



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

2018 Annual Results Presentation

Key Deliveries Financial Review Business and Prospect Appendix

March 2019



Key Deliveries



- Revenue decreased by 4% to HKD 3,010 million while profit attributable to shareholders decreased by 35% to HKD800 million. Profit attributable to shareholders decreased by 20%, excluding income from parent company Guotai Junan Securities' IPO in 2017.
- Fee and Interest Income from Financial Products significantly increased by 111% to HKD 640 million.
- Commission income from Debt Capital Markets (DCM) increased by 38% to HKD 480 million.
- Wealth Management Center officially opened while the number of professional investors increased steadily by 40%.
- Annual dividend of HKD 0.053 per share with Payout Ratio of 51%. Maintained high payout ratio.
- S&P rated 'BBB+' with 'stable' outlook, Moody's rated 'Baa2' with 'stable' outlook.

Financial Review

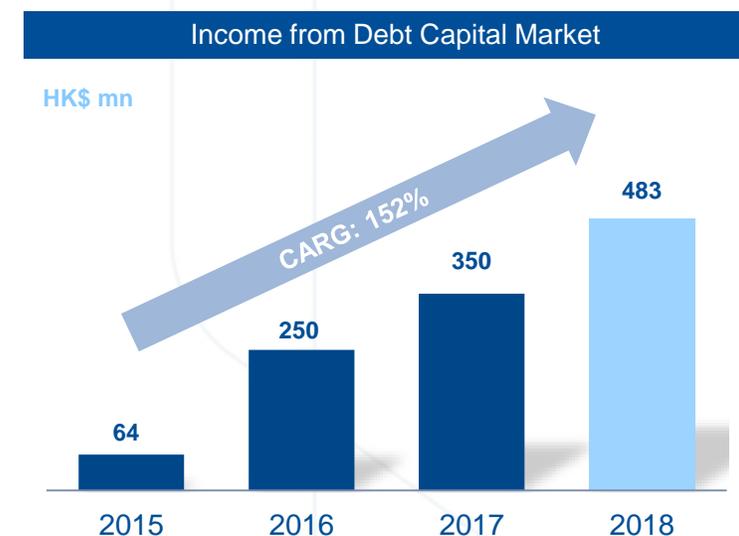
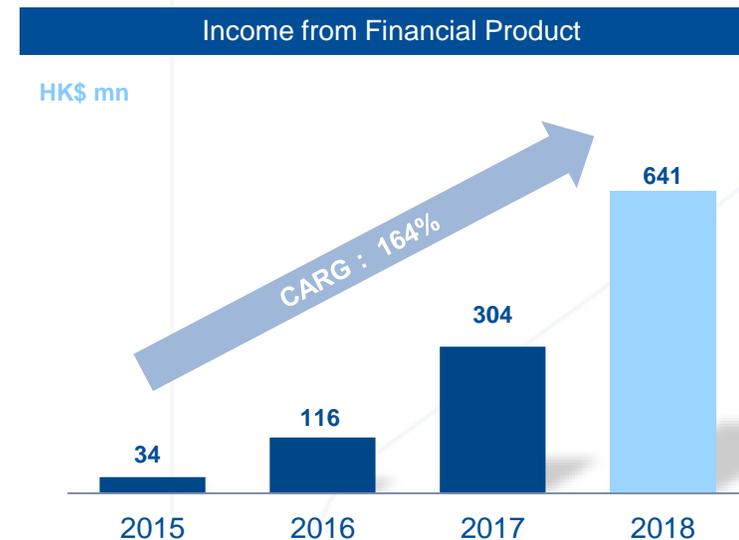
Financials Revenue Mix Dividend Balance Sheet Liquidity Revenue Breakdown



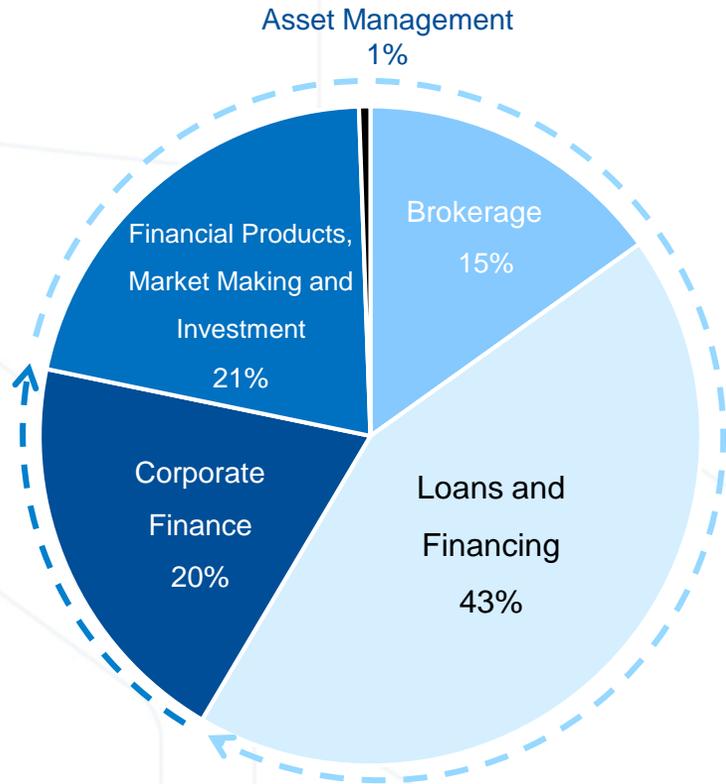
Income Statement	2018	2017	YoY ¹
Fee and commission income	(HKD'000)	(HKD'000)	
- Brokerage	454,962	517,118	(12%)
- Brokerage excluding income from Parent Company Listing in 2017	454,962	421,358	8%
- Corporate finance	594,970	683,526	(13%)
- Debt Capital Market	483,303	350,269	38%
- Corporate finance excluding income from Parent Company Listing in 2017	594,970	507,222	17%
- Asset management	16,716	29,792	(44%)
Income from loans and financing	1,307,294	1,288,777	1%
Gain from financial products, market making and investment	638,266	613,180	4%
- Income from financial products	641,667	304,104	111%
Revenue	3,012,208	3,132,393	(4%)
Profit attribute to shareholders	796,835	1,228,174	(35%)
- Profit attribute to shareholders, excluding income from Parent Company Listing in 2017	796,835	1,001,001	(20%)
Payout ratio	51%	51%	-

Financial Ratios	2018	2017	Change ¹
Net Asset Value Per Share (Attributable to Shareholders)	1.42	1.24	15%
Leverage ratio ²	6.36	5.53	0.83 up
Leverage ratio excluding Financial Products' position on behalf of clients	3.51	3.17	0.34 up
ROE ³	8.2%	14.6%	(6.4p.p.)

