



# Morgan Stanley Virtual China New Economy Summit 2022

7 JANUARY 2022

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# 3Q 2021 Overview



## STRONG ASSET QUALITY

- 533 aircraft owned, managed and on order<sup>1</sup>
- 3.8 years<sup>2</sup> average fleet age; 8.2 years<sup>2</sup> average remaining lease term
- 99.0% aircraft utilization rate



## ROBUST LIQUIDITY

- Closed US\$935 million of unsecured syndicated credit facilities in August 2021
- US\$5.8 billion of liquidity<sup>3</sup>



## PROACTIVE INVESTMENT STRATEGY

- Nine aircraft deliveries in 3Q, 43 in 2021 YTD
- 27 lease commitments signed in 3Q, 53 in 2021 YTD
- 100% of aircraft scheduled for delivery before 2023 placed



## STRONG CREDIT RATINGS

- A- by S&P Global Ratings
- A- by Fitch Ratings



## 27<sup>TH</sup> YEAR OF PROFITABILITY

- Focus on sustainable long-term earnings
- More than US\$5 billion of cumulative profits since inception



## EXPERIENCED MANAGEMENT AND OWNERSHIP

- Experienced management team successfully managed through multiple cycles
- Bank of China provides ongoing support

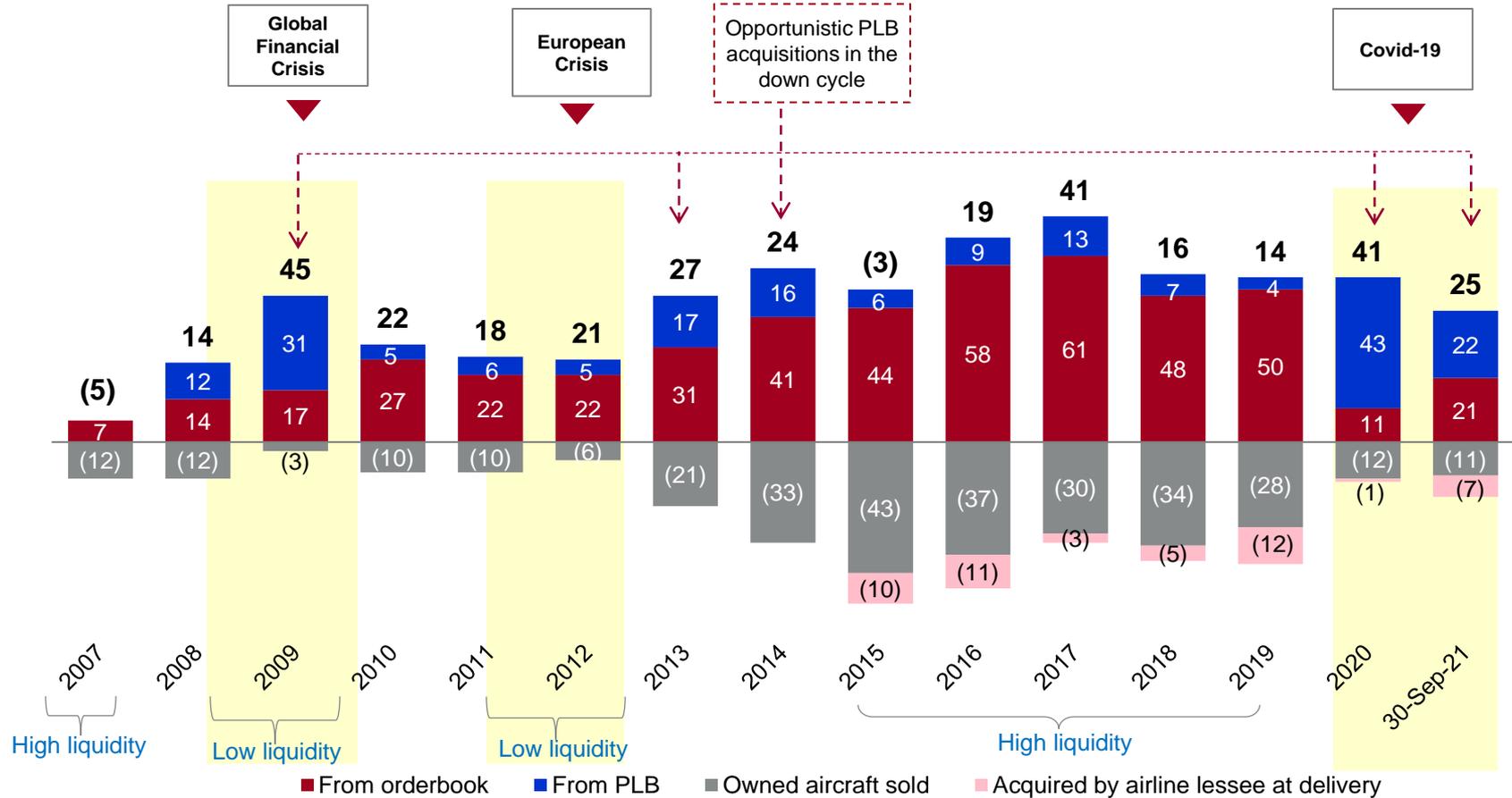
**A resilient performance in a challenging environment**

All data as at 30 September 2021 unless otherwise indicated  
See Appendices - Endnotes



# How We Invest

## Number of aircraft delivered, purchased and sold



## Investing in aircraft through multiple cycles

All data as at the end of the relevant period



# Popular and Fuel-Efficient Fleet

## Our aircraft portfolio

Aircraft type	Owned aircraft	Managed aircraft	Aircraft on order <sup>1</sup>	Total
Airbus A320CEO family	107	15	0	122
Airbus A320NEO family	85	0	44	129
Airbus A330CEO family	12	1	0	13
Airbus A330NEO family	6	0	0	6
Airbus A350 family	9	0	0	9
Boeing 737NG family	74	14	0	88
Boeing 737 MAX family	40	0	45	85
Boeing 777-300ER	24	4	3	31
Boeing 777-300	0	1	0	1
Boeing 787 family	21	1	21	43
Freighters	5	1	0	6
<b>Total</b>	<b>383</b>	<b>37</b>	<b>113</b>	<b>533</b>

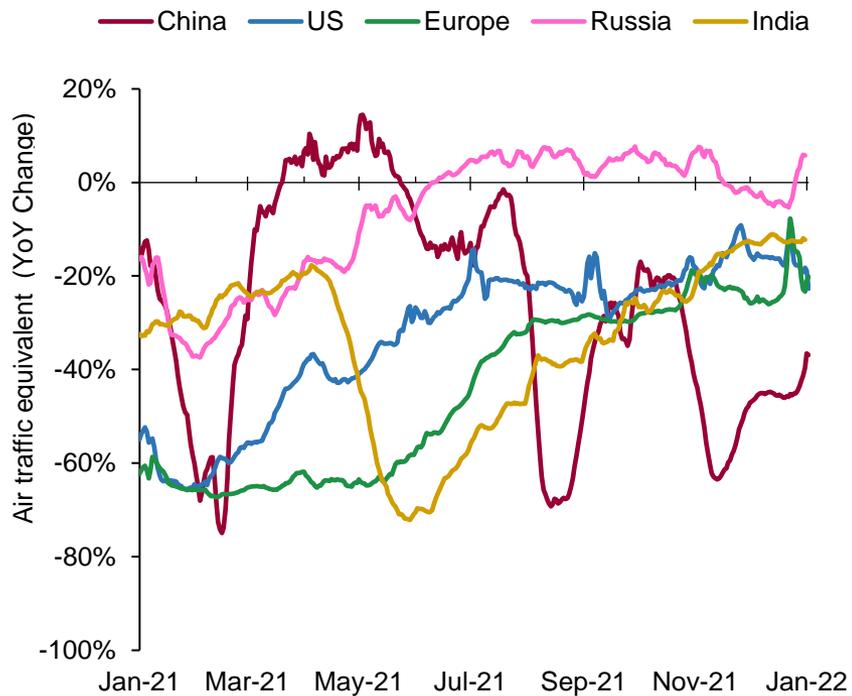
**100% of orderbook comprises latest technology aircraft**

