





 國泰君安國際 (1788.HK)

Guotai Juanan International

2018 Interim Results Presentation

August 2018

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-  Financial Review
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Key Deliveries



- Revenue increased by 8% to HKD1,678 million while profit attributable to shareholders decreased by 25% to HKD 507 million. Profit attributable to shareholders increased by 14%, excluding income arising from parent company's IPO of last year.
- Income from Financial Products increased by 271% to HKD 387 million.
- Income from Debt Capital Markets (DCM) increased by 75% to HKD 258 million.
- Income from Brokerage increased by 40% to HKD271 million, excluding income from parent company's IPO of last year. Commission income from HK stock market increased by 60% to HKD 155 million.
- Interim dividend of HKD 0.033 per share with Payout Ratio of 50%, up by 4 percentage points compared with same period last year.
- S&P rated 'BBB+' with 'stable' outlook, Moody's rated 'Baa2' with 'stable' outlook.

Financial Review

Indicators Revenue Mix Dividend Balance Sheet Asset Allocation Liquidity



Core Businesses Grew Steadily with Enhanced Payout Ratio

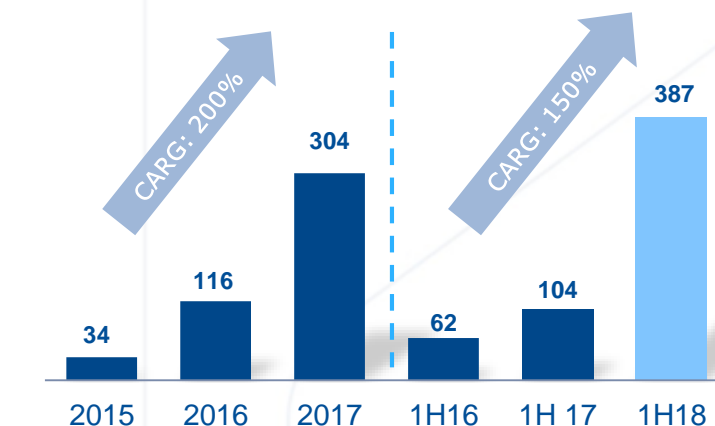
Income Statement	1H 2018	1H 2017	YoY ¹
Fee and commission income	(HKD'000)	(HKD'000)	
- Brokerage	271,437	289,210	(6%)
- HK market	155,000	97,000	60%
- Corporate finance	335,355	441,590	(24%)
- Corporate finance excluding income from Parent Company Listing last year	335,355	265,286	26%
- Asset management	10,561	14,513	(27%)
Income from loans and financing	716,824	641,556	12%
Gain from financial products, market making and investment	344,038	173,089	99%
Revenue	1,678,215	1,559,958	8%
Profit attribute to shareholders	506,841	673,507	(25%)
- Profit attribute to shareholders, excluding income from Parent Company Listing last year	506,841	446,334	14%
Payout ratio (Interim)	50%	46%	4 p.p.

Financial Ratios	30 Jun 2018	31 Dec 2017	Change ¹
Net Asset Value Per Share (Attributable to Shareholders)	1.41	1.24	14%
Leverage ratio ²	5.79	5.53	Slightly higher
Leverage ratio excluding Financial Products' position on behalf of clients	3.15	3.17	Slightly lower
ROE (Annualized / Realized)	10.5% ³	14.6%	(4.1 p.p.)

Notes: 1. Rounded figures 2. Leverage ratio= (total assets - accounts payable to clients) / total equity; 3. Impacted by equity enhancement and other factors

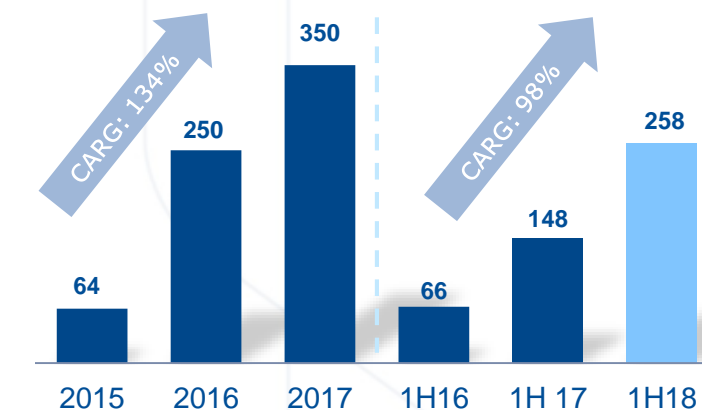
Income from Financial Product (Full year / Half year)

HK\$ mn

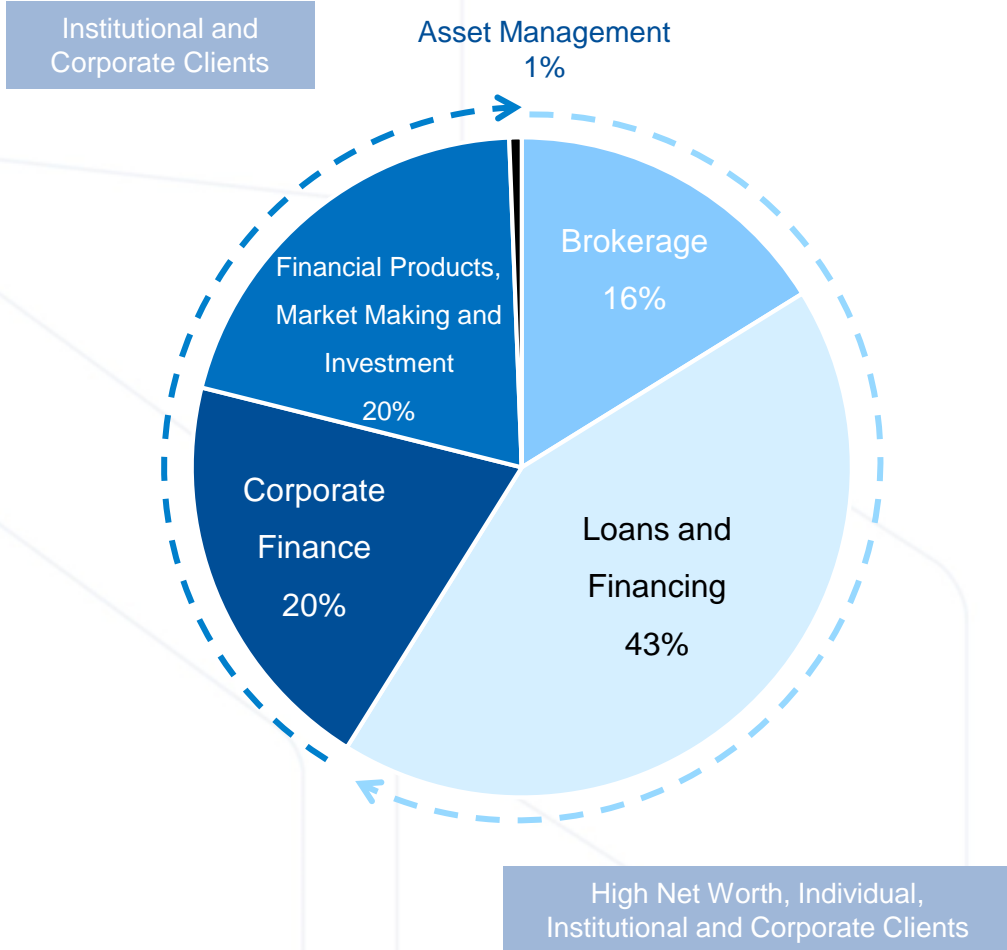


DCM Income (Full year / Half year)