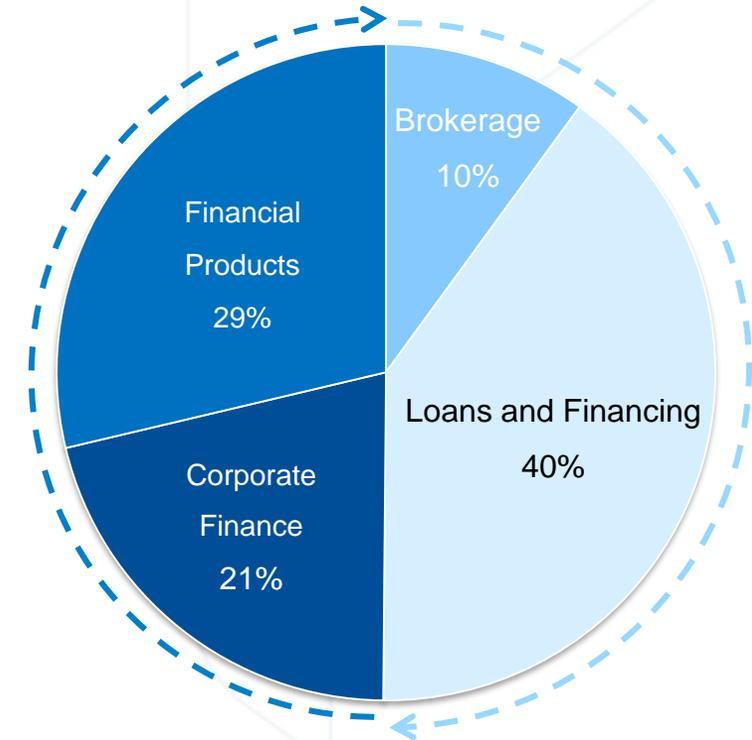
Notes: 1. Rounded figures 2. Leverage ratio= (total assets - accounts payable to clients) / total equity; 3. Impacted by equity enhancement and other factors

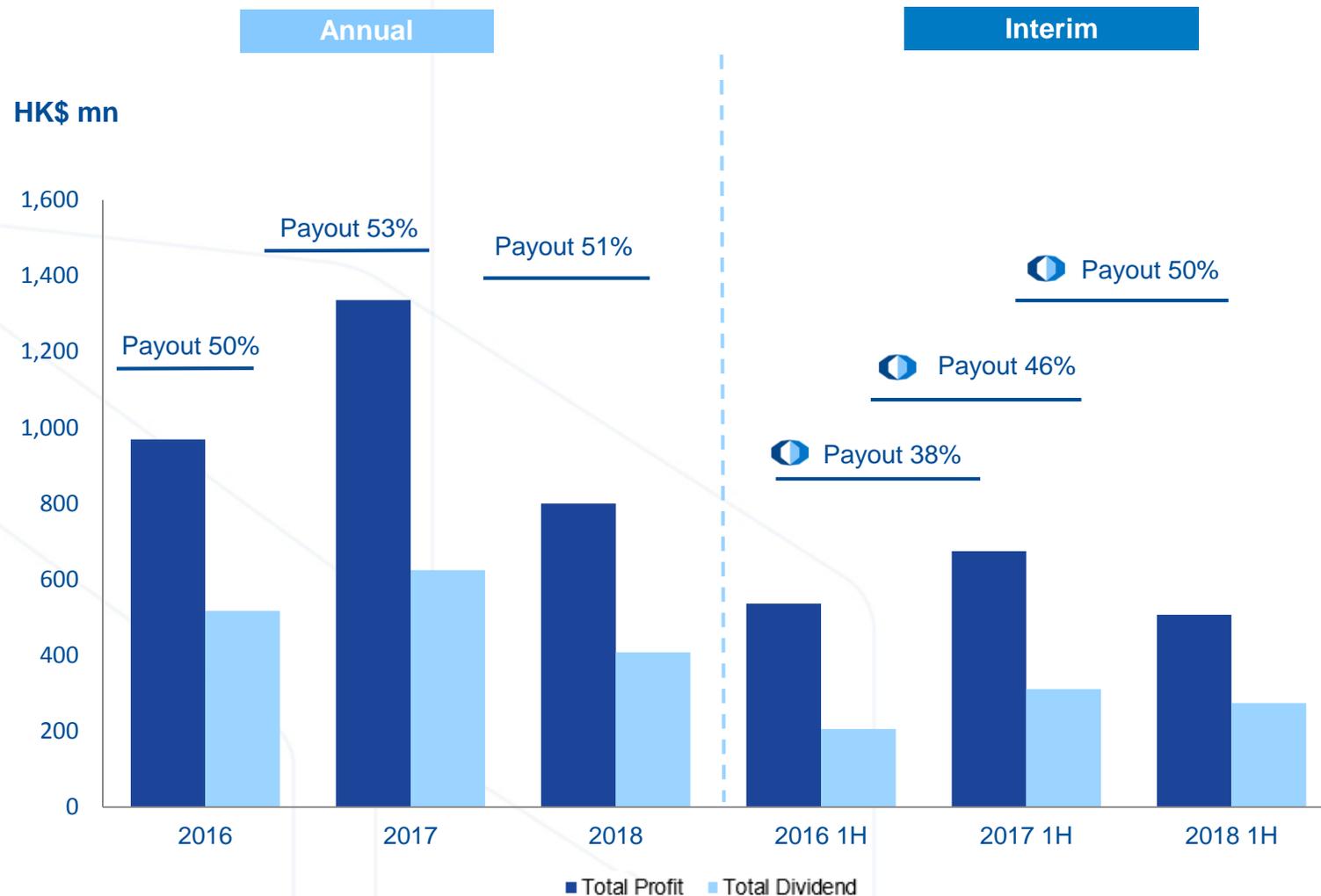


Revenue Mix



Profit Mix (before tax)





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.

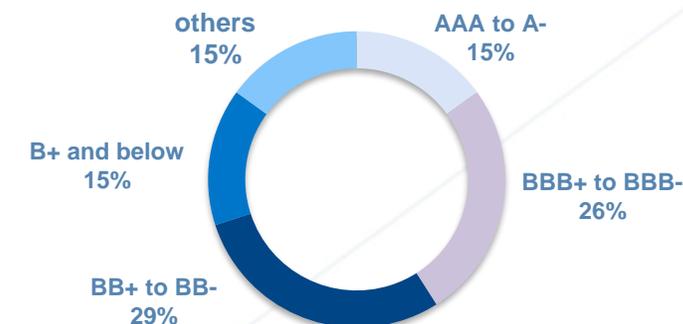
Balance Sheet Extracts

Annual Results 2018



Unit: HK\$ mn	31 Dec 2018	Contribution	30 Jun 2018	Contribution*	31 Dec 2017	Contribution*
Loans and advances to customers	12,275,375	14%	12,976,664	15%	15,583,573	21%
Receivable from Reverse repurchase agreement	3,109,006	4%	2,755,803	3%	1,513,177	2%
Accounts receivable	5,347,223	6%	5,639,792	7%	4,347,402	6%
Prepayments, deposits and other receivables	322,421	0%	422,424	1%	120,252	0%
Financial products held on behalf of clients	32,842,048	37%	30,196,926	37%	28,246,491	38%
Financial assets for market making and investments	15,019,421	17%	11,421,618	14%	8,924,271	12%
Derivative financial instruments	76,832	0%	62,066	0%	110,461	0%
Tax recoverable	6,131	0%	6,786	0%	7,495	0%
Client trust bank balances	14,319,985	16%	15,209,739	19%	12,348,012	17%
Cash and cash equivalents	4,105,672	5%	2,467,498	3%	2,212,502	3%
Other asset	610,177	1%	552,338	1%	546,748	1%
Total Assets	88,034,291	100%	81,711,654	100%	73,960,384	100%
Accounts payable	18,883,841	25%	19,478,477	28%	16,952,250	27%
Other Payables and accrued liabilities	537,400	1%	191,445	0%	473,094	1%
Derivative financial Instrument	23,620	0%	15,388	0%	27,722	0%
Bank borrowings	9,441,083	12%	9,763,433	14%	13,781,721	22%
Debt Securities in Issue	25,999,272	34%	24,266,846	35%	16,363,891	26%
- At amortized cost	6,721,259	9%	9,783,925	14%	5,885,015	9%
- Designated as at fair value through P&L	19,278,013	25%	14,482,921	21%	10,478,876	17%
Financial liabilities at fair value through P&L	8,413,380	11%	8,383,716	12%	9,008,776	14%
Obligations under Repurchase Agreements	13,156,517	17%	7,912,196	11%	6,244,957	10%
Tax Payable	69,316	0%	211,095	0%	94,899	0%
Others liabilities	0	0%	28,975	0%	21,648	0%
Total Liabilities	76,524,429	100%	70,251,571	100%	62,968,958	100%
Ordinary shareholders' equity	10,829,774	94%	10,780,273	94%	8,608,086	78%
Other equity instruments and non-controlling interest	680,088	6%	679,810	6%	2,383,340	22%
Total Equity	11,509,862	100%	11,460,083	100%	10,991,426	100%

