



# BOC AVIATION INVESTOR UPDATE

NOVEMBER 2019



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# Another Record First Half Performance

## Stable earnings growth<sup>1</sup>

**US\$321 million**  **8%**

Net profit after tax

**US\$0.46**  **8%**

Earnings per share

Driven by:

**US\$930 million**  **13%**


Total revenues and other income

**8.4%**  **Stable**

Net lease yield<sup>2</sup>

**US\$341 million**  **4%**

Core lease rental contribution<sup>3</sup>

**US\$352 million**  **7%**

Profit before tax

## Robust balance sheet<sup>4</sup>

**US\$19.2 billion**  **5%**

Total assets

**US\$4.3 billion**  **2%**

Total equity

**US\$6.18**  **2%**

Net assets per share

## Higher interim dividend per share

**US\$0.1388**  **8%<sup>6</sup>**

Interim dividend per share<sup>5</sup>

All data as at 30 June 2019

Notes:

1. Compared to the first six months of 2018 unless otherwise indicated
2. Calculated as annualised lease rental income less annualised finance expenses apportioned to lease rental income, divided by average net book value of aircraft
3. Calculated as lease rental income less aircraft depreciation and finance expenses apportioned to lease rental income, amortisation of deferred debt issue cost and lease transaction closing cost
4. Compared to the year ended 31 December 2018
5. Payable to shareholders registered at the close of business on the record date, being 3 October 2019
6. Compared to US\$0.1284 paid for 1H18



# An Active 3Q/9M19

- Ended September 2019 with total fleet of 509 comprising 309 owned, 36 managed and 164 on order
  - Portfolio utilization of 99.5%
  - Average fleet age of 3.1 years<sup>1</sup>
  - Average remaining lease term of 8.3 years<sup>1</sup>
- Took delivery of 11 aircraft in 3Q19, 34 in 9M19<sup>2</sup>
- Signed 11 lease commitments in 3Q19, 50 in 9M19
- Sold 13 owned aircraft in 3Q19, 24 in 9M19 comprising:
  - 22 owned, two managed
  - Completed the sale of 14 out of 17 aircraft in a portfolio sale announced in June 2019
    - The sale of the remaining three aircraft are expected to close in November 2019
- S&P Global Ratings and Fitch Ratings have reaffirmed our credit ratings of A-
  - Raised US\$650 million in 10-year bonds under GMTN program, including US\$500 million at tightest ever spread over benchmarks for an aircraft operating leasing company
- Total future committed CAPEX of c.US\$7.7 billion<sup>3</sup>
  - FY2019 CAPEX expected to be in the US\$3-3.5 billion range based on scheduled deliveries<sup>4</sup>

## Consistently strong operational performance

All data as at 30 September 2019 unless otherwise indicated

Notes:

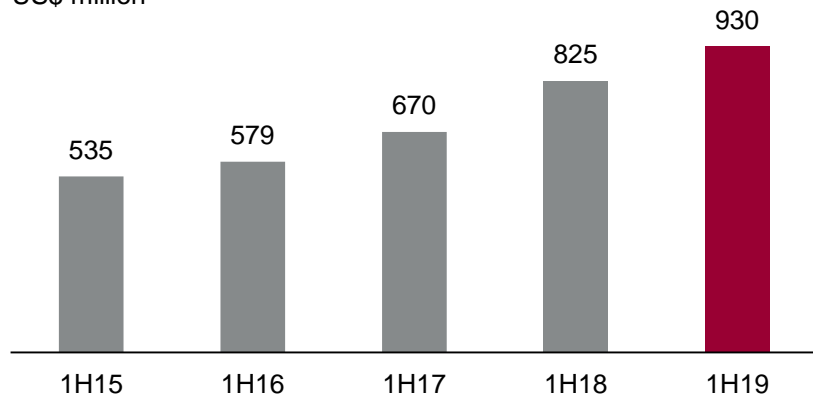
1. Weighted by net book value of owned fleet
2. Including one acquired by airline customer(s) on delivery in 3Q19 and six in 9M19
3. As at 30 June 2019
4. The number of aircraft delivered in 2019 is likely to be lower from currently contracted, and up to 30 aircraft could be delayed out of 2019. Such delayed aircraft instead could be delivered in 2020 or in future years



# Record NPAT

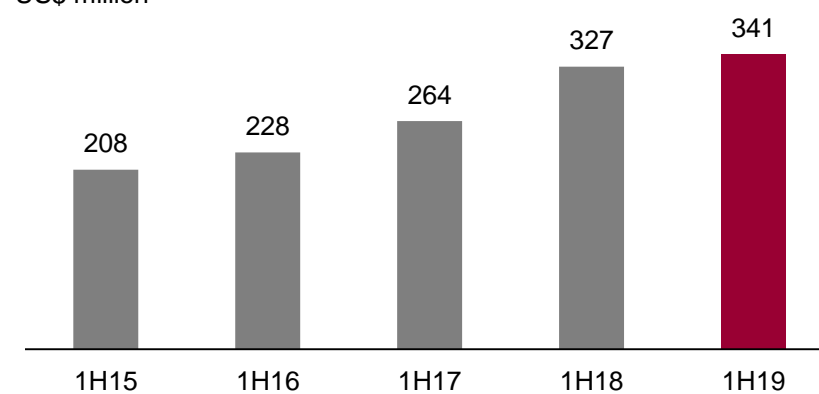
## Fleet growth underpins growth in revenues

US\$ million



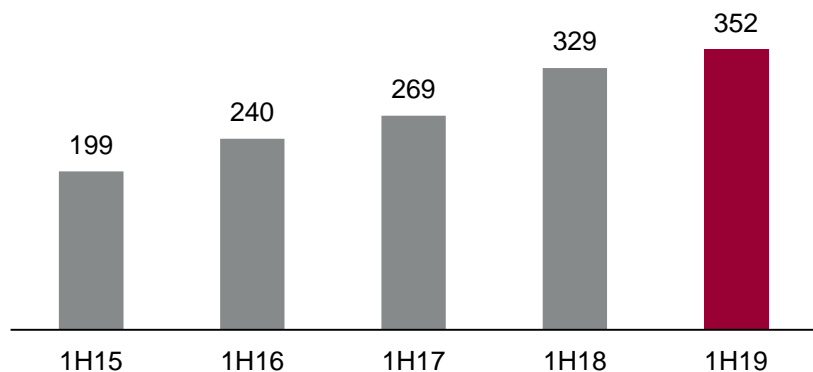
## Improving core lease rental contribution<sup>1</sup>

US\$ million



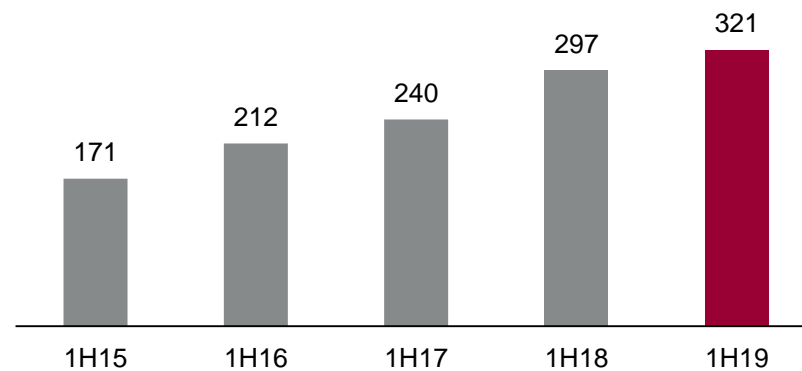
## Continuing PBT Growth

US\$ million



## Robust NPAT performance

US\$ million



All data as at 30 June 2019

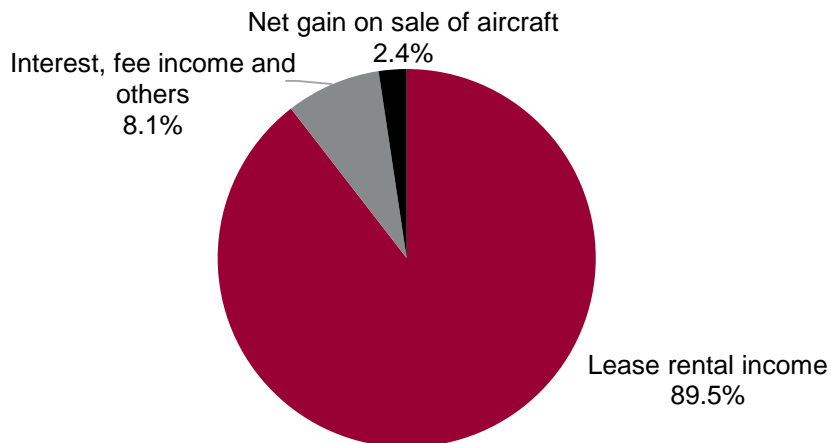
Note:

1. Calculated as lease rental income less aircraft depreciation and finance expenses apportioned to lease rental income, amortisation of deferred debt issue cost and lease transaction closing cost