All data as at 30 September 2021  
See Appendices - Endnotes

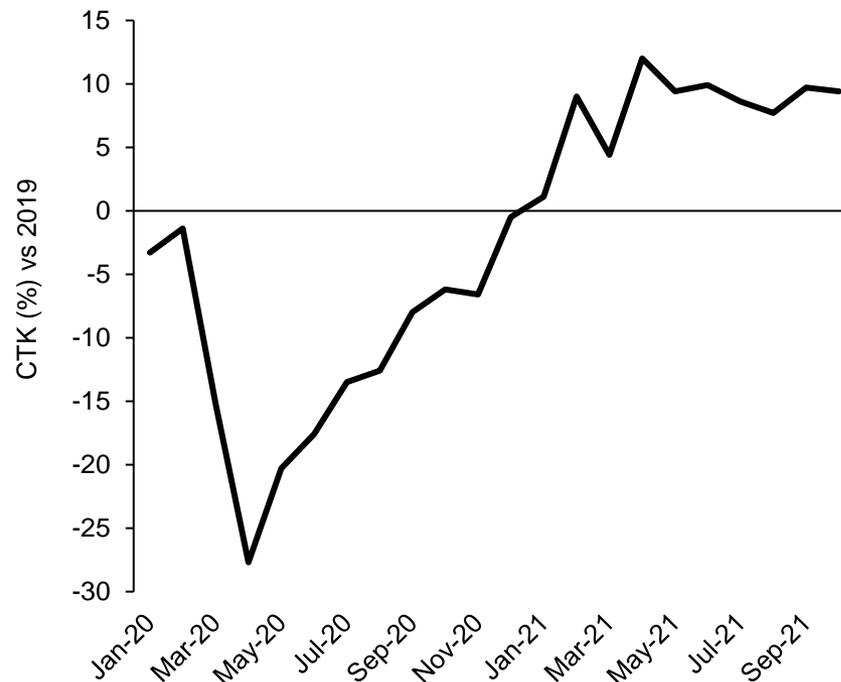


# Air Traffic Recovery

Countries with significant domestic markets demonstrate rising passenger demand



Strong global air cargo performance



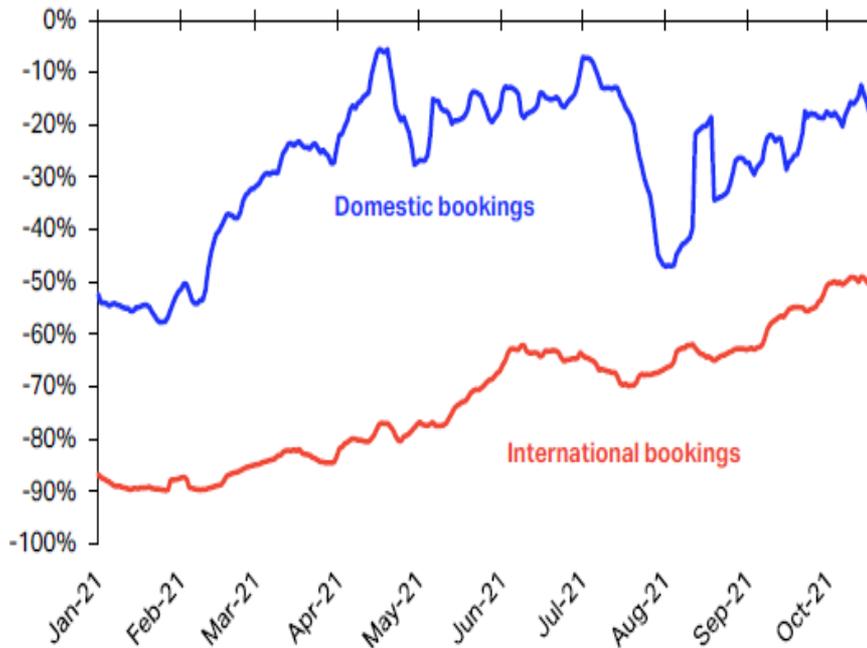
Recovery in large domestic markets following a resurgent cargo market

See Appendices - Endnotes



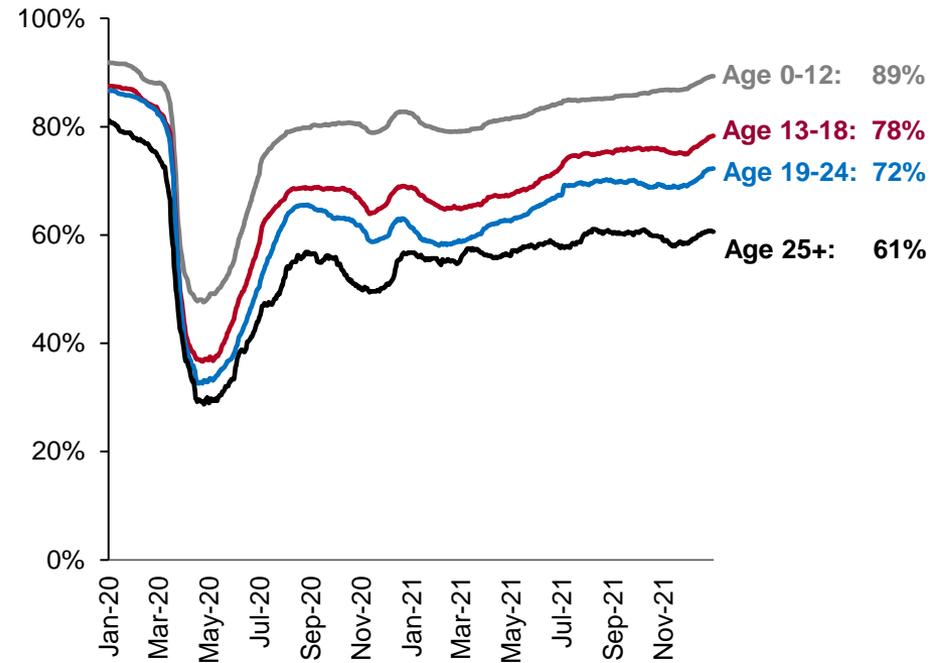
# Forward Booking Support Recovery in Airline Schedules and Utilisation Rates

Passenger bookings, 7-day MA % change vs 2019



Rising utilisation rates

1st Jan 2020 – 31st Dec 2021



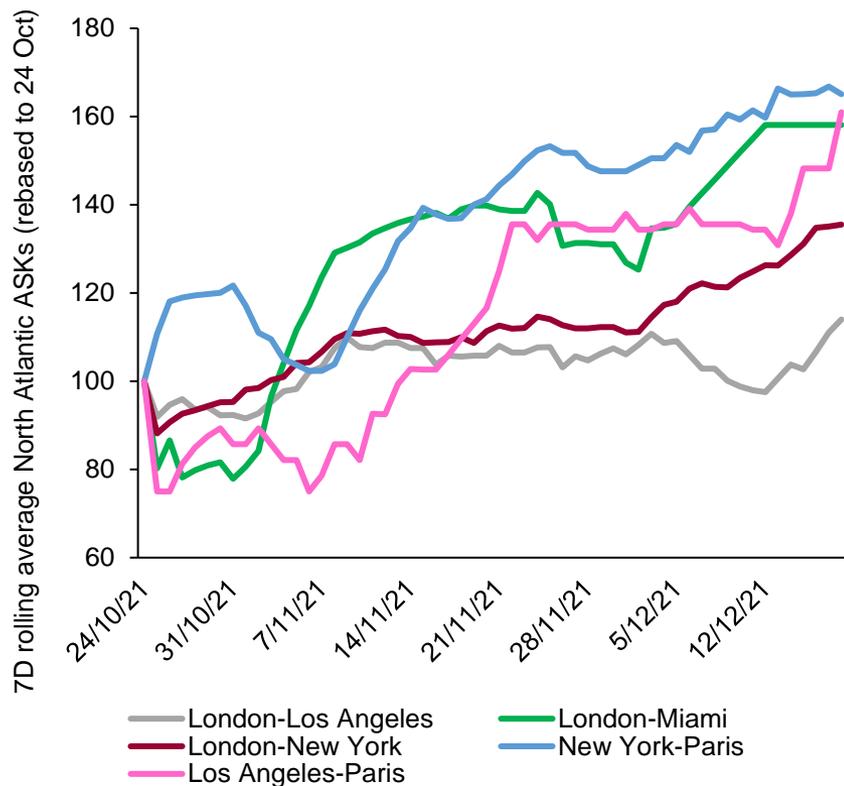
Domestic and short haul recovery drives demand for narrowbody aircraft

See Appendices - Endnotes

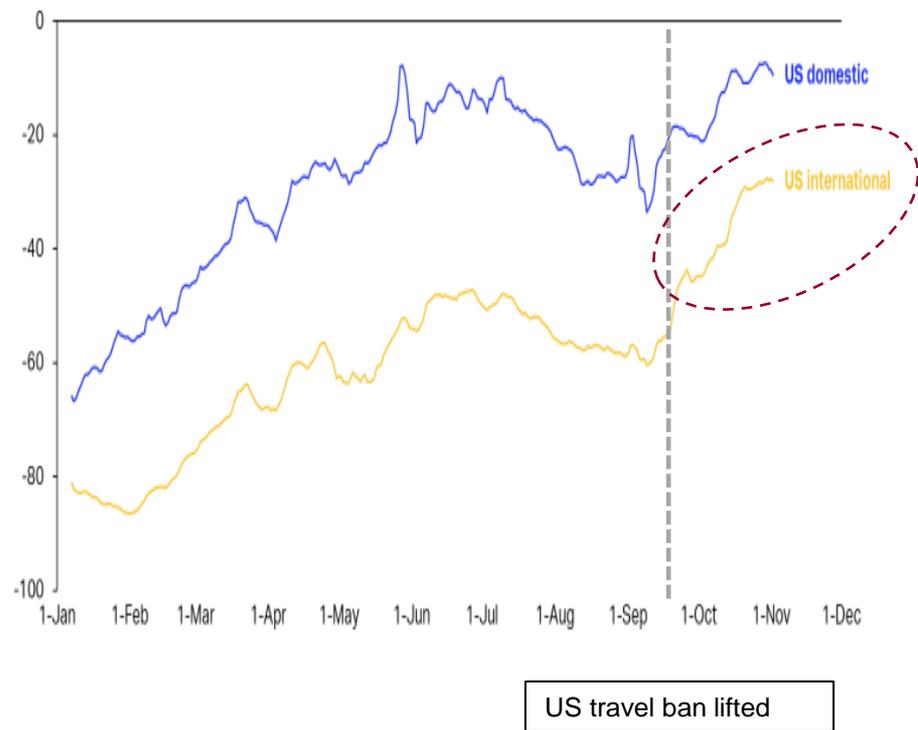


# Return of International Air Travel

## Strong transatlantic travel demand



## Surge in US outbound bookings as markets open



Improving long-haul air traffic with the resumption of transatlantic travels from 8 November