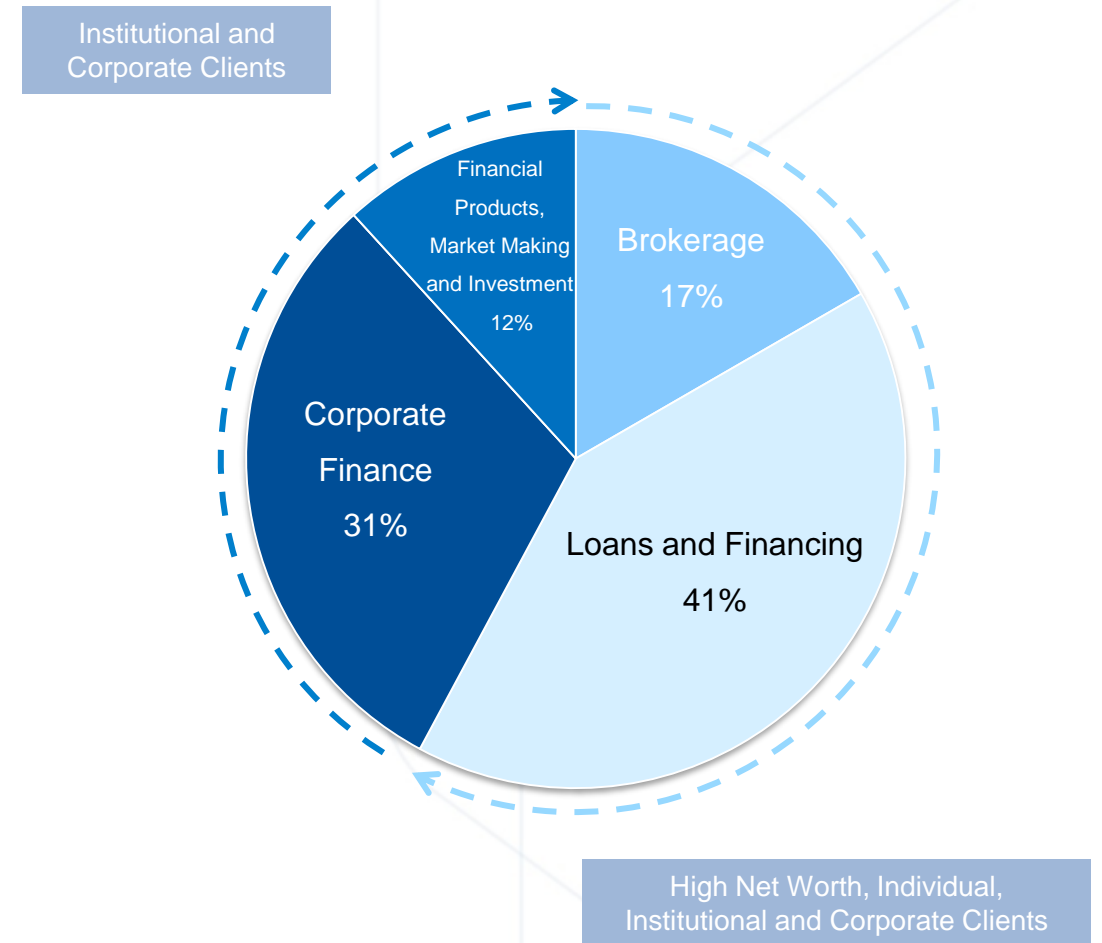
HK\$ mn

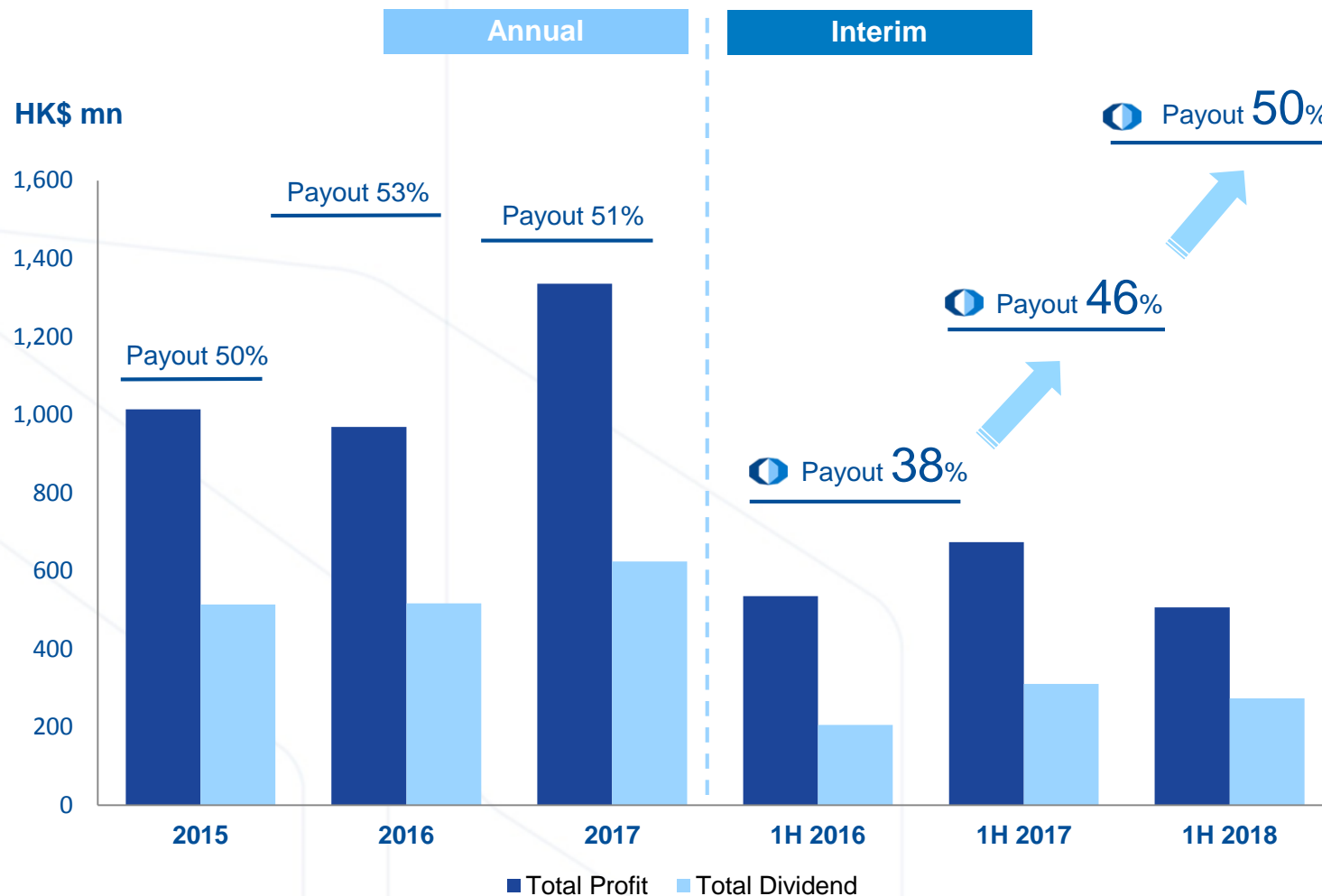


Revenue



Profit





HSI High Dividend and Low Volatility Index

The company's stock has been added in "HSI High Dividend and Low Volatility Index", which tracked top 50 stocks with captioned feature that mainland investors can invest. The other constituent companies include the blue chips such as Citic Bank, Sinopec, Yuexiu Property, PCCW, etc.

The selecting criteria includes that average daily trading amount being larger than HK\$20 million along with a cash dividend record of at least 3 consecutive years.