Bond-linked Market Making:



Loan Balance:

- Better quality of Margin collateral, the proportion of blue chips and Large Cap stocks increased;
- LTV increased to 35% from 25% in 2017

Balance	31 Dec 2018	31 Dec 2017	Change ¹
Margin loans	9,430,753	12,917,920	(27%)
Term loans	3,419,788	3,051,801 ²	12%
IPO loans	-	18,705	(100%)
Total Loans	12,275,375	15,583,573³	(21)%
LTV	35.1%	25.4%	9.65 p.p.

Notes: Rounded Figures

Brokerage

(HKD'000)	2018	2017	Change ¹
- Securities	366,654	430,129	(15%)
- Futures and options	28,488	25,095	14%
- Handling income	49,803	47,966	4%
- Leveraged foreign exchange	2,359	2,743	(14%)
- Insurance	7,658	11,185	(32%)
Total Income	454,962	517,118	(12%)
Total Income, excluding the income from parent company's IPO in 2017	454,962	421,358	8%

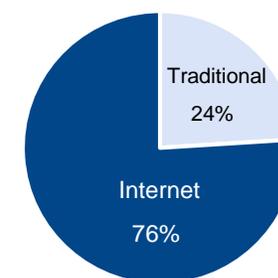
Corporate Finance

(HKD'000)	2018	2017	Change ¹
Placing, Underwriting and Sub-writing Commission			
- Debt Capital Markets	483,303	350,269	38%
- Equity Capital Markets	78,219	244,920	(68%)
Consultancy and Financial Advisory Fee	33,448	88,337	(62%)
Total income	594,970	683,526	(13%)
Total income, excluding the income from parent company's IPO in 2017	594,970	507,222	17%

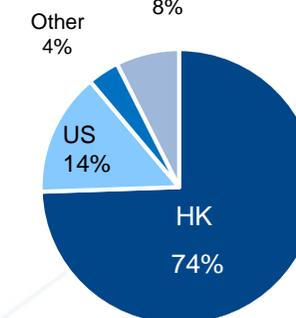
Asset Management (Fund Level)

(HKD'000)	2018	2017	Change ¹
Management Fee	46,286	44,372	4%
Performance Fee	2,196	13,914	(84%)
Total Income	48,482	58,286	(17%)

By Securities commission income



Stock Connect (SZ & SH A)



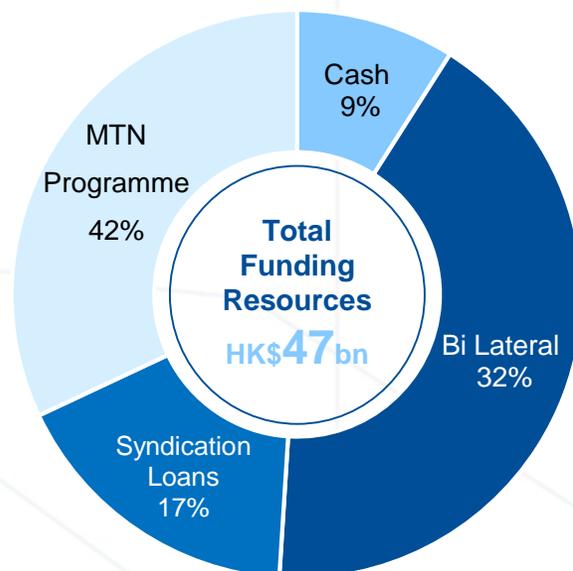
Loans and Financing

(HK\$'000)	2018	2017	Change ¹
Margin loans	779,207	968,661	(20%)
Term loans	137,946	107,035	29%
IPO loans	10,430	12,314	(15%)
Securities borrowing and lending	56,410	21,545	162%
Repurchase Agreements	29,999	5,344	461%
Banks and others	293,302	173,878	69%
Total	1,307,294	1,288,777	1%

Financial Products, Market Making and Investment

(HK\$'000)	2018	2017	Change ¹
Financial Products	641,667	304,104	111%
Market Making	50,658	164,873	(69%)
Investment	(54,059)	144,203	loss
Total	638,266	613,180	4%

Funding Sources



Figures as at 31 Dec 2018

Banking facilities

HK\$m	Dec 2018	Dec 2017	Change ¹
Total banking facilities	19,975	17,284	16%
Bank loans utilized	9,441	13,781	(31%)
Available outstanding banking facilities	10,534	3,503	201%
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
2018	HKD	1,635,100,000	As at 31 Dec 2018, the MTN balance was HKD12,200m, reflecting 83% of the total MTN credit amount.
	USD	160,000,000	
2017	HKD	1,366,600,000	
	USD	400,000,000	
2016	HKD	397,400,000	
	USD	20,000,000	