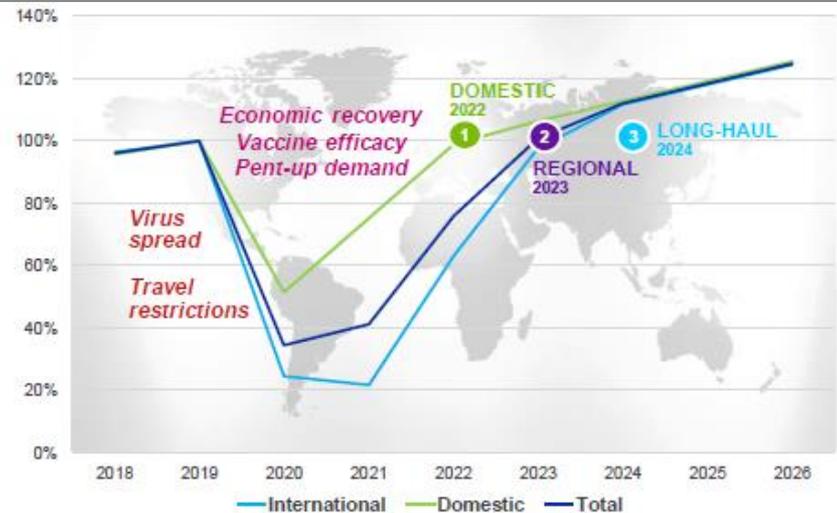
See Appendices - Endnotes



# Demand Recovery Points to Renewed Order Cycle

- Domestic recovery is vaccination-led and already apparent in major markets
- Boeing expects full recovery by 2024
- Total world aircraft fleet should almost double from 2019 levels by 2040
- Replacement aircraft account for 46% of 20-year deliveries, vs. 48% in 2020, reflecting recent & pending retirements (~450 aircraft/1,500+)

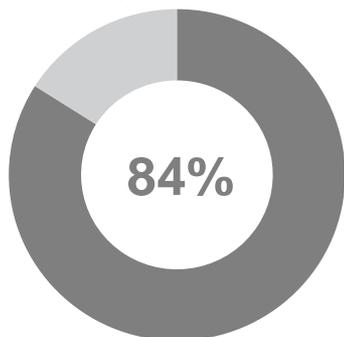
...and lead a full recovery anticipated by 2024



## Domestic passenger volumes close to 2019

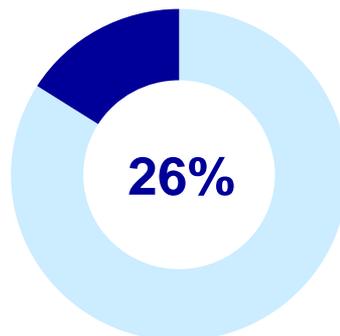
- Rapid travel recovery in markets where travel restrictions are able to ease

