

**GF Securities Co., Ltd.**

# **2015 Interim Results (IFRS)**

August 2015

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# 01

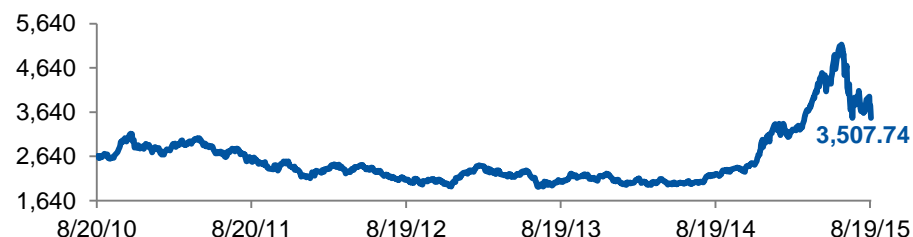
|Business  
Overview|

# First half of 2015: Market overview

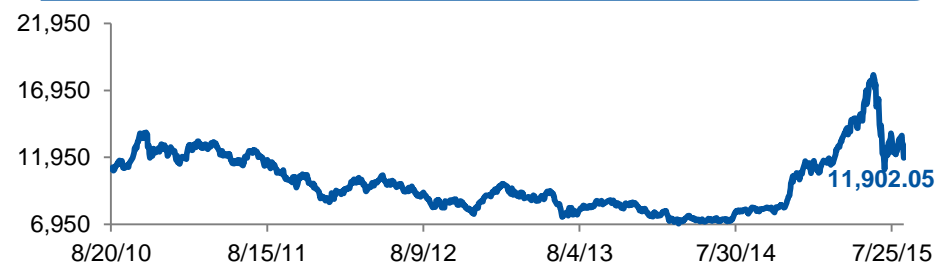
## 2015H1: Chinese economy and capital market overview

- Stabilization of the national economy in the first half of 2015;
  - Overall GDP increased 7% yoy;
  - GDP of the services sector increased 8.4% yoy;
  - Per capita disposable income increased 7.6%;
- Shanghai Composite Index in the first half of 2015 rose by 32.23% ;
  - Shenzhen Component Index rose by 30.17% ;
  - As of Jun 12, 2015, Shanghai Composite Index closed at the peak at 5,178;
  - As of Aug 21, 2015, Shanghai Composite dropped by 32.27% to 3,507, with 8.44% decrease compared with end of 2014

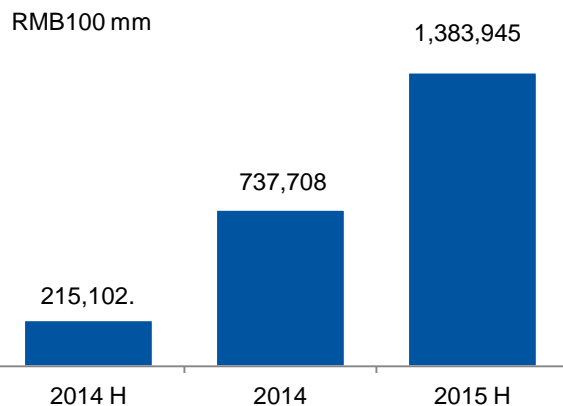
## Daily closing price of Shanghai Composite Index over last 5 years



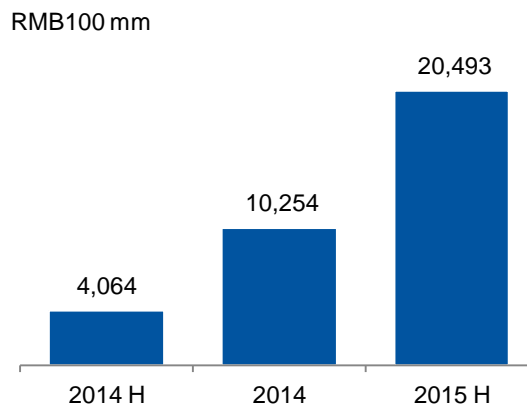
## Daily closing price of Shenzhen Component Index over last 5 years



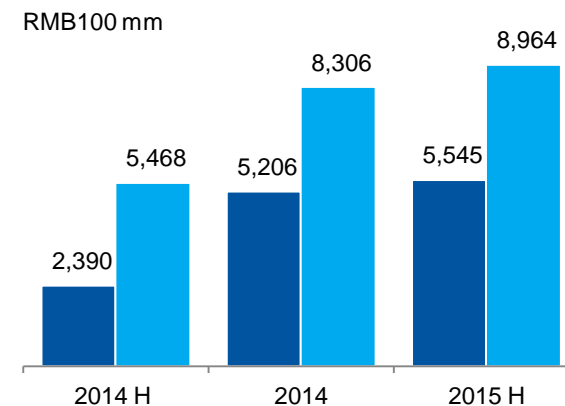
## A-share trading volume



## Margin financing balance of Shanghai and Shenzhen stock markets



## Total volume of A share equity issuance and enterprise and corporate bond issuances

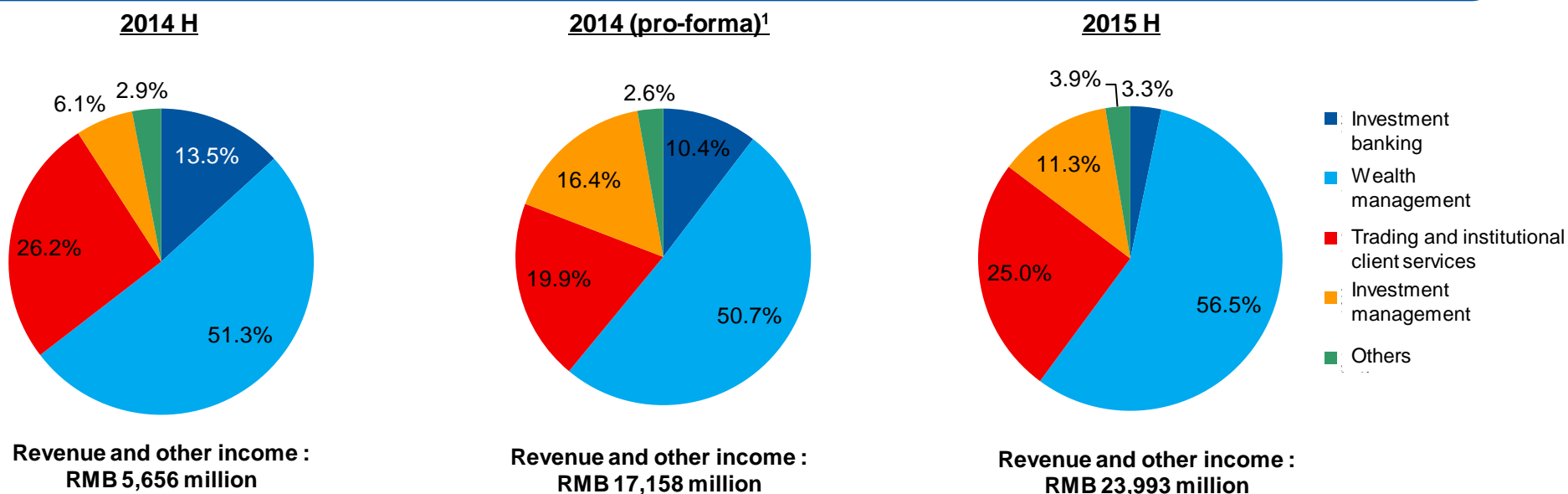


- Total volume of A share issuance
- Total volume of corporate and enterprise bond issuances