Balance Sheet Extracts

Interim Results 2018

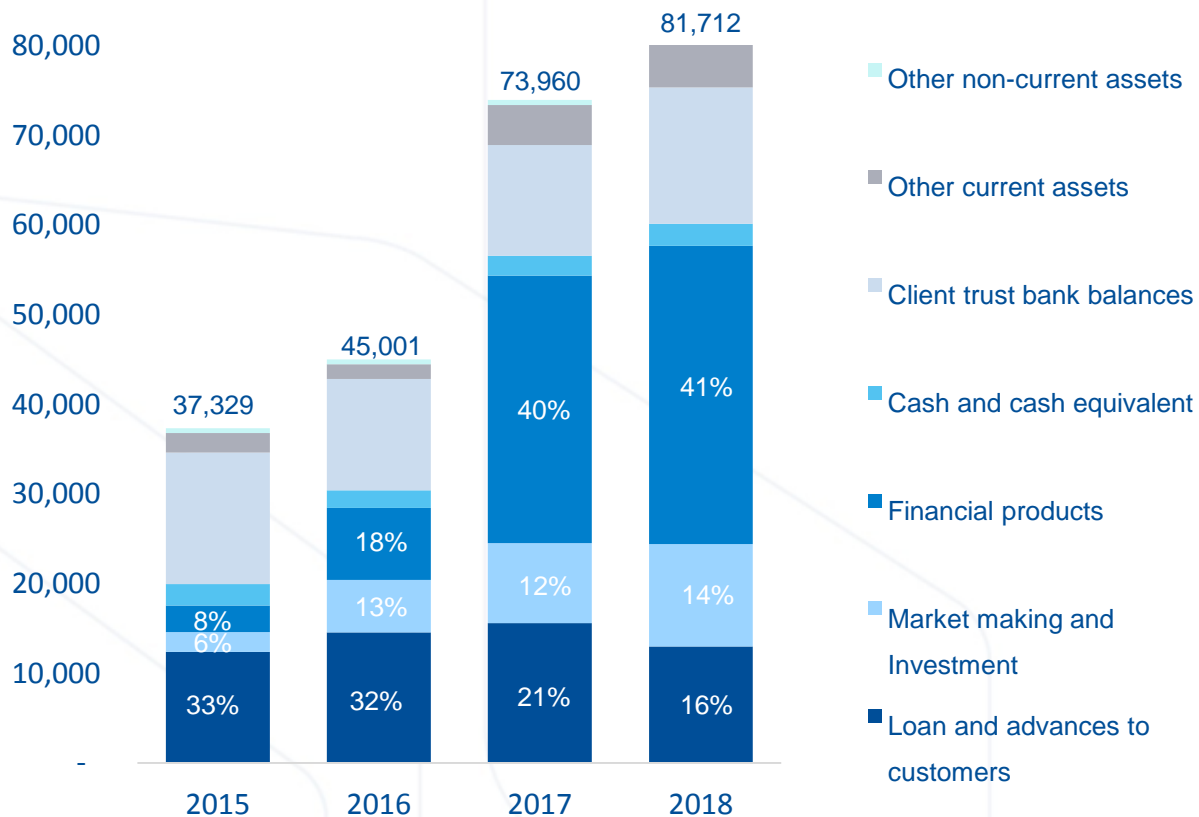


	30 Jun 2018	Contribution*	31 Dec 2017	Contribution*
Loans and advances to customers	12,976,664	15%	15,583,573	21%
Receivable from Reverse repurchase agreement	2,755,803	3%	1,513,177	2%
Accounts receivable	5,639,792	7%	4,347,402	6%
Prepayments, deposits and other receivables	422,424	1%	120,252	0%
Financial products held on behalf of clients	30,196,926	37%	28,246,491	38%
Financial assets for market making and investments	11,421,618	14%	8,924,271	12%
Derivative financial instruments	62,066	0%	110,461	0%
Tax recoverable	6,786	0%	7,495	0%
Client trust bank balances	15,209,739	19%	12,348,012	17%
Cash and cash equivalents	2,467,498	3%	2,212,502	3%
Other asset	552,338	1%	546,748	1%
Total Assets	81,711,654	100%	73,960,384	100%
Accounts payable	19,478,477	28%	16,952,250	27%
Other Payables and accrued liabilities	191,445	0%	473,094	1%
Derivative financial Instrument	15,388	0%	27,722	0%
Bank borrowings	9,763,433	14%	13,781,721	22%
Debt Securities in Issue	24,266,846	35%	16,363,891	26%
- At amortized cost	9,783,925	14%	5,885,015	9%
- Designated as at fair value through P&L	14,482,921	21%	10,478,876	17%
Financial liabilities at fair value through P&L	8,383,716	12%	9,008,776	14%
Obligations under Repurchase Agreements	7,912,196	11%	6,244,957	10%
Tax Payable	211,095	0%	94,899	0%
Others liabilities	28,975	0%	21,648	0%
Total Liabilities	70,251,571	100%	62,968,958	100%
Ordinary shareholders' equity	10,780,273	94%	8,608,086	78%
Other equity instruments and non-controlling interest	679,810	6%	2,383,340	22%
Total Equity	11,460,083	100%	10,991,426	100%

Notes: Rounded Figures

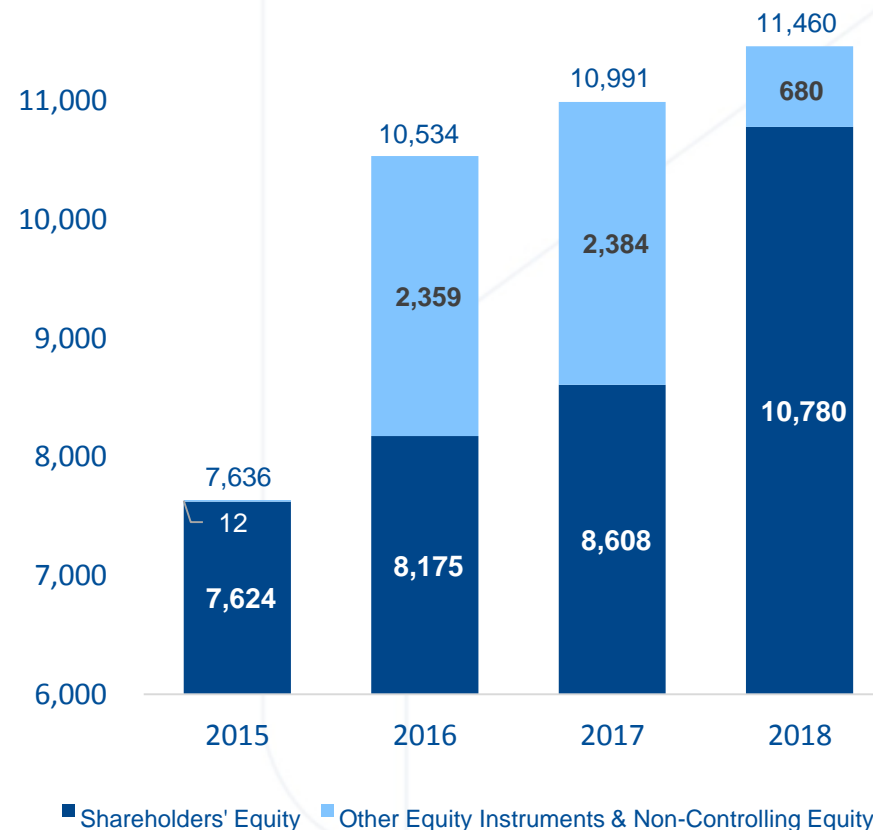
Asset Allocation and Equity Base

Historical Asset Allocation HK\$ mn



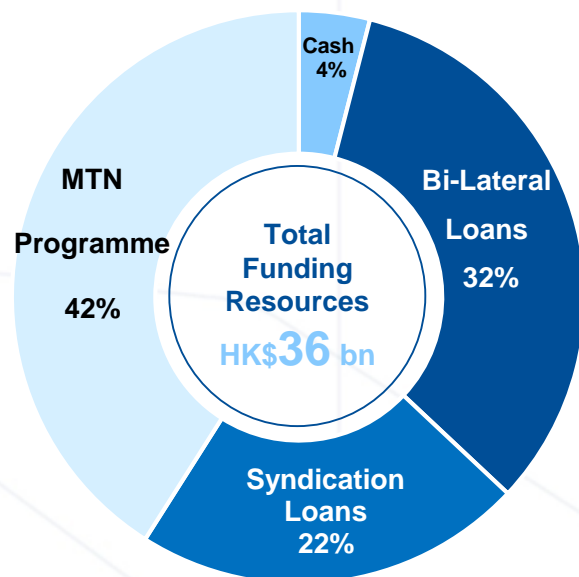
 Adjusted Margin Loan balance and enlarged Financial Products proportion

Equity Base HK\$ mn



 Total equity grew steadily

Funding Sources



Figures as at 30 June 2018

Banking facilities

HK\$mm	30 Jun 2018	31 Dec 2017	Change ¹
Total banking facilities	19,462	17,284	13%
Bank loans utilized	9,077	13,781	(34%)
Available outstanding banking facilities	10,384	3,503	196%
Utilization ratio	47%	80%	(33 p.p.)

Notes: 1. Rounded figures

Equity Issuance

Time	Activity
2010	First and only PRC securities firm to successfully complete a primary listing for their Hong Kong subsidiary on the Main Board of HKEX
2012/2014	Successful placements of new shares of approximately HKD 187m and HKD 662m respectively
2015	Successful rights issue of HKD 2,015m
2016	Successful perpetual securities issuance of USD 300m in Jun 2016, strengthening our equity base and providing liquidity to the group (USD255m repurchased in May 2018 ahead of April 2019 redemption)
2018	Successful placement of new shares of HKD1,987m (700,000,000 New shares)

Syndication Loans

Time	Activity
2007	HKD 500m, 3yr committed syndication across 12 banks, upsized to HKD 750m upon completion
2014	HKD 1.5bn, 3yr committed syndication across 16 banks, upsized to HKD 3.3bn upon completion
2015	HKD 5bn, 3yr committed syndication across 24 banks, upsized to HKD 10.5bn upon completion
2017	HKD 8bn, 3yr committed syndication across 12 banks to replace the 2015 syndication with terms to reflect updated credit ratings

MTN Issuance

Time	Currency	Amount raised	Remarks
1H18	HKD	1,418,200,000	As at 30 Jun 2018, the MTN balance was HKD9,780m, reflecting 65% of the total MTN credit amount.
	USD	180,000,000	
2017	HKD	1,366,600,000	
	USD	400,000,000	
2016	HKD	397,400,000	
	USD	20,000,000	

Business Review

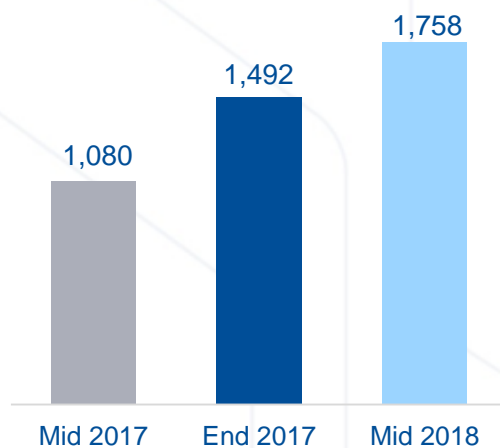
Client Base Brokerage Corporate Finance Asset Management Loans and Financing Financial Products



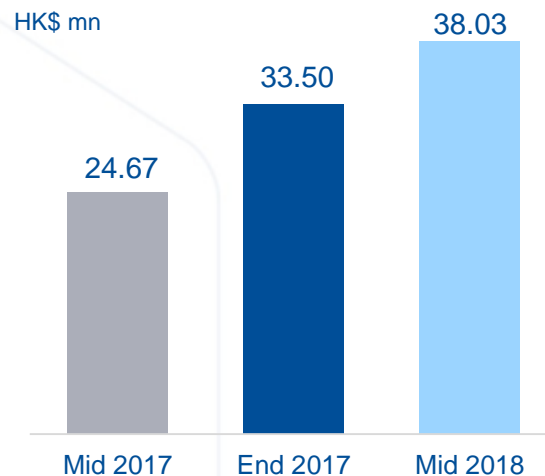
Clients Stats (As at end of Jun 2018)