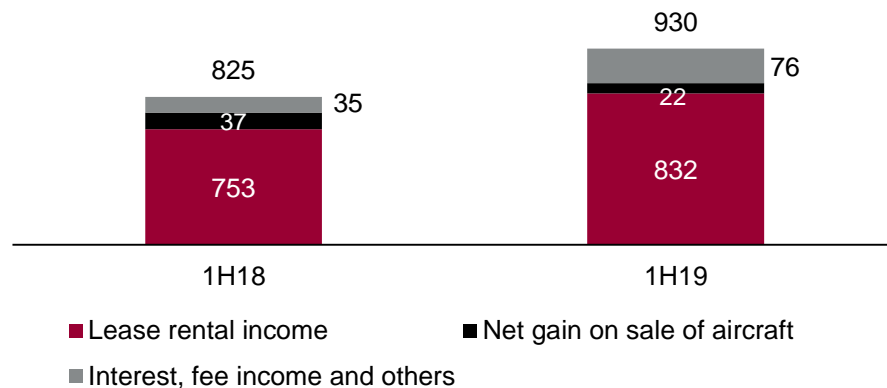


# Lease Rental Income Continues to Dominate Revenue

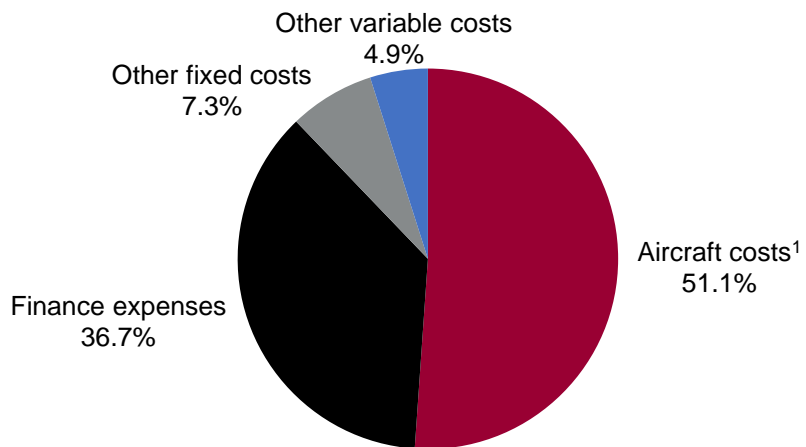
Lease rental income consistently c.90% of total revenue and other income



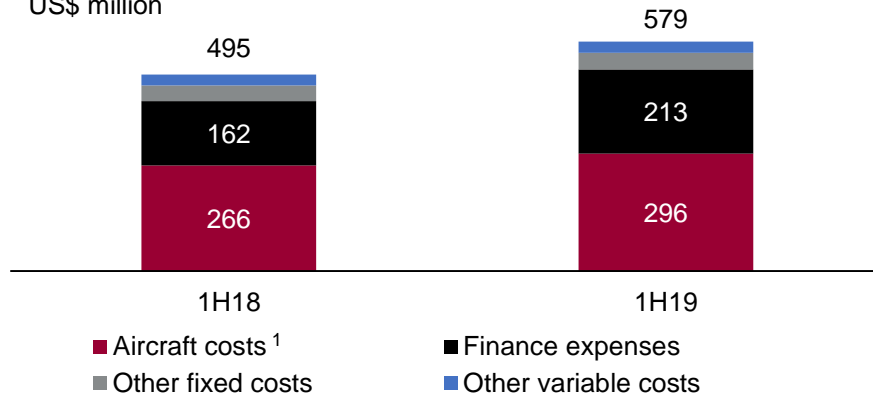
US\$ million



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



US\$ million



All data as at 30 June 2019

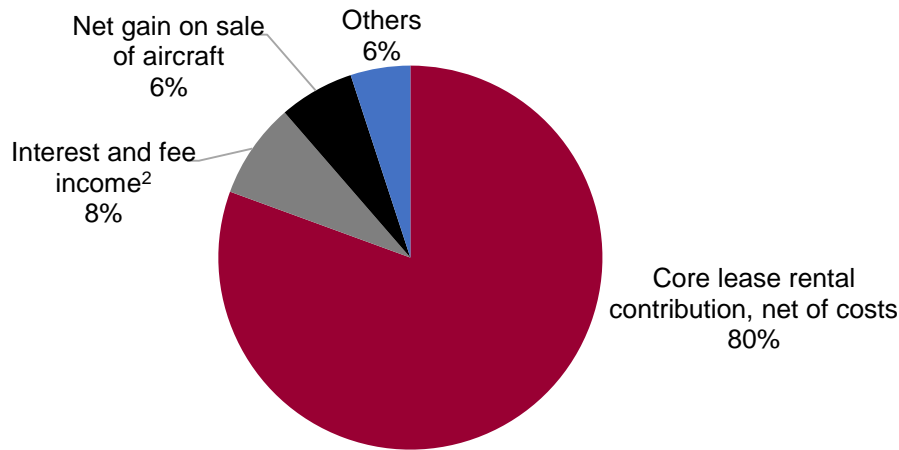
Note:

1. Comprises aircraft depreciation

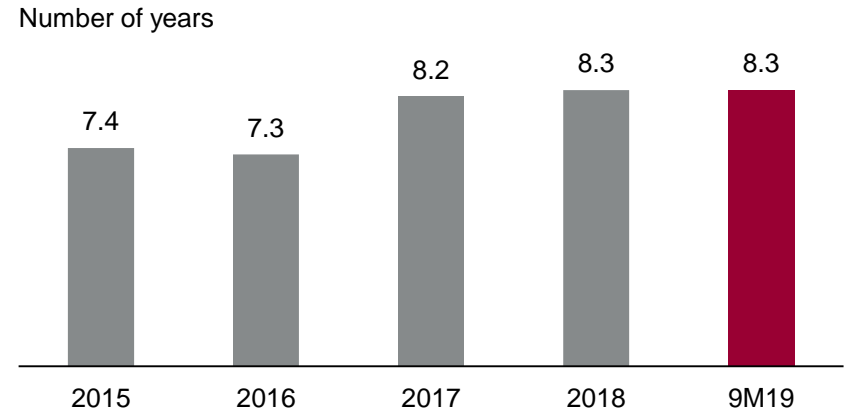


# Core Leasing Business Supports Earnings Growth

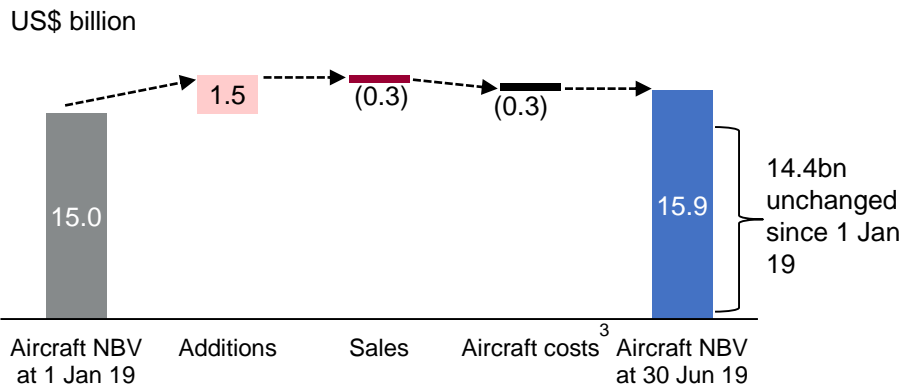
80% of PBT is from core lease rental contribution<sup>1</sup>, net of costs



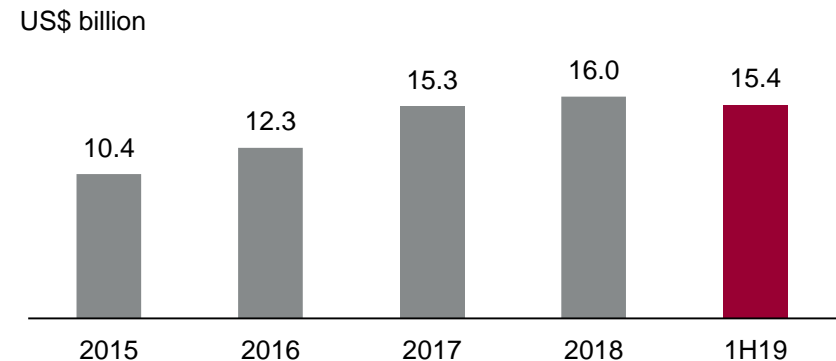
We have a long average remaining lease term<sup>4</sup>



and reflects continued investment in our fleet



and high future committed lease revenue



All data as at 30 June 2019 unless otherwise indicated

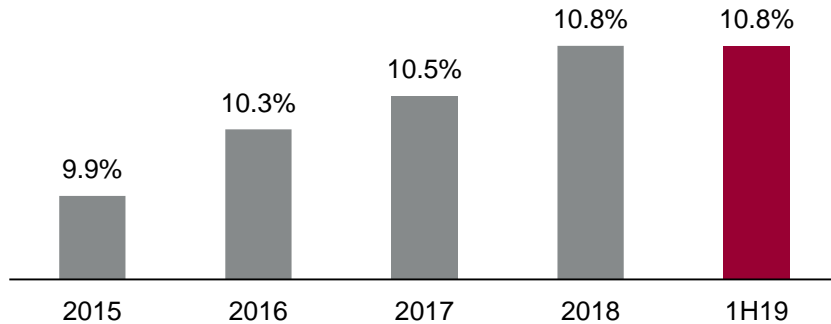
Notes:

1. Calculated as lease rental income less aircraft depreciation and finance expenses apportioned to lease rental income, amortisation of deferred debt issue cost and lease transaction closing cost
2. Calculated as interest and fee income less finance expense apportioned to interest and fee income
3. Comprises aircraft depreciation
4. Weighted by net book value of owned fleet

