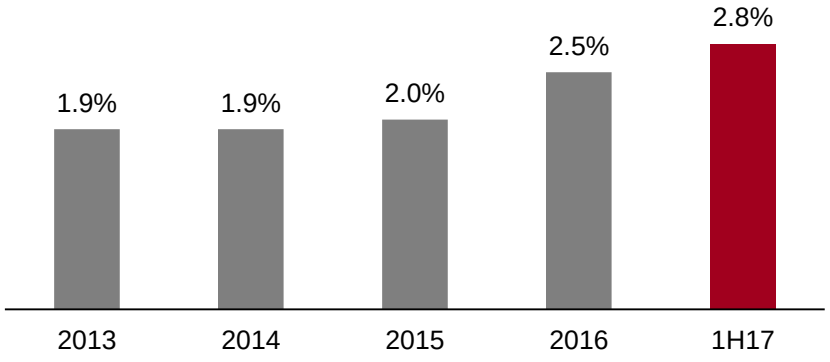
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Improving Net Lease Yield Drives Profitability

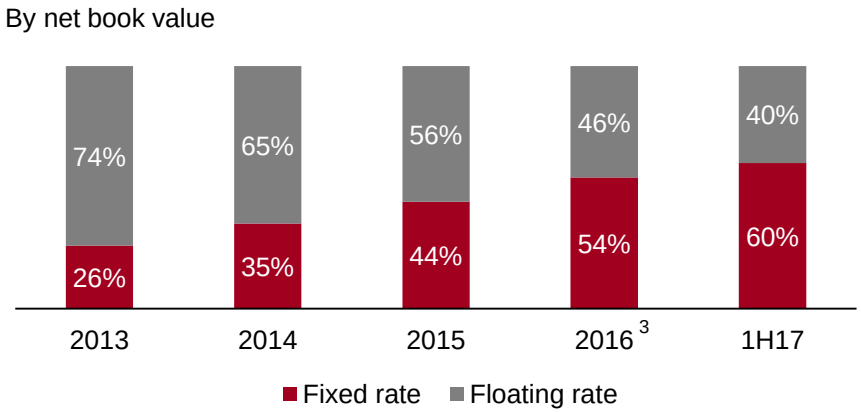
Higher lease rate factor[1] reflects increased fixed rate leases



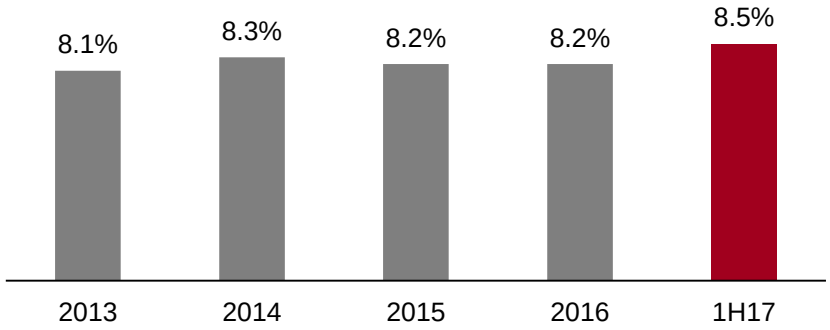
... with a higher proportion of fixed rate debt affecting finance expenses[4]



Proportion of fixed rate leases rising steadily[2]



Maintaining net lease yield[5]



All data as at 30 June 2017

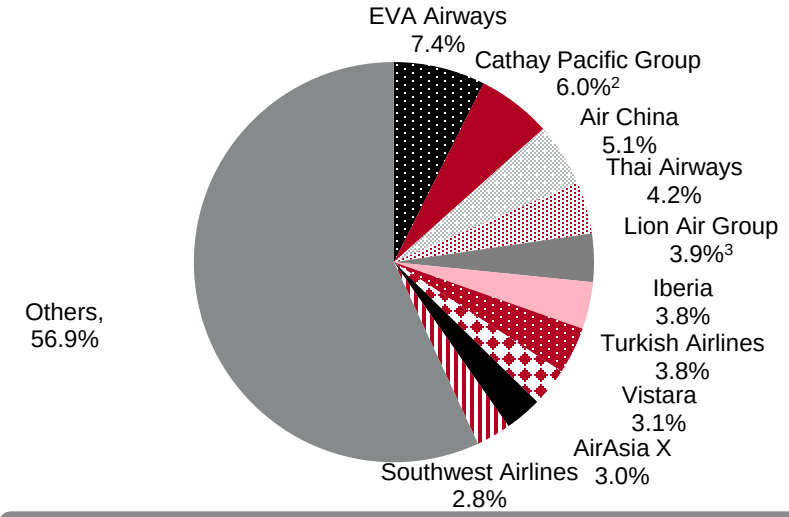
Notes:

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

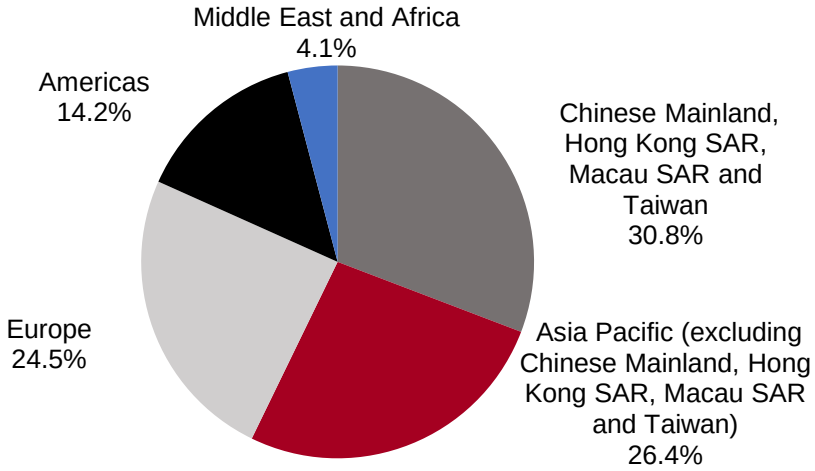
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Our Portfolio Remains Well Diversified

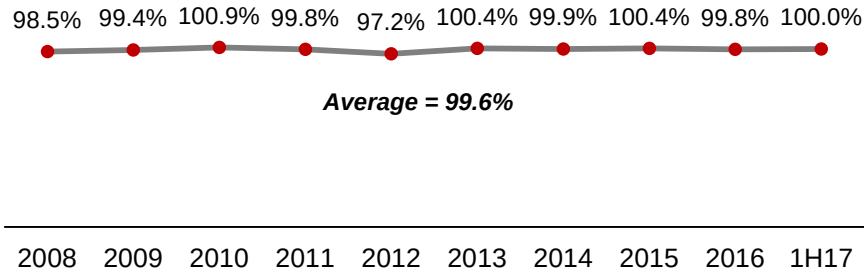
Lease portfolio diversified by customer[1,4]



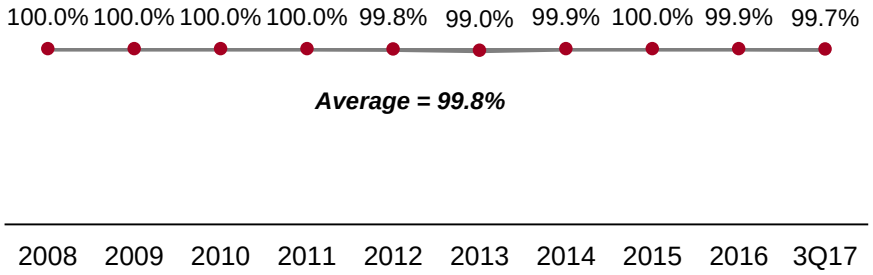
…and diversified by geography[1,4]



High collection rate[5,6]



High fleet utilization[6,7]