- Active accounts : **52,956**
- Professional Investor (“PI”) Accounts : In total **1,758**, including **266** new accounts.
- Average PI Balance : HKD **38.03** million (Up by **54%** yoy)
- Assets under custody : HKD **199.0** billion, Cash from Client increased by **25%** to HKD **15** billion

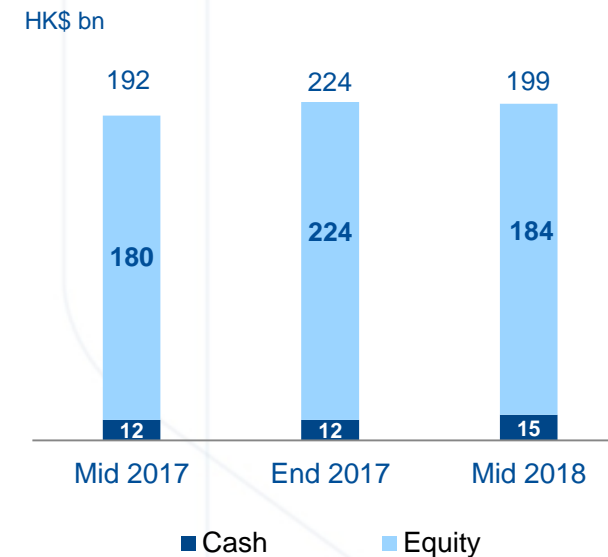
Professional Investor (PI) Accounts



Average PI Balance



Clients' Assets under Custody

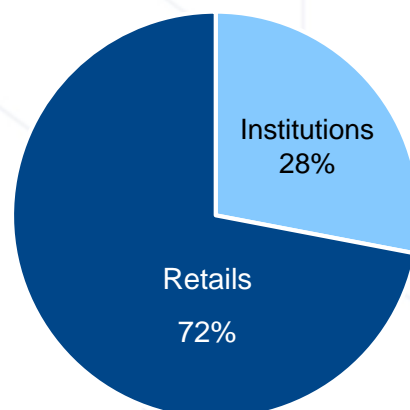


(HKD'000)	1H 2018	1H 2017	Change ¹
- Securities	227,302	248,282	(8%)
- Commission from HK market	155,000	97,000	60%
- Futures and options	13,688	13,812	(1%)
- Handling income	23,447	17,793	32%
- Leveraged foreign exchange	1,489	1,500	(1%)
- Insurance	5,511	7,823	(30%)
Total Income	271,437	289,210	(6%)
Total Income, excluding the income from parent company's IPO in 2017	271,437	193,450	40%

Notes: 1. Rounded figures

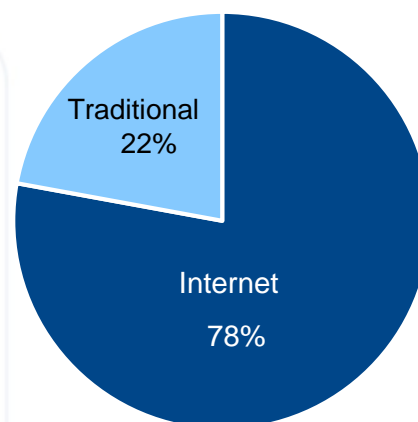
Client Structure

By commission income



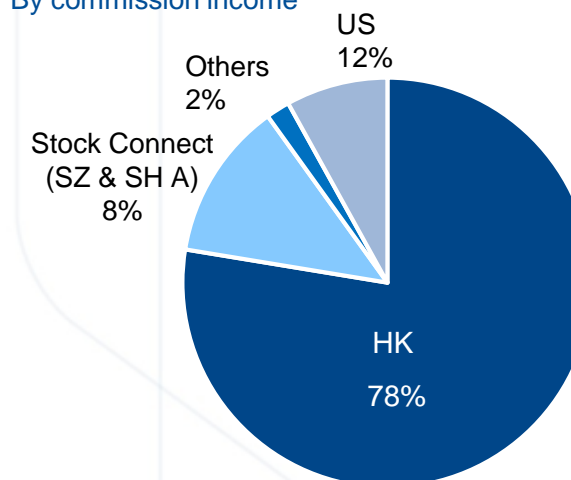
Internet vs. Traditional Trading

By commission income



Market Breakdown

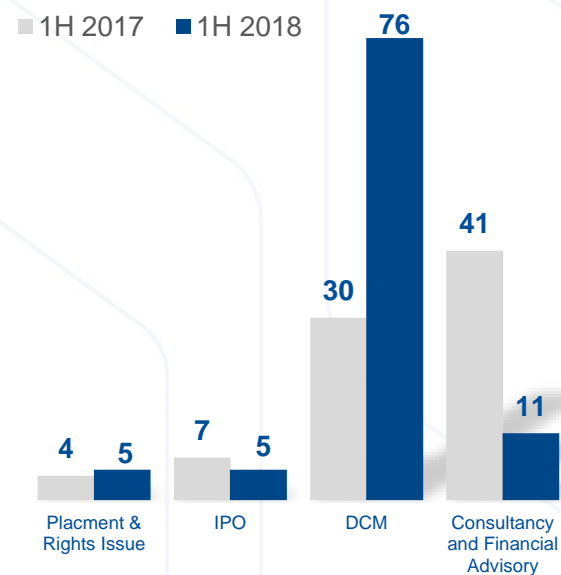
By commission income



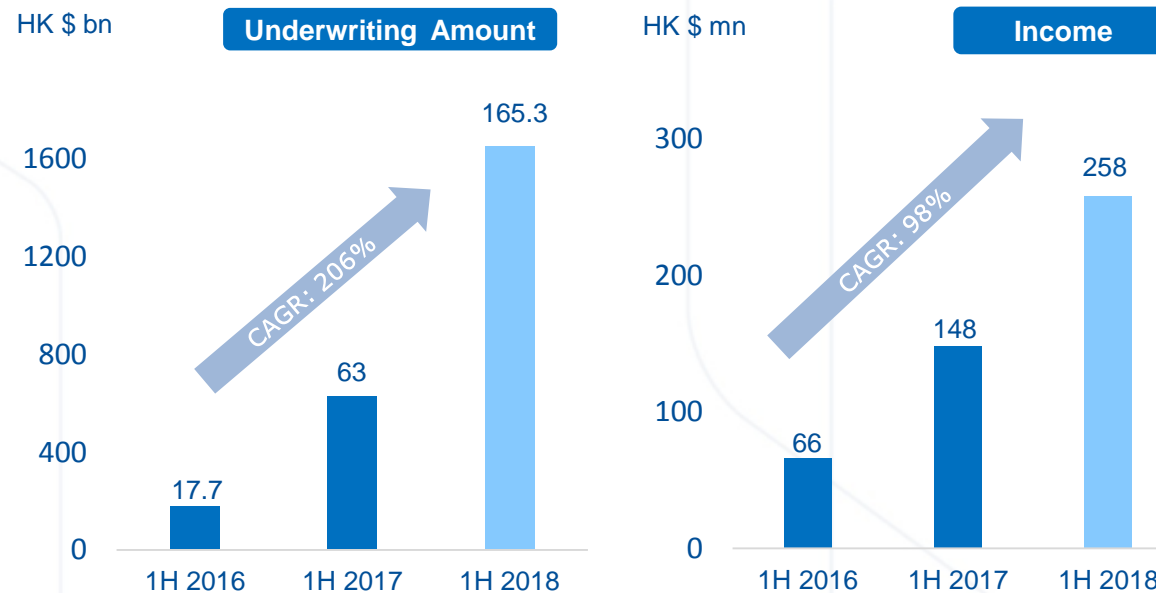
(HKD'000)	1H 2018	1H 2017	Change ¹
Placing, Underwriting and Sub-writing Commission			
-Debt Capital Markets	258,439	147,579	75%
-Equity Capital Markets	59,875	231,963	(74%)
Consultancy and Financial Advisory Fee	17,041	62,048	(73%)
Total income	335,355	441,590	(24%)
Total income, excluding the income from parent company's IPO in 2017	335,355	265,286	26%









Notes: 1. Rounded figures

Number of Deals Completed



Another Record Year for DCM Business



 越秀地產股份有限公司 YUEXIU PROPERTY COMPANY LIMITED Yuexiu Property USD 800 million 4.875% USD 400 million 5.375% BONDS DUE 2021/2023 JGC	 保利®地產 Poly Real Estate USD 500 million 3.95% BONDS DUE 2023 JBR	 zhenro正榮地產 Zhenro Properties USD 250 million 10.50% BONDS DUE 2020 JGC	 新城控股 FUTURELAND Future Land Holdings USD 200 million 7.50% BONDS DUE 2022 JGC
 GFTG Guangxi Finance Investment Group USD 500 million 5.75% BONDS DUE 2021 JGC	 中国民生银行 CHINA MINSHENG BANK China Minsheng Bank USD 400 million 3.50% BONDS DUE 2021 USD 400 million 3mL+105bps BONDS DUE 2020 JBR	 中国 China Reform Holdings (TAP) USD 200 million 3.95% BONDS DUE 2022 JGC	 JIACHENG GROUP 嘉城集團 Jiacheng Group USD 300 million 4.40% BONDS DUE 2021 SGC

