Timothy Ross

Thank you operator and welcome everybody to BOC Aviation's earnings call to discuss our final results for the year ended 31 December 2017. 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 section of our website. This call is being recorded and will be available for replay from our website within the next 24 hours as is a transcript of today's management presentation.

I'll now turn over the call to Robert Martin, who coincidentally has just celebrated his 20th anniversary with the company.

Robert Martin

Thanks, Tim and good evening to everyone on the line. Thank you for joining us for our 2017 full year results earnings call.

Today we are presenting our second full set of annual accounts since our IPO as we continue to produce record earnings, achieving the highest profit in our company's history and a return on equity of 16.3%.

We are delighted to report a net profit after tax of $587 million for the year, up 40% on 2016 and equivalent to earnings per share of 85 cents, based on the number of shares outstanding at year end. To put this in context, our after-tax earnings for 2017 exceeded Bloomberg's consensus estimates at the time of our IPO by 35%. Our earnings were driven by revenue growth: our total revenues and other income of $1.4 billion rose 17% compared to 2016. The NPAT includes a $91 million adjustment in net deferred tax liabilities as a consequence of changes in the US tax code, which resulted in a positive tax provision for 2017.

In light of our exceptional performance our Board has recommended declaring a final dividend of 19.2 cents per share, payable to shareholders of record on 7 June. This final dividend brings the total dividend for 2017 to 29.58 cents per share, a 64% increase over the dividend paid for 2016. The dividend represents an increase in the pay-out ratio for the full year from 30% in 2016 to 35% of Net Profit After Tax, which is at the top end of the guidance provided in August and consistent with the Board's aim of continuing to create value for our shareholders. The full year dividend is equivalent to a dividend yield of 5.5%, based on our opening stock price at the beginning of 2018 vs. 3.4% for the Hang Seng Index.

We ended 2017 with total assets of $16 billion, which reflected our sustained efforts to grow our balance sheet through investment in aircraft. Net book value of our fleet rose by 28% to US$13.7 billion compared with 2016, driving growth in our lease rental revenues. We funded our fleet development through a combination of retained earnings and increased leverage, with our gross debt to equity rising to 2.9 times at the end of 2017 from 2.6 times a year earlier.

We started 2018 with cash and committed liquidity of $4 billion. This positions the company well to fund both our contracted investments in aircraft and to finance further growth in the portfolio. During the year in review, both S&P Global Ratings and Fitch Ratings reaffirmed our industry-leading corporate credit ratings of A minus.

Turning to the market backdrop, macro conditions remain supportive of the aircraft leasing industry. On the airline demand side, the industry continues to perform ahead of long term growth expectations, with air travel demand remaining robust. Airline passenger traffic as measured by IATA – the trade association for the world's airlines, rose 7.6% in 2017 - above the long term trend rate of 5%. This saw IATA lift its earnings estimates for 2017 for the airline industry in December of last year by 10% to $34.5 billion. We also saw a continuation of the resurgence in freight activity that was visible in the first half of the 2017, with IATA reporting freight traffic growth of 9% for its members for the full year.

The availability of US Dollar liquidity remains high. This is partly driving the strong demand for purchases of aircraft with leases attached that we continue to see from aircraft investors. Greater liquidity is also good for the funding side of the business. Long-term interest rates remain low in a historical context and we took advantage of that throughout the year, raising $2.9 billion in total debt including our first ever $1 billion dual-tranche bond offering.

We saw LIBOR rates move up for our floating rate leases and our LIBOR-based funding cost also increased, but because of our active liability management and hedging policy, there was no adverse impact on our net lease yield. Net lease yield – which captures both the effects of interest rate fluctuations and the competitive lease rental environment – rose slightly to 8.4% for 2017.

The supply of new aircraft to the market is tracking demand for both the narrowbodies that account for the majority of our fleet and the new technology widebodies. Supply chain issues are limiting production ramp up as pressures are evident in a number of areas of the manufacturer supply chain such as seats and engines. These issues have led to delivery delays, affecting the timing of new deliveries to airlines and leasing companies.

We have been actively investing in new technology aircraft. Additions to our fleet and next four years' delivery pipeline include A320NEOs, A350s, A330NEOs, Boeing 787s and in July, we were a launch customer for the Boeing 737 MAX 10.

For 2017, the Board implemented a change in the long term incentive plan for management, where 50% of future long-term incentives are now to be invested in BOC Aviation shares. The first tranche of shares will be purchased by a trustee in the secondary market beginning in the first half of 2018, following this results announcement. These shares will vest after the third year following their grant. The effect of this change to the long term incentive plan will be to further align management with shareholders.

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 this evening.

In 2017, we delivered 74 new aircraft from our orderbook to airline customers, including three where the customer exercised purchase options at delivery, giving us 71 new aircraft added to our owned portfolio. This compared with 56 new aircraft added to the owned portfolio in 2016. Our total fleet stood at 491 aircraft at the end of 2017, comprising 287 owned and 31 managed aircraft and an orderbook of 173 aircraft delivering between now and end-2021.