### July Domestic



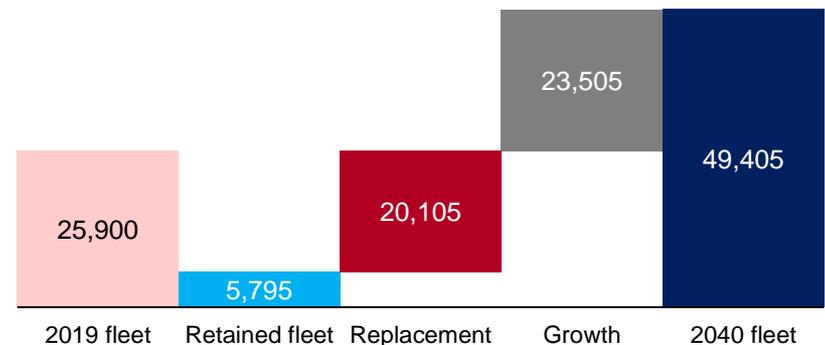
of 2019

### July International



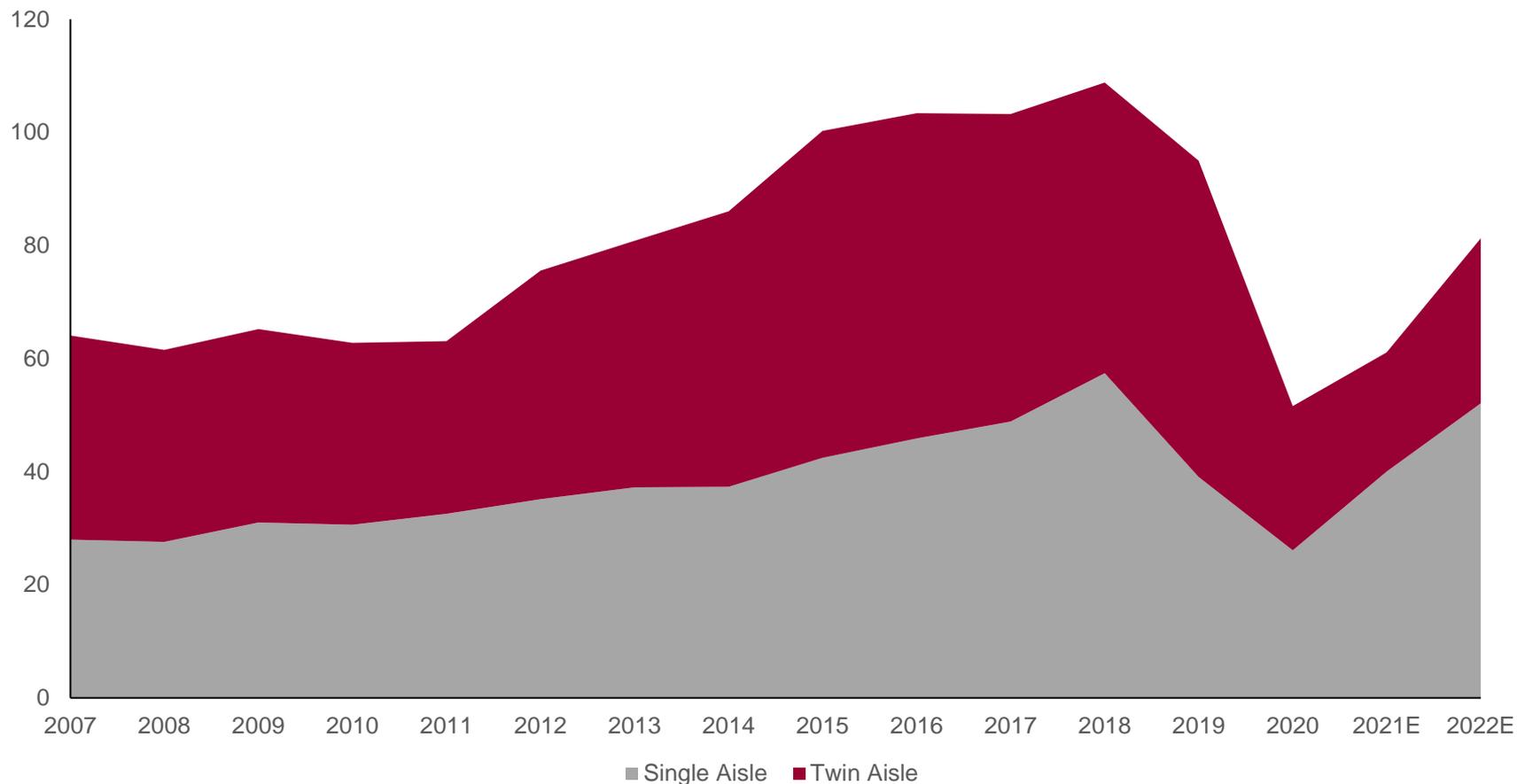
of 2019

## Replacement aircraft close to half of total



# Airlines Require US\$75 Billion of Capital Investments

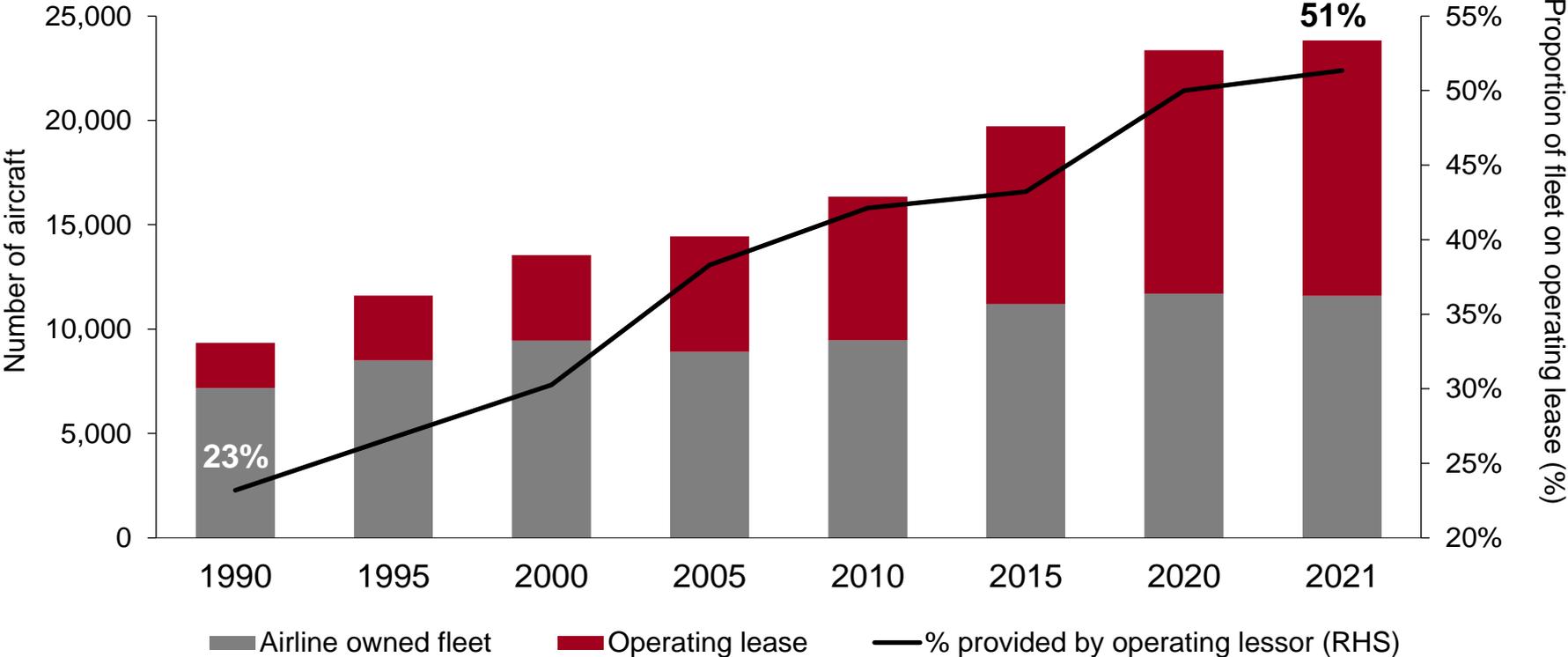
Annual airline capex – US\$ billion



All data as at 30 September 2021  
See Appendices - Endnotes

# Lessors Own 51% of the Aircraft Market Today

Proportion of fleet on operating lease



**Lessors own 51% of the aircraft market today; this proportion has potential to increase**

All data as at 31 December 2021  
See Appendices - Endnotes



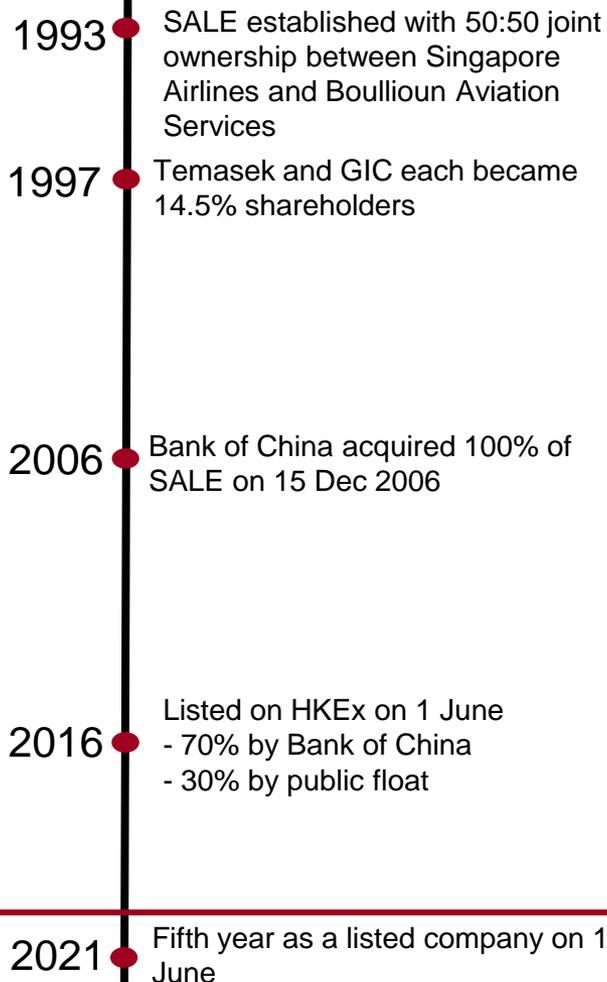
# Looking Ahead

- Improving airline traffic visible globally
  - Resurgence in passenger numbers in large domestic markets already clear
  - Long-haul market recovering more slowly as new travel lanes are opened
  - Omicron not driving any knee-jerk changes to border controls; passenger momentum appears sustained
  - 2021 aircraft orders suggest cautious optimism
- Aircraft sales robust and gaining pace in 4Q 2021
  - Strong demand for aircraft with leases attached as liquidity has largely returned
- Funding costs expected to remain stable
- Southeast Asian recovery lagging rest of the world but appears to be turning the corner
- A global aircraft operating lessor committed for the long-term
  - Earnings resilience, with 27 years of unbroken profitability across multiple industry cycles

# APPENDICES

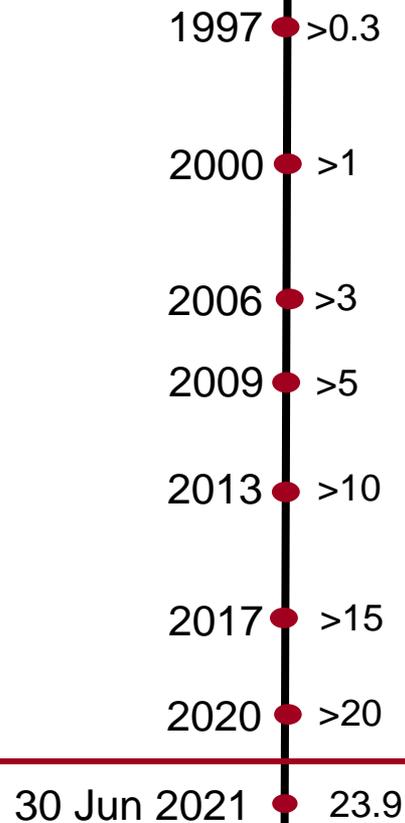
# The BOC Aviation Journey

## Ownership



## Total assets

US\$ billion



All data as at the end of the relevant period

# BOC Aviation – Who Are We?

## Bank of China

70% owned by BOC

**US\$23.9 billion**

Total assets

## Listed on HKEX

HKEX code: 2588

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

**533**

Aircraft in fleet<sup>1</sup>

**3.8 years ; 8.2 years**

Average fleet age & lease term remaining<sup>2</sup>

**27**

Years of unbroken profitability

**US\$5.1 billion**

Cumulative profits since inception

**Top 5**

Global aircraft operating lessor

**c.15%**

Average ROE since 2007

**Industry leader with best in class financial performance**



# Globally Diverse Management Team



**Robert Martin**  
*Managing Director & Chief Executive Officer*

**Zhang Xiaolu**  
*Vice-Chairman & Deputy Managing Director*

**Steven Townend**  
*Deputy Managing Director & Chief Financial Officer*

**David Walton**  
*Deputy Managing Director & Chief Operating Officer*

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

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

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

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

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

- 35 years of legal, aviation finance and leasing experience
- In charge of Procurement, all operations and related departments

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

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

**Nationality**



**Years of experience**

**34**

**31**

**30**

**35**

**23**

**25**

**Highly experienced senior management team**

All data as at January 2022



# Core Competencies - BOC Aviation Track Record

## Since inception in 1993:

- Purchasing 890 aircraft purchased totalling approximately US\$51 billion
- Leasing 1,110 leases executed with > 160 airlines in 57 countries and regions
- Financing<sup>1</sup> More than US\$36 billion in debt raised since 1 January 2007

- Sales More than 380 aircraft sold
- Transitions 100 transitions
- Repossessions<sup>2</sup> 57 aircraft in 17 jurisdictions

All data as at 30 September 2021, since inception unless otherwise indicated  
See Appendices - Endnotes

# Another Strong Performance in a Challenging Environment

## Resilient core business<sup>1</sup>

<b>US\$1,107 million</b>		<b>7%</b>
Total revenues and other income		
<b>US\$557 million</b>		<b>0.4%</b>
Operating cash flow net of interest <sup>2</sup>		
<b>US\$434 million</b>		<b>5%</b>
Profit before tax and impairment charges		
<b>US\$344 million</b>		<b>6%</b>
Core lease rental contribution <sup>3</sup>		
<b>US\$254 million</b>		<b>21%</b>
Net profit after tax		
<b>US\$0.37</b>		<b>21%</b>
Earnings per share		

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

<b>US\$23.9 billion</b>		<b>1%</b>
Total assets		
<b>US\$5.8 billion</b>		<b>13%</b>
Total available liquidity		
<b>US\$5.0 billion</b>		<b>5%</b>
Total equity		
<b>US\$7.19</b>		<b>5%</b>
Net assets per share		

## Interim dividend per share

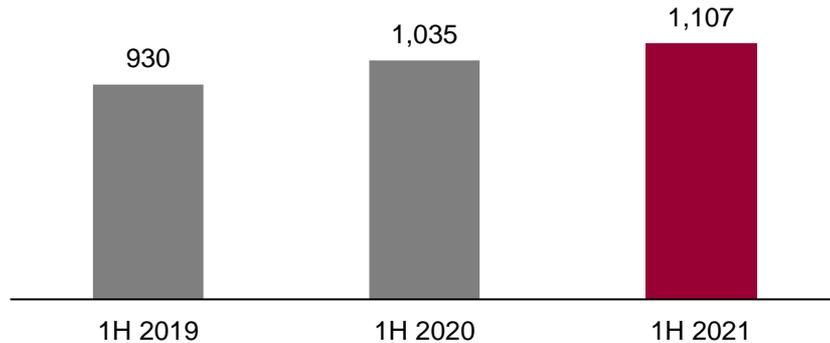
<b>30%</b>		<b>Unchanged</b>
Interim dividend payout ratio		
<b>US\$0.1098</b>		<b>21%<sup>6</sup></b>
Interim dividend per share <sup>5</sup>		

All data as at 30 June 2021  
See Appendices - Endnotes

# Resilient Performance in a Difficult Market

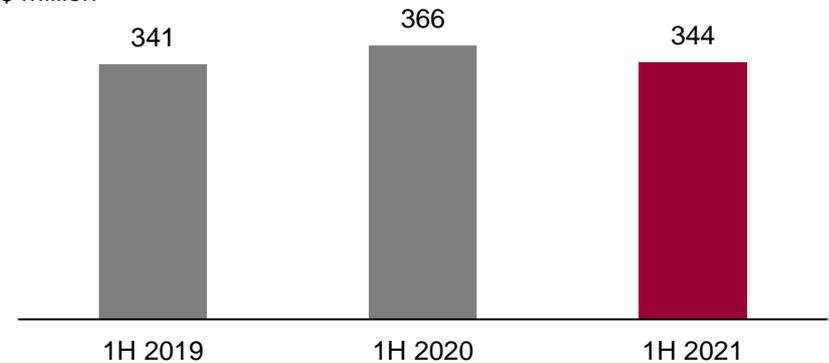
## Fleet growth underpins growth in revenues