Note: JGC - Joint Global Coordinators ; JBR - Joint Book Runner ; SGC – Sole Global Coordinators



No.2 on Bloomberg's Asia ex-Japan G3 High-yield bonds issuance league table

Source: Bloomberg league table As at 30 June 2018

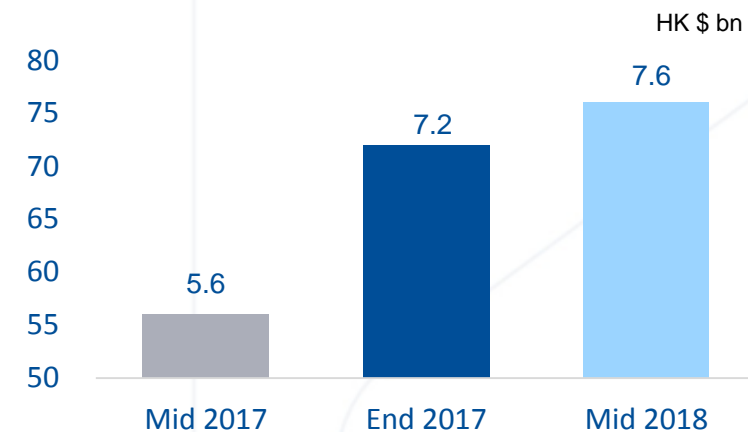
- Managing 5 public funds, 9 private funds and 1 QDII fund
- Assisting with overseas investors on the best opportunities in equity markets of Greater China and seeking the best opportunities in overseas bond markets for domestic investors
- 60% of the fund is equity-based while 40% is bond-based
- AUM increased to HKD 7.6 billion despite market volatility
- Management fee increased by 6% to HKD 20.82 million while performance fee dropped by 50% to HKD 1.46 million

Business Revenue¹:

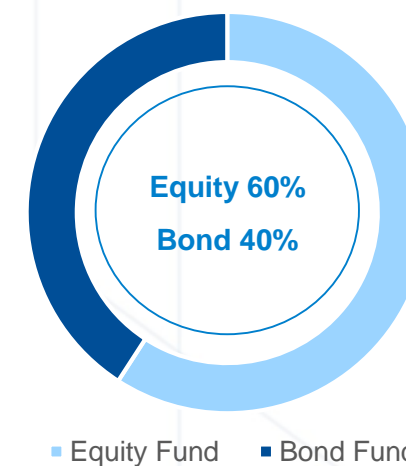
HK \$ 000	1H 2018	1H 2017	Change ²
Management Fee	20,815	19,626	6%
Performance Fee	1,456	2,911	(50%)
Total Income	22,271	22,537	(1%)

Notes: 1. Including seed money from the Group; 2) Rounded figures

Asset Under Management (AUM)



Distribution



Loans and Financing

Income (HK\$'000)	1H 2018	1H 2017	Change ¹
Margin loans	475,575	513,000	-7%
Term loans	71,525	35,308	103%
IPO loans	9,558	509	1778%
Securities borrowing and lending (SBL)	35,611	6,090	485%
Repurchase Agreements	11,082	1,419	681%
Banks and others	113,473	85,230	33%
Total	716,824	641,556	12%

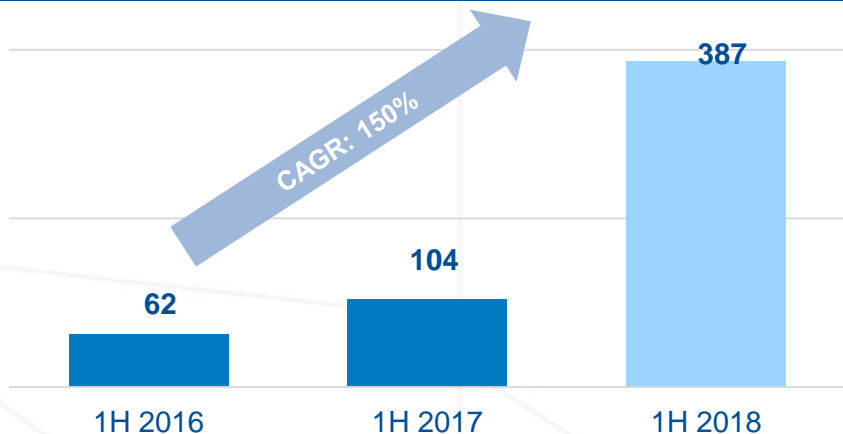
Note: Rounded Figures

Balance (HK\$'000)	30 Jun 2018	31 Dec 2017	Change ¹
Margin loans balance	9,859,708	12,917,920	(24%)
Term loans balance	2,872,792	3,051,801 ²	(6%)
IPO loans balance	741,629	18,705	3865%
Total Loans Balance	12,976,644³	15,583,573³	(17%)
Loan to Value Ratio (LTV)	27.5%	25.4%	2.1 p.p.

Note: 1) Rounded Figures; 2) Restate term loan balance while IPO loan is stated independently.
3) Balance is adjusted for provision;

- Balance and interest income from margin loans business is adjusted due to the enhanced the risk control for margin financing.
- Regarding the quality of margin clients' collateral, the proportion of blue chips and Large Cap stocks grew steadily. LTV increased to 27.5% with appealing margin rate for blue chips stocks.
- Various business lines increased income from IPO loans, SBL and Repo business.

Financial Products Income (Interim Results)

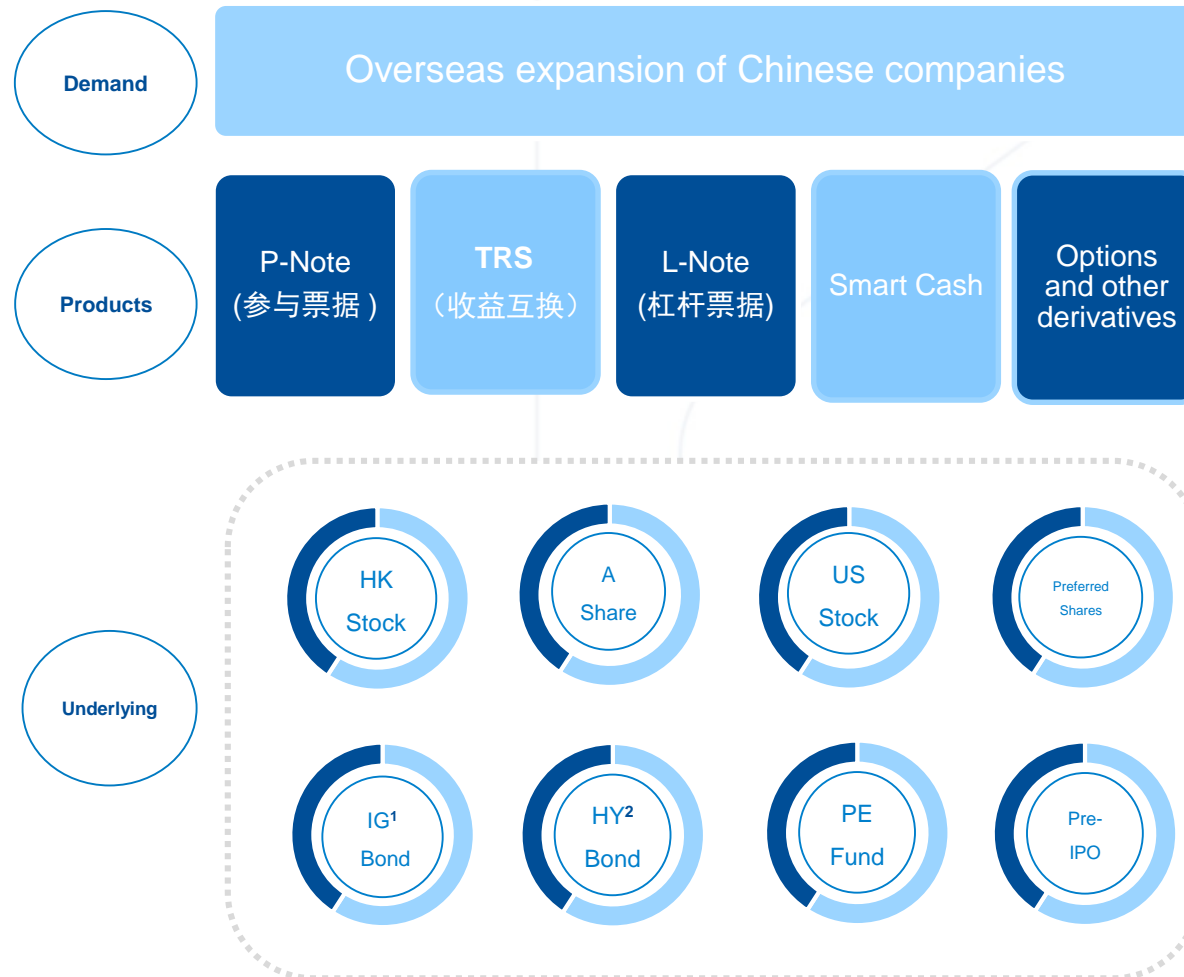


Income Details

HK\$'000	1H 2018	1H 2017	Change ¹
Financial Products	386,877	104,247	271%
Market Making	(19,204)	78,722	Turn Loss
Investment	(23,635)	(9,880)	(139%)
Total	344,038	173,089	99%