Our core lease rental contribution, which is defined as lease revenue less finance expenses and depreciation and amortisation of debt issuance and lease transaction closing costs, continues to be the principal component of our pre-tax earnings. This rose over 24% in 2017 and represents a sustainable long-term income stream that recurs across the cycle and which is highly visible, given our remaining average lease life of over eight years. This should grow in line with our balance sheet, given the stability of our net lease yield.

We are pleased to announce that we had another year with strong portfolio utilization of 99.8%, and in 2017 our collection rate was 99.9%. The average appraised value of our fleet was $15.3 billion

dollars on a full life, current market value basis at year-end, representing a 12% premium to the fleet's net book value of $13.7 billion.

We now have in excess of $15 bn in contracted future lease revenues, a number that moves up as our fleet grows, having risen 24% compared to end-2016.

Our aircraft portfolio remains one of the youngest in the industry and the weighted average age of our owned portfolio is now three years. During 2017 we extended our average remaining lease term to 8.2 years and we signed 103 leases with airline customers. In addition, all of our 2018 scheduled deliveries have lease commitments with airlines.

We have a regular dialogue with our customers regarding their appetite for the most popular modern Airbus and Boeing models, and we are seeing good lease demand for aircraft in our orderbook. In 2017, we generated 56% of our lease revenues out of Asia-Pacific, reflecting the more rapid rates of air traffic growth in this region relative to more mature economies.

The Americas and Europe still accounted for around 16% and 24% of lease revenue, respectively and recent transactions with new and existing customers such as LATAM and Westjet in the Americas and Turkish Airlines, TAP and Air Europa in Europe underpin our confidence in our revenue growth in these regions.

We sold 30 aircraft from the owned fleet during 2017, compared to 37 aircraft sold in 2016 as we continue to improve the quality of our portfolio. Gains on sale of aircraft accounted for 14% of pre-tax earnings – consistent with our long term average, but reflecting fewer aircraft sales than in 2016.

2017 was the most significant in terms of fleet growth in the company's history and we continue to source good opportunities to increase our aircraft investments.

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

Phang Thim Fatt

Thank you, David. Our reported net profit after tax of $587 million for the year rose 40% compared to 2016. Our earnings per share was 85 cents per share, increasing 40% over 2016 EPS based on shares outstanding at 31 December in each year. Net assets per share, meanwhile, rose 13% to $5.50 in 2017.

The principal driver of the growth in earnings was a 17% increase in total revenues and other income. This drove our core lease rental contributions up by 24% to $542 million, which - net of operating costs - represented 79% of net profit before tax.

Our lease rental income rose 22% compared to 2016 as we increased the size of our fleet, as higher interest rates lifted our floating rate lease revenues and as new leases signed on higher fixed rates also contributed to the rise.

Pre-tax gains on aircraft sales were $78 million. Interest, fee-related and other income amounted to $30 million and comprised 7% of our NPBT.

Depreciation was up 22% compared to 2016, reflecting the growth in the size of our fleet.

Finance charges increased by $44 million, driven primarily by an increase in our indebtedness as we lifted our financial leverage, and as LIBOR rose. As the proportion of fixed rate leases have increased, we increased the proportion of our fixed rate debt during the year, which also contributed to the increase, lifting our average cost of funds to 2.8% in 2017 from 2.5% the previous year.

Staff costs fell US$2 million and represented approximately 5.2% of our total revenues and other income in 2017, down from 6.3% in 2016. There was no increase in employee numbers during the year.

Other operating costs in 2017 were $47 million, roughly equivalent to 2016, despite the growth of our fleet. Excluding the $91 million adjustment to deferred tax liabilities in the US, our average tax rate fell to 10.1% from 11.8% in 2016.

At the end of the year, our total assets had increased 19% - or about $2.6 billion - to $16 billion from the end of 2016.

We had capital expenditure of $4.4 billion in 2017 primarily related to our aircraft deliveries and we are currently committed to aircraft capex of $2.6 billion in 2018. As in previous years, we expect to build on this number over the course of the year.

Our indebtedness increased, rising 24% to $10.9 billion at the end- of 2017, reflecting the borrowing activity that included our successful bond offerings and raised $2 billion under our GMTN program.

Now back to Robert for his final comments.

Robert Martin

The 2017 year was been the most profitable and most active in our company's history. Earnings per share rose 40%. Our balance sheet strength and committed future revenue of over $15 billion position us well and we look forward delivering another robust performance over the balance of this year. The 64% increase in recommended full-year dividend demonstrates our confidence in BOC Aviation's earnings. The result is a testament to the quality of our team and I'd like to thank our staff for all of their hard work. This year we look to deliver more growth as we celebrate our company's 25th anniversary.

This concludes our review of the industry, our company's financials and our outlook and I'll pass the call back to Timothy.

Timothy Ross

Thanks, Robert. This wraps up management's formal commentary. 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'll hand the call back now to the operator for the Q&A session.