US\$ million



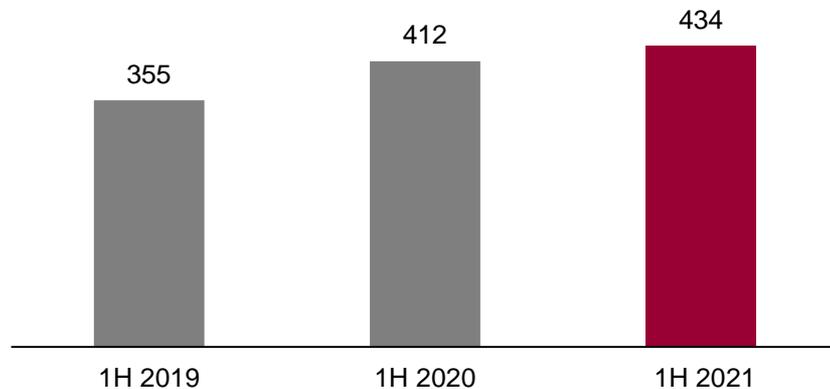
## High core lease rental contribution<sup>2</sup>

US\$ million



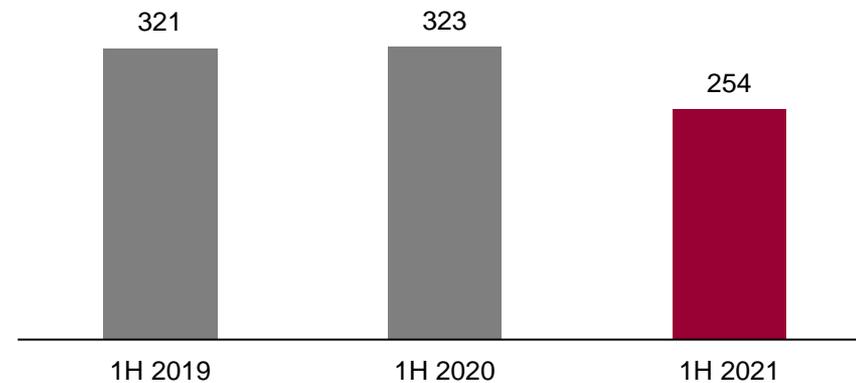
## Improving profit before tax and impairment charges<sup>1</sup>

US\$ million



## Resilient NPAT performance

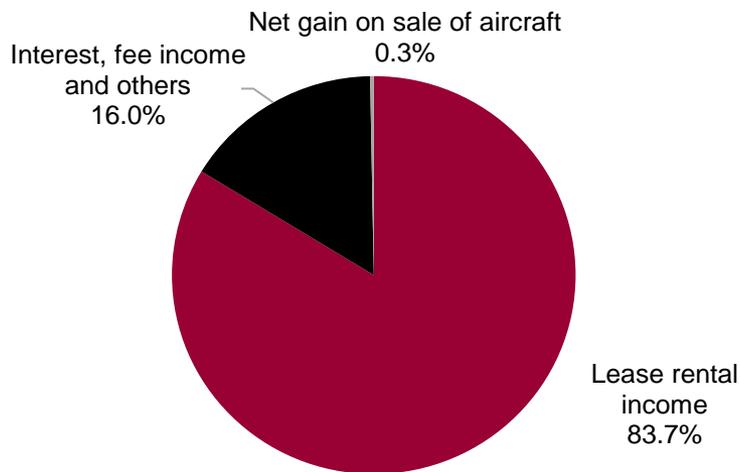
US\$ million



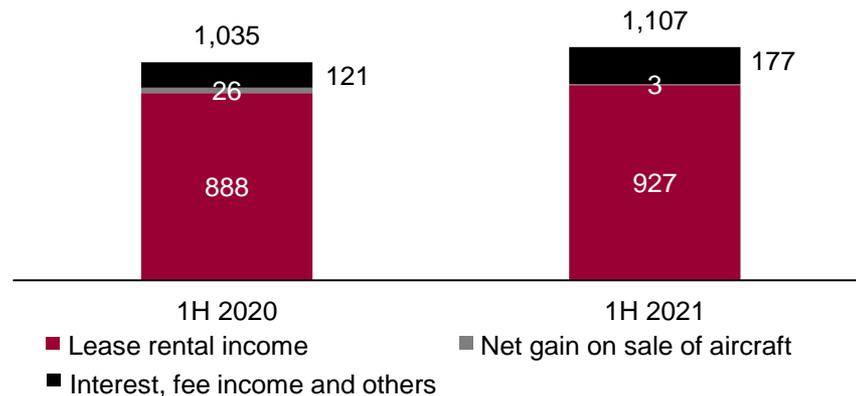
All data as at 30 June 2021  
See Appendices - Endnotes

# Lease Rental Income Continues to Dominate Revenue

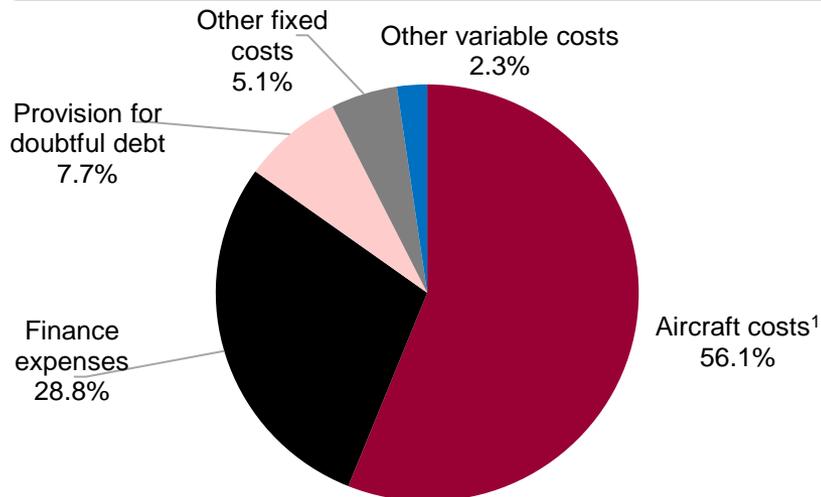
Lease rental income consistently over 80% of total revenues and other income



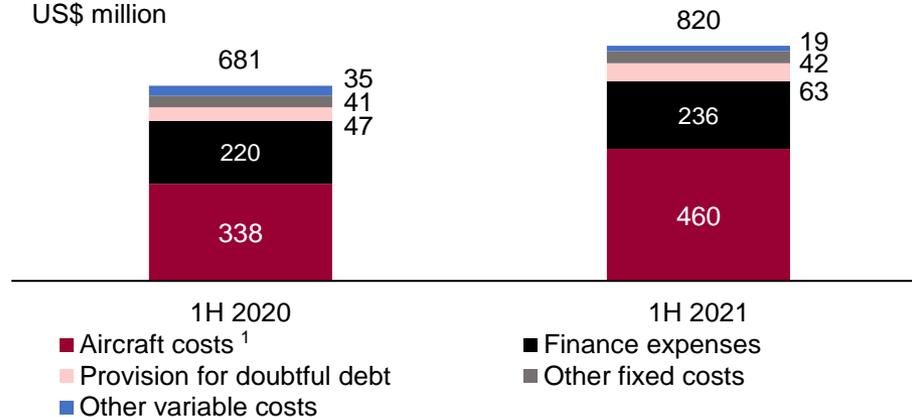
US\$ million



Depreciation of aircraft plus financing costs make up over 80% of total costs



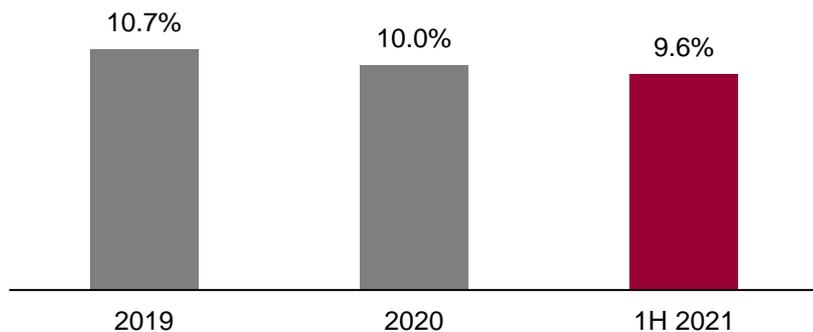
US\$ million



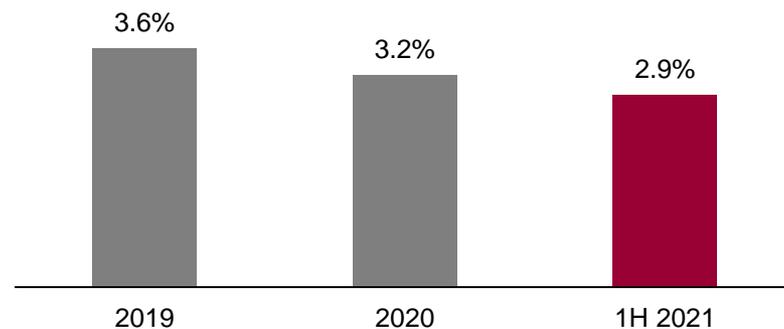
All data as at 30 June 2021  
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# Margins Impacted by Covid-19