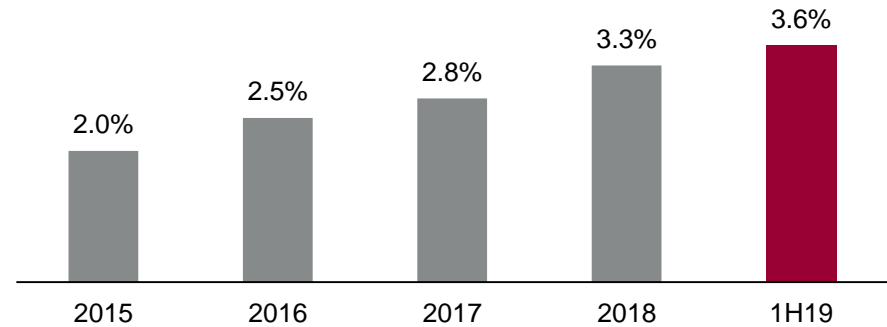


# Leasing Market Continues to Shift Towards Fixed Rates

Lease rate factor<sup>1</sup> reflects increased proportion of fixed rate leases

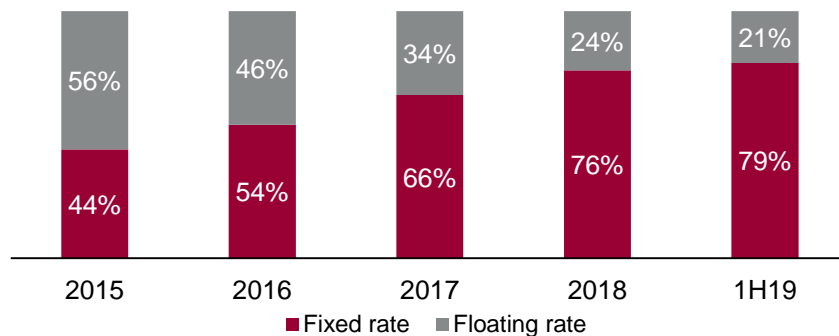


Cost of debt<sup>3</sup> reflects more fixed rate funding

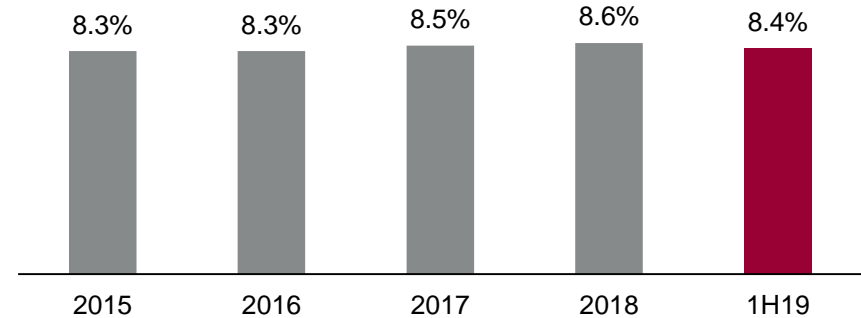


Proportion of fixed rate leases rising steadily<sup>2</sup>

By net book value



Maintaining net lease yield<sup>4</sup> at target levels



All data as at 30 June 2019 unless otherwise indicated

Notes:

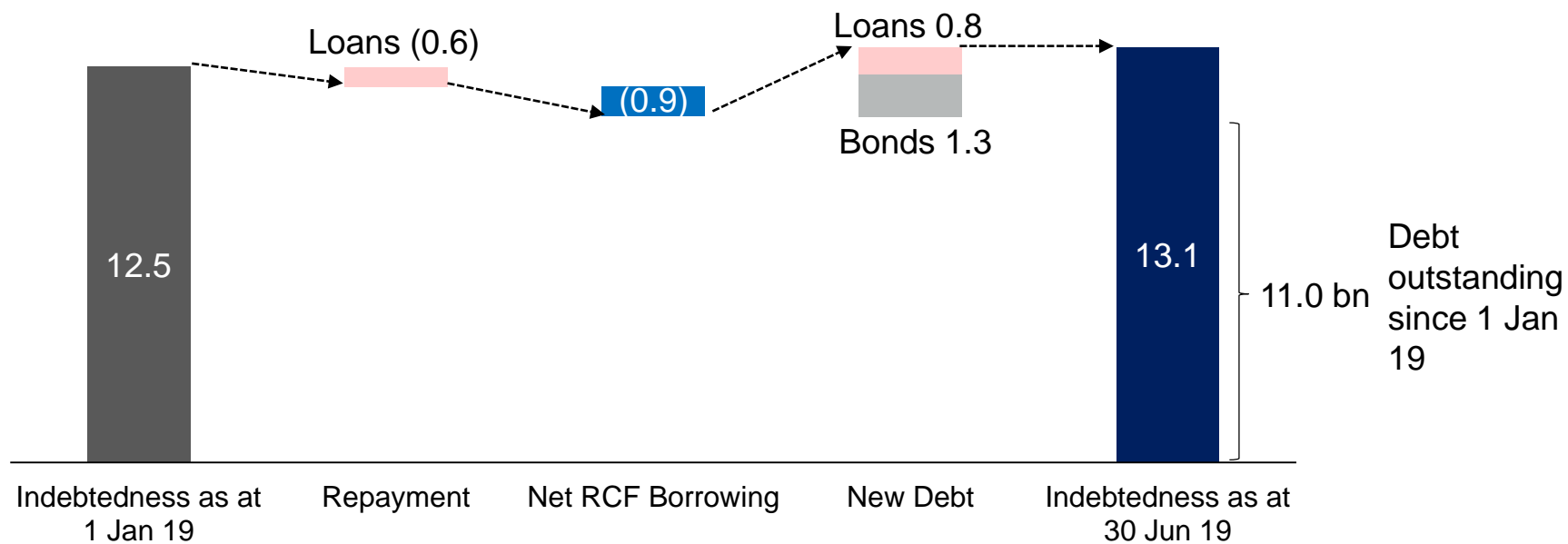
1. Calculated as lease rental income divided by average net book value of aircraft and multiplied by 100%
2. By net book value including aircraft held for sale and excluding aircraft subject to finance lease as well as aircraft off lease
3. Cost of debt is calculated as the sum of finance expenses and capitalized interest, divided by average total indebtedness. Total indebtedness represents loans and borrowings and finance lease payables before adjustments for deferred debt issue costs, fair values, revaluations and discounts/premiums to medium term notes
4. Calculated as annualised lease rental income less annualised finance expenses apportioned to lease rental income, divided by average net book value of aircraft





# Stable Debt Structure

US\$ billion

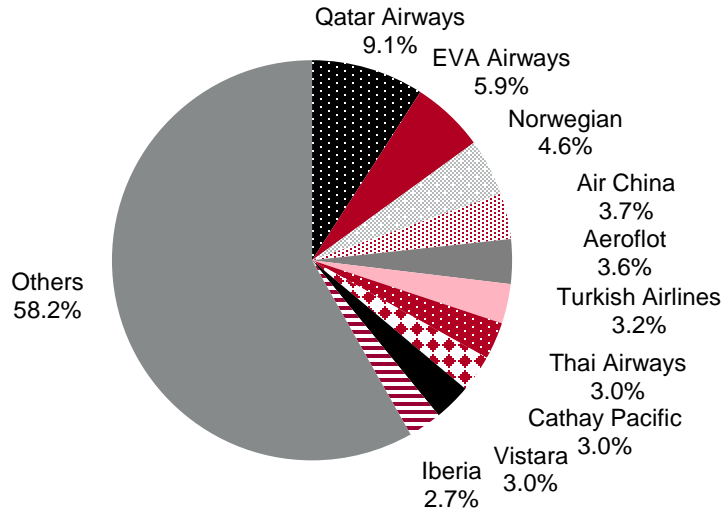


More than 80% of debt unchanged from 1 January 2019

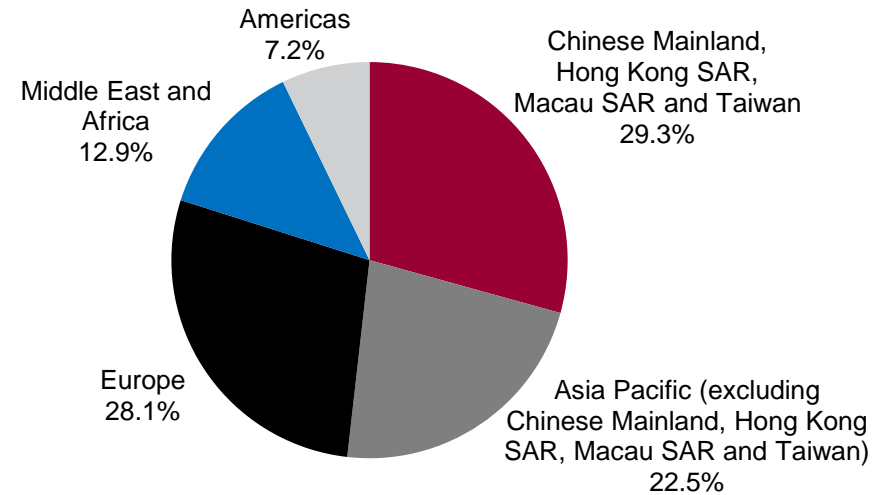


# Diversified Portfolio Delivers High Utilization Rate

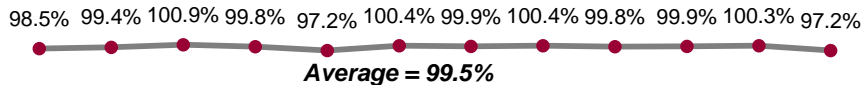
## Lease portfolio diversified by customer<sup>1,2</sup>



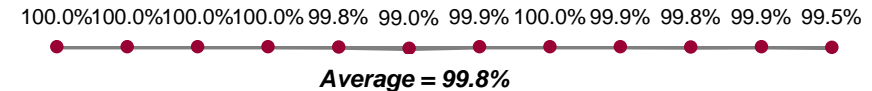
## ...and diversified by geography<sup>3,4</sup>