Source: National Bureau of Statistics, Wind, market data as of Aug 21, 2015

# Overview of segment operating results

## Revenue and other income by segments



## Revenue and other income and growth rate by segments

( RMB million )	2014 H revenue and other income	2015 H revenue and other income	2014 H-2015 H growth rate
Investment banking	765	787	↑ 2.9%
Wealth management	2,901	13,559	↑ 367.4%
Trading and institutional client services	1,484	6,002	↑ 304.4%
Investment management	343	2,705	↑ 688.0%

Source: Corporate financial report

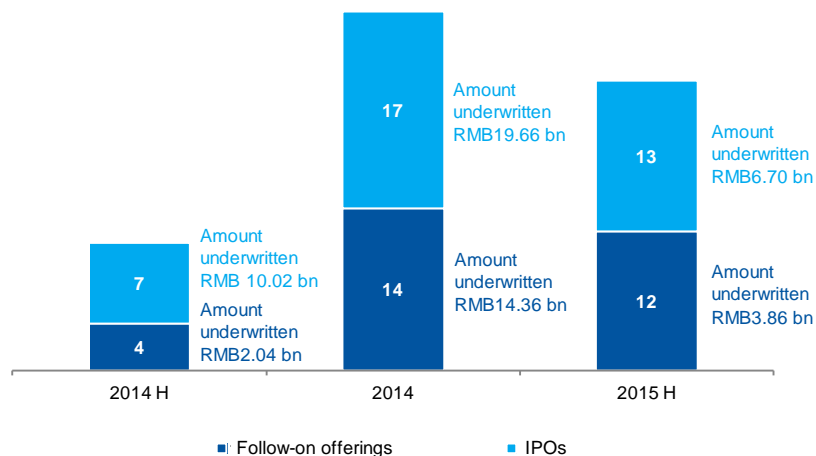
<sup>1</sup> Considering we started consolidating income from GF Fund starting from Aug 2014, the revenue contribution illustrated herein assumes we consolidate income from GF Fund for Jan-Dec 2014

# Investment banking

Focus on quality SMEs; maintain industry leadership

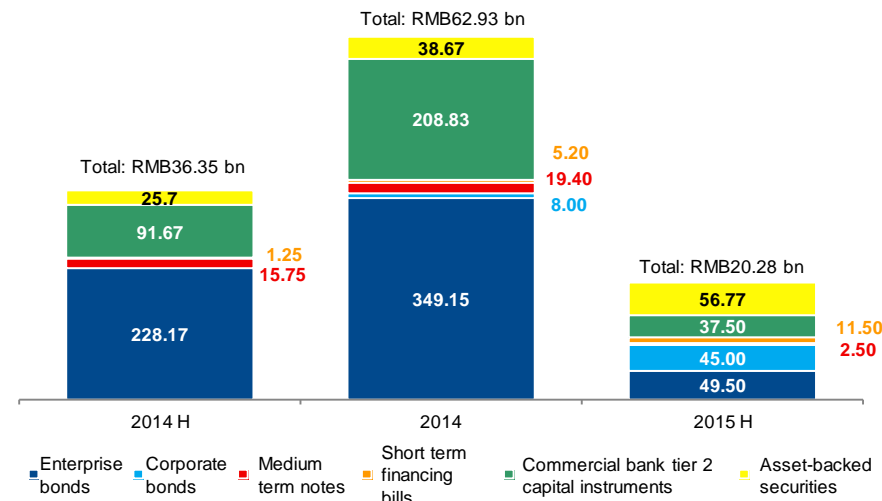
## Equity underwriting in 2015H1

Number of transactions



## Bond underwriting in 2015H1

RMB100 mm



## Market leader in numerous areas among investment banks

### Equity financing

Industry ranking: 3, 2

#### Equity financing

Ranked #3 and #2 respectively by numbers of equity offerings and IPOs in the 2015H1

### Financial advisory

Industry ranking: 3, 3

#### M&A advisory

Ranked #3 in terms of financial advisory for major asset restructurings with 7 transactions in 2015H1

#### Financial advisory for NEEQ listing

Acted as sponsor for 34 companies listing in NEEQ in 2015H1;  
Ranked #3 in terms of listings on the National Equities Exchange and Quotations (NEEQ) Board having brokered 107 listings



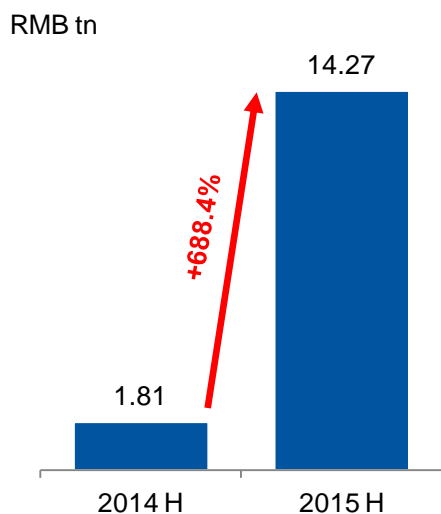
- Influenced by the policies of "Opinions of the State Council on Strengthening the Administration of Local Government Debts (Guo Fa [2014] No. 43)", both the total number and volumes of enterprise bonds issuance were reduced dramatically;
- The corporate bond underwriting business declined due to cyclical nature of the business structure adjustment.

Source: Wind, Website of National Equities Exchange and Quotations Co., Ltd.  
<sup>1</sup> 7 projects were calculated based on the approved asset restructurings from CSRC

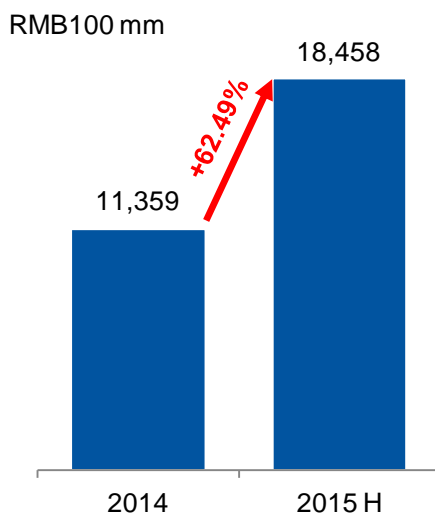
# Wealth management

Focus on the affluent individuals; market share has increased

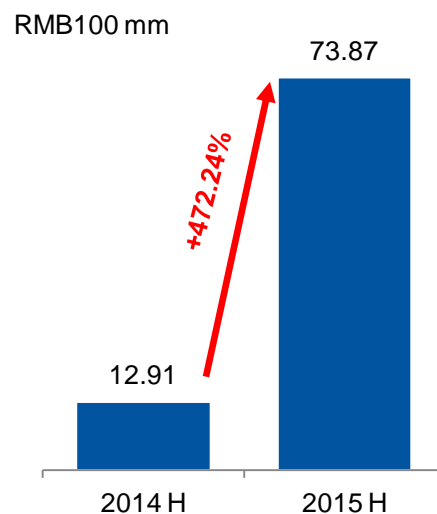
## Equity and fund trading volume (bilateral statistics)