Business and Prospect

Wealth Management

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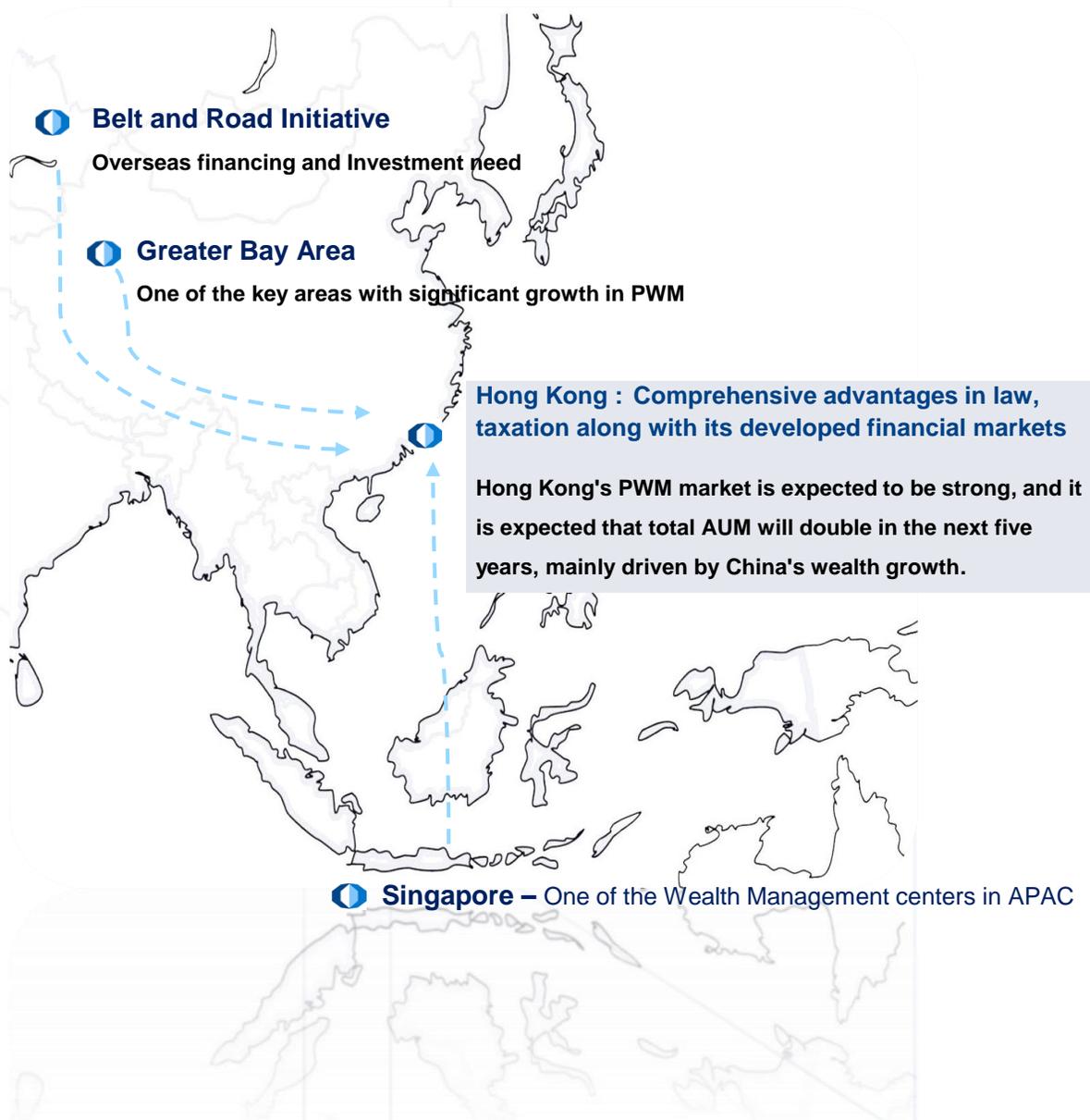
Equity Derivatives

Loans and Financing

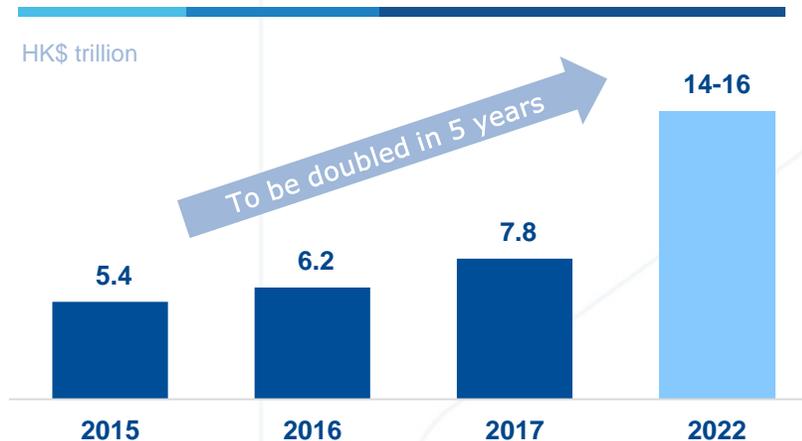
Asset Management



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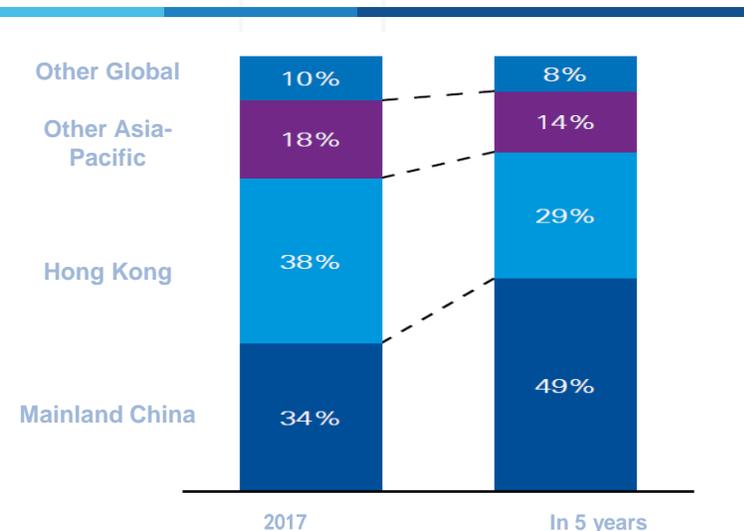


Total AUM for HK Private Banking Stats



Source: HK SFC Asset and Wealth Management Activities Survey 2017

Hong Kong PWM industry AUM by origin



Source: HK SFC Asset and Wealth Management Activities Survey 2017

1995 2003 2007 2010 2012 2013 2015 2017 2018

2019 and Going forward

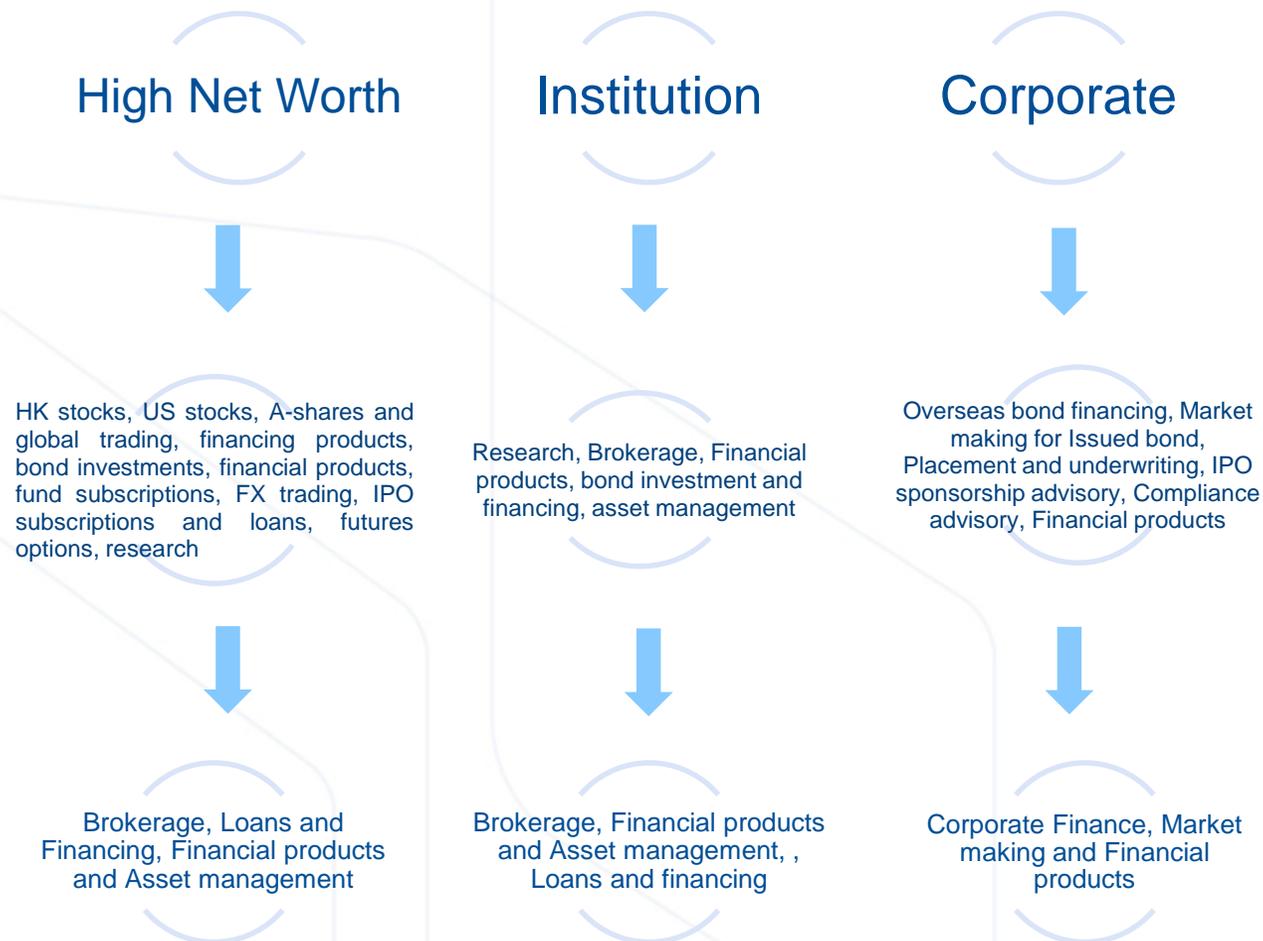
🕒 Achievements:

- ✓ Combines the brand value of “Guotai Junan” of over 20 years in HK, our experience in cross-border financial services with strong client base to attract high-net-worth clients.
- ✓ Built complete product line to become one-stop financial service platform.
- ✓ Transformed to A unique Chinese investment bank with leading position in debt capital market.
- ✓ Provided competitive financial derivative product business, which is well received.
- ✓ S&P rated “BBB+” with “stable” outlook, Moody’s rated “Baa2” with “stable” outlook - highest credit ratings among Chinese financial institutions in Hong Kong.
- ✓ Continuously optimized finance costs and became an industry leader.
- ✓ Conducted Solid risk management system, implemented Margin Calculation by Stock mechanism to increase asset quality.

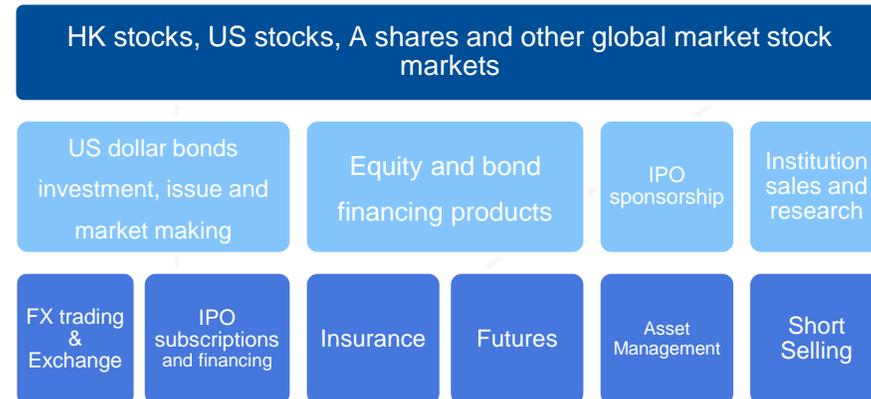
🕒 Prospects:

- More diversified investment products.
- A broader sales network and more specialized investment consultants.
- Attract quality clients and invest in quality assets.
- Increase commission and fee based income.
- Further improve the stability of the Group's earnings.
- Provide more attractive returns to shareholders.

Our clients and our services



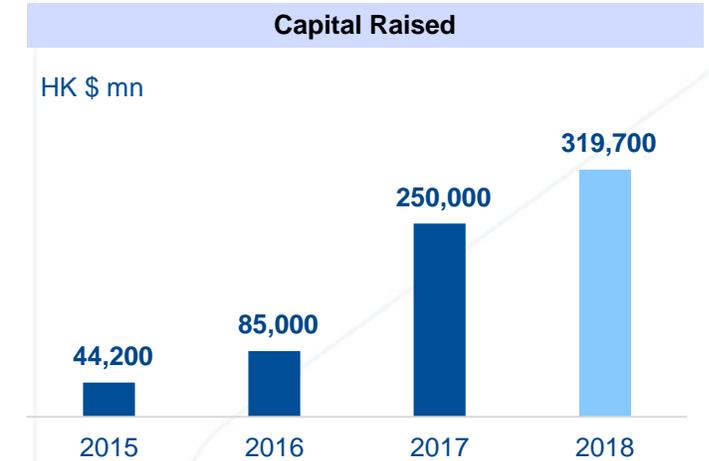
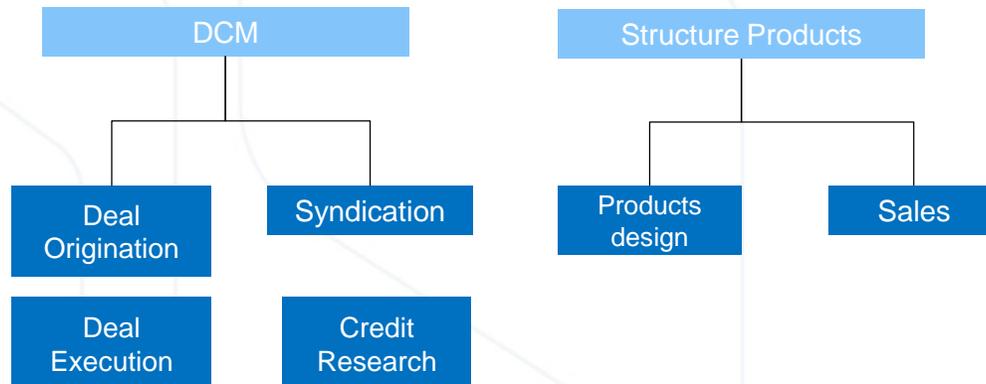
High-quality investment vehicles for clients



New Era for Wealth management

- ✓ “Jun Hong Wealth Management Club” (君弘財富管理俱樂部) service and the upgraded mobile trading platform “TradeGo” (交易寶) are appealing to many high-quality clients. The number of professional investors increased 40% in 2018 YOY.
- ✓ Opened a new wealth management center, expanding the sales team, strengthening high-net-worth client service. By expanding the financial product line, the penetration rate of financial products to high-net-worth clients rose to 20%.