## High collection rate<sup>5</sup>



## High fleet utilization<sup>6</sup>



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 1H19

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 9M19

All data as at 30 September 2019 unless otherwise indicated

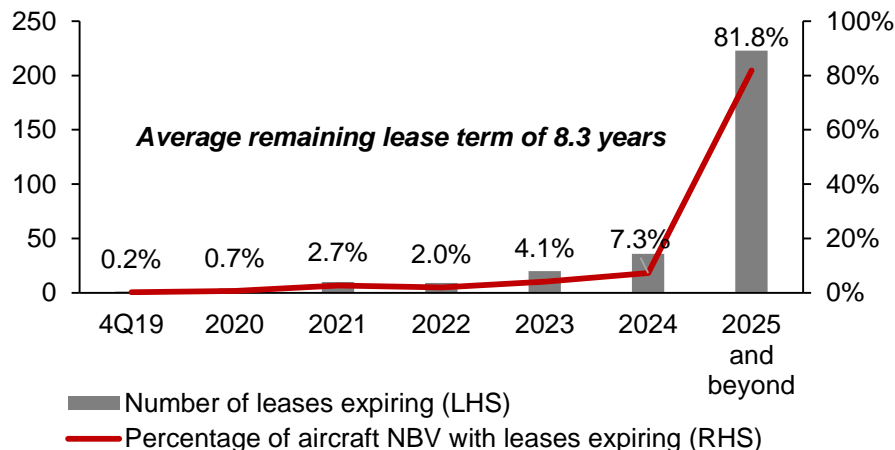
Notes:

- Based on net book value as at 30 June 2019
- For certain airlines, the percentage includes leases to affiliated airlines whose obligations are guaranteed by the named airline
- Based on net book value as at 30 September 2019
- Based on the jurisdiction of the primary obligor under the relevant operating lease
- As at 30 June 2019
- Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period



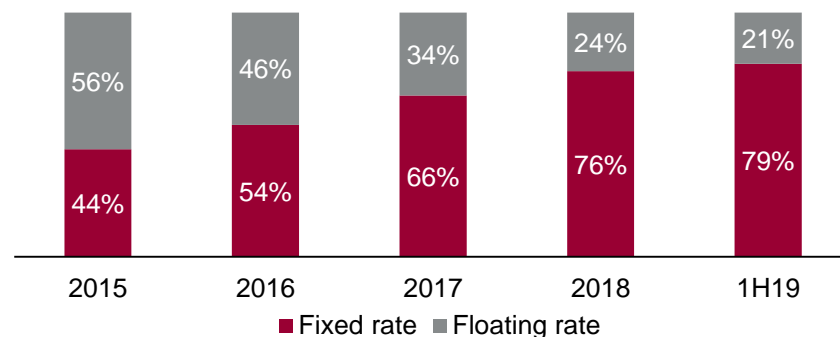
# Long-term Contracted USD Leases

## Well-dispersed lease expiries<sup>1</sup>



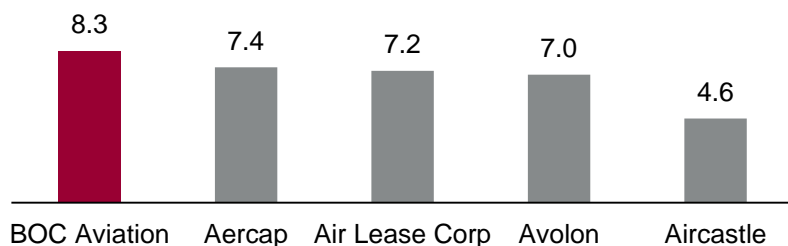
## Proportion of fixed rate leases rising steadily<sup>3</sup>

By net book value



## Long average remaining lease term<sup>2</sup>

Number of years



Source: Respective company websites

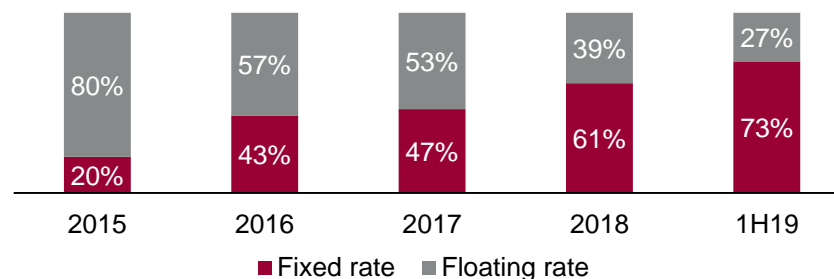
All data as at 30 June 2019 unless otherwise indicated

Notes:

- Owned aircraft with lease expiring in each calendar year excluding any aircraft for which BOC Aviation has a sale or lease commitment, weighted by net book value of owned fleet as at 30 September 2019 including aircraft off lease
- Weighted by net book value of owned fleet as at 30 September 2019 for BOC Aviation, as at 30 June 2019 for the others
- 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

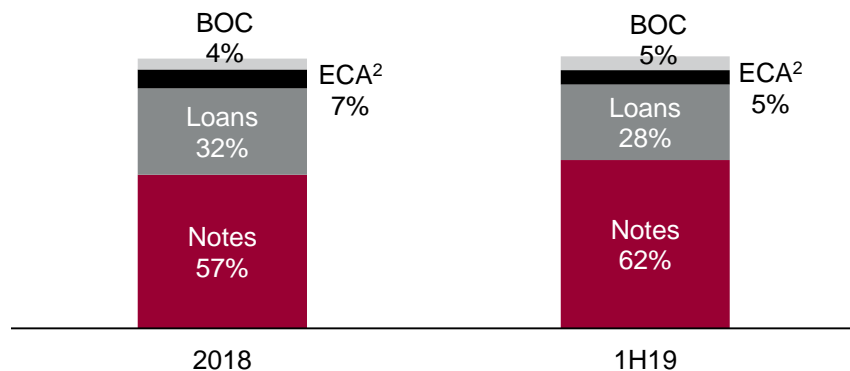
## Proportion of fixed rate debt also rising<sup>4</sup>

- Hedged more than 90% of mismatched interest rate exposure

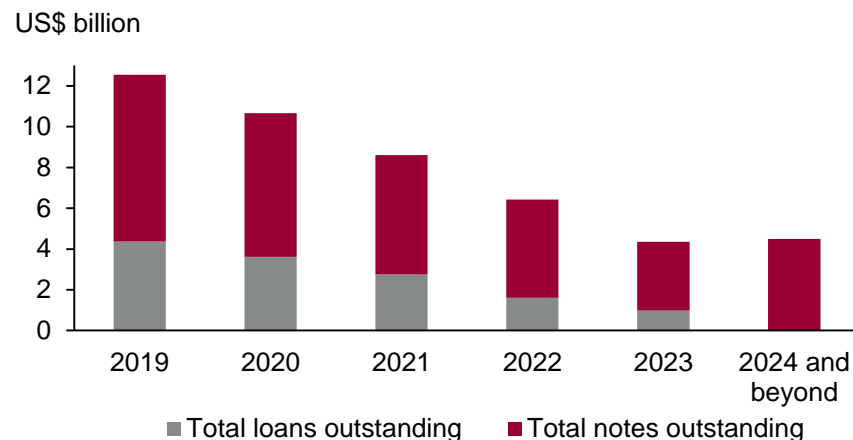


# Flexible Capital Structure and Ample Backstop Liquidity

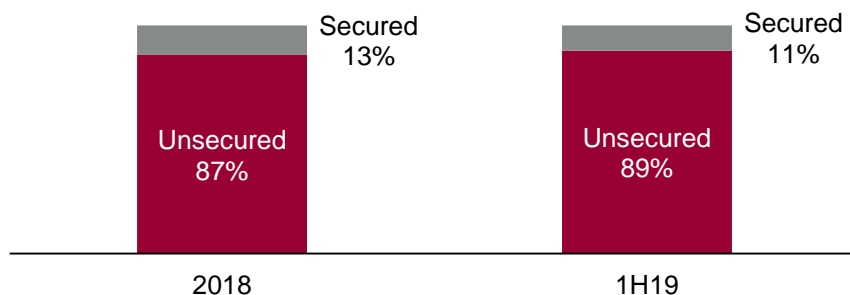
## Sources of debt<sup>1</sup>



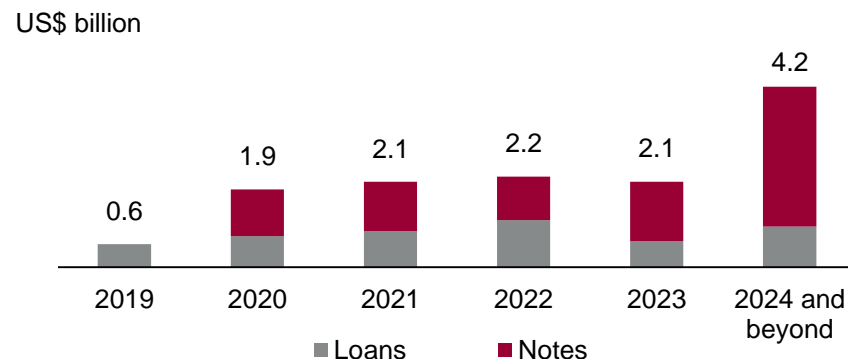
## Outstanding debt amortises over a long term



## Increasing unsecured funding



## Debt repayment by year



**Undrawn committed credit lines and cash of US\$3.8 billion at 30 June 2019**

All data as at 30 June 2019 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 <sup>1</sup>	Total
Airbus A320CEO family	121	12	0	133
Airbus A320NEO family	37	0	58	95
Airbus A330CEO family	12	3	0	15
Airbus A330NEO family	2	0	10	12
Airbus A350 family	9	0	2	11
Boeing 737NG family	89	14	0	103
Boeing 737 MAX family	6	0	87	93
Boeing 777-300ER	18	4	3	25
Boeing 777-300	0	1	0	1
Boeing 787 family	10	1	4	15
Freighters	5	1	0	6
<b>Total</b>	<b>309</b>	<b>36</b>	<b>164</b>	<b>509</b>