All data as at 30 September 2017 unless otherwise indicated

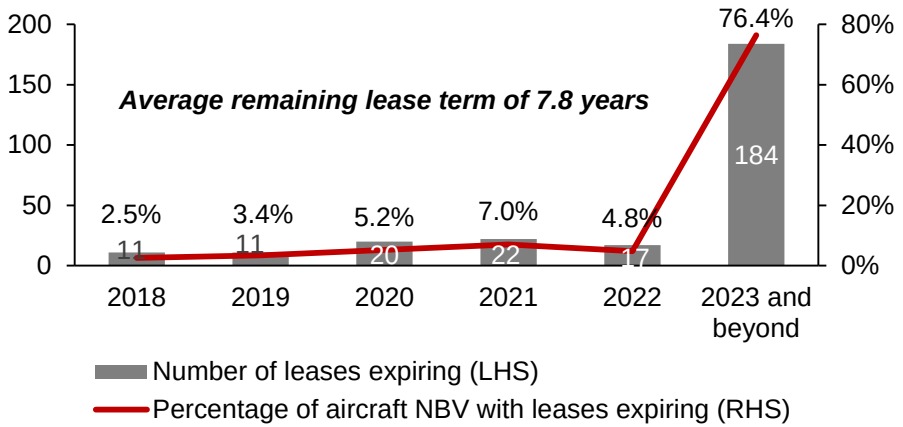
Notes:

1. Based on net book value as at 30 September 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; excludes one aircraft subject to finance lease
5. As at 30 June 2017
6. For owned aircraft portfolio
7. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period

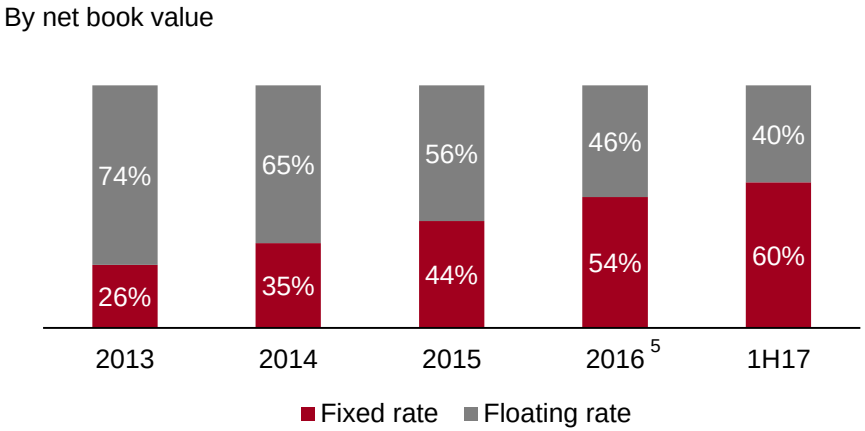
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Long-term, Stable and Contracted USD Cash Flows

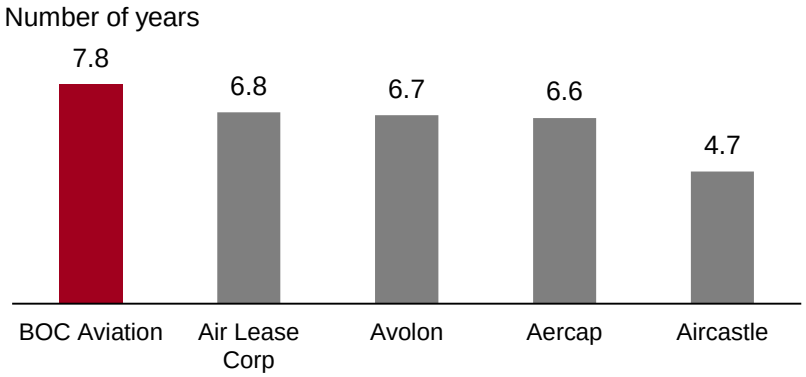
Well-dispersed lease expiries[1,2]



Proportion of fixed rate leases rising steadily[4]

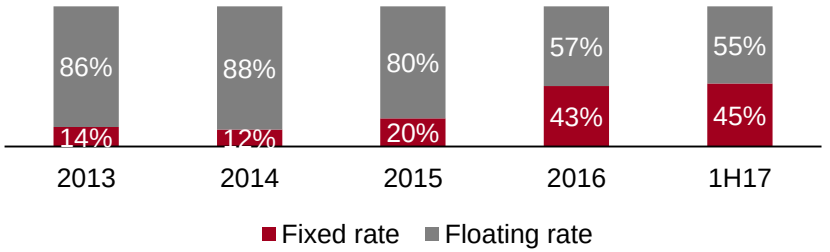


A long average remaining lease term[2,3]



Proportion of fixed rate debt also rising[6]

- 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



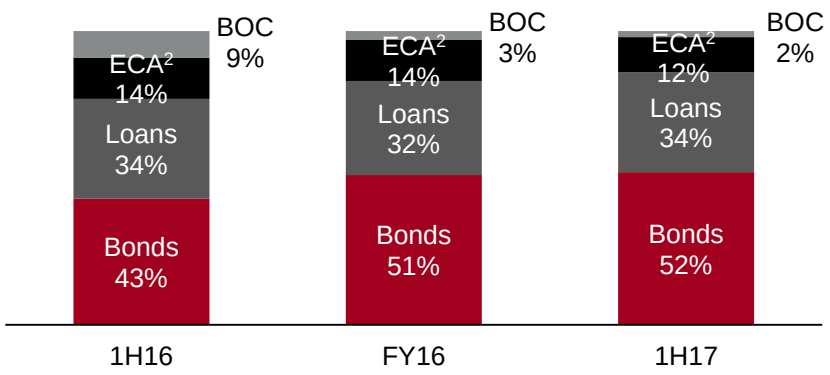
Source: Respective company websites
All data as at 30 June 2017 unless otherwise indicated
Notes:

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
2. As at 30 September 2017
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

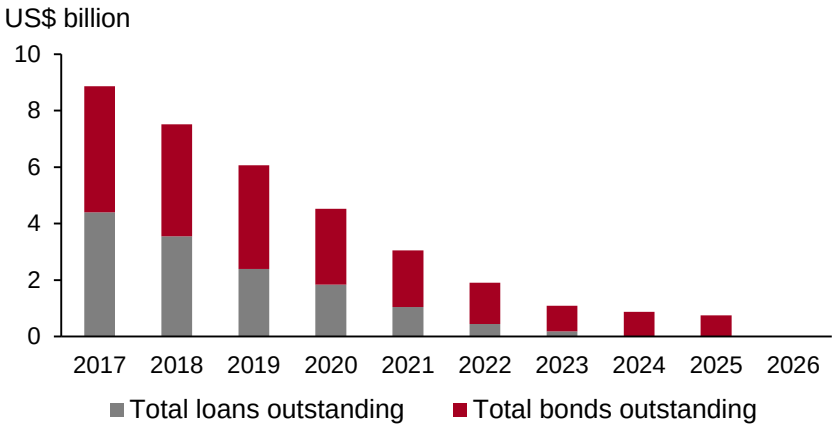
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Debt Profile

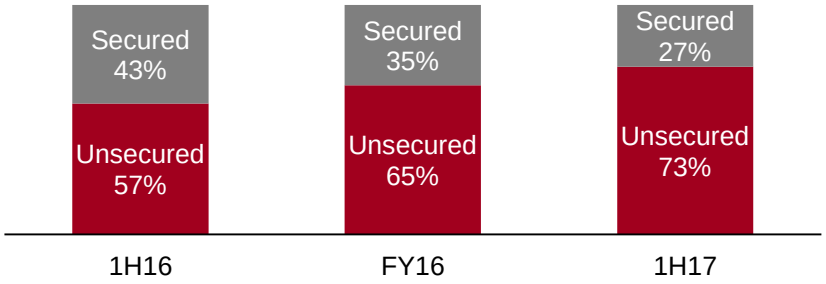
Sources of debt[1]



