Timothy Ross

Thank you operator and welcome everybody to BOC Aviation's first full year earnings conference call as a listed company to discuss our final results for the 12 months ended 31 December 2016. With me today are our Managing Director and Chief Executive Officer, Robert Martin, our Deputy Managing Director and Chief Financial Officer Phang Thim Fatt and our Chief Operating Officer, David Walton.

Please note that some of the information you'll hear during our discussion today may consist of forward-looking statements, which are subject to risks and uncertainties that may cause actual results to differ materially from statements made today. You should not place undue reliance on any forward-looking statements and you should review our results announcement for full details. Please also note that all currency references are in USD only.

A copy of our earnings announcement is available both via the Hong Kong Stock Exchange and in the Investor's section of our website at www.bocaviation.com, and a conference call presentation is also available in the Investor's section of our website. This call is being recorded and will be available for replay.

I'll now turn over the call to Robert Martin.

Robert Martin

Thanks, Tim and good morning to everyone on the line. Thank you for joining us for our 2016 final results call.

We achieved a number of operational and financial records during 2016 and wish to thank our shareholders, business partners and employees for their support in achieving our targets. We raised more IPO proceeds than any other aircraft operating leasing company has ever done, we hit new corporate milestones in terms of deliveries from our orderbook. This saw us exceed a total of 250 aircraft deliveries from Airbus in December and we have recently celebrated our 200th delivery from Boeing, underscoring the importance of our relationship with both major airframe manufacturers.

The product of these revenue drivers and controlling our costs was the record earnings we are reporting: a net profit after tax of $418 million for 2016, up 22% on last year. This is equivalent to earnings per share of 60 cents based on the number of shares outstanding at year-end. This was achieved on total revenues and other income of $1.2 billion that rose 9%. In light of our strong performance our Board is recommending a final dividend of 11.9 cents per share, which will bring the total dividend for the year to 18 cents per share or a distribution of 30% of our full year net profit after tax. Once approved at the AGM, this will be payable to shareholders who own shares on 12 June.

We ended 2016 with total assets of $13.4 billion, reflecting the $550 million in net primary equity proceeds raised from our IPO, which we have since put to work. The increase in our equity base lowered our gross debt to equity ratio to 2.6 times as at 31 December, as compared to 3.7 times at the end of 2015. It also diluted our ROE to 14.4%, compared with 15.1% achieved in 2015. We do, however, continue to generate the best post-tax return on equity amongst our peer group. We will continue to re-lever our balance sheet towards our target 3.5-4:1 gross debt to equity over the next two years. During the second half of last year, S&P Global Ratings and Fitch Ratings both reaffirmed our industry leading corporate credit ratings of A minus.

Turning to the market backdrop, macro conditions remain supportive of the aircraft leasing industry, in our view. On the airline demand side, the industry continues to perform very well and air travel demand remains strong. Airline passenger traffic as measured by IATA, rose 6.3% last year – gaining pace in 2H 2016 and above the long term trend rate of 5%. IATA projects record airline earnings for 2016 and over $29 billion in airline earnings for 2017, which would still be the third largest profit that the airline industry has ever earned. With this backdrop, our global business model continues to serve us well, allowing us to leverage the strong relationships we have with our airline customers around the world.

We continue to see good demand for leasing the popular Airbus and Boeing single aisle models, which make up over 95% of our future orders and we demonstrated our confidence in these models by having placed new orders for an additional 29 aircraft comprising 12 A320 family aircraft and 17 B737 family since our IPO. We continue to see demand here in Asia-Pacific, reflecting the more rapid rates of air traffic growth that this region is experiencing relative to more mature, slower growth economies.

On the widebody side, we executed purchase and leaseback transactions with Air China for delivery of five widebodies in 2016 and six widebodies for Qatar Airways in 2017. The revenue impact of these transactions will be evident in 2017 and beyond.

US Dollar liquidity in the market remains high. This is driving the strong demand for purchases of aircraft with leases attached that we continue to see amongst investors. Growing demand has supported our aircraft sales programme as more new investors continue to enter the market. Greater liquidity is also good for the funding side of the business. While USD base interest rates did rise towards the end of last year, they still remain relatively low. We took advantage of this throughout the year, closing a 10-year, US$750 million bond deal in the first half of 2016 and a five-year, US$500 million deal in the second half.

With roughly half of our lease portfolio on floating rates, our floating rate leases were boosted by the upward movements in LIBOR during 2016. Our funding costs also increased, but the impact on our net lease yield has remained neutral. Net lease yield, which is defined as lease revenue less finance expense divided by average aircraft net book value, was unchanged at 8.2%, matching what we achieved in 2015.

On the supply side, we see growth largely in line with demand, especially for the single aisle aircraft that account for the majority of our fleet. Whilst near term production increases are planned for both A320 and B737 aircraft models, we also see some supply chain issues possibly limiting production ramp up as pressures have emerged in some areas such as seats and engines.

Manufacturers appear to have responsibly addressed concerns around widebody oversupply, with both Boeing and Airbus having cut production rates, especially for the 777 and A330 models.

Our company's earnings and distributions continue to be anchored by a combination of our long-term leases and future committed orderbook. We will continue to invest in a disciplined manner, expanding both our balance sheet and our future returns in the process.

I'll now hand the call over to David to speak to our operations and business development and then Thim Fatt will take over for a more detailed review of our P&L and balance sheet.