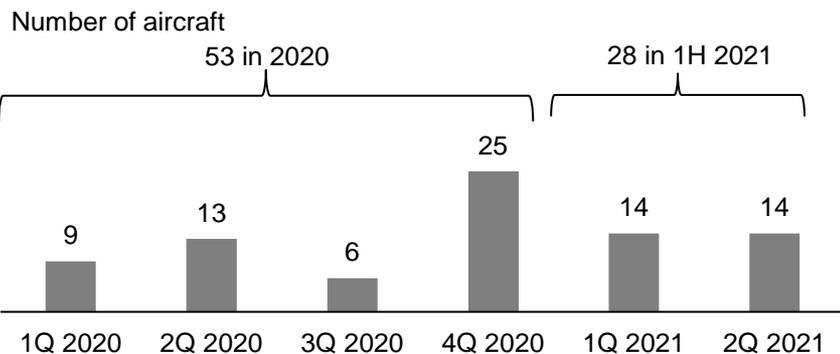
## Lease rate factor<sup>1</sup> high at around 10%



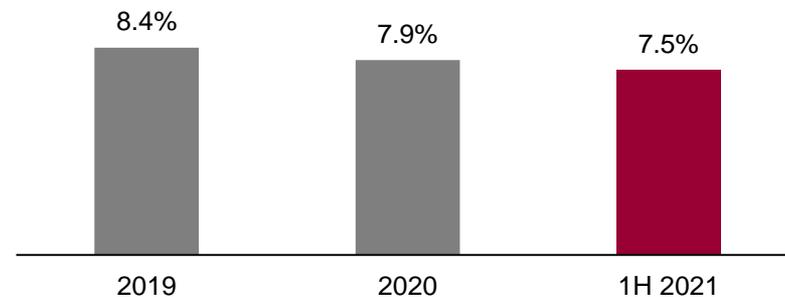
## Reduced cost of debt<sup>3</sup>



## Aircraft deliveries by quarter<sup>2</sup>



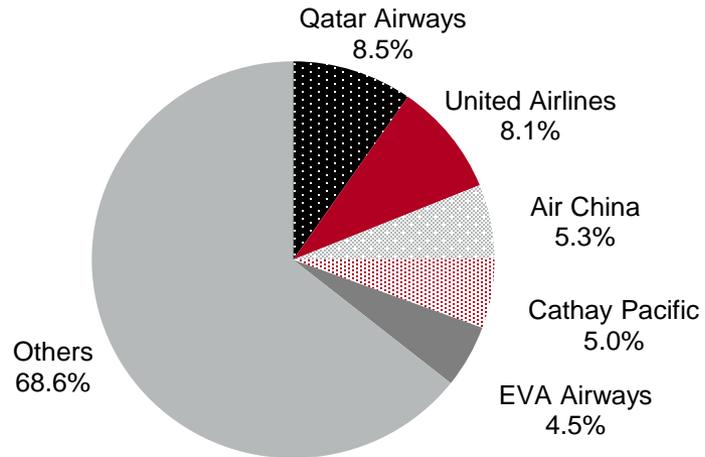
## Net lease yield<sup>4</sup>



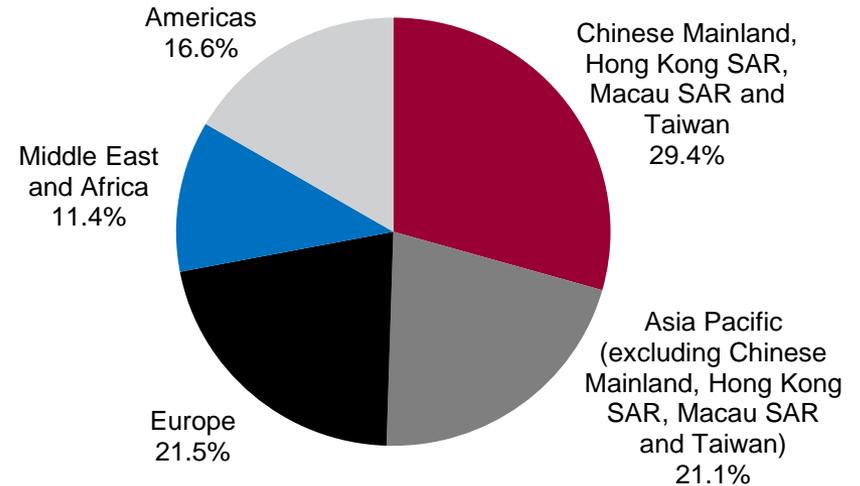
All data as at 30 June 2021  
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# Globally Diversified Lease Portfolio

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



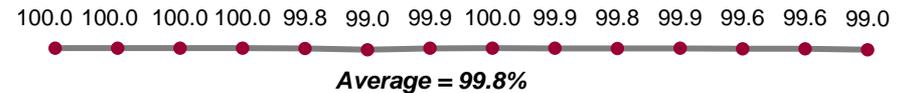
## ...and increasingly diversified by geography<sup>1,3</sup>



## Collection rate (%)



## Fleet utilization (%)<sup>4</sup>



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 30-Jun-21

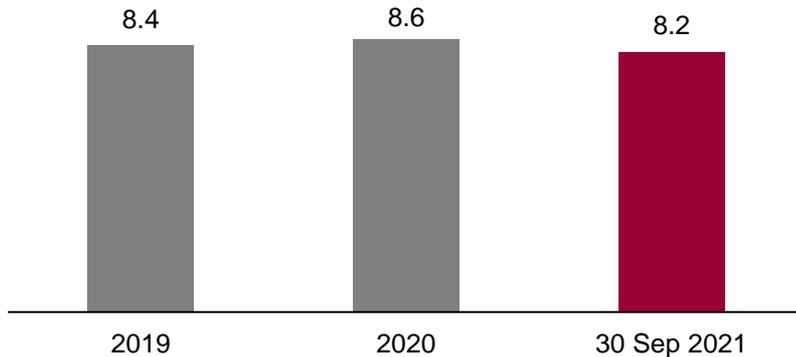
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 30-Sep-21

All data as at 30 June 2021  
See Appendices - Endnotes

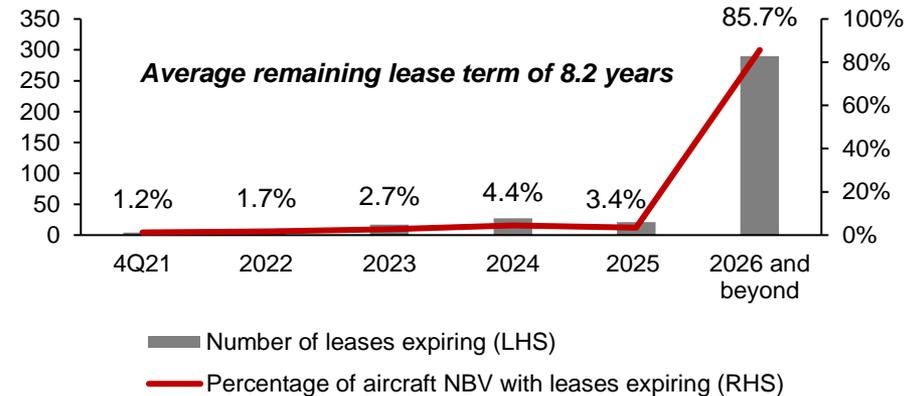
# Long Term Leases Enhance Revenue Visibility

## We have a long average remaining lease term<sup>1</sup>

Number of years

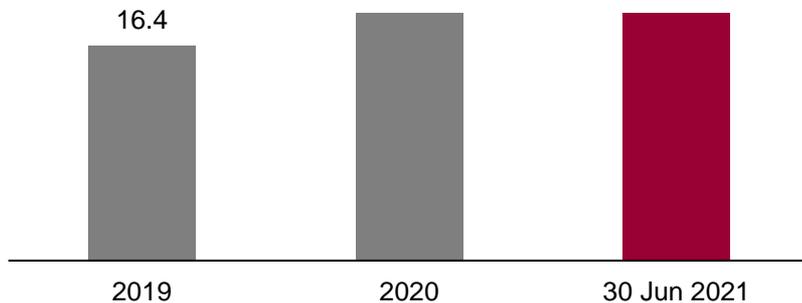


## Well-dispersed lease expiries<sup>3</sup>



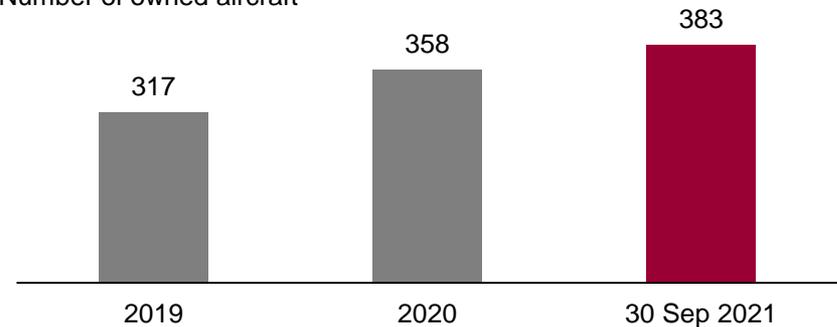
## and high future committed lease revenue<sup>2</sup>