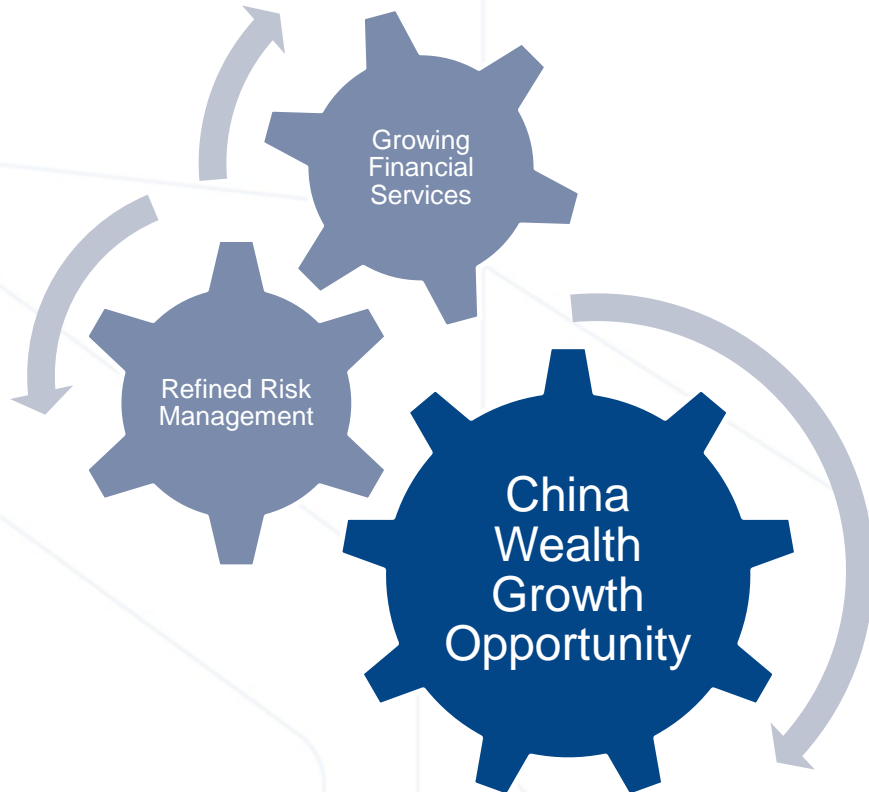
Note: Rounded Figures

Background of Financial Products Business

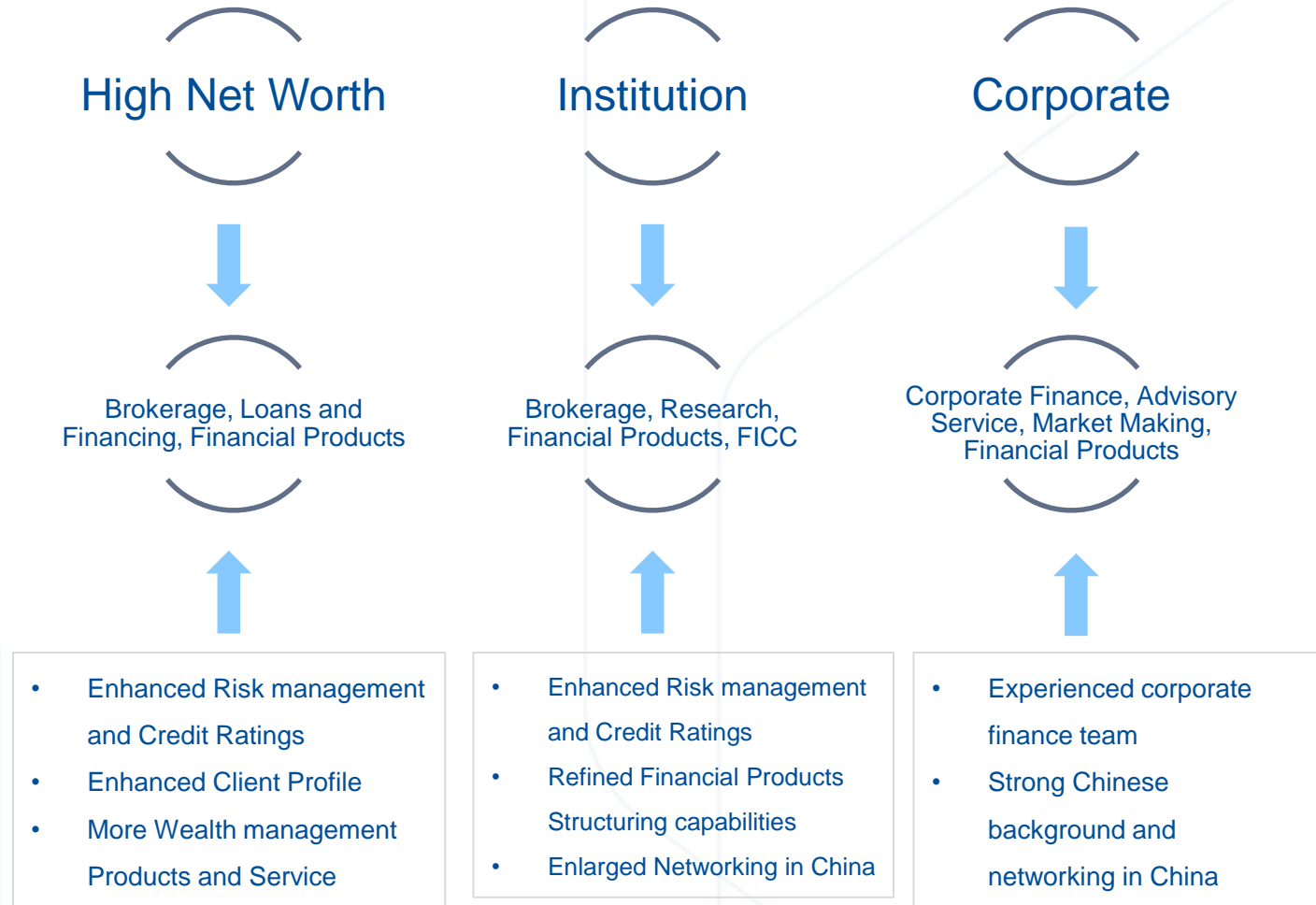


Note: 1) Investment Grade; 2) High Yield

Development Strategy



Key Clients and Services



Awards and Achievements

Jul 2018	<p>2018 Thomson Reuters Analyst Award:</p> <ol style="list-style-type: none"> 1. Top Stock Pickers award in the Overall Analyst Awards category 2. Top Stock Pickers award for the Automobiles industry in the Industry Analyst Awards category 	Thomson Reuters	
Jun 2018	<p>The 8th Asia Excellence Award:</p> <ol style="list-style-type: none"> 1. Asia's Best CEO 2. Best Investor Relations Company 	Corporate Governance Asia	
Jun 2018	Wealth Management Jun Ding Award 2018 (君鼎獎)	Securities Times	
May 2018	Quam IR Award	Quam IR	
May 2018	<p>Financial Institution Awards 2018:</p> <ol style="list-style-type: none"> 1. Excellence Award in Risk Management 2. Excellence Award in Corporate Finance 3. Outstanding Award in Derivative Provider of the Year 	Bloomberg Businessweek	
Dec 2017	<p>Asiamoney Brokers Poll 2017:</p> <ol style="list-style-type: none"> 1. Best analyst for telecommunication services (#2) 2. Best analyst for transportation (#2) 3. Best team for transportation (#2) 	Asia Money	
Nov 2017	Gold Award of The Corporate Awards 2017	The Asset	
Oct 2016	Asia Risk Awards 2016: Securities House of the Year	Asia Risk	