All data as at 30 September 2019

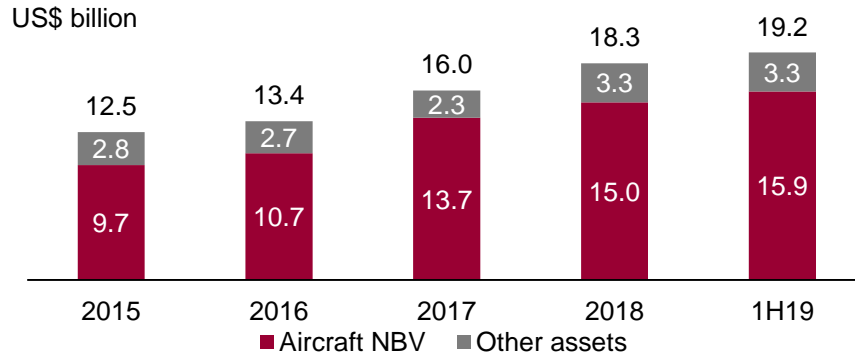
Note:

- Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery. We now expect delivery delays could result in up to 30 aircraft being delayed out of 2019, including three for which an airline customer has the right to acquire the aircraft on delivery

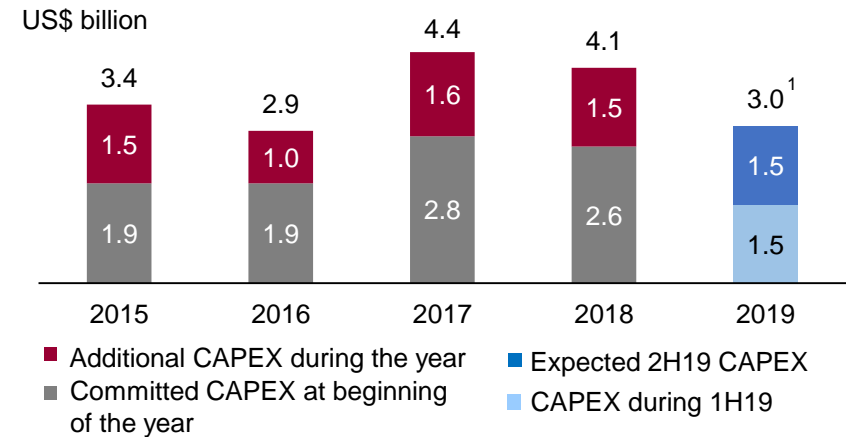


# Orderbook Underpins Future Balance Sheet Growth

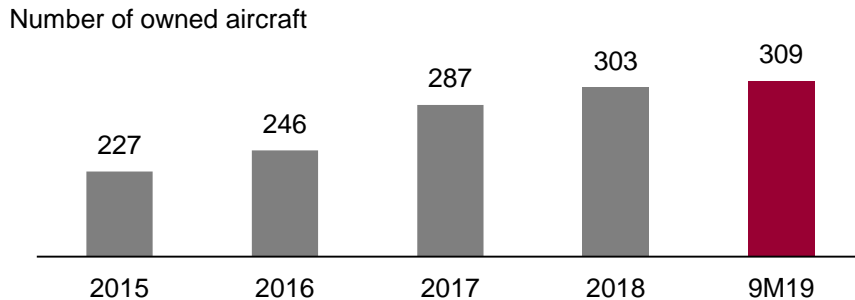
## Growing balance sheet



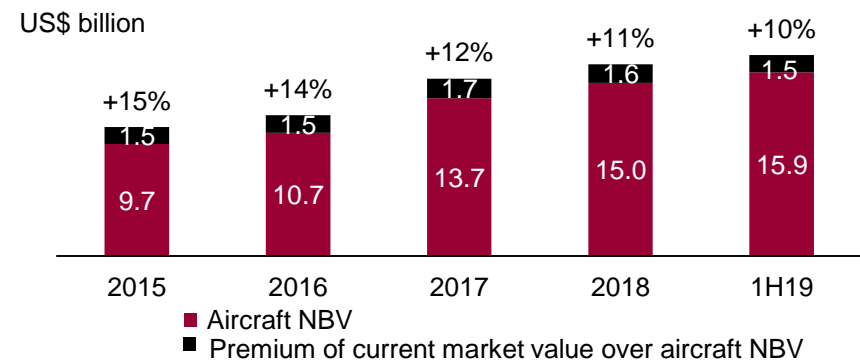
## Sustained annual CAPEX since IPO



## Expanding fleet size



## Consistent premium over aircraft NBV<sup>2,3</sup>



**Aircraft net book value grew 49% since 2016**

All data as at 30 June 2019 unless otherwise indicated

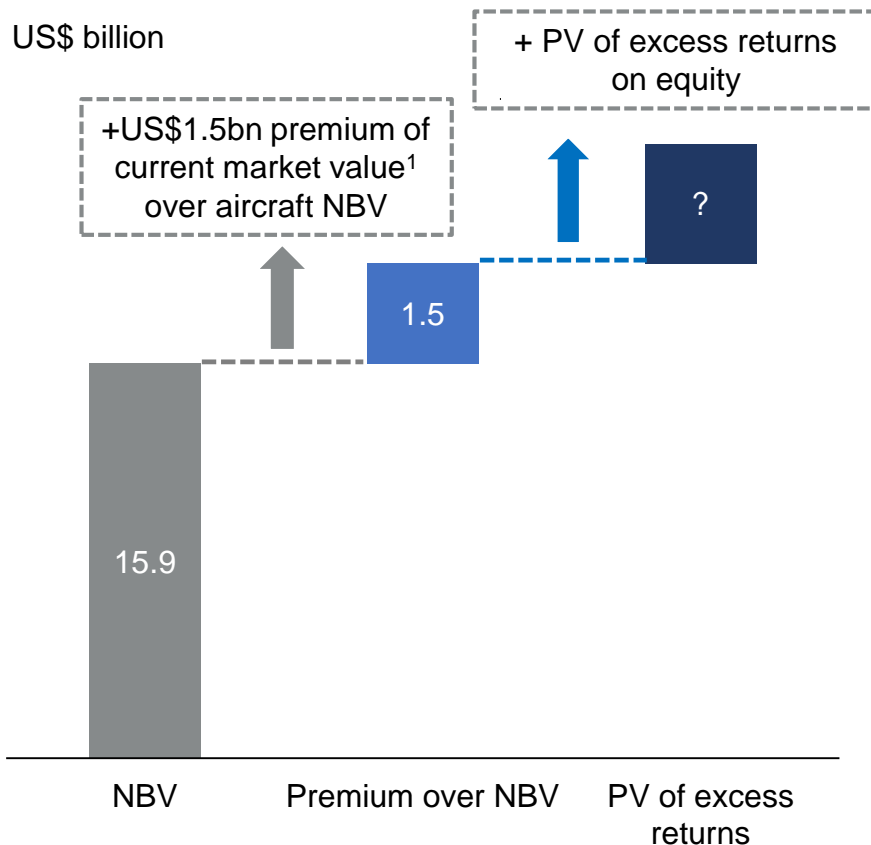
Notes:

1. Based on contractual scheduled delivery dates as at 30 June 2019, adjusted for the 30 aircraft that could be delayed out of 2019
2. Average of five appraisers
3. Percentages refer to premium of appraised current market value over aircraft NBV

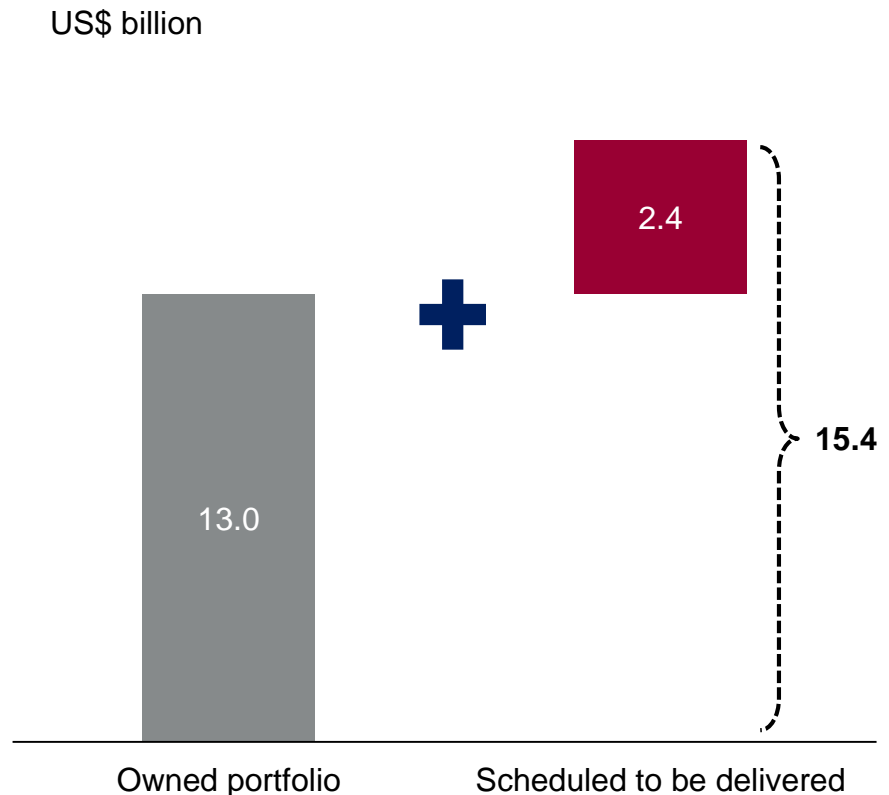


# Value Driven by Fleet and Committed Lease Revenues

Net book value understates business value



Committed future revenues of more than US\$15 billion



**Committed future lease revenues underpin value creation**

All data as at 30 June 2019

Note:

1. Based on an average of five independent appraisers' aggregate value for our owned fleet at US\$17.4 billion, on a full-life, current market value basis, which compared with a net book value of US\$15.9 billion



# Conclusion

- Another solid performance
  - Cumulative NPAT of US\$4 billion since inception
  - 1H19 NPAT increased 8% to US\$321 million
  - Interim dividend also increased 8% year-on-year to US\$0.1388/share
- Long-term revenue sustainability supported by strong liquidity
  - Committed lease revenues maintained at more than US\$15 billion
  - Orderbook of 164 aircraft provides future balance sheet growth<sup>1,2</sup>
  - Available liquidity of US\$3.8 billion to support opportunistic investment
  - Strong pipeline of 2H19 aircraft sales including recently announced portfolio sale to SLVRR 2019-1<sup>3</sup>
- Positive outlook
  - Healthy passenger growth of 5% projected by IATA for 2019<sup>4</sup>
  - 2019 is expected to be the fifth year of robust airline earnings at US\$28 billion<sup>4</sup>
  - Post 30-June 2019, we announced:
    - PLB transaction with Qatar for three Airbus A350 aircraft, which are all delivered
    - PLB transaction with Middle East Airlines for a minimum of five, and up to ten new Airbus A321NEO aircraft
    - The signing of leases for 10 Airbus A320NEO aircraft placed with Air China
    - The signing of leases for four new Airbus A321NEO aircraft placed with Scoot, a subsidiary of SIA

**On track for continued growth in 2019 despite external challenges**

All data as at 30 June 2019 unless otherwise indicated

Notes:

1. As at 30 September 2019
2. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
3. Silver Aircraft Lease Investment Limited and affiliates
4. International Air Transport Association (IATA)



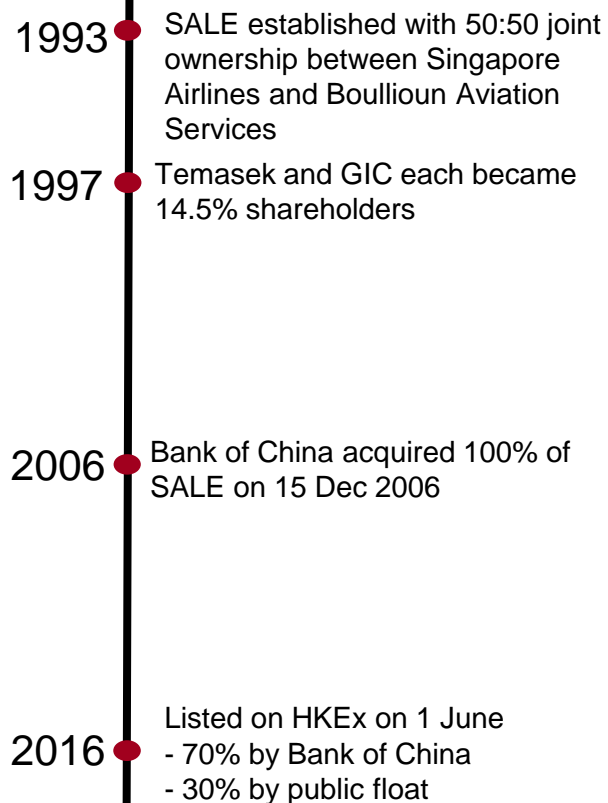


# APPENDICES



# The BOC Aviation Journey

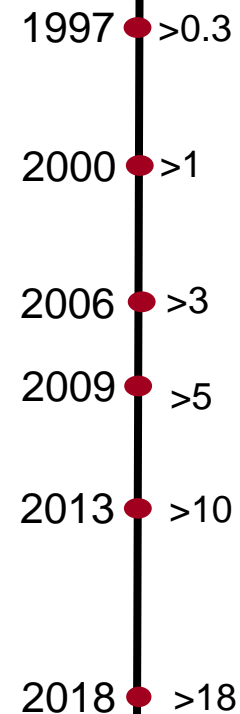
## Ownership



30 June 2019 ● Market capitalisation of c.US\$6bn

## Total assets

US\$ billion



30 June 2019 ● >19

All data as at the end of the relevant period



**BOC AVIATION**

# BOC Aviation – Who Are We?

- One of the world's top five aircraft lessors
  - The largest in Asia
  - Bank of China owns 70%
- Listed on the HKEX
  - Four Independent Non-Executive Directors
  - Diverse shareholder base
  - Free float of 30% with steadily improving liquidity
    - 1H19 average daily share turnover of US\$9.1 million<sup>1</sup>
  - Total shareholder return of c.35%<sup>1</sup> in 1H19
- Total assets of US\$19.2 billion
  - 509 aircraft<sup>2</sup>
- Consistent profitable performance over more than 25 years
  - US\$4 billion in cumulative NPAT generated since 1993
- Industry-leading financial metrics – average ROE of 15% over the last 12 years
- Investment grade credit ratings of A- from S&P Global Ratings and Fitch Ratings

**An established lessor with deep management experience**

All data as at 30 June 2019 unless otherwise indicated

Notes:

1. Source: Bloomberg
2. Includes owned, managed and aircraft on order as at 30 September 2019



# Experienced Global Management Team



	<b>Robert Martin</b>	<b>Wang Jian</b>	<b>Phang Thim Fatt</b>	<b>Steven Townend</b>	<b>Gao Jinyue</b>	<b>David Walton</b>
	<b>Managing Director &amp; Chief Executive Officer</b>	<b>Vice-Chairman &amp; Deputy Managing Director</b>	<b>Deputy Managing Director &amp; Chief Financial Officer</b>	<b>Chief Commercial Officer (Europe, Americas, Africa)</b>	<b>Chief Commercial Officer (Asia Pacific &amp; the Middle East)</b>	<b>Chief Operating Officer</b>
	<ul style="list-style-type: none"> <li>32 years of banking and leasing experience</li> <li>Managing Director since July 1998</li> </ul>	<ul style="list-style-type: none"> <li>37 years experience at BOC</li> <li>Formerly a Non-executive Director of the Company from December 2006 to June 2012</li> <li>Re-appointed on 1 June 2017 as Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>40 years of airline and leasing experience</li> <li>Involved in establishment of the Company</li> <li>Previously held treasury and finance roles at Singapore Airlines</li> </ul>	<ul style="list-style-type: none"> <li>More than 28 years of banking and leasing experience</li> <li>In charge of revenue activities for Europe, Americas and Africa</li> </ul>	<ul style="list-style-type: none"> <li>33 years of treasury, corporate finance and leasing experience</li> <li>In charge of revenue activities for Asia Pacific and Middle East</li> </ul>	<ul style="list-style-type: none"> <li>33 years of legal, aviation finance and leasing experience</li> <li>In charge of all operations and related departments</li> <li>Joined BOC Aviation in 2014</li> </ul>
<b>Nationality</b>						
<b>Years with BOC Aviation</b>	<b>21</b>	<b>8</b>	<b>23</b>	<b>18</b>	<b>12</b>	<b>4</b>

**Stable and highly experienced senior management team that has successfully led the Company through multiple cycles**

All data as at September 2019



# Core Competencies - BOC Aviation Track Record

## Since inception in 1993:

- |                          |   |
|--------------------------|---|
| • Purchasing             | More than 820 aircraft purchased totalling more than US\$45 billion           |
| • Leasing                | More than 910 leases executed with > 160 airlines in 57 countries and regions |
| • Financing <sup>1</sup> | More than US\$26 billion in debt raised since 1 January 2007                  |
- 
- |                              |                                 |
|------------------------------|---------------------------------|
| • Sales                      | More than 350 aircraft sold     |
| • Transitions                | More than 90 transitions        |
| • Repossessions <sup>2</sup> | 46 aircraft in 14 jurisdictions |