US\$ billion



## Disciplined increase in fleet size

Number of owned aircraft



All data as at 30 September 2021 unless indicated  
See Appendices - Endnotes

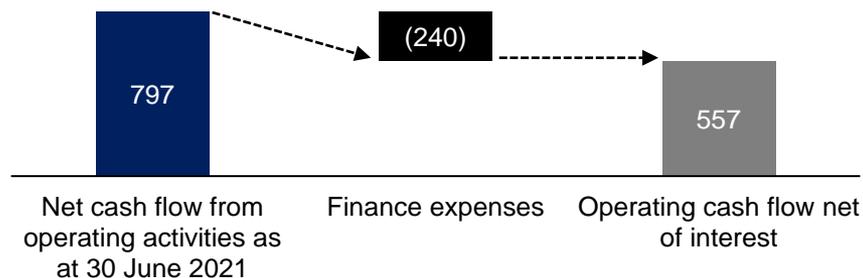
# Robust Operating Cash Flow Net of Interest

## Operating cash flow net of interest<sup>1</sup>

- Stable compared with 1H 2020 despite a challenging environment
- The incremental committed investment in 85 purchase-and-leasebacks in 2020 and 1H 2021, of which 39 had delivered by end-2020 and another 17 by end-June 2021, will further enhance cash flow
- A further 29 PLB aircraft will be delivered before 2023

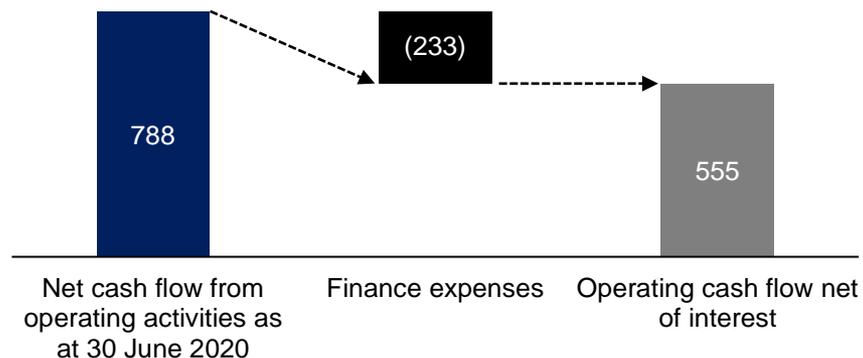
## Operating cash flow net of interest<sup>1</sup> for the period ended 30 June 2021

US\$ million



## Operating cash flow net of interest<sup>1</sup> for the period ended 30 June 2020

US\$ million



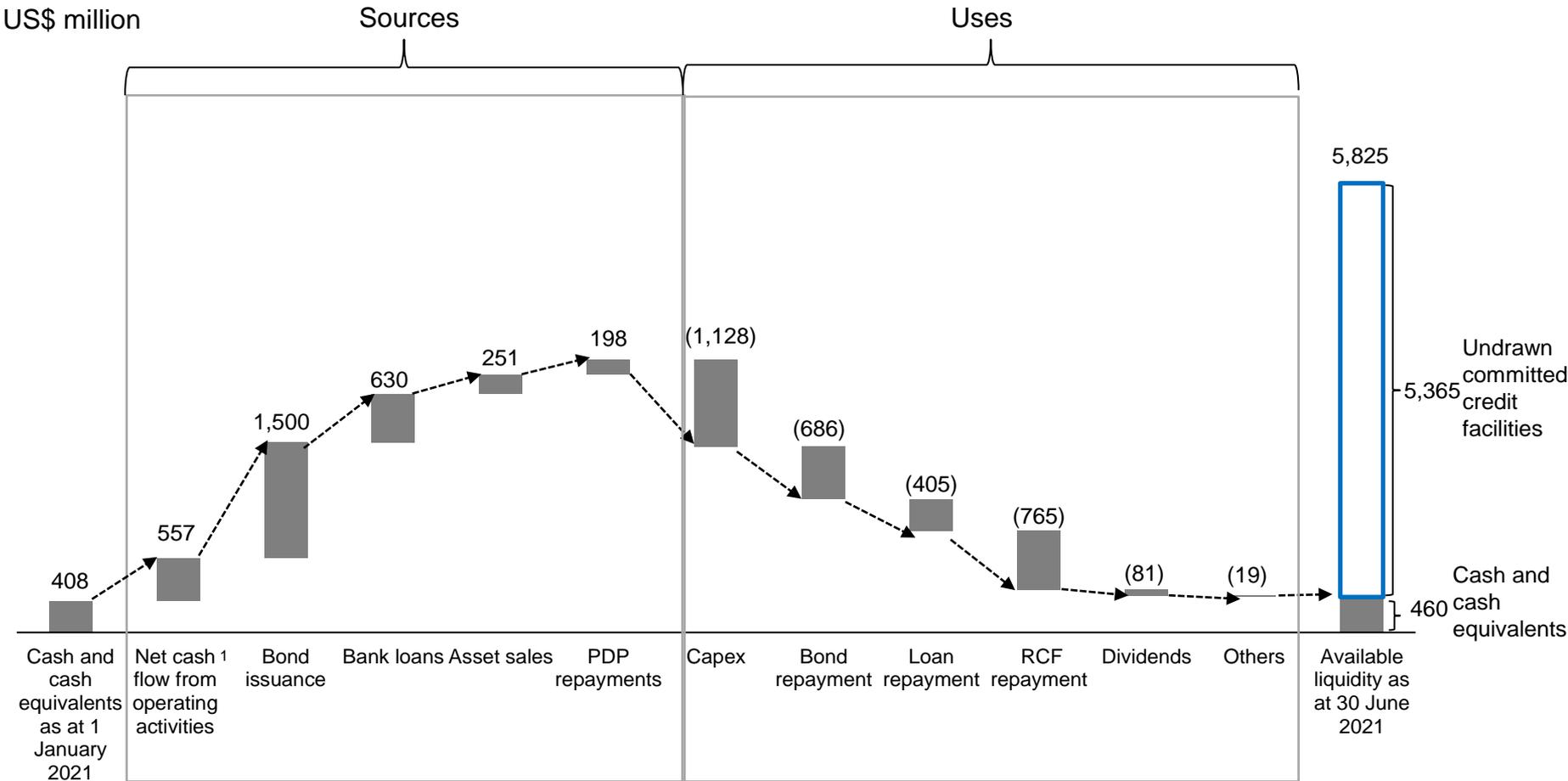
**Operating cash flow net of interest remains high**

All data as at 30 June 2021  
See Appendices - Endnotes

# Diverse Funding Channels Utilised in 1H 2021

## Sources and Uses of Cash

US\$ million



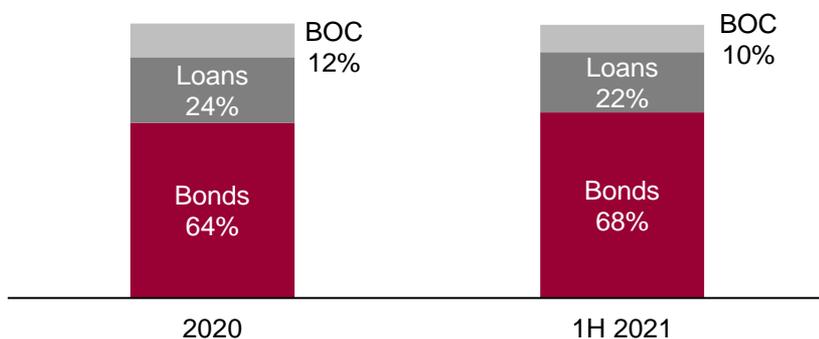
Proactive use of diverse funding sources in 1H 2021



All data as at 30 June 2021  
See Appendices - Endnotes

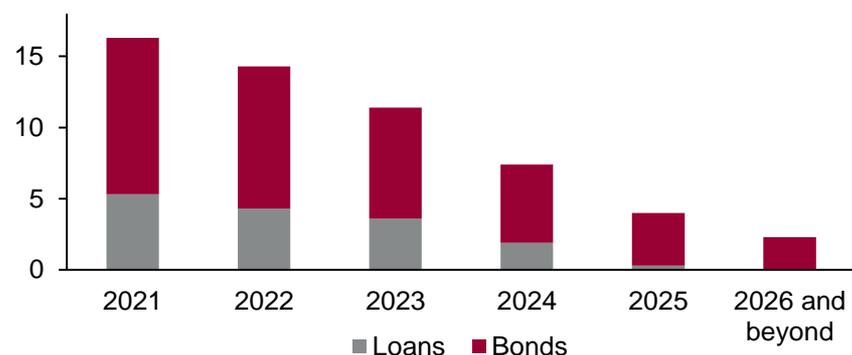
# Flexible Capital Structure and Ample Backstop Liquidity