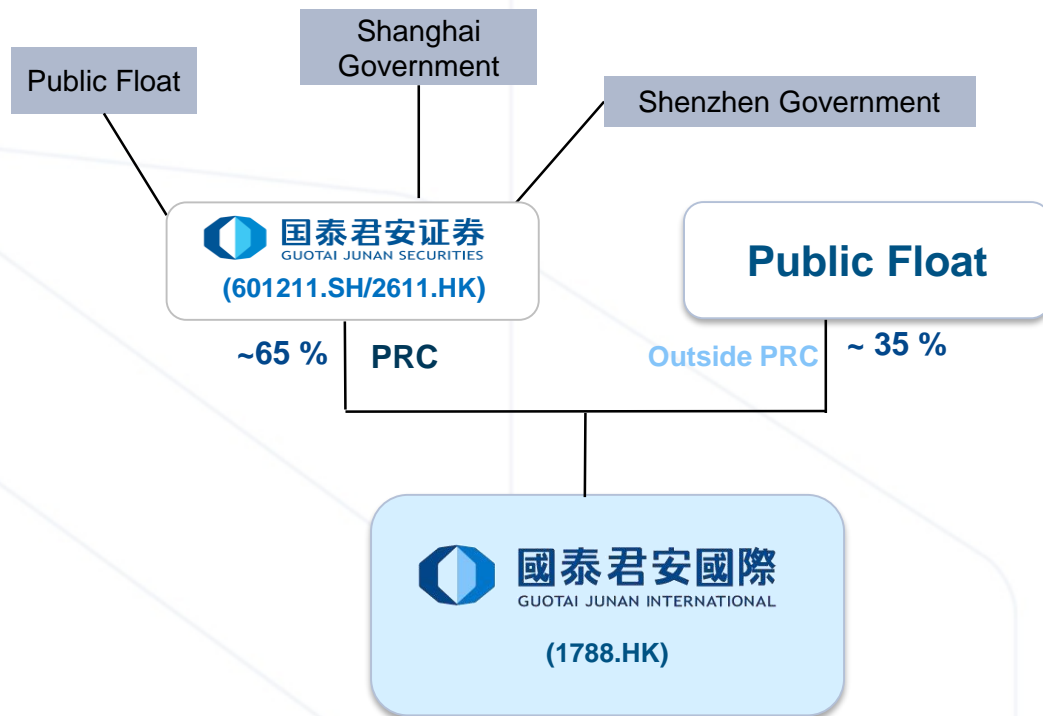
Appendix

Controlling Shareholder

Credit Rating

Risk Management

Shareholders Structure

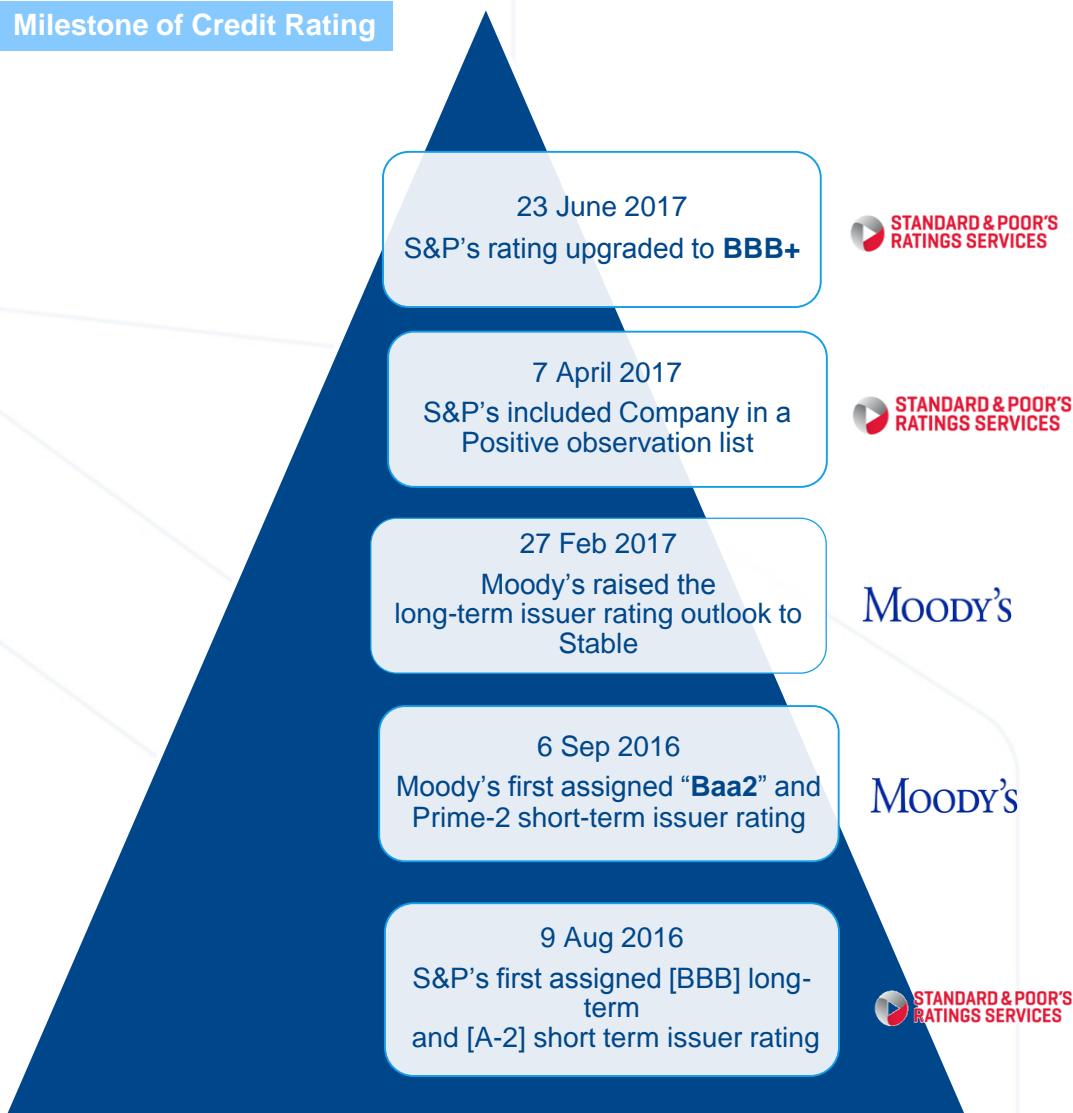


As at 26 July 2018

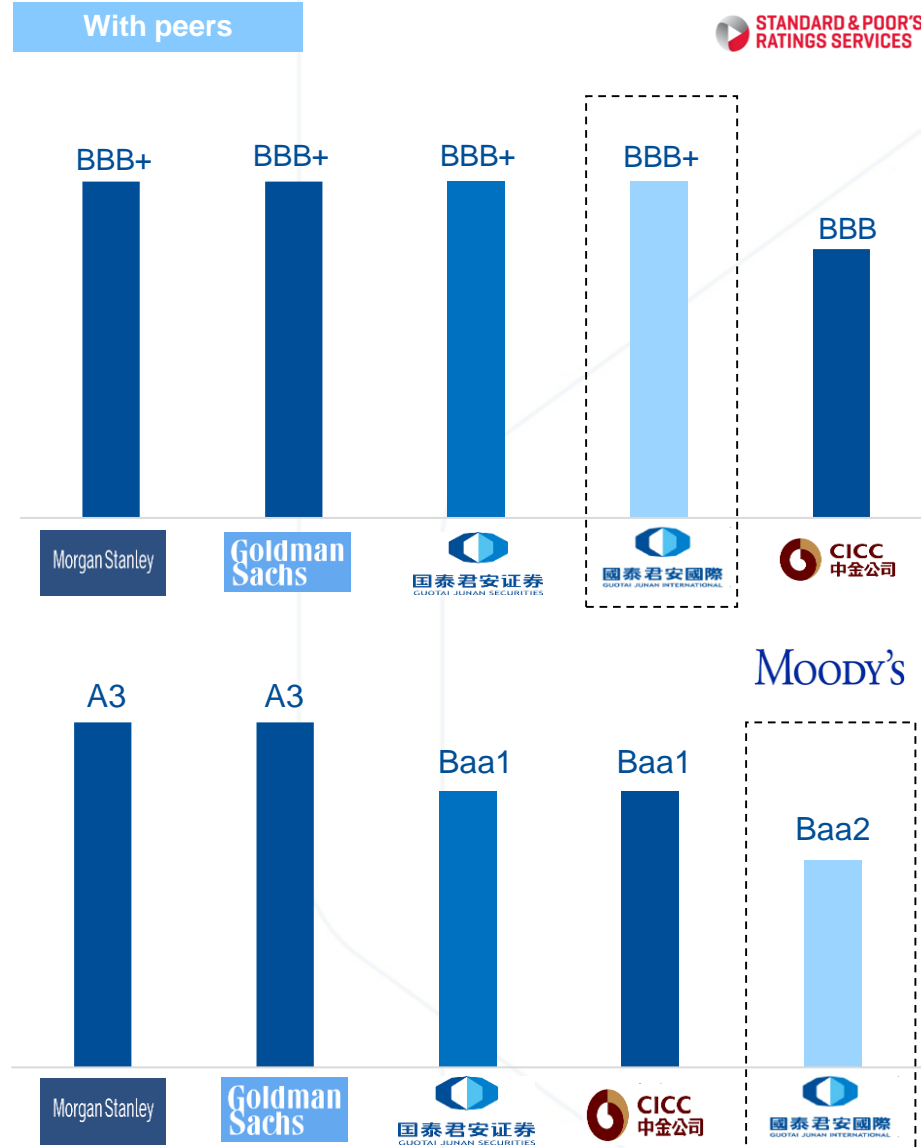
About Guotai Junan Securities (Parent Company)