## Market value of securities under custody



## Commission and fee income from securities brokerage



## Stable rise in ranking of key indicators



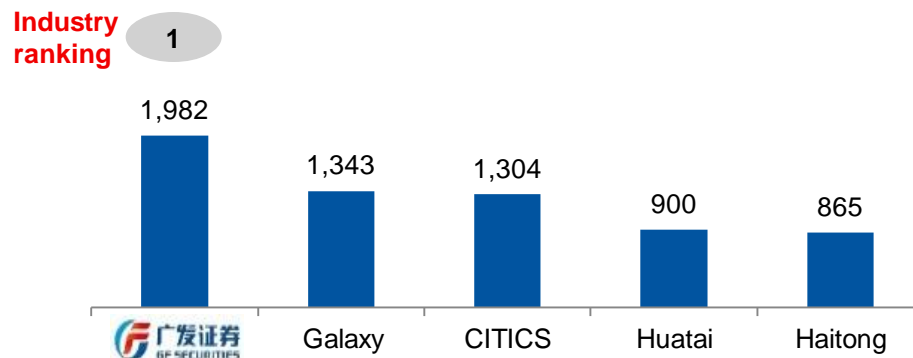
Industry ranking

Trading volume of equity and fund	5
Balance of margin financing and securities lending	1
Market value of securities under custody	5
Commission and fee income from securities brokerage	4

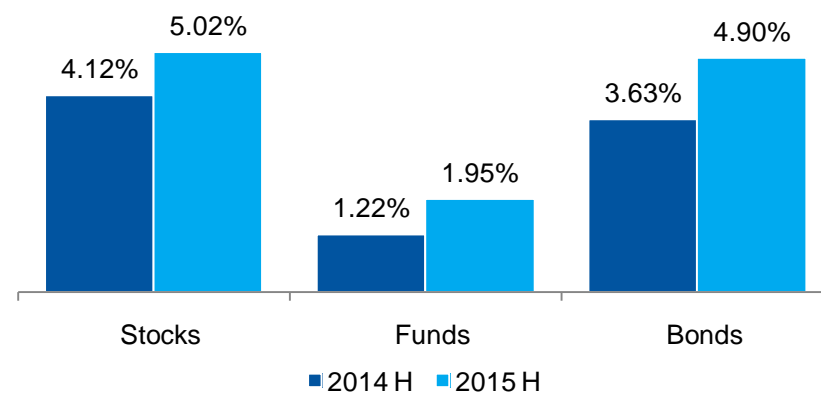
up from #5 in 2014

## Largest licensed investment advisory force

### Numbers of investment advisors



## Market share of securities brokerage



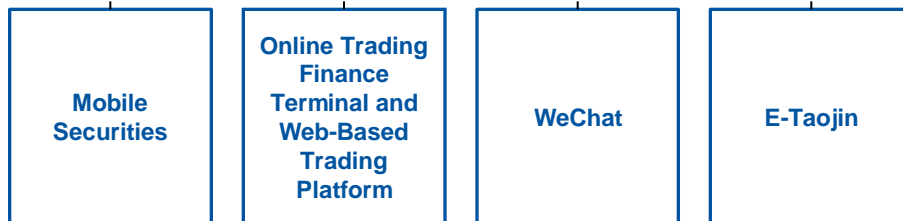


# Leading internet platform

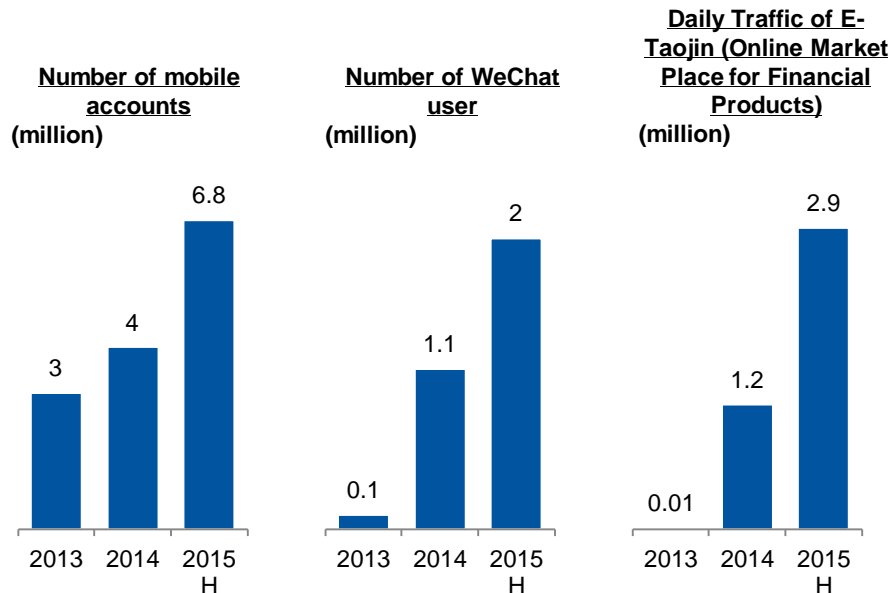
## Playing an increasing role

The first to launch a complete online wealth management business chain, which includes platform, account, payment, product, tradomh, and 24-hour services

24/7 Interactive Inquiry System Supports All of Our Internet Finance Channels



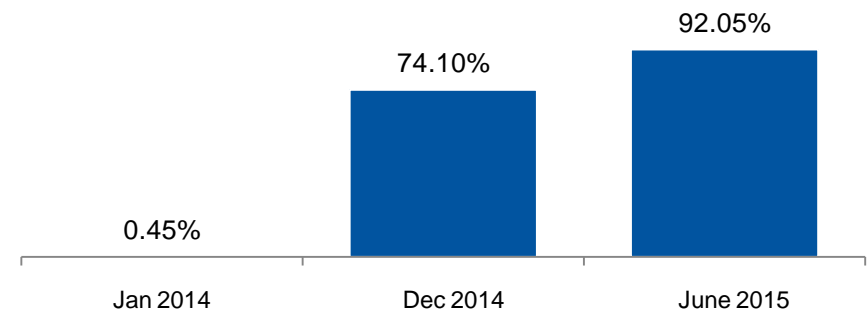
Users of Internet financial platform grow rapidly