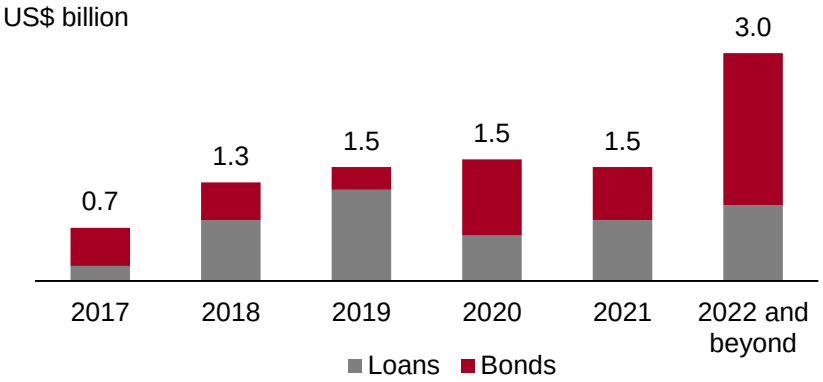
Outstanding debt balances



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

BOC AVIATION

Our Fleet

Our Aircraft Portfolio

Aircraft Type	Owned Aircraft[1]	Managed Aircraft	Aircraft on Order[2]	Total
Airbus A320CEO family	128	13	15	156
Airbus A320NEO family	4	0	62	66
Airbus A330CEO family	11	7	1	19
Airbus A330NEO family	0	0	2	2
Airbus A350 family	0	0	6	6
Boeing 737NG family	94	8	23	125
Boeing 737 MAX family	0	0	84	84
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	0	0	5
Freighters	4	4	0	8
Total	**268**	**34**	**197**	**499**

All data as at 30 September 2017

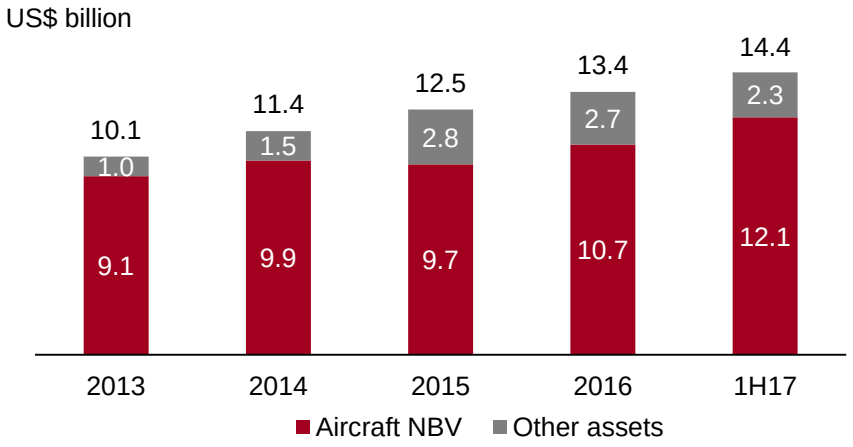
Notes:

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

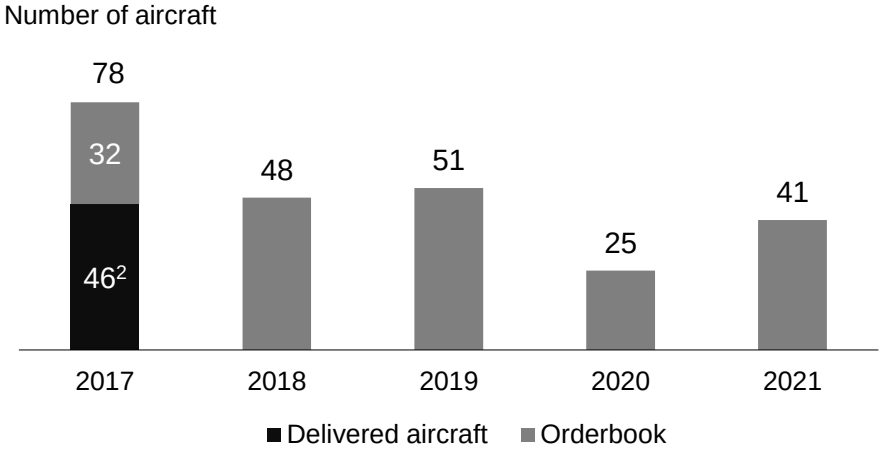
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Orderbook Underpins Future Balance Sheet Growth

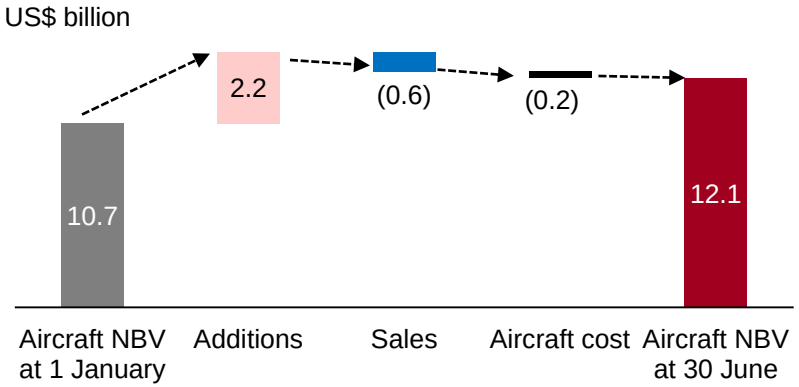
Growing balance sheet



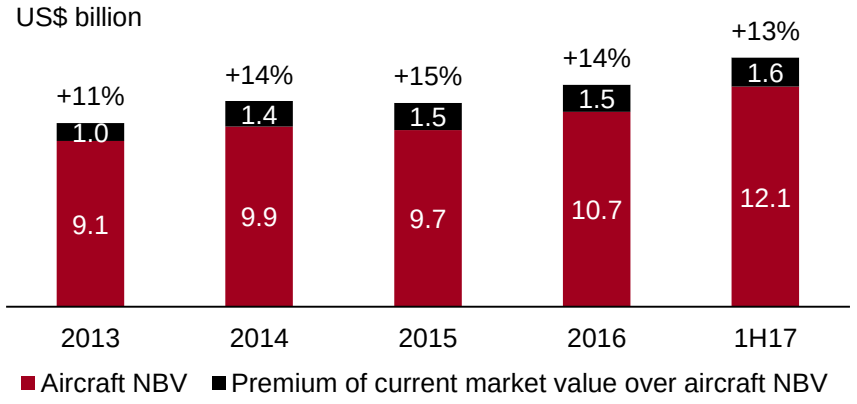
Committed deliveries of 197 aircraft till 2021[1]



Fleet NBV evolution



Premium over aircraft net book value[3,4]



All data as at 30 June 2017 unless otherwise indicated

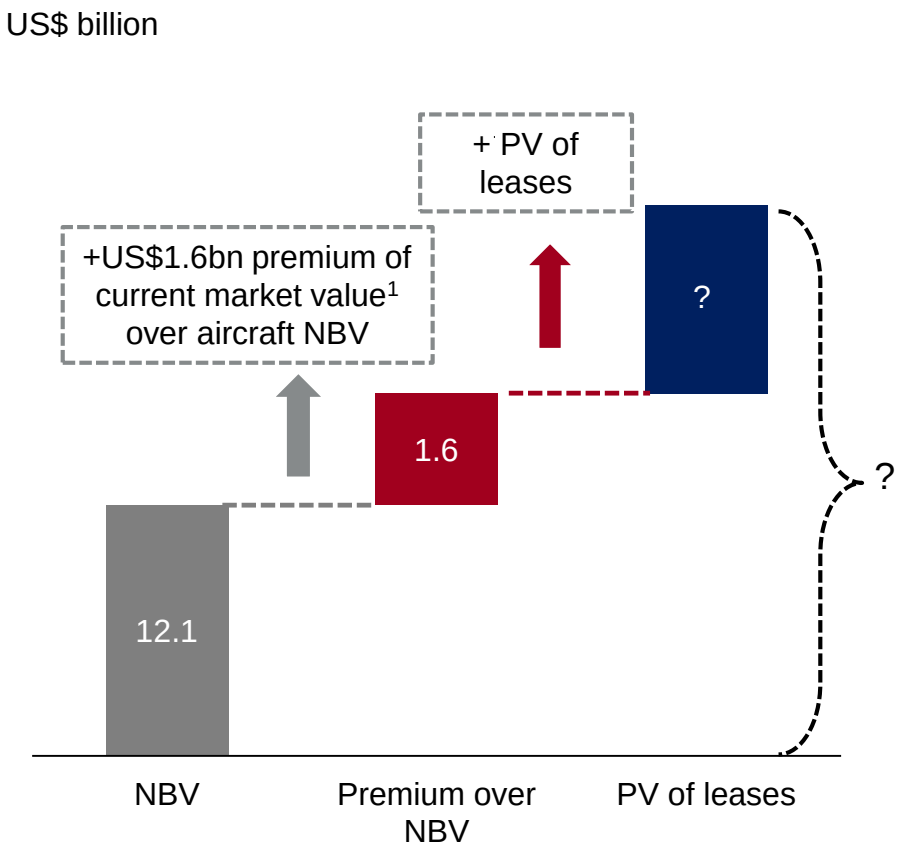
Notes:

1. As at 30 September 2017
2. Delivered 46 aircraft through end-3Q17 including three acquired by airline customer on delivery
3. Average of five appraisers
4. Percentages refer to premium of appraised current market value over aircraft NBV

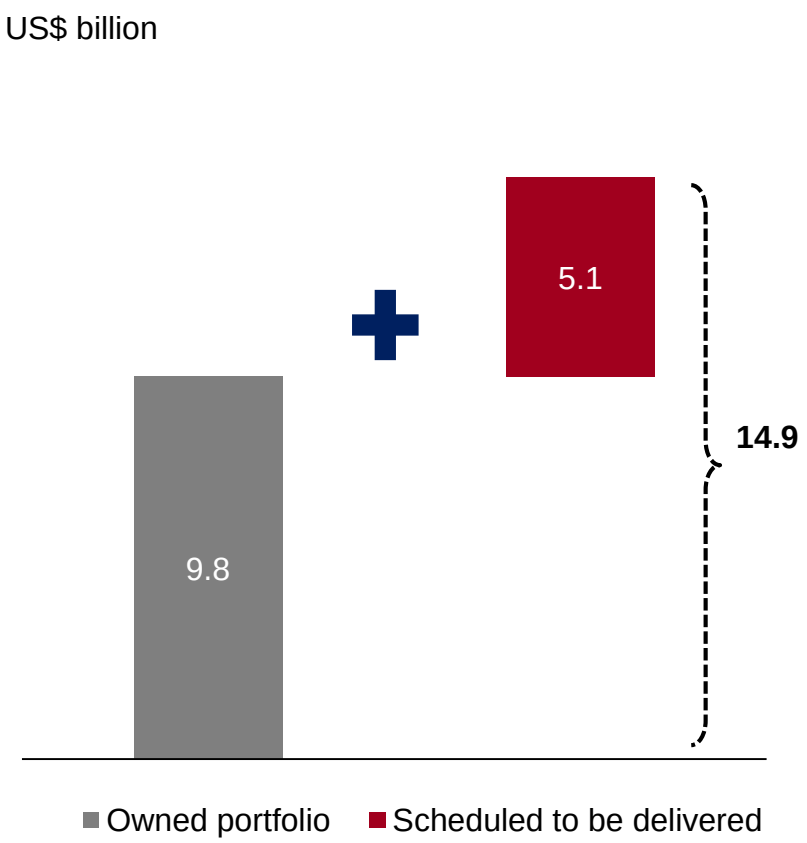
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Value Driven by Fleet and Committed Lease Revenues

Net Book Value understates business value



Committed future revenues of c.US$15 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

BOC AVIATION

Sustainable Value Creation (1)

- 1H17 was 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, five Airbus A350 and two Airbus A330NEO for future deliveries[1]
    - Our first Airbus A350 family aircraft was delivered to Qatar Airways in Nov 2017
  - 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
    - Inaugural US$1.2 billion dual tranche issuance in Sep/Oct 2017
      - US$500 million 5Y notes at 2.75% p.a
      - US$700 million 10Y notes at 3.5% p.a
  - Reduced proportion of secured debt to less than 30% of total debt
  - Credit ratings of A- by S&P Global Ratings and Fitch Ratings

BOC AVIATION

All data as at 30 June 2017 unless otherwise indicated

Note:

1. As at 15 December 2017

Sustainable Value Creation (2)

- Robust air travel environment
  - 2017 YTD passenger demand growth continues to exceed expectations and long term trend[1]
  - Strong air traffic continues to underpin demand for new aircraft
- 2017 was our busiest in the Company's history
- 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

All data as at 30 June 2017 unless otherwise indicated

Note:

1. International Air Transport Association

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APPENDICES

BOC AVIATION

Core Competencies – a Reminder

Since inception in 1993:

• Purchasing	740 aircraft purchased totaling more than US$37 billion
• Leasing	More than 750 leases executed with more than 140 airlines in 52 countries
• Financing	More than US$20 billion in debt raised since 1 January 2007[1]

• Sales	280 aircraft sold
• Transitions	More than 60 transitions
• Repossessions	33 aircraft in 13 jurisdictions[2]

All data as at 30 September 2017, since inception unless otherwise indicated

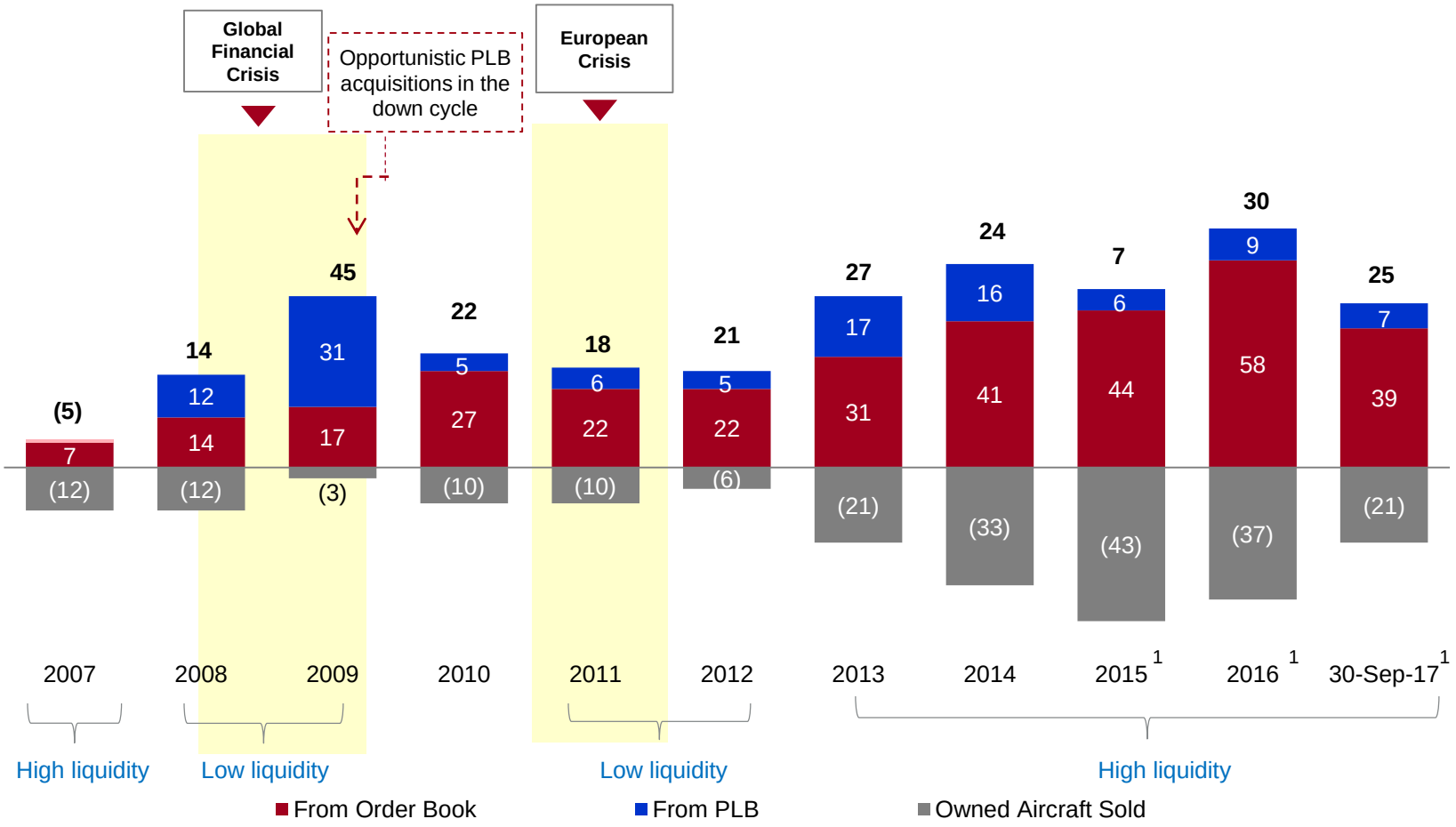
Notes:

1. As at 30 June 2017
2. Includes repossessions and consensual early returns
3. Average value over last 10 years since 1 January 2008

BOC AVIATION

How We Invest

Number of Aircraft Delivered, Purchased and Sold



All data as at 31 December of relevant year unless otherwise indicated

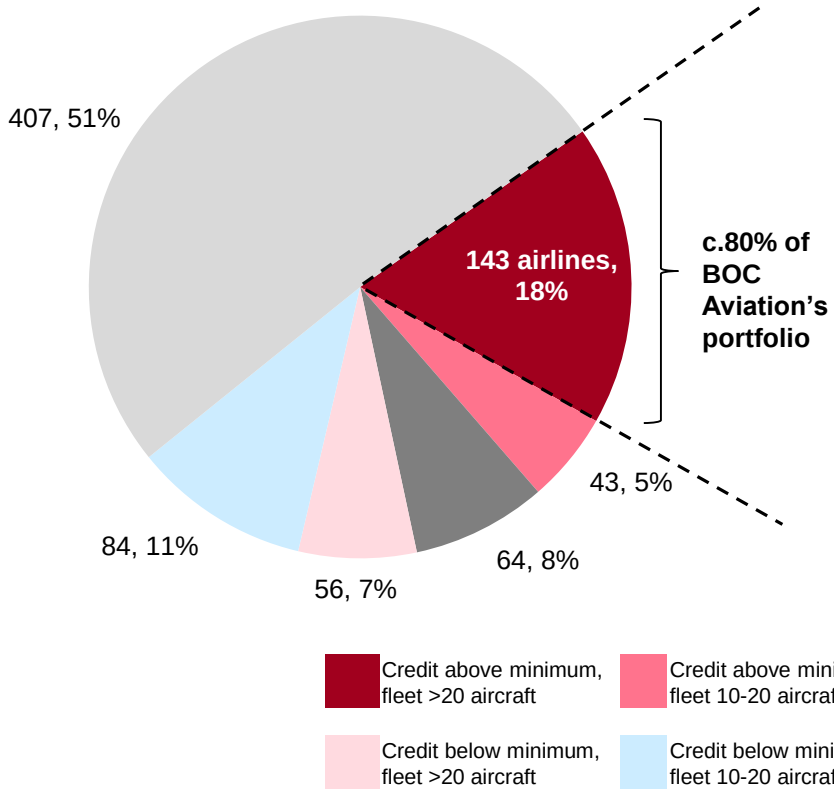
Note:
1. 10, 11 and 3 aircraft were acquired by the relevant airline lessees in 2015, 2016 and 2017 YTD, respectively

BOC AVIATION

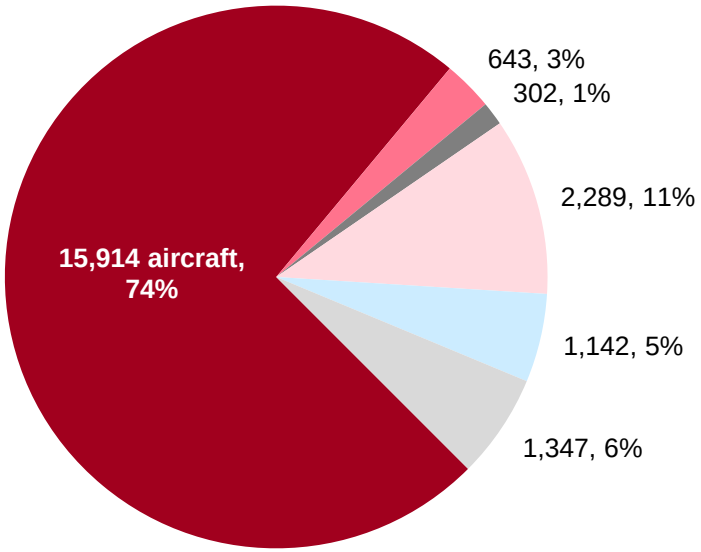
Leasing: Customer Segmentation

- 797 airlines in service today
- Focus on 143 airlines or only 18% of the airlines in the market – minimum credit score, above 20 aircraft

Airline Segmentation by Credit Score and Fleet Size



Our Target 143 Airlines Operate 74% of the Current In-service Aircraft

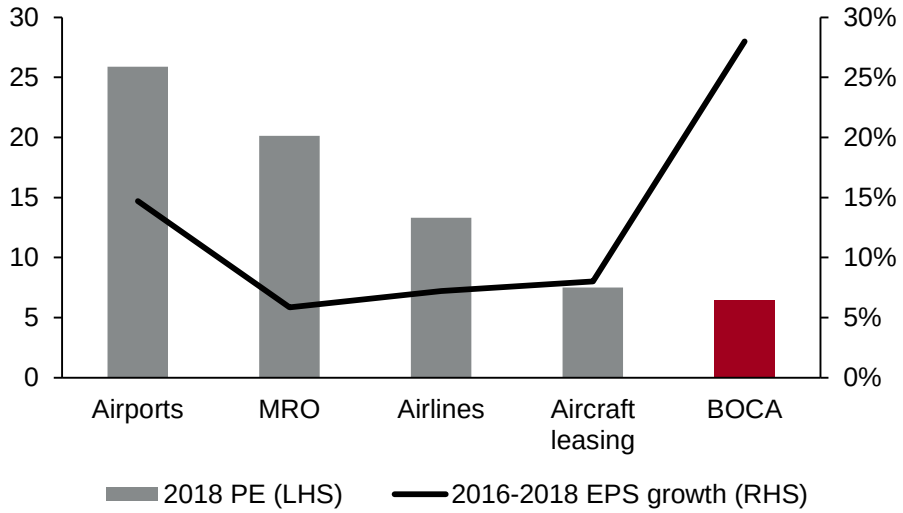


Source: Ascend, as at 30 September 2017

BOC AVIATION

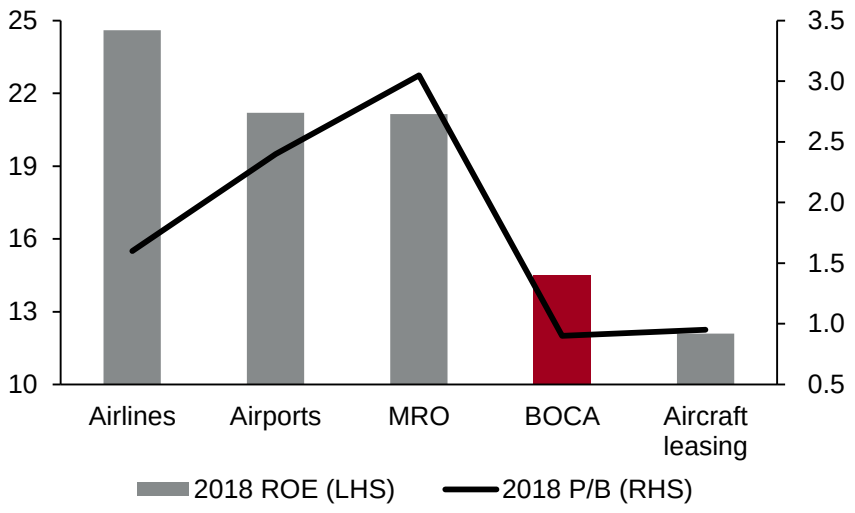
Most Attractively Valued Aviation Investment