All data as at 30 September 2019, since inception unless otherwise indicated

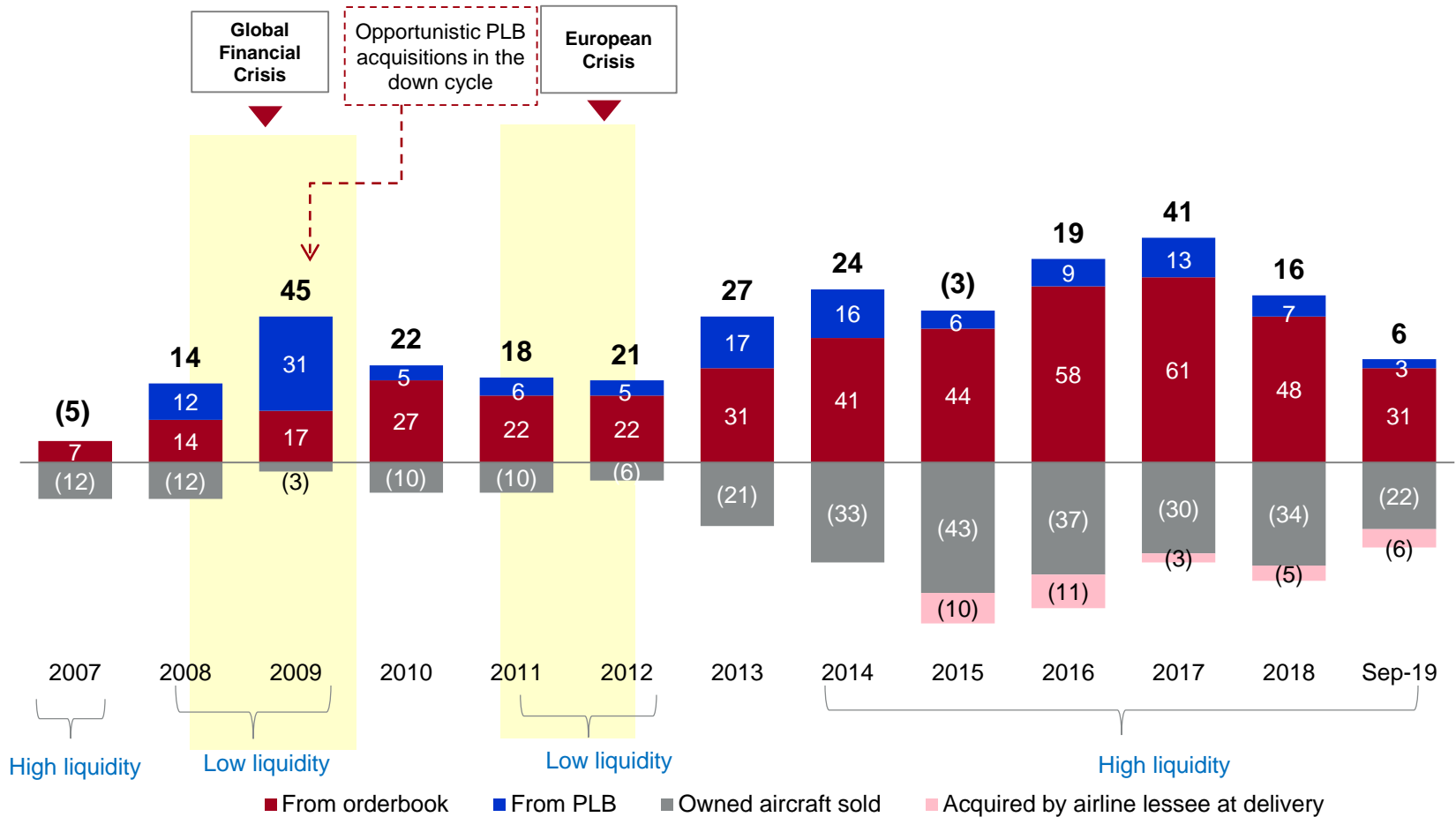
Notes:

1. As at 30 June 2019
2. Includes repossessions and consensual early returns



# How We Invest

## Number of aircraft delivered, purchased and sold



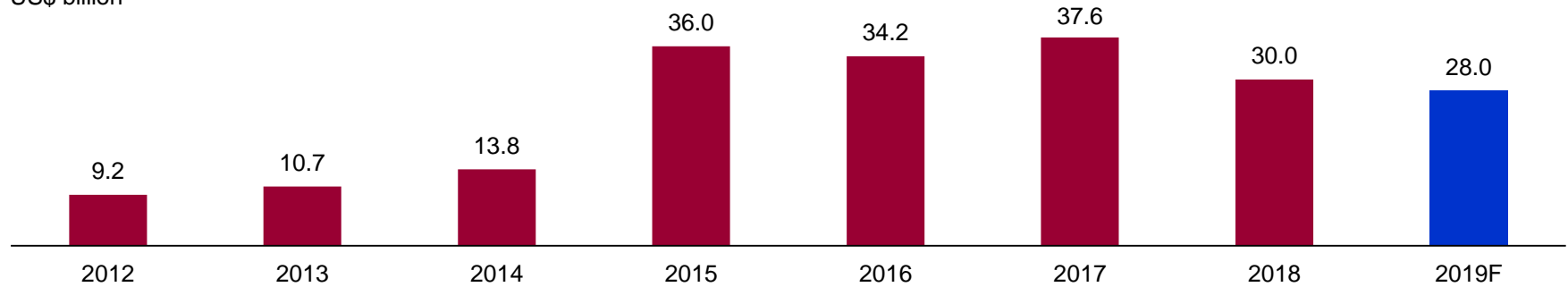
All data as the end of the relevant period



# Positive Environment with Sustained Airline Profitability

## Elevated airline profitability sustained

Aggregate net profit  
US\$ billion

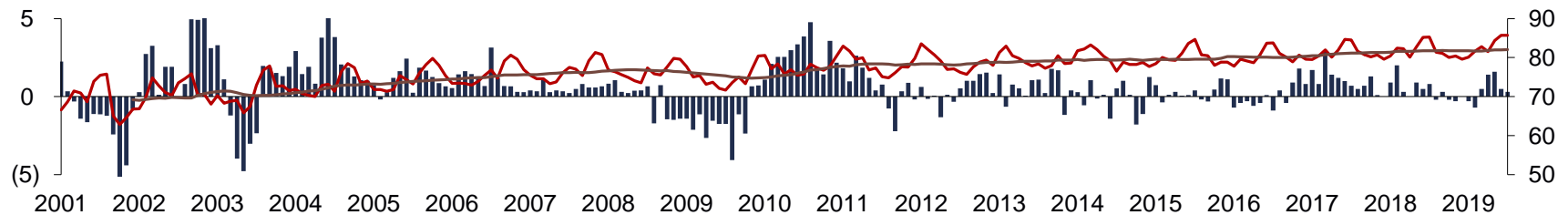


Source: IATA Industry Statistics – Fact Sheet (June 2019)

## High load factors suggest well-managed capacity

Passenger Load Factor  
YoY change, %

Passenger Load Factor  
%



■ Passenger Load Factor YoY % Change (LHS)

— Passenger Load Factor (RHS)

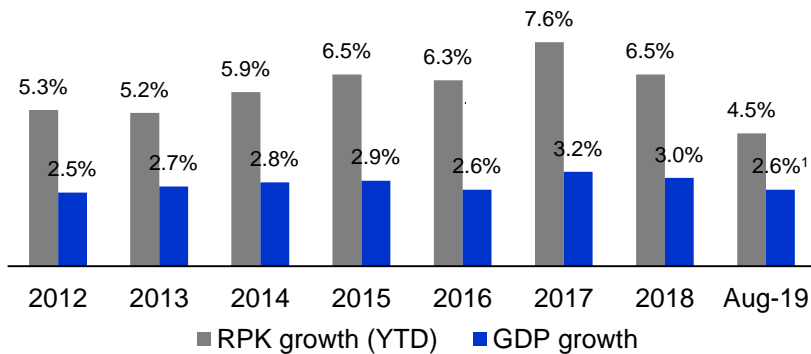
— Passenger Load Factor 12M Mov. Avg (RHS)

Source: IATA (August 2019)



# Underlying Traffic Growth Positive for Core Leasing Business

## Change in passenger demand outpaces GDP growth



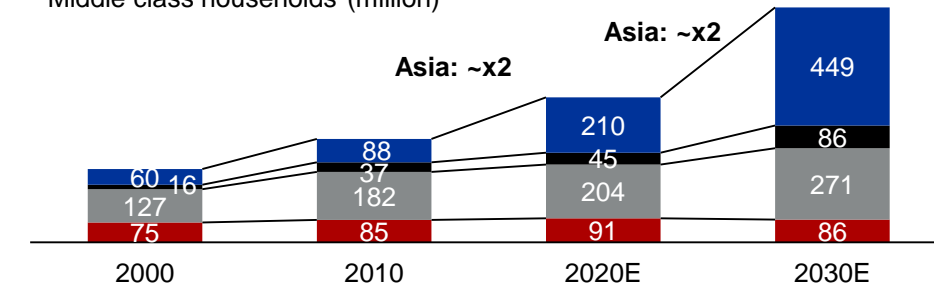
Sources: IATA (August 2019), World Bank

Note:

1. Expected GDP growth for 2019 by the World Bank

## Expanding middle classes<sup>2</sup> to be driven by emerging economies

Middle class households (million)



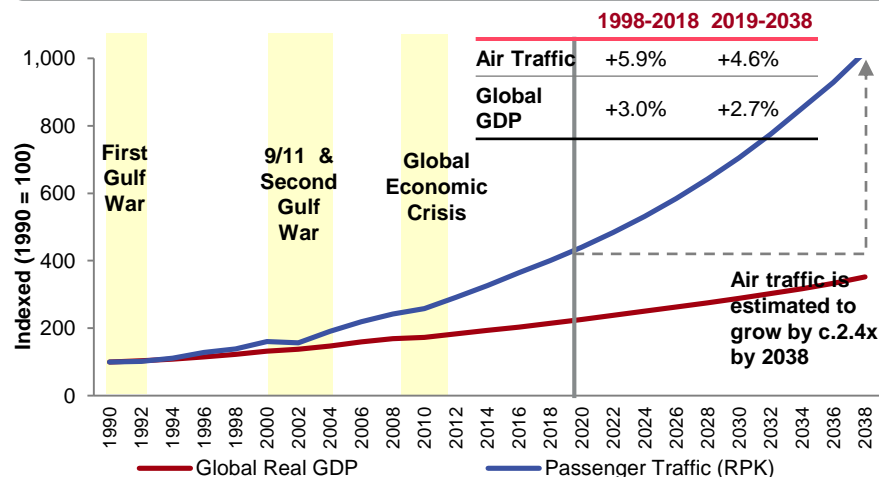
■ North America ■ Europe, Middle East & Africa ■ LATAM ■ Asia Pacific

Source: Euromonitor, August 2019

Note:

2. Defined as number of households with annual disposable income between US\$25,000 and US\$150,000

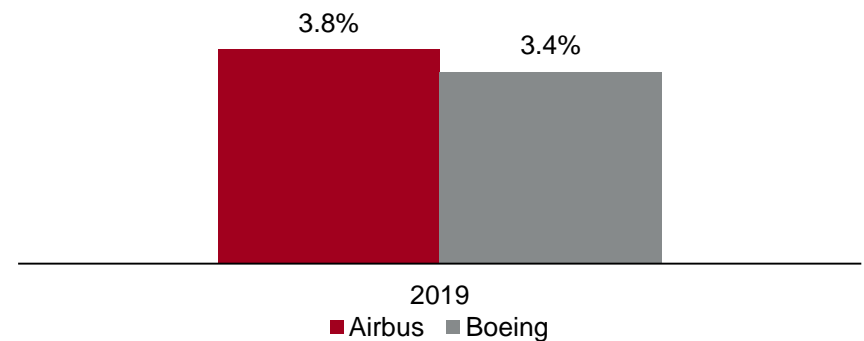
## Air traffic estimated to grow by c.140% in the next two decades...