- Although total fund raised from Asian (ex-Japan) G3 Currency Market decreased by approximately 20% year-on-year, the Group still managed to assist corporations in raising of nearly HK\$319.7 billion in the bond market during the year, up 28% year-on-year. The income arising from DCM still increased by 38% year-on-year to approximately HK\$483 million.
- No.2 on Bloomberg's Asia ex-Japan G3 High-yield bonds issuance league table as at end of 2018
- Since the establishment in 2012, the team has gradually established its leading position in the debt capital market in Hong Kong. In the past seven years, the group has participated in more than 360 bond issuances, and nearly 70% of the transactions act as global book runner.
- It is expected that domestic corporate demand for overseas bond financing stay robust in 2019 while investors' demand for the US dollar-denominated bonds will remain strong. The Group has the strength to seize the financing cycle of the fixed income market and further expand its bond underwriting business. On the other hand, the Group also anticipates that high-net-worth clients will pay closer attention to the bond market, which is expected to boost the trading volume of related products, and to see more synergy from DCM and Wealth management business.





- The team provides high-quality investment solutions to meet the investment needs of high-net-worth clients, corporate and institutional investors. By investing in structured notes, derivatives or swaps (OTC) across asset classes, clients are able to enjoy the competitive advantage of GTJAI.
- Thanks to leading credit ratings as well as well-established cooperation with major international financial institutions, we continues to refine our product competitiveness so as to enlarge the clients coverage.
- The Smart Cash is well accepted by clients. The product provides investors with an investment method that effectively manages cash in a short period of time, including (1) principal protection, (2) guaranteed investment return (3) daily liquidity

Equity Financing and Securities Lending

- Balance and interest income from margin loans business is adjusted due to the enhanced the risk control for margin financing.
- Enlarged equity financing pool by increasing financing options from securities to strengthen competitiveness.
- Regarding the quality of margin clients' collateral, the proportion of blue chips and Large Cap stocks grew steadily. LTV increased to 35.05%.
- Various business lines mitigate effect from volatile market. Income from Securities borrowing and lending, Term loans and Repo increased steadily

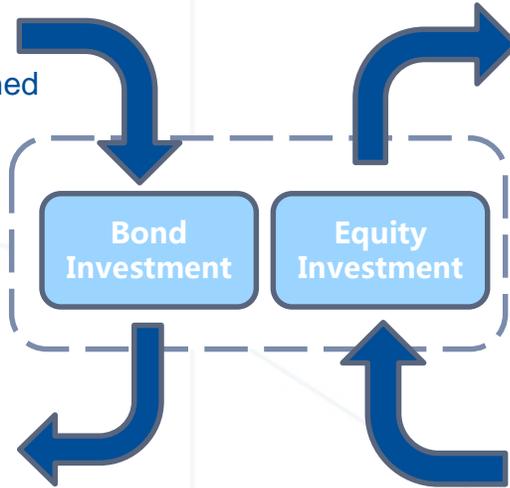
Risk Management



Core competitiveness

Domestic Investors

- Big four state-owned bank
- Regional banks



Domestic Stock Market

- Stock Connect
- QFII Program

Offshore Bond

- Chinese corporate bonds
- Corporate bonds
- Government bonds

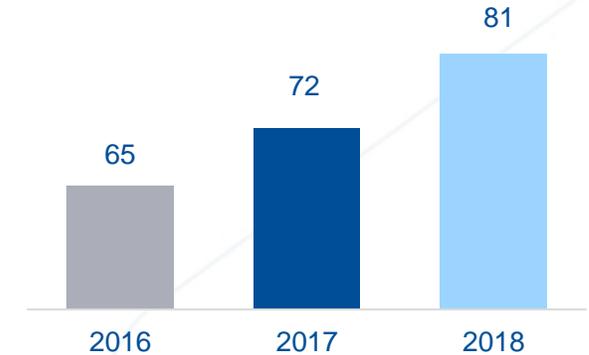
International Investors

- Top American FoF (Preclude Capital, Topwater, etc)
- Institutional Investors from Japan

- Entered the Asset Top Investment Houses in Asian G3 Bonds for 2018 for the first time and ranked higher than some of the big players such as Schroders, Fullerton, Aberdeen.
- 2nd Runner-up in 2018 HKCAMA-Bloomberg Offshore China Fund Award (Best Total Return – Greater China Category)

Asset Under Management (AUM)

HK \$ bn



Distribution



■ Equity-linked Fund ■ Bond-Linked Fund

Appendix

Awards

Controlling Shareholder

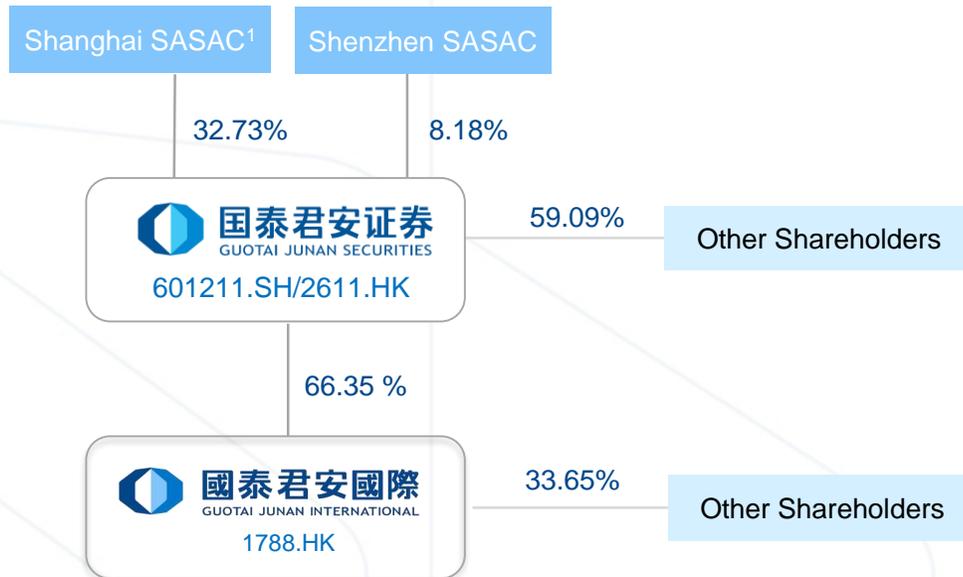
Credit Rating

Risk Management



Dec 2018	Best Hong Kong Deal Award	Finance Asia	
Dec 2018	The Corporate Awards 2018: Gold Award	The Asset	
Sep 2018	Asia Risk Awards 2018: Security House of the Year	Asia Risk	
Jul 2018	2018 Thomson Reuters Analyst Award: 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	The 8th Asia Excellence Award: 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	Financial Institution Awards 2018: 1. Excellence Award in Risk Management 2. Excellence Award in Corporate Finance 3. Outstanding Award in Derivative Provider of the Year	Bloomberg Businessweek	