P/E vs. 2-yr EPS growth (2018E)



Source: UBS, Goldman Sachs' research, Bloomberg, 5 Dec 17

P/B vs. ROE (2018E)



Source: UBS, Goldman Sachs' research, Bloomberg, 5 Dec 17

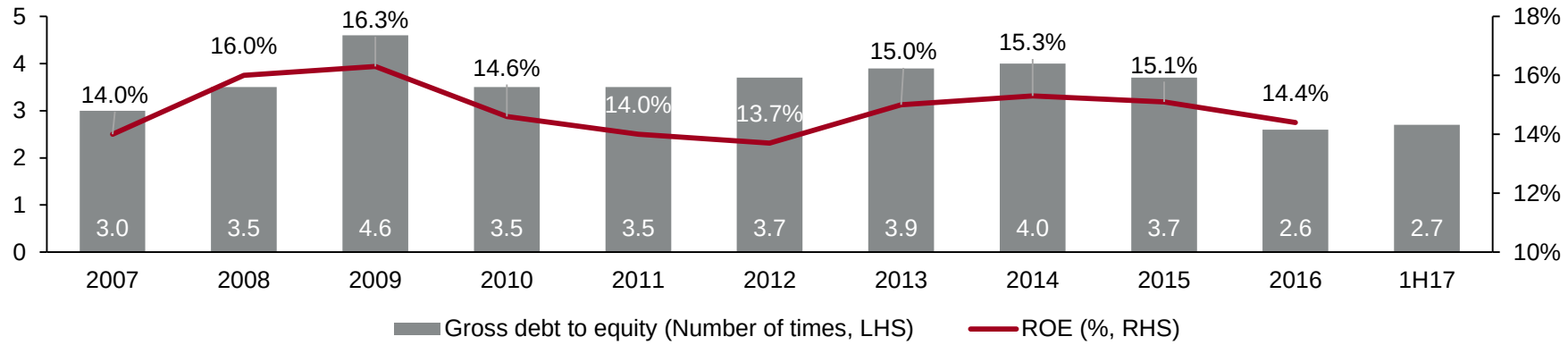
- BOC Aviation is growing earnings faster than other aviation sub-sectors;
- At 6.4x 2018E earnings its P/E is lower than both the leasing sector and other aviation verticals; and,
- It trades below 1x 2018 P/B – despite generating consistent mid-teen ROEs

High growth and robust returns yet valued at a discount

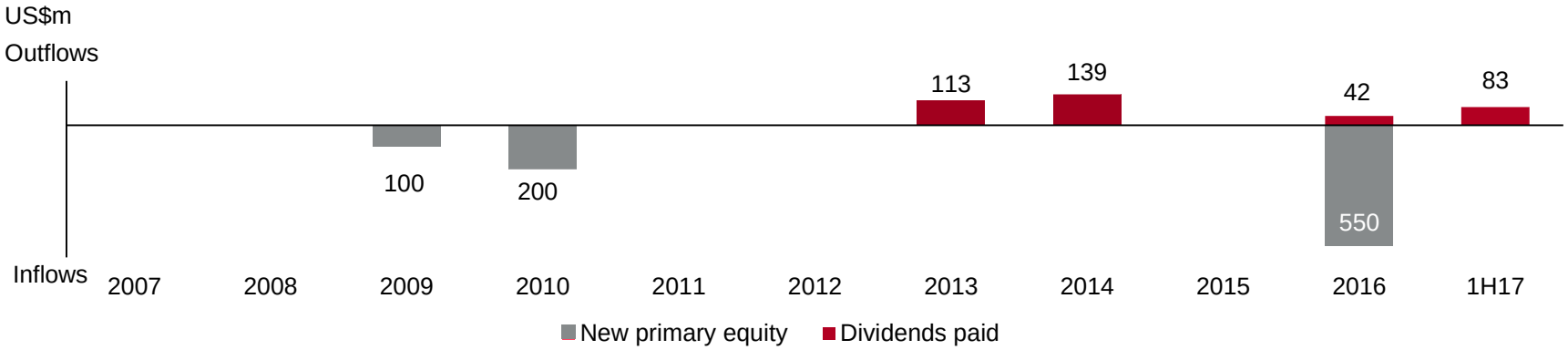
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Stable Business: Consistent Leverage and Steady Returns

Average ROE of c.15% at gross debt to equity[1] of 3.5 times



Equity Cashflows



ROE and leverage decline as equity is raised and rise as profit growth and dividend payment increase

BOC AVIATION

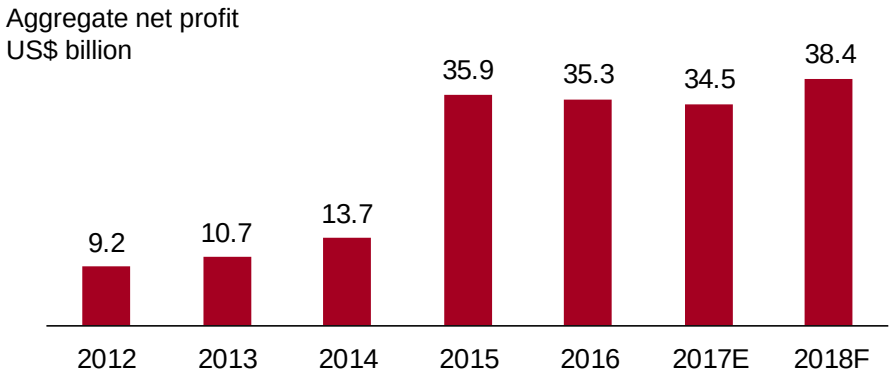
All data as at 31 December of relevant year unless otherwise indicated

Note:

1. Calculated as total indebtedness divided by total equity

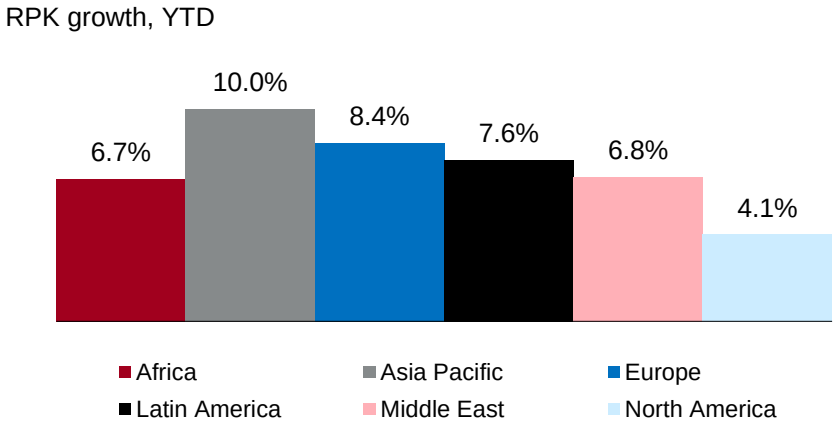
Positive Environment with Airline Profitability near Records