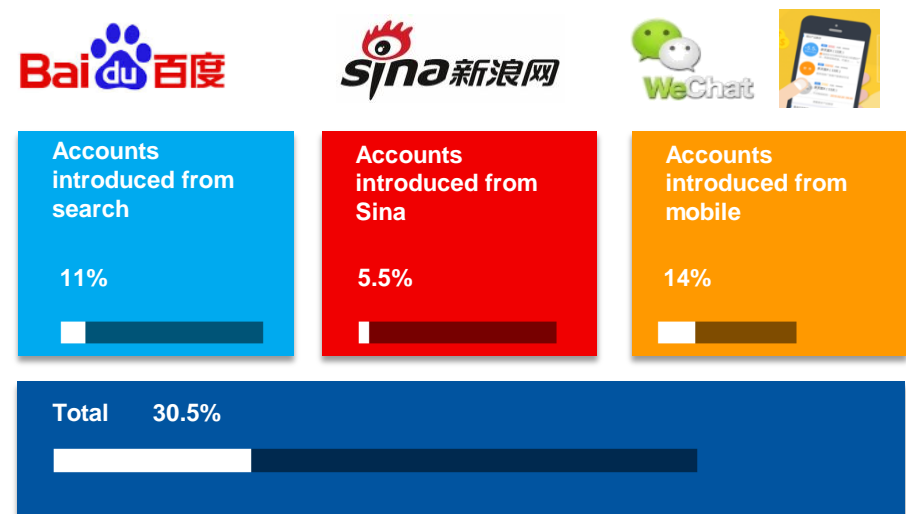
Source: corporate data

Significant growth in percentage of new accounts opened online

Month % of New Accounts Opened on GFS' Internet Platform



Proactive partnerships with internet powerhouses



# Trading and institutional client services

Achieved superior return with relatively rapid development in capital intermediary business

## Superior product innovation and leading research capabilities



### Equity sales and trading:

Gained the qualification as market maker for stock option in Jan 2015, and became one of the eight market makers of 50 ETF options in Shanghai Stock Exchange.  
Issue new beneficiary certificate for structured gold futures



### Equity research:

Covers 26 industries and over 580 mainland China listed companies, and over 70 HK listed companies;  
Revenue from investment research was RMB224mm in 2015H1, with a yoy increase of 212.36%



### Prime brokerage:

Provides tailored transaction services to meet the demand from institutional clients in investment, financing, risk management and liquidity management



### Fixed income sales and trading:

The company engaged in expanding FICC business, and gained special membership from Shanghai Gold Exchange, commodity contract agent of precious metals (such as gold), and the proprietary trading qualification of gold commodity

## #1 in interbank bond market making

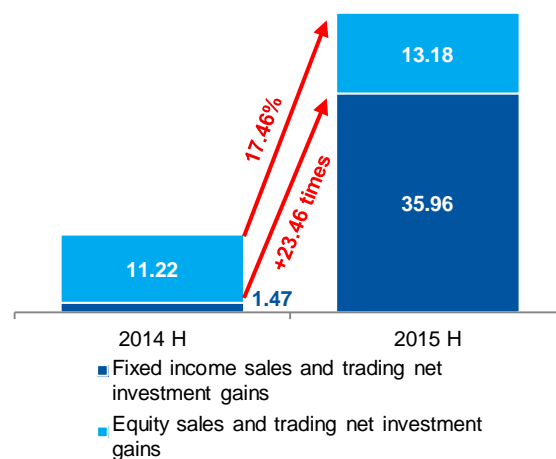


#2 by corporate bond settlement volume (RMB1.23 tn) among PRC securities firms in 1H2015

Among which: #3 in interbank market-making in the industry in June 2015  
#1 trial market maker in June 2015

## Superior investment gains

RMB100 mm

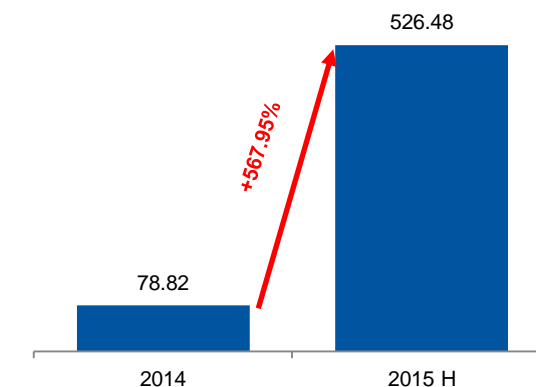


## Over-the-counter business

- As of June 30, 2015, the number of over-the-counter registered product was 431, which ranked #1 in the industry;
- As of June 30, 2015, the market value of over-the-counter product was 69.23 billion;
- As of June 30, 2015, the company has provided market-making services for 41 stocks after initiating NEEQ market-making business, and achieved good economic results.

## Asset under custody balance

RMB100 mm



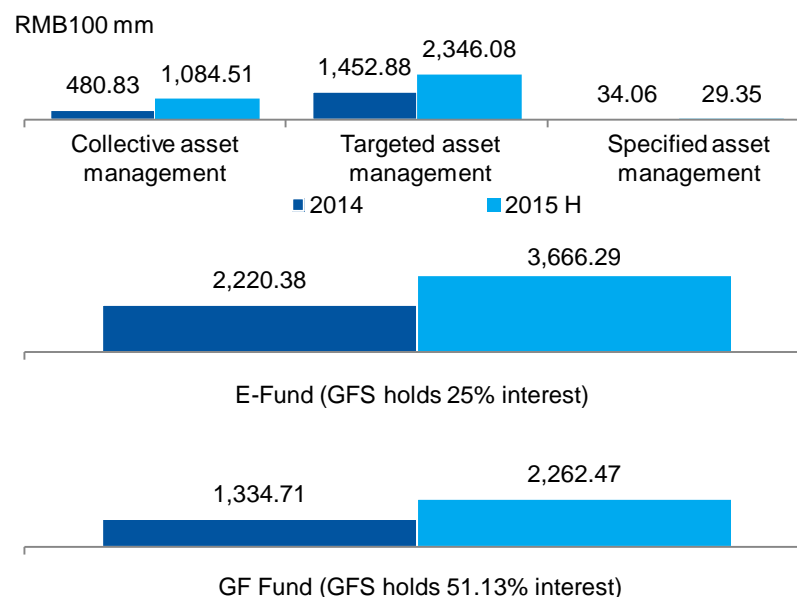
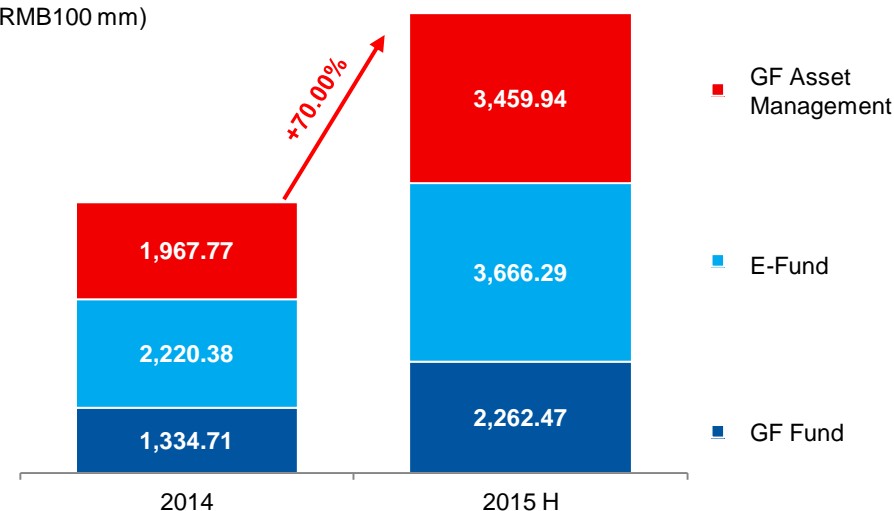
The company acquired qualification of securities investment fund custodian, and started to provide asset custody services for institutional investors and asset management products managed by asset management companies.