Shareholders Structure



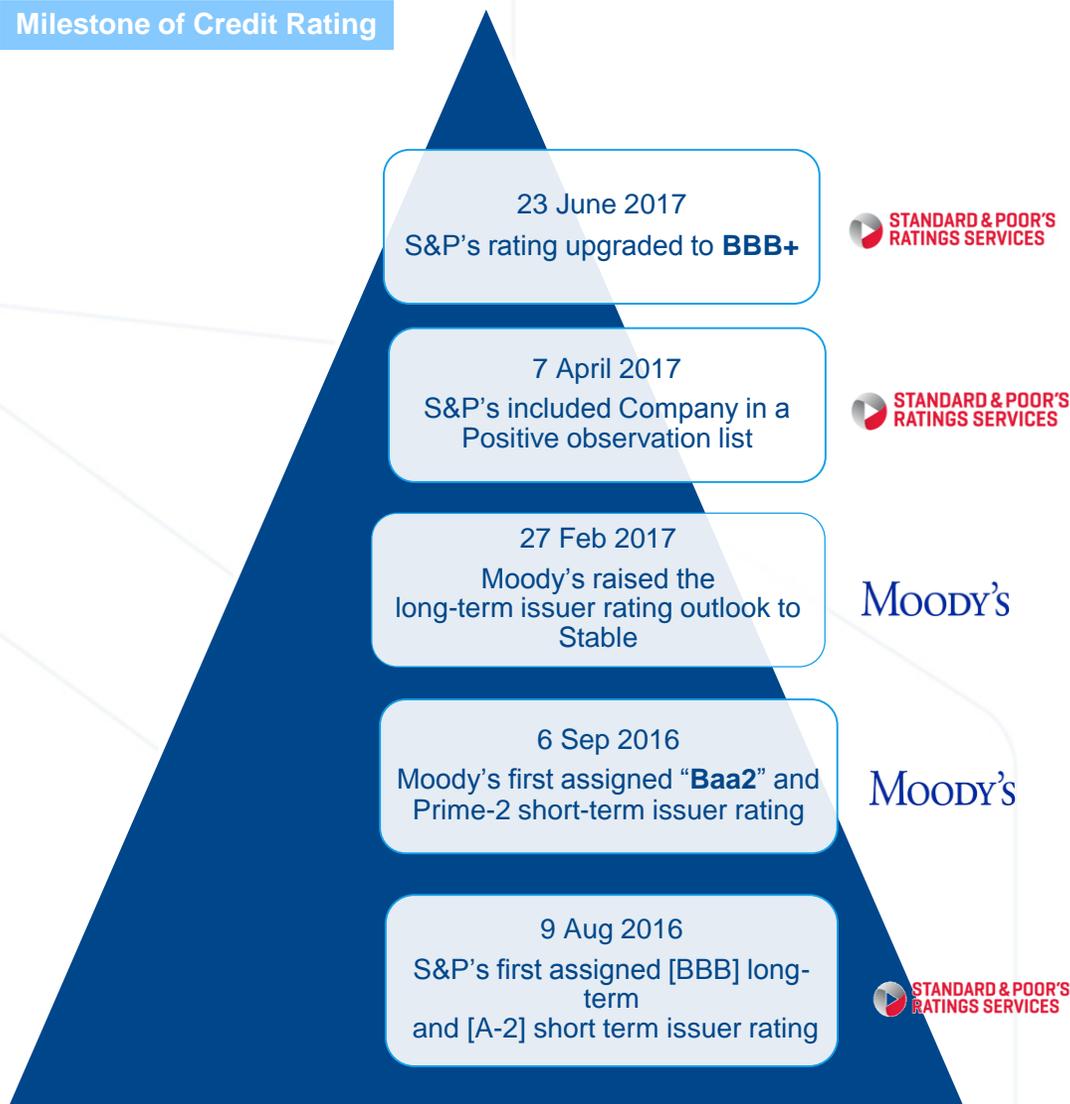
1. State-owned Assets Supervision and Administration Commission

2. The position was as at 31 December 2018

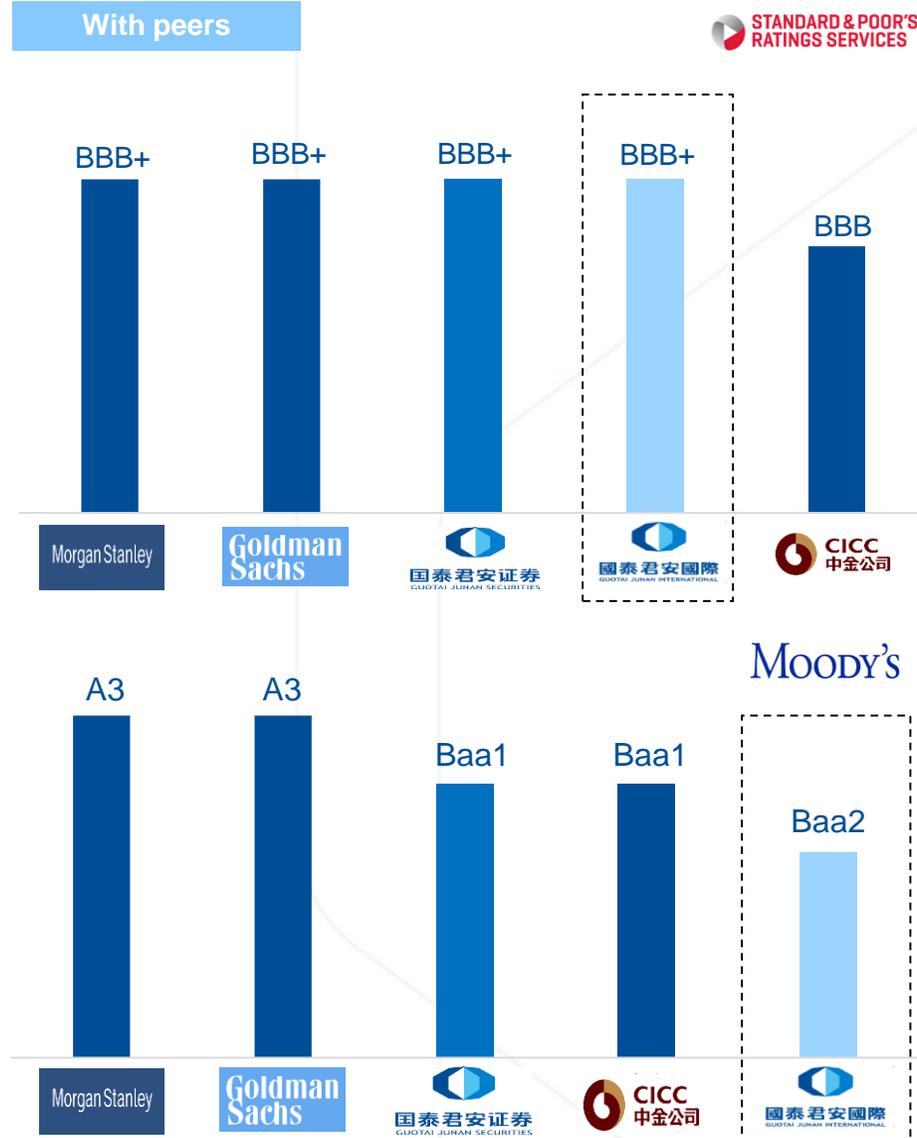
About Guotai Junan Securities (Parent Company)