Source: Ascend Flightglobal Fleet Forecast 2015, Oxford Economics, Boeing Current Market Interactive Forecast 2019-2038

## Fleet expected to double in the next 20 years

20-year fleet growth rate, %



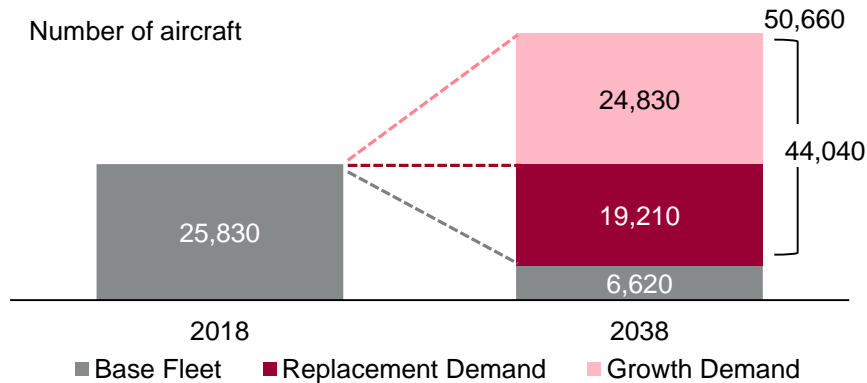
Source: Airbus Global Market Forecast, Boeing CMO





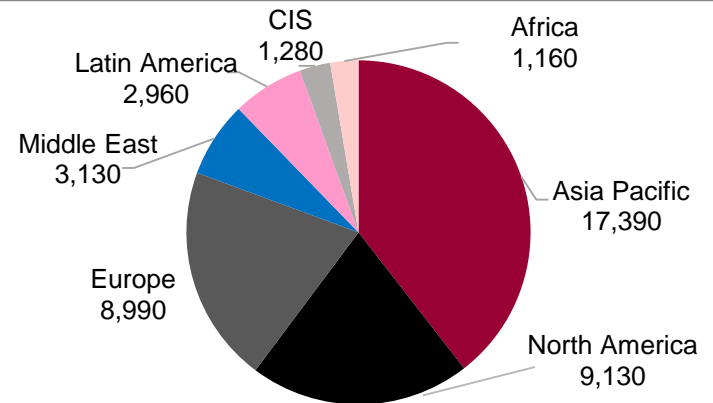
# Aircraft Operating Leasing Drivers

## Demand driven by market growth and replacement of old aircraft



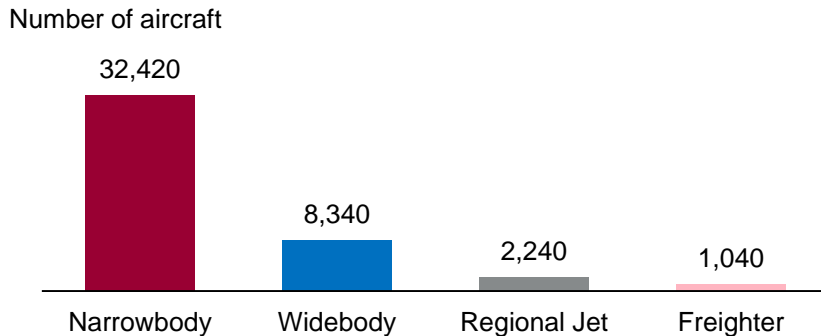
Source: Boeing CMO 2019-2038

## New aircraft demand led by Asia Pacific



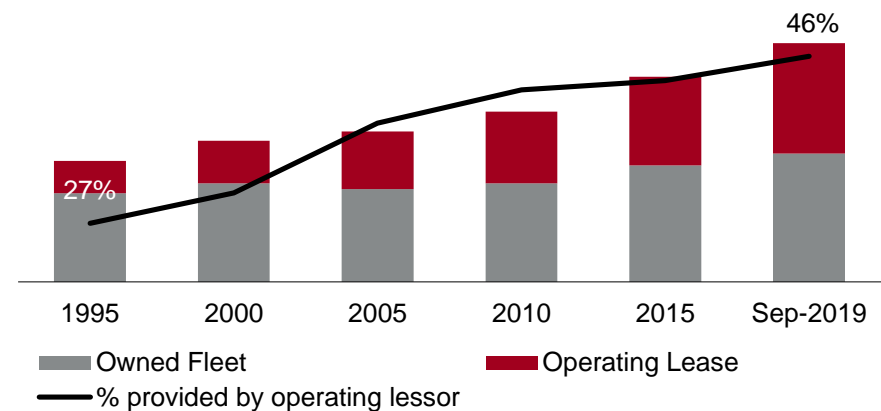
Source: Boeing CMO 2019-2038

## Predominantly single aisle aircraft



Source: Boeing CMO 2019-2038

## Share of operating leases high and stable



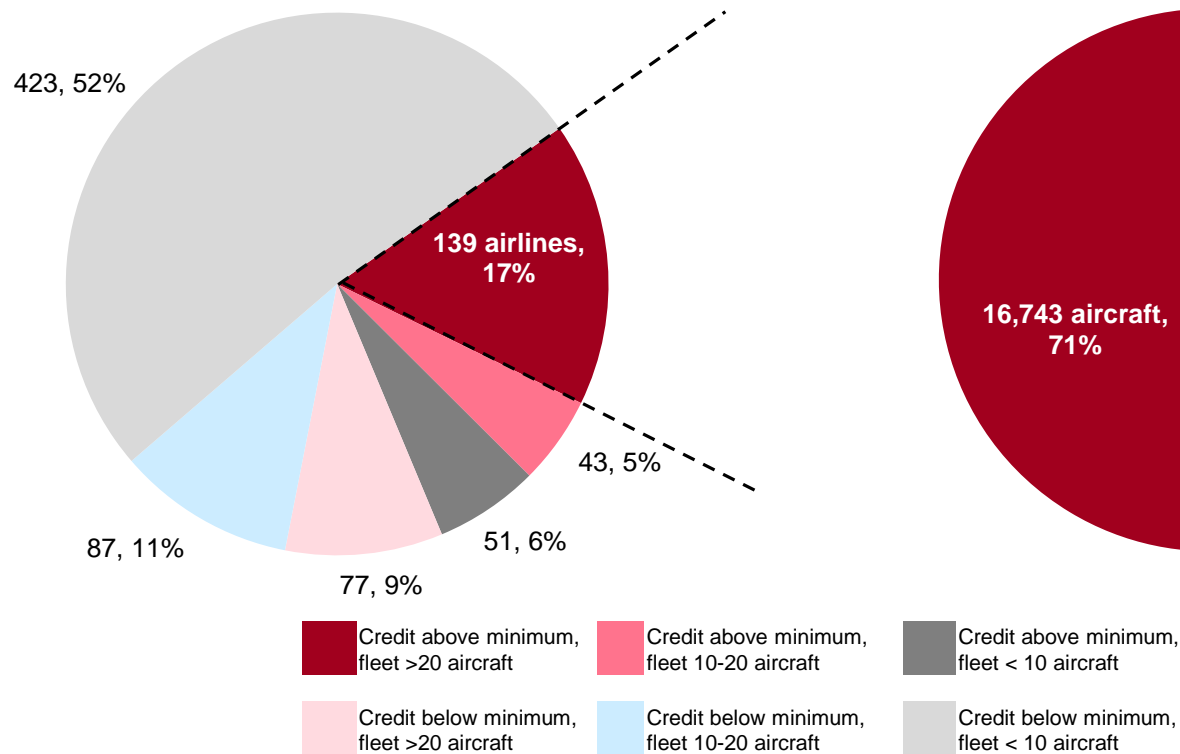
Source: Ascend, 30 September 2019



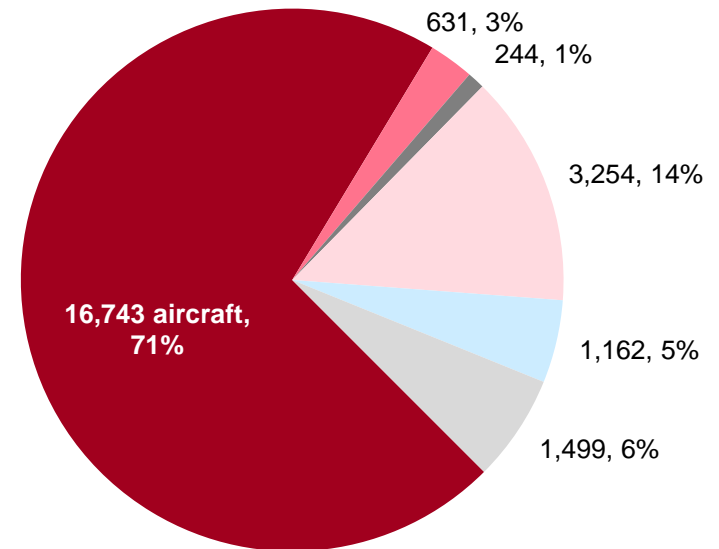
# Leasing: Customer Segmentation

- 820 airlines in service today
- Focus on 139 airlines or only 17% of the airlines in the market – minimum credit score, above 20 aircraft

**Airline segmentation by credit score and fleet size**



**Our target 139 airlines operate 71% of the current in-service aircraft**



Source: Ascend, as at 30 September 2019  
Only commercial aircraft with 100 seats and above





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