# Investment management

## Maintain industry leading position

### Combined AUM under asset management company and mutual funds<sup>1</sup>

(RMB100 mm)



### Outstanding platform of private equity and alternative investment management

#### GF Xinde - (private equity investment platform)

- In 2015H1, GF Xinde initiated transformation to asset management, and the establishment of a number of fund management platforms:
  - Established and managed 5 private equity fund (RMB1,730.2 mm)
  - Initiated and managed two mezzanine funds (RMB618 mm)
- Since its establishment, it has completed 103 investment projects. In 2015H1, it has completed 35 equity investment projects at a total amount of RMB785 mm, 16 of which have completed A-share listing by way of IPO and 2 of which have been acquired by listed companies.

#### GF Qianhe - (alternative investment platform)

- In 2015H1, GF Qianhe has invested in 8 projects:
  - Established 1 investment fund: Zhuhai Zhongbing GF Investment Fund Management Co., Ltd (RMB310 million)
  - Invested in 3 private placement projects (RMB249 million)
- Since its establishment, it has invested in 35 projects, 8 of which were invested in 2015H1 with a total investment amount of RMB1,492 million.

Source: Wind, corporate annual report

Note: GF Fund (GFS holds 51% controlling interest) and E Fund (GFS holds 25% participating interest)

<sup>1</sup> Net AUM



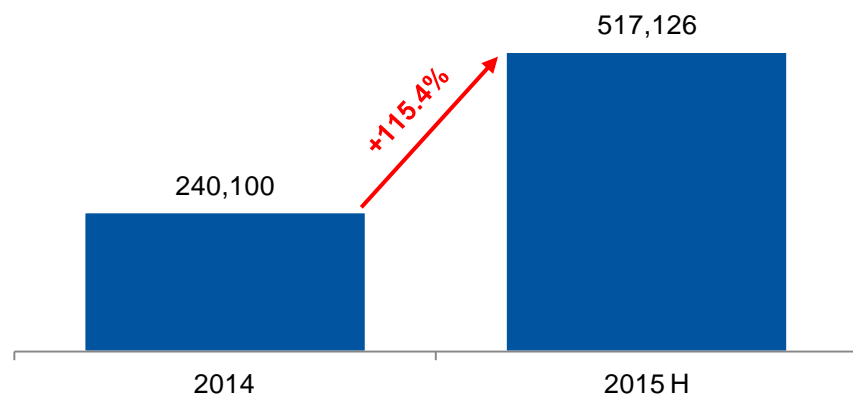
# 02

|Financial  
Results|

# Key financial data

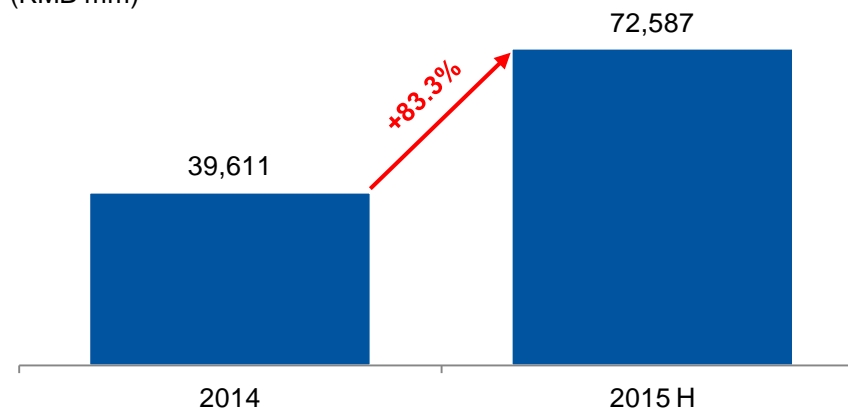
## Total assets

(RMB mm)



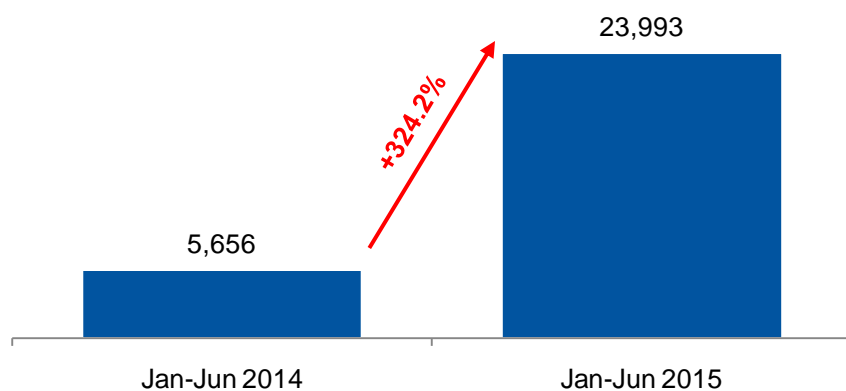
## Equity attributable to owners of the Company

(RMB mm)



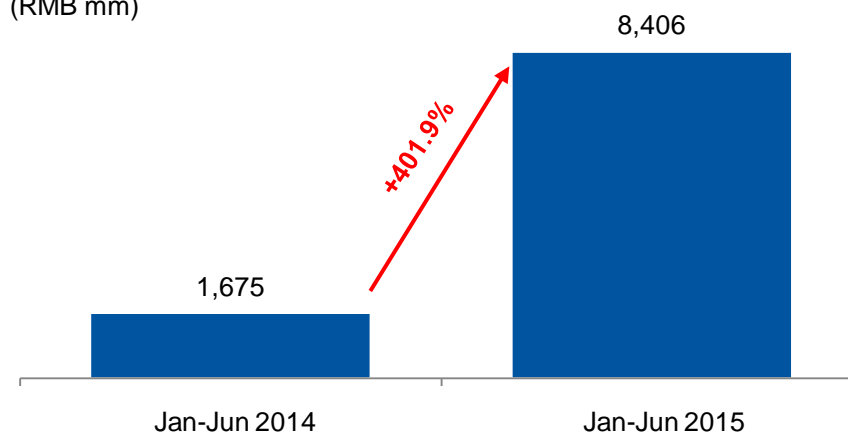
## Revenue and other income

(RMB mm)



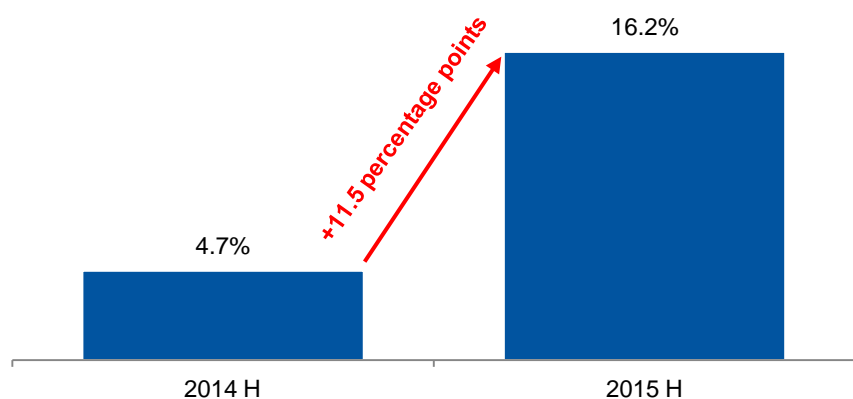
## Net Profit attributable to owners of the Company