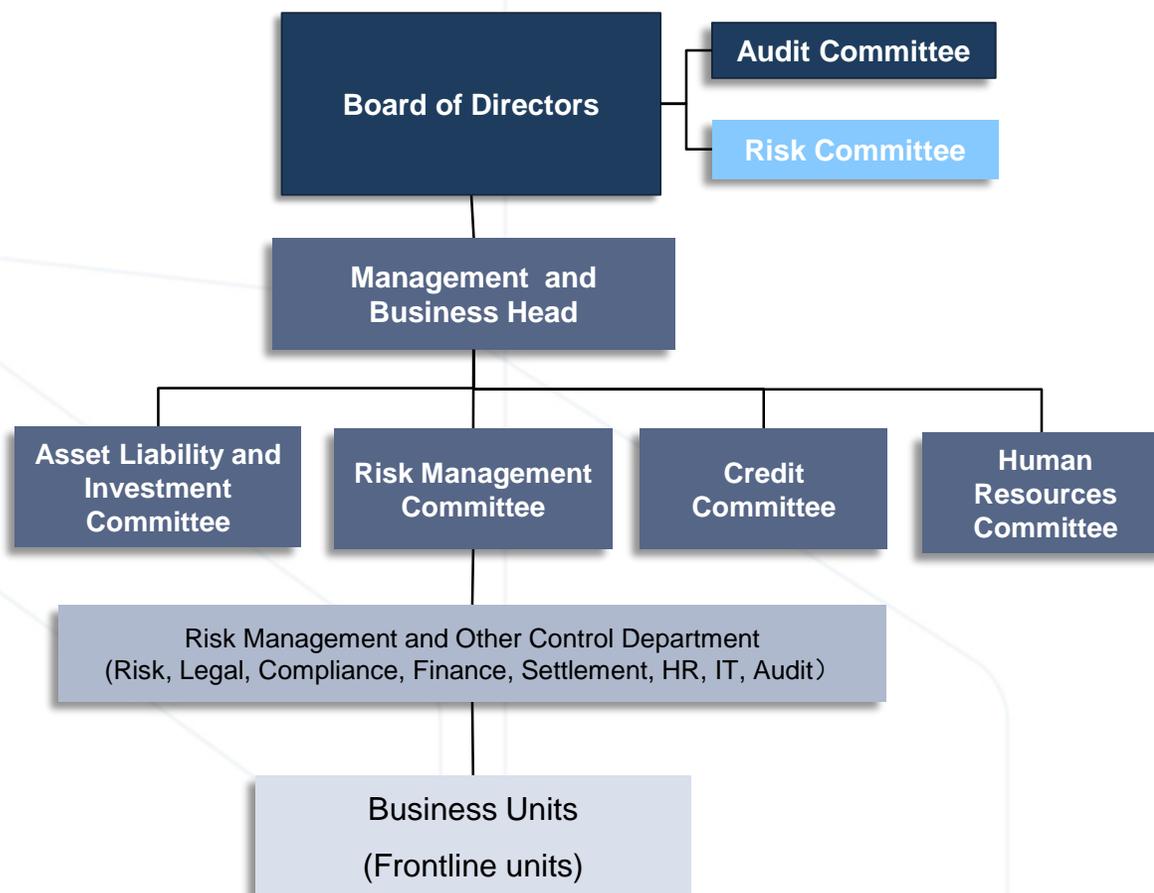
- 
 GTJA has been a comprehensive financial provider with a long-term, sustainable and overall leading position in the Chinese securities industry.
- 
 From 2011 to 2017, GTJA has occupied the top three places in terms of operating revenue for 7 consecutive years.
- 
 Since 2008, GTJA has been rated 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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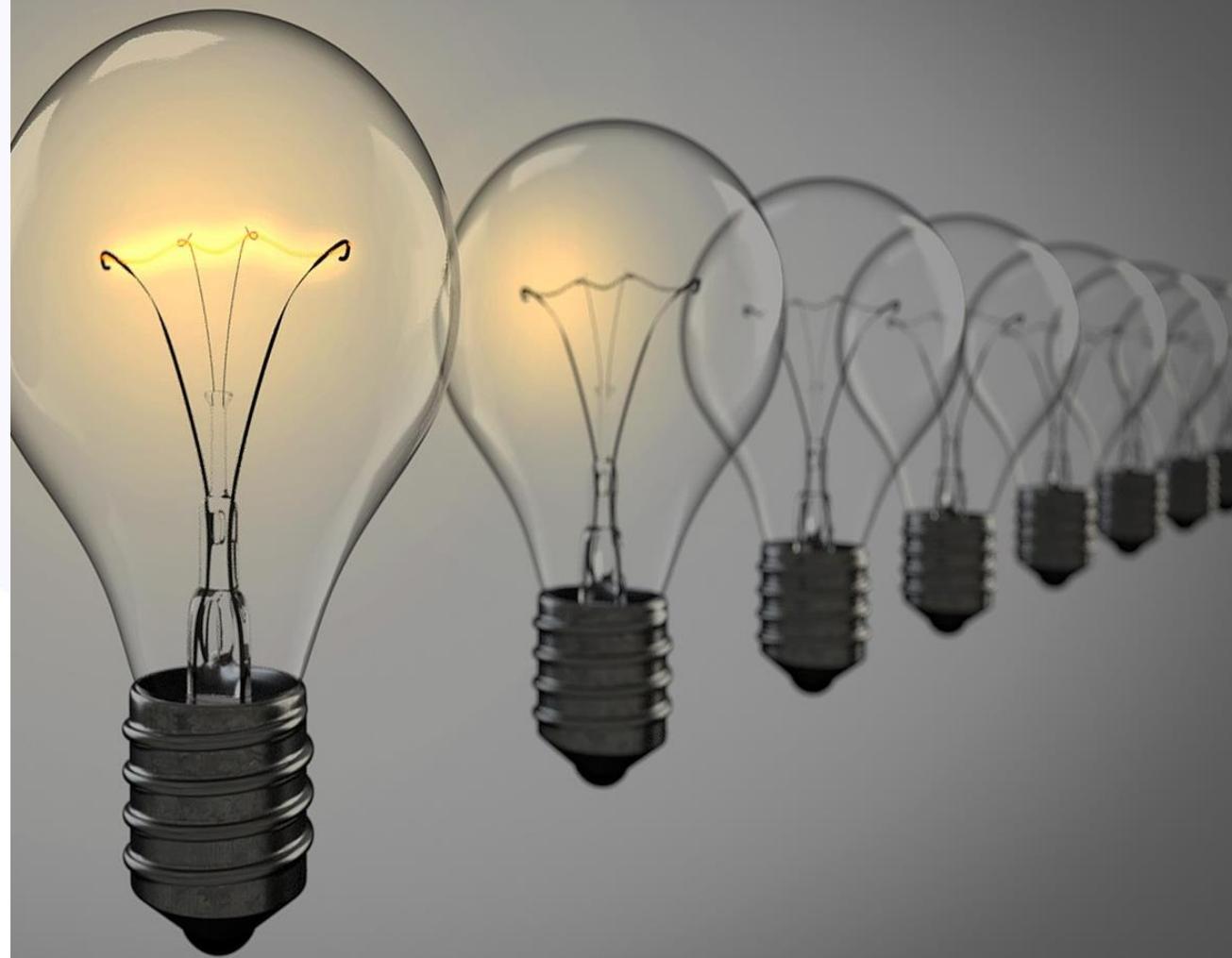
This presentation does not constitute an offer or invitation to purchase or subscribe for any securities or financial instruments or the provision of any investment advice, and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto, nor does this presentation constitute a recommendation regarding the securities or financial instruments of the Company.

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This presentation contains certain forward-looking statements with respect to the financial conditions, results of the operations and business of the Group and certain plans and objectives of the management of the Group. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results or performance of the Group to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements were based on assumptions regarding the Group's present and future strategies and the political and economic environment in which the Group will operate in the future. Reliance should not be placed on these forward-looking statements, which reflect the view of the Group's management as of the date of this presentation only. There can be no assurance that future results or events will be consistent with any such forward-looking statements.

The financial information relating to 12 months ended by 31 Dec 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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