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

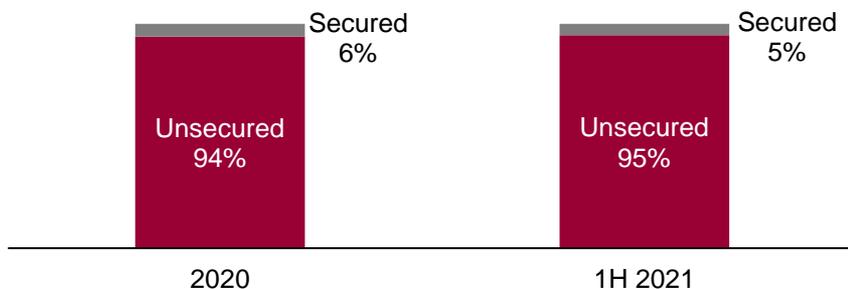


## Outstanding debt amortises over a long term

US\$ billion

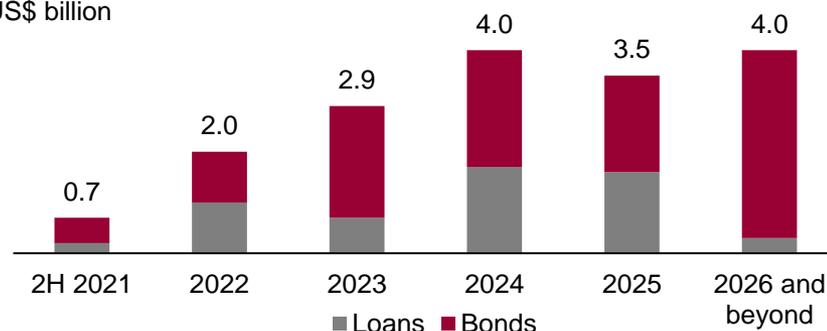


## Focus on unsecured funding



## Near term debt maturities well covered by US\$5.8 billion available liquidity

US\$ billion



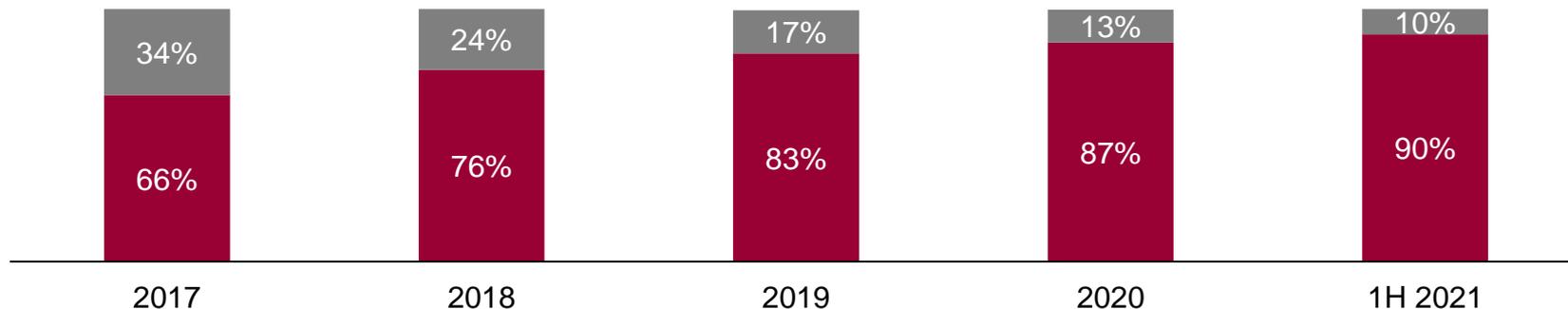
**Total available liquidity of US\$5.8 billion; liability management is a key strength**

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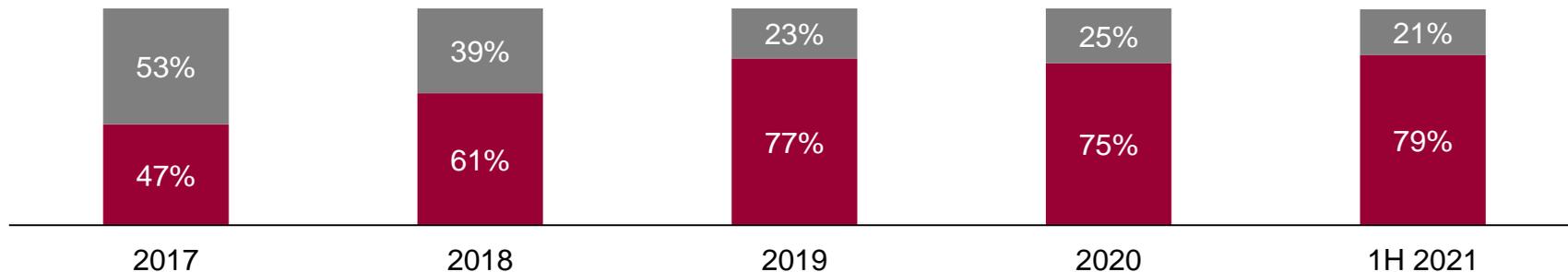
# Increasing Proportion of Fixed Rate Leases and Debt

## Proportion of fixed rate leases rising steadily<sup>1</sup>

By net book value



## Rising proportion of fixed rate debt<sup>2</sup>



■ Fixed rate ■ Floating rate

All data as at 30 June 2021  
See Appendices - Endnotes

# ESG Highlights

## Environmental

- ✓ 100% carbon neutral for direct emissions
- ✓ 100% latest technology aircraft in the orderbook<sup>1</sup>
- ✓ 3.7 years average aircraft fleet age<sup>1</sup>
- ✓ All used IT equipment recycled
- ✓ US\$2.5 million investment in new technology and digital initiatives
- ✓ Digital Workplace Transformation to reduce waste and increase efficiency

## Social

- ✓ 20 nationalities in our workforce
- ✓ 1,300+ training hours for employee development
- ✓ 51% female representation in BOC Aviation
- ✓ More than US\$80,000 in donations to local and global charitable organisations
- ✓ Maintaining the health and safety of employees by providing corporate gym membership, influenza vaccinations and cycle-to-work subsidies

## Governance

- ✓ Strong board diversity from three nationalities
- ✓ Three female directors including the Vice Chairman<sup>1</sup>
- ✓ 100% compliance training conducted for all employees
- ✓ Nil regulatory compliance breaches or violation of sanctions related laws reported

# Endnotes (1)

- **SLIDE 3: 3Q 2021 Overview**
  1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
  2. Weighted by net book value of owned fleet
  3. As at 30 June 2021
- **SLIDE 5: Popular and Fuel-Efficient Fleet**
  1. Includes all commitments to purchase aircraft including those where an airline customer has the right to acquire the relevant aircraft on delivery
- **SLIDE 6: Air Traffic Recovery** - Sources: China MoT (Air Pax YoY) TravelSky (Traffic), TSA (Throughput), Eurocontrol (Flights), AWN ADS-B (Flights), IATA
- **SLIDE 7: Forward Booking Support Recovery in Airline Schedules and Utilisation Rates** - Sources: Cirium fleet data, IATA Air Passenger Analysis, September 2021
- **SLIDE 8: Return of International Air Travel** – Sources: ADS-B database updated as of 30 December 2021, IATA Economics' Chart of the Week (12 November 2021)
- **SLIDE 9: Demand Recovery Points to Renewed Order Cycle** - Sources: Boeing CMO, September 2021
- **SLIDE 10: Airlines Require US\$75 Billion of Capital Investments** - Source: BOC Aviation Analysis
- **SLIDE 11: Lessors Own 51% of the Aircraft Market Today** – Sources: Ascend, as at 31 December 2021, 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.

# Endnotes (2)

- **SLIDE 15: BOC Aviation – Who Are We?**
  1. Includes owned, managed and aircraft on order as at 30 September 2021
  2. Weighted by net book value of owned fleet as at 30 September 2021
- **SLIDE 17: Core Competencies - BOC Aviation Track Record**
  1. As at 30 June 2021
  2. Includes reposessions and consensual early returns
- **SLIDE 18: Another Strong Performance in a Challenging Environment**
  1. Percentage changes compared to the first six months of 2020
  2. Calculated as net cash flow from operating activities less finance expenses paid
  3. Calculated as operating lease rental income and finance lease interest income less aircraft depreciation, finance expenses apportioned to operating lease rental income and finance lease interest income, amortisation of deferred debt issue costs and lease transaction closing costs.
  4. Percentage changes compared to the year ended 31 December 2020
  5. Payable to shareholders registered at the close of business on the record date, being 4 October 2021
  6. Compared to US\$0.1398 paid for 1H 2020
- **SLIDE 19: Resilient Performance in a Difficult Market**
  1. Impairment charges comprise impairment of aircraft and financial assets
  2. Calculated as operating lease rental income and finance lease interest income less aircraft depreciation, finance expenses apportioned to operating lease rental income and finance lease interest income, amortisation of deferred debt issue costs and lease transaction closing costs
- **SLIDE 20: Lease Rental Income Continues to Dominate Revenue**
  1. Comprises aircraft depreciation and impairment

# Endnotes (3)

- **SLIDE 21: Margins Impacted by Covid-19**
  1. Calculated as operating lease rental income divided by average net book value of aircraft (including aircraft held for sale) and multiplied by 100%. Lease rate factor for 1H 2021 is calculated on an annualised basis
  2. Excluding aircraft acquired by airline customers on delivery
  3. Calculated as the sum of finance expenses and capitalized 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
  4. Calculated as operating lease rental income less finance expenses apportioned to operating lease rental income, divided by average of aircraft net book value (including aircraft held for sale). Net lease yield for 1H 2021 is calculated on an annualised basis
- **SLIDE 22: Globally Diversified Lease Portfolio**
  1. Based on net book value including aircraft subject to finance leases and excluding aircraft off lease as at 30 June 2021
  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
  4. Fleet utilization is the total days on-lease in the period as a percentage of total available lease days in the period
- **SLIDE 23: Long Term Leases Enhance Revenue Visibility**
  1. Weighted by net book value of owned fleet including aircraft on leases classified as finance leases
  2. As at 30 June 2021
  3. Owned aircraft with lease expiring in each calendar year, weighted by net book value, excluding any aircraft for which BOC Aviation has sale or lease commitments as well as aircraft off lease
- **SLIDE 24: Robust Operating Cash Flow Net of Interest**
  1. Calculated as net cash flow from operating activities less finance expenses paid

# Endnotes (4)

- **SLIDE 25: Diverse Funding Channels Utilised in 1H 2021**
  1. Calculated as net cash flow from operating activities less finance expenses paid
- **SLIDE 26: Flexible Capital Structure and Ample Backstop Liquidity**
  1. Drawn debt only
- **SLIDE 27: Increasing Proportion of Fixed Rate Leases and Debt**
  1. By net book value including aircraft subject to finance lease and aircraft held for sale, and excluding aircraft off lease
  2. Fixed rate debt included floating rate debt swapped to fixed rate liabilities
- **SLIDE 28: ESG Highlights**
  1. As at 30 September 2021



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