Elevated airline profitability sustained



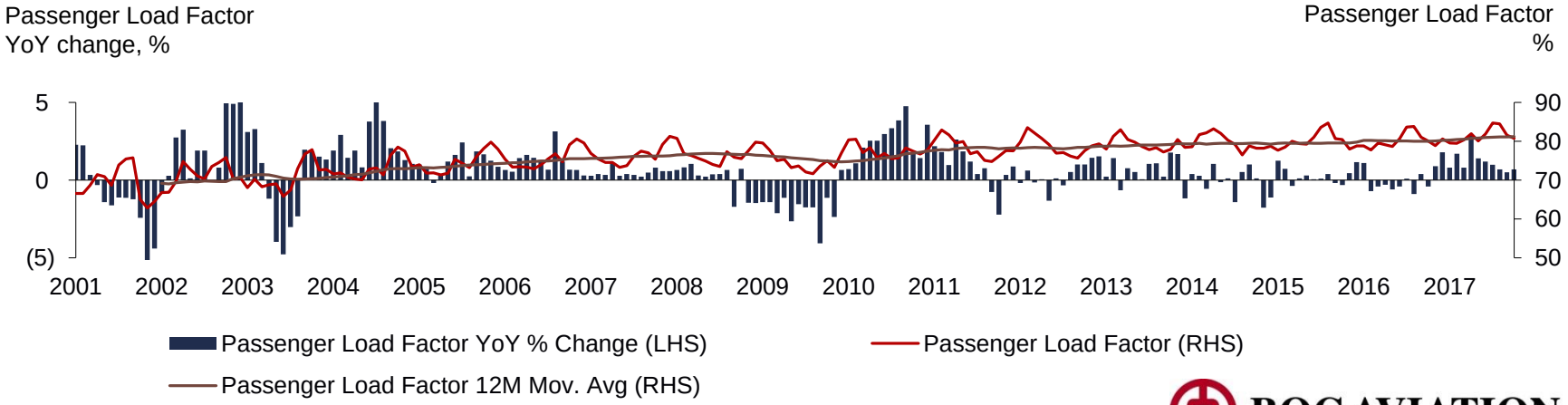
Source: IATA (Airline Industry Economic Performance – December 2017)

Emerging markets continue to record high air traffic growth



Source: IATA (October 2017)

High load factors suggest well-managed capacity

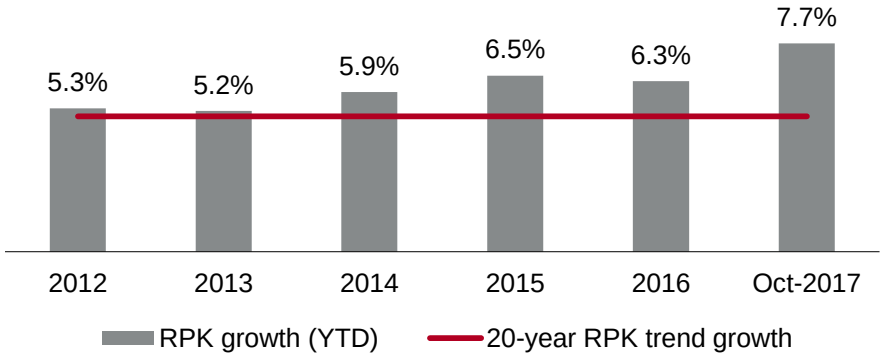


Source: IATA (October 2017)

BOC AVIATION

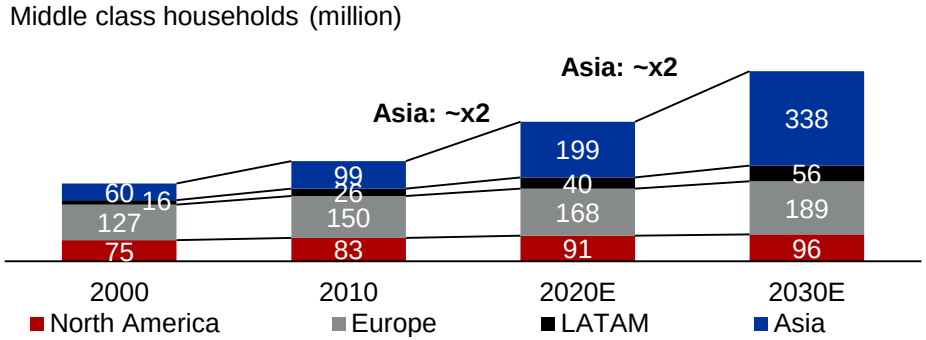
Underlying Traffic Growth Positive for Core Leasing Business

Above-trend passenger demand growth



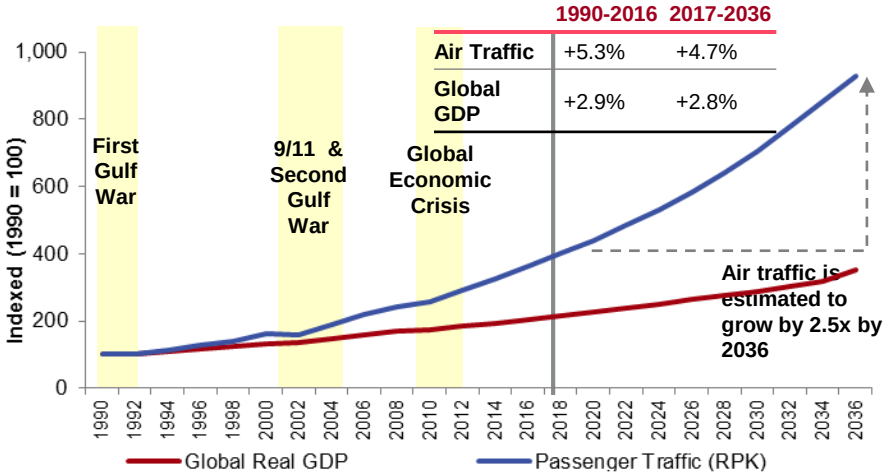
Source: IATA (October 2017)

Growth in the middle classes[1] to be driven by emerging economies



Source: Euromonitor

Air traffic estimated to grow by 150% in the next two decades…

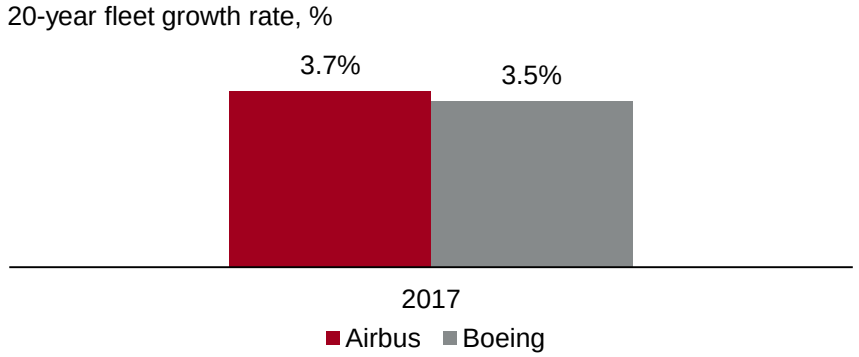


Source: Ascend Flightglobal Fleet Forecast 2015, Oxford Economics, Boeing Current Market Interactive Forecast 2017-2036

Note:

1.Defined as number of households with yearly income between US$25,000 and US$150,000

Fleet expected to double in the next 20 years

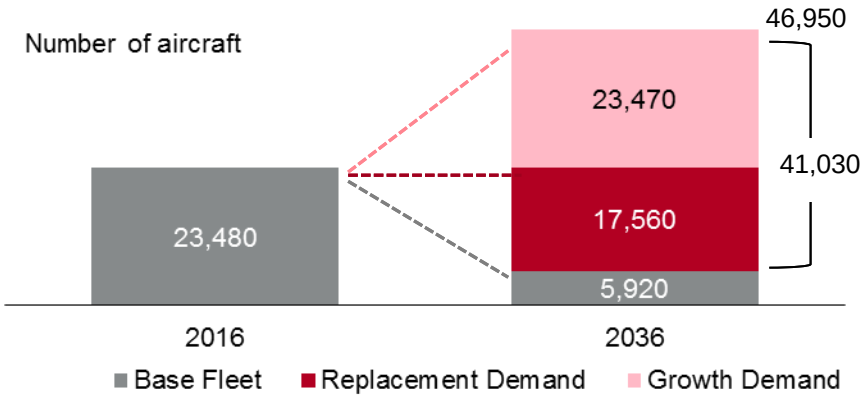


Source: Airbus Global Market Forecast, Boeing Capital Market Outlook

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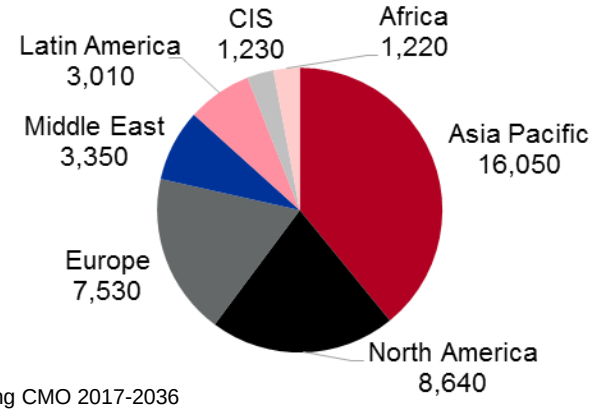
Aircraft Operating Leasing Drivers