David Walton

Thank you, Robert and let me add my thanks to you all for joining us today.

In 2016, we delivered 67 new aircraft from our orderbook to our airline customers, including 11 where the customer exercised purchase options at delivery, giving us 56 new aircraft added to our owned aircraft portfolio. This compared with 40 new aircraft added to the owned portfolio in 2015.

Our core lease rental contribution - defined as lease revenue less finance expense and depreciation and amortisation of debt issue and lease transaction closing costs - continues to be the principal component of our pre-tax earnings. Core lease rental contribution makes up 70% of our pre-tax profits and rose over 7% in 2016. It represents a sustainable, long-term income stream that recurs across the cycle and is highly visible, given our remaining average lease life of over seven years as at the end of last year. Our existing and future committed leases provide over $12 billion in contracted future lease revenues.

We are pleased to announce that we had another year of strong portfolio utilization at 99.9%, and we ended the period with nothing overdue from our customers. In December of last year, we repossessed two aircraft when a customer in Taiwan ceased operations. Our team was well-prepared and moved quickly to recover the aircraft, which have now been placed.

The weighted average age of our owned portfolio is now 3.2 years, one of the youngest in the industry and none of our owned aircraft is more than ten years old.

During 2016, we signed 79 leases with airline customers and at year-end had 71 deliveries scheduled for 2017. This provides us with a strong pipeline of core lease rental contributions.

We sold 37 aircraft from the owned fleet during 2016. We sell aircraft – generally with leases attached - across the cycle, although the volume of our transactions typically increases during such high periods of US dollar liquidity, as we are seeing right now.

As at 31 December our fleet stood at 246 owned and 38 managed aircraft, with an orderbook of 199 aircraft scheduled to deliver over the next five years. Our committed capital expenditure for 2017 is $2.8 billion.

2017 will be the most active in terms of orderbook deliveries in the company's history and we see a number of good opportunities to increase our pipeline beyond what has already been announced.

With that, I'll turn it over to Thim Fatt.

Phang Thim Fatt

Thank you, David. Our reported net profit after tax of $418 million for 2016 rose 22% compared to 2015.

The principal drivers of the growth in earnings were a 9% increase in total revenues and other income that featured growth across all major revenue lines. This drove our core lease rental contribution up by over 7% to $436 million, representing 70% of net profit before tax.

Our lease rental income rose over 7% compared to 2015 as higher interest rates lifted our floating rate lease revenues and as new leases signed on higher fixed rates also contributed to the increase.

Pre-tax gains on aircraft sales rose 30% from 2015's level, as we were active sellers of aircraft in a highly liquid market. Interest and fee-related income rose 20% compared to the same period last year.

Our total costs and expenses rose just over 4% for 2016 compared to 2015.

Depreciation was largely flat in 2016 compared to 2015 because of our active sales program earlier in the year and we added more aircraft during the latter part of the year.

Finance charges increased by $47 million driven primarily by an increase in LIBOR rates – the same LIBOR rate increase that positively impacted our floating rate lease revenue. Our long-term funding strategy, under which we increased the proportion of fixed rate debt during the year, also contributed to the increase in interest costs, lifting our average cost of funds to 2.5% in 2016 from 2% last year.

Staff costs represented approximately 6% of our total revenues and other income in 2016, slightly up from 5% in 2015 and driven mainly by provisions for performance-related bonuses, given the Company's strong performance, and by an increase in headcount.

Other operating costs rose 29% to $46 million compared with 2015, partly due to $3 million in expenses relating to our IPO.

Our global average tax rate fell to 11.8% in 2016 from 14.5% in 2015. This was mainly due to a reversal of a $9 million tax provision relating to deferred income tax previously provided for. Since year-end we have extended our Aircraft Leasing Scheme for another five-year period out to June 2022, which entitles us to a concessionary tax rate on income derived from aircraft leasing operations in Singapore. We appreciate the Singapore Government's continued recognition of our industry's importance to the local economy.

Net assets per share rose by 18% to $4.87/share at 31 December 2016 from $4.14/share as at 31 December 2015.

At the end of 2016, our total assets had increased 8% to $13.4 billion from the end of 2015, reflecting capital expenditure of $2.9 billion related to our aircraft deliveries – $1.9 billion of which took place in 2H 2016. Our cash and fixed deposits at the end of the period was US$558 million.

Our debt edged down 2% to $8.5 billion at year-end reflecting the funding of capex and repayment of approximately $2 billion in debt during the same period. We also have additional committed liquidity in the form of over $4 billion in undrawn and committed revolving credit facilities, as a result of closing a successful US$1.5 billion Revolving Credit Facility in November 2016. This positions the company well to refinance debt and fund both our contracted investments in aircraft and further growth in the portfolio.

We have just produced another year of record earnings and recommend paying a final dividend of 11.9 cents per share taking total distributions to 30% of 2016 NPAT.

This concludes my review of the company's financials for 2016 and I'll pass the call back to Timothy.

Timothy Ross

Thanks, Thim Fatt. This wraps up management's formal commentary. A copy of the transcript for these prepared remarks can be found in the investor section of our website. We now have time for Q&A and request that each participant restrict themselves to one question and one follow up, unless time permits for additional queries.

I'd now like to hand the call back to the operator for Q&A.