(RMB mm)

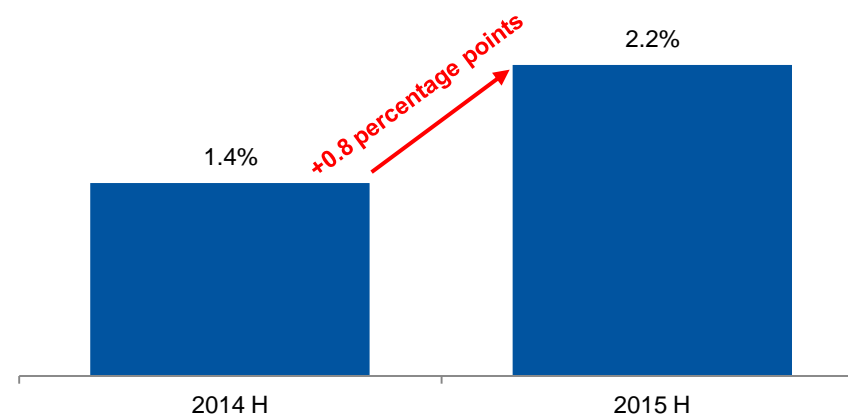


# Revenue, expense and profits

## ROAE



## ROAA



## Income, Expense and Profit Details

(RMB mm)	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014 to Jan-Jun 2015 Growth Rate
Total revenue and other income	5,656	23,993	324.2%
Commission and fee income	2,562	10,603	313.9%
Interest income	1,659	6,565	295.7%
Net investment gains	1,437	6,676	364.6%
Total expenses	3,747	12,827	242.3%
Share of results of associates and joint ventures	214	173	-19.2%
<b>Net profit attributable to owners of the Company</b>	<b>1,675</b>	<b>8,406</b>	<b>401.9%</b>
Cost to income ratio <sup>1</sup>	66.2%	53.5%	-12.7 percentage points <sup>2</sup>
Adjusted cost to income ratio <sup>3</sup>	54.2%	42.8%	-11.4 percentage points <sup>2</sup>

Source: corporate financial report

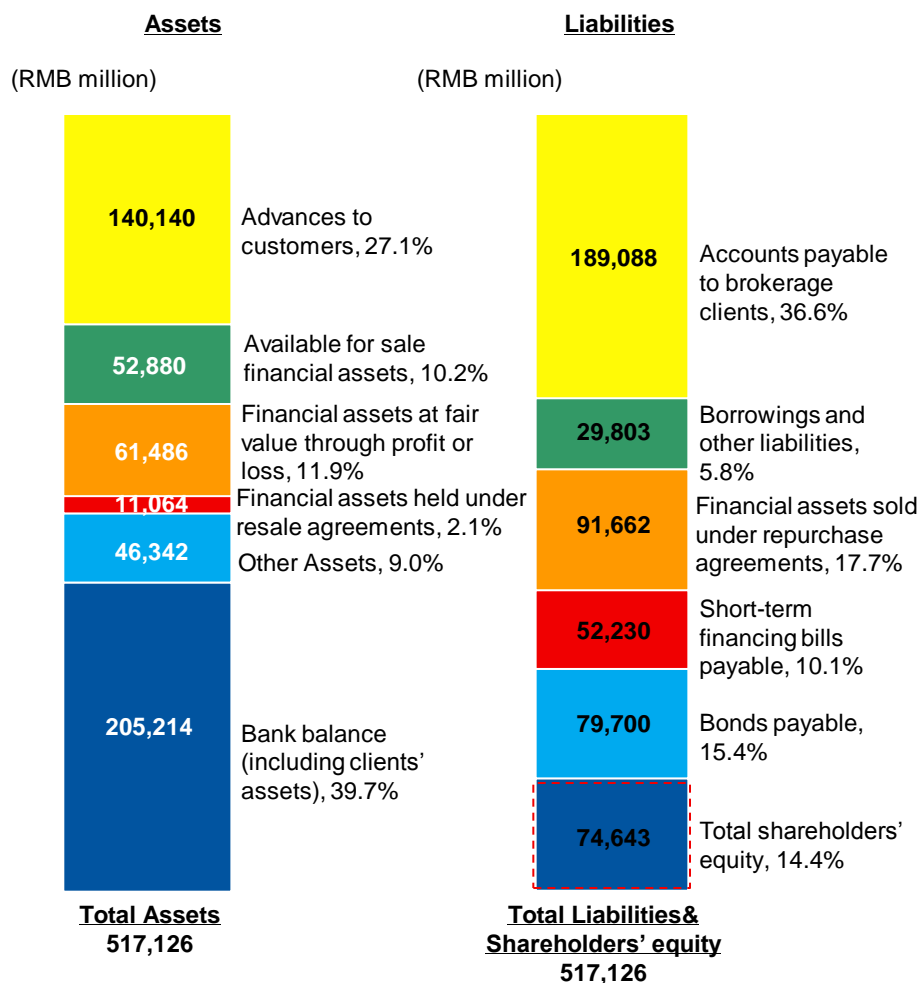
<sup>1</sup> Cost to income ratio = Operating expenses / total revenue and other income

<sup>2</sup> Absolute % changes from Jan-Jun 2014 to Jan-Jun 2015

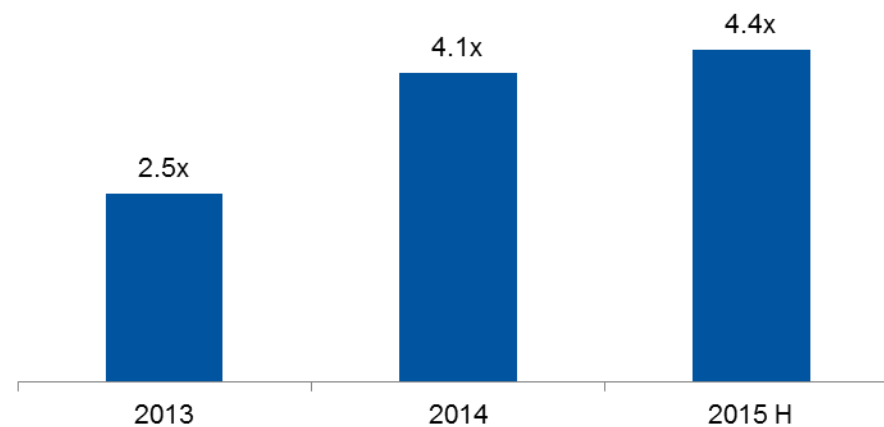
<sup>3</sup> Adjusted cost to income ratio = (operating expenses - interest expense - commission and fee expenses) / (total revenue and other income + share of results of associates and joint ventures - expense - commission and fee expenses)

# Balance Sheet structure, leverage ratio and net capital coverage ratio

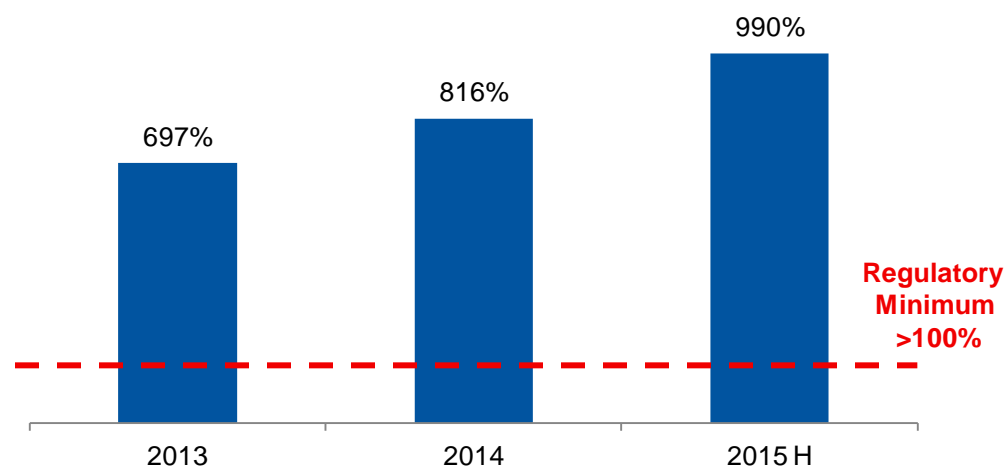
## Asset-Liabilities Breakdown (as of June 30, 2015)



## Leverage Ratio<sup>1</sup>



## Net Capital Coverage Ratio<sup>2</sup>



Source: Company Financials

<sup>1</sup> Leverage Ratio = (Total assets – Accounts payable to brokerage clients) / Total Equity

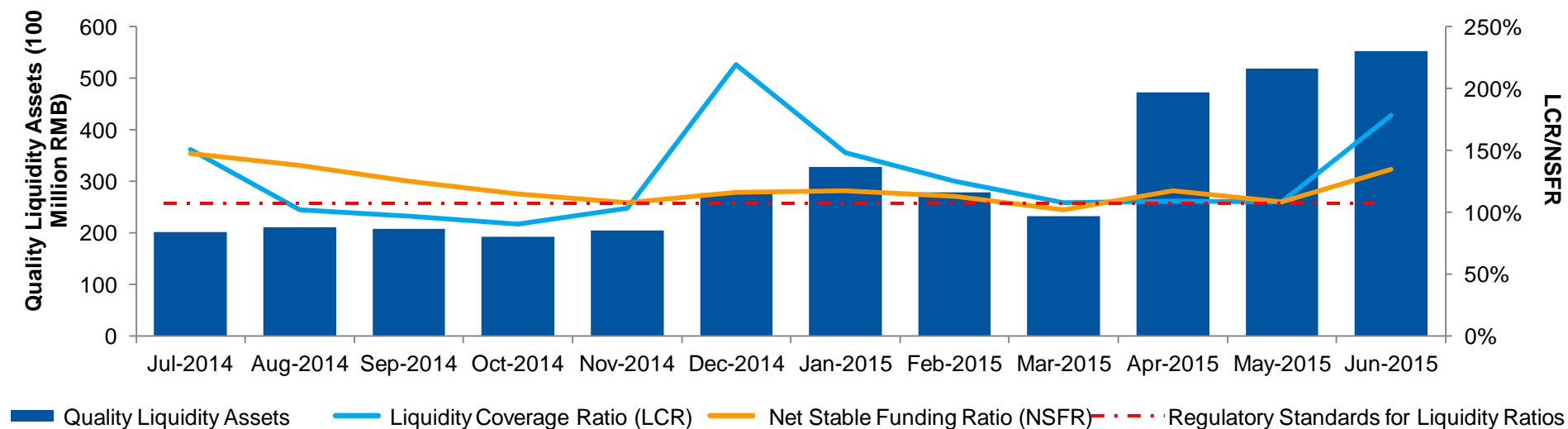
<sup>2</sup> Net Capital Coverage Ratio = Net capital / Sum of various risk provisions; figures prepared on an unconsolidated basis

# Prudent liquidity risk management

The Company implements liquidity standards that are much higher than regulatory requirements ( LCR & NSFR )

Date	Regulatory Requirement in Banking Industry <sup>1</sup>	Regulatory Requirements in Securities Industry	GFS Standards
Dec 31, 2014 (inclusive)- Jun 30, 2015 (exclusive)	■ 60%	■ No less than 80%	■ No less than 110%
After June 30, 2015 (inclusive)	■ 60%	■ No less than 120%	■ No less than 130%

The Company has sufficient liquidity





# Major capital management ratios

## Major capital management ratios<sup>1</sup>

Risk ratios	2012	2013	2014	June 30, 2015	Regulatory requirements
Net Capital (RMB mm)	21,727	20,705	32,664	68,849	-
Net capital / sum of its various risk capital provisions (%)	1,043	697	816	990	>100
Net capital / net assets (%)	68	62	87	100	>40
Net capital / total liabilities (%)	101	42	27	29	>8
Net assets/ total liabilities(%)	148	67	31	29	>20
Value of equity securities and derivatives held / net capital (%)	38	62	43	39	<100
Value of fixed income securities held / net capital (%)	109	159	123	106	<500

<sup>1</sup> Major capital management ratios are calculated based on financial data of the parent company



# 03

|Outlook|

# Macro opportunities and challenges

## Liberalization of Interest Rate

- The loosening of control over interest rate will contribute to market determined pricing of financial products, diverse financing channels as well as efficient allocation of capital
- The securities industry will increasingly be able to provide tradable financing products and diverse savings alternatives, which will further promote and benefit from financial disintermediation

## Internationalization of the Renminbi

- The internationalization of the Renminbi involves the further opening-up of capital accounts and the optimization of the exchange rate system for the Renminbi
- The trend will encourage cross-border capital flows, promote interoperability of financial markets, and facilitate the development of cross-border business

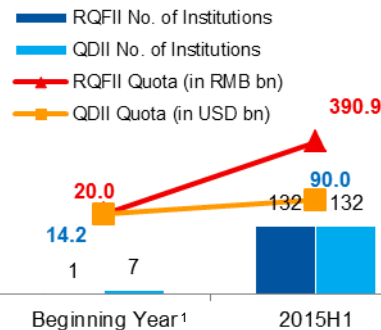
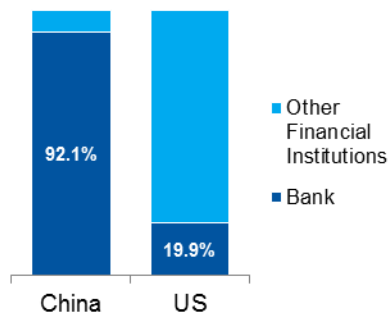
## Evolution in the New/Old Economy

- The PRC Government has adopted measures to encourage evolution of traditional industries and promote strategically important emerging industries including environmental, IT, high-end manufacturing, etc.
- Such initiatives and programs will drive the strategies and investment decisions of SOEs, and foster new opportunities for private sector companies

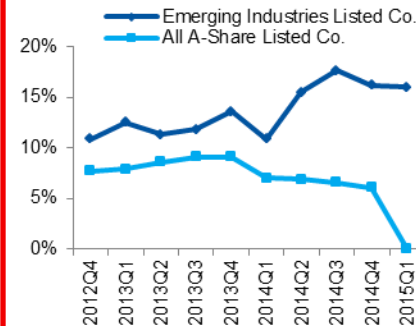
## Increasing Direct Financing

- The PRC Governments has emphasized on increasing the percentage of direct financing and securitization rate, and adopted various measure accordingly
- Implement registration-based IPO regime, broaden financing products and simplify or remove regulatory approval

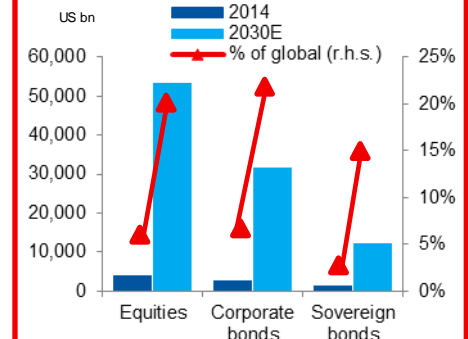
Assets Allocation in Financial Sector



Revenue Growth of Emerging Industries



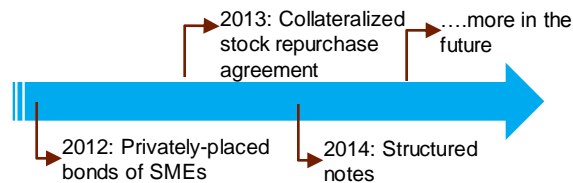
Growth of China Capital Market



# Key industry trends – full of opportunities and challenges

## High Value-added Products

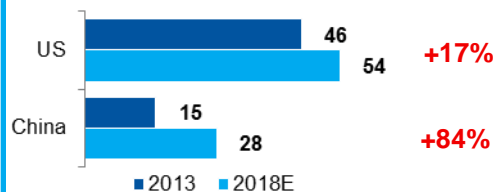
Launch Timeline of Selected Innovative Products



- Deregulation trends in the securities industry are pressing for more diversified and sophisticated value-added products and services to be provided to all market participants
- In addition to standard products, there is growing number of innovative products have been launched to meet clients' specific demands

## High-end Services

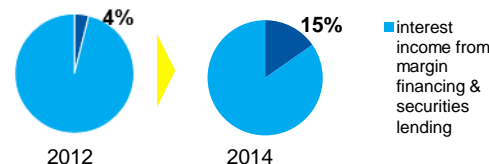
Personal Wealth (in US\$ trillion)



- Wealth of PRC residents accumulated fast and the awareness of wealth management increased quickly, leading to strong demand for high-end wealth management services
- Institutional investors also have strong demand for value-added services and customized structured products

## Capital-based Business

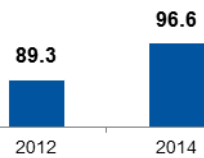
Interest income from margin financing and securities lending as % of total revenue of China securities firms



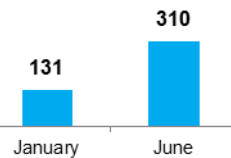
- Investors' demand for financing and liquidity increases and the regulatory environment gradually relaxes
- Capital-based intermediary business, including margin financing and securities lending, stock-based lending, stock repurchases, total return swaps, market-making for the NEEQ, ETF options, bonds and structured notes, is expected to be further developed

## Cross-border Business

China Cross-border M&A volume (in US\$ bn)

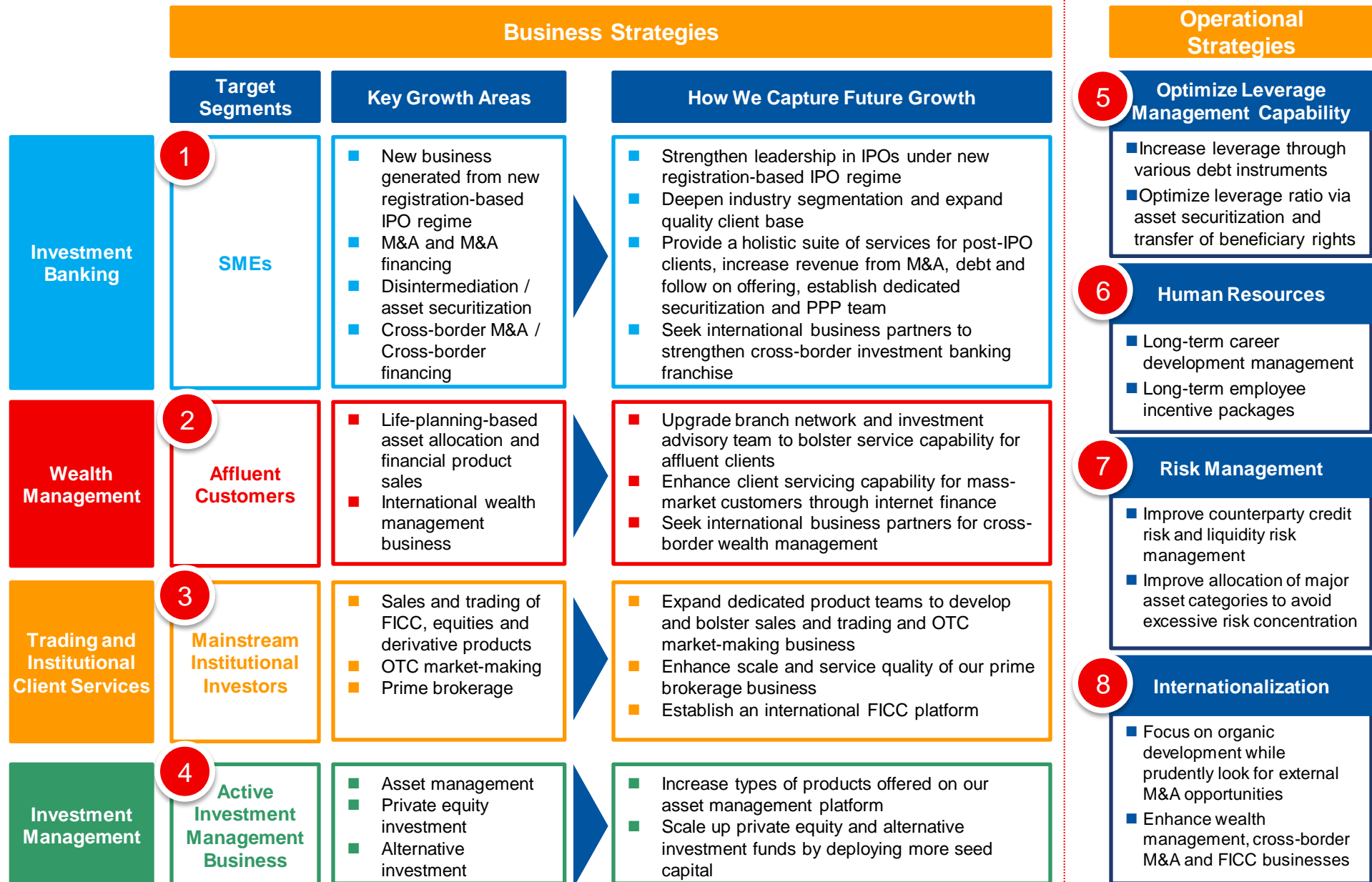


2015 Shanghai-Hong Kong Stock Connect Trading Volume (in RMB