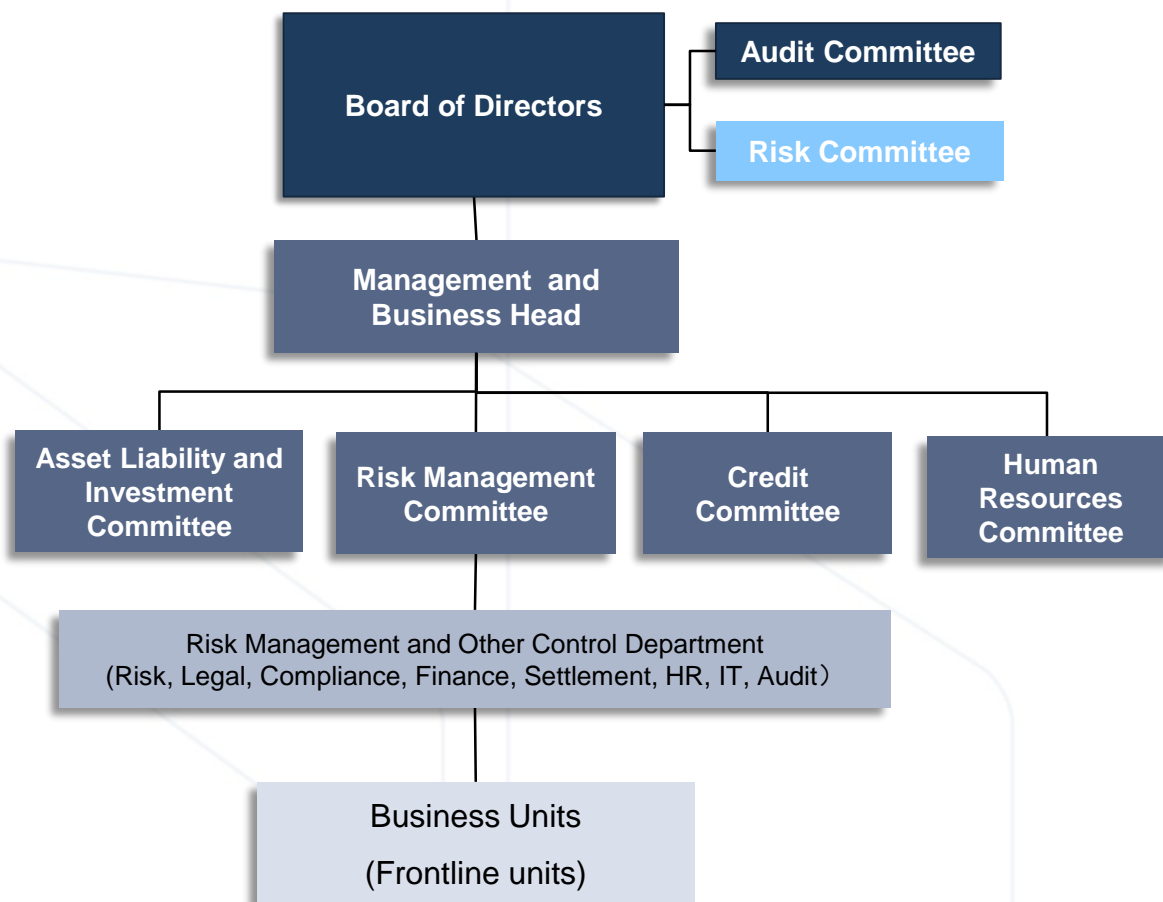
- GTJA has been a comprehensive financial provider with a long-term, sustainable and overall leading position in the Chinese securities industry.
- From 2011 to 2017, GTJA has occupied the top three places in terms of operating revenue for 7 consecutive years.
- Since 2008, GTJA has been rated as A level of AA class for 11 consecutive years by CSRC, which is the highest rating for Chinese securities companies so far.
- Listed in HKEX in 2017 (2611.HK)
- Credit Rating stays close to top notch international level. BBB+ from S&P, Baa1 from Moody's

Milestone of Credit Rating



With peers





- Credit Risk:** We manage credit risk to a borrower or counterparty from different business (traditional lending activities, counterparty exposure, issuer exposure and contingent exposure from third party credit enhancement). We control and monitor credit risk through policies and procedures setting, limit setting and monitoring, collateral management and internal rating system.
- Market Risk:** It is controlled and monitored through an extensive set of limits. There are a number of types of limits: position, loss, notional and other limits that are timely monitored to ensure we operate within the company's risk appetite. Value at Risk is the key measure of market risk at the company.
- Operational Risk:** It must be managed by all employees as part of our day-to-day activities. Our Risk and Control Self Assessment ("RCSA") and Key Risk Indicator ("KRI") processes are established as primary means to engage everyone in capturing our individual business and aggregate operational risk exposure.
- Liquidity Risk:** We manage our liquidity position through lines of businesses and asset liability management activities, as well as through our legal entity funding strategy, on both a forward and current basis. We diversify our sources of funding—short term and long term bank loans, perpetual bonds issuance, rights issue, MTN program etc.

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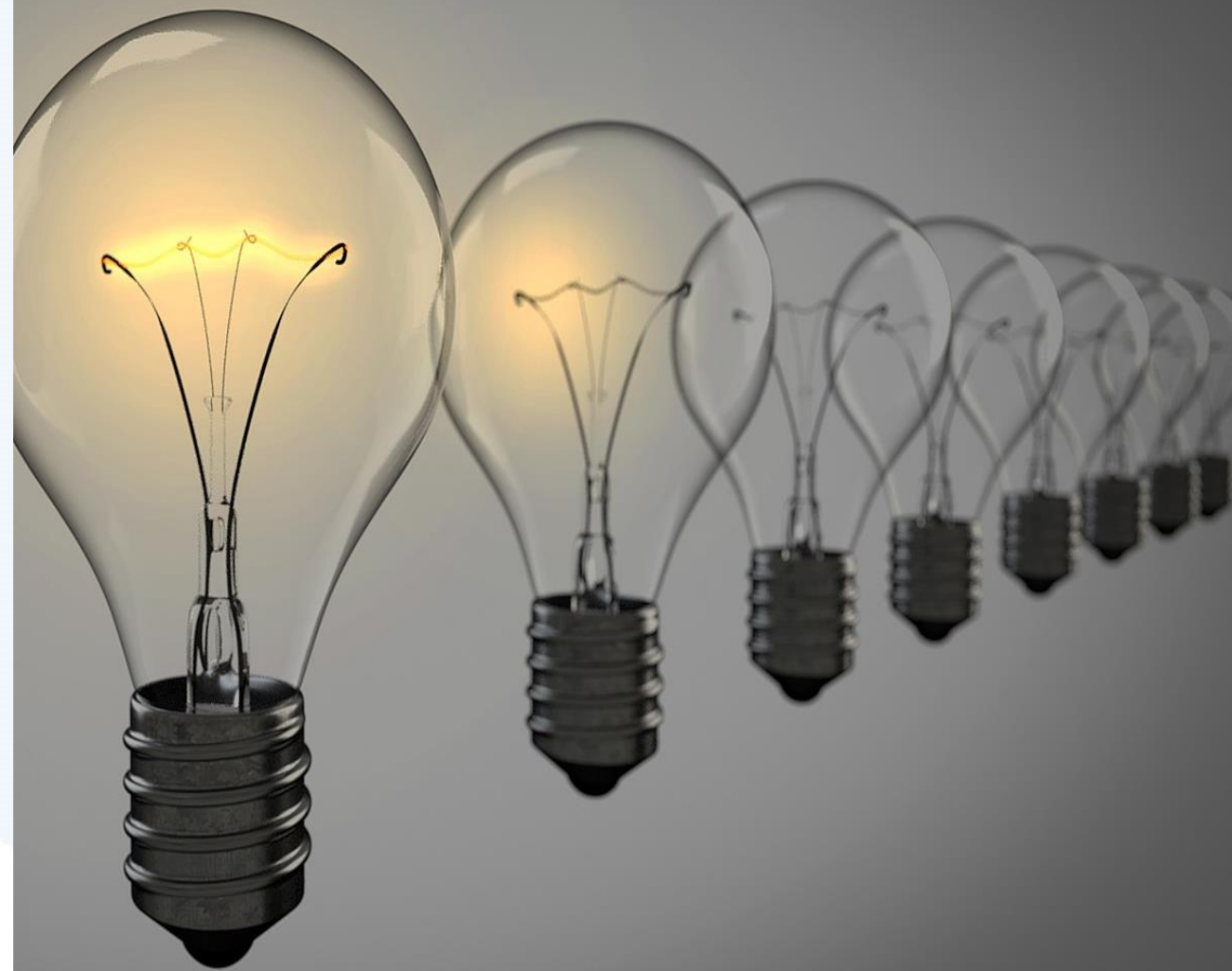
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The financial information relating to 6 months ended by 30 June 2018 that is included in this presentation as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

Q & A



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