Demand driven by market growth and replacement of old aircraft



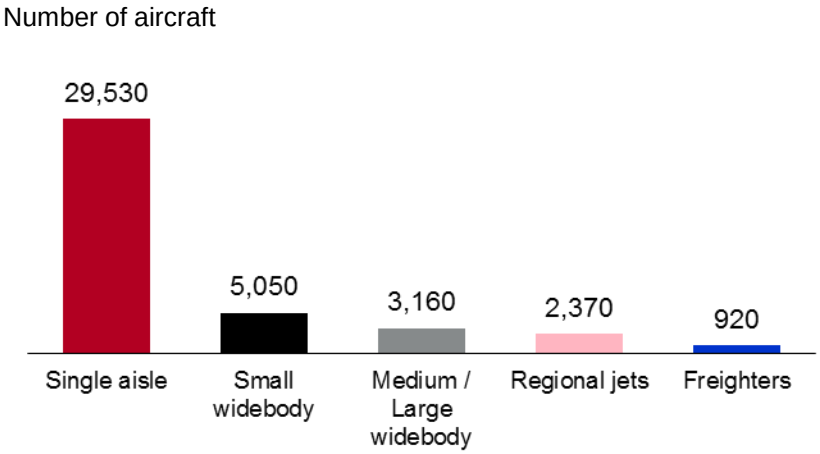
Source: Boeing CMO 2017-2036

New aircraft demand led by Asia Pacific



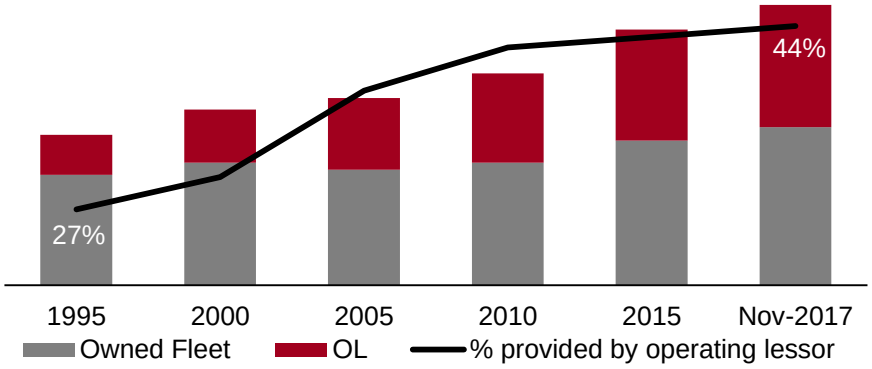
Source: Boeing CMO 2017-2036

Predominantly single aisle aircraft



Source: Boeing CMO 2017-2036

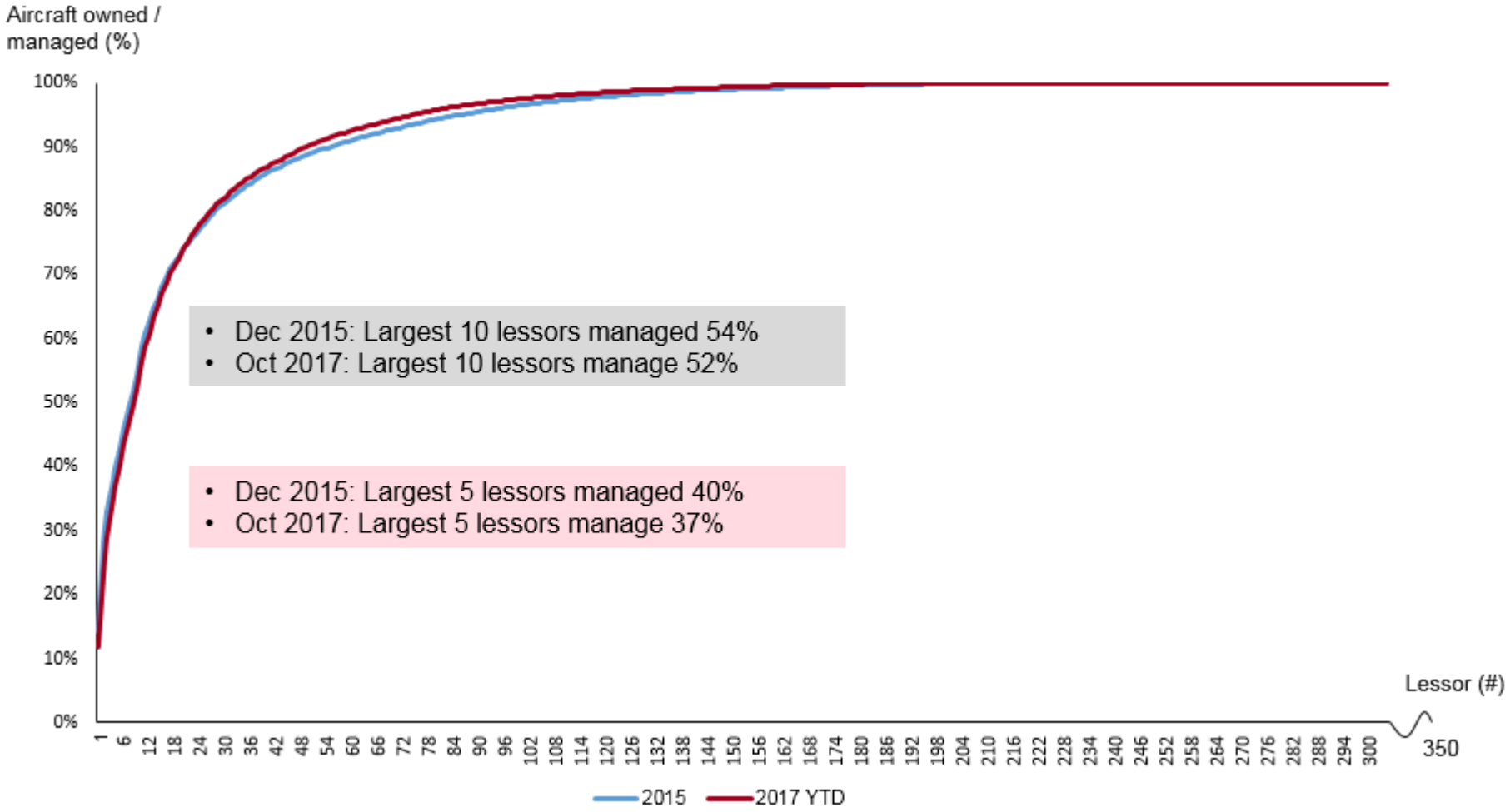
Share of operating lessors now stable



Source: Ascend, 30 November 2017

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Less Concentration Now in the Market



Whilst M&A has occurred in top 10, largest two lessors didn't grow

Source: Ascend, as at 30 September 2017. Fleet data includes in-service owned and managed aircraft, based on aircraft of 100+ seats

BOC AVIATION



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Incorporated in the Republic of Singapore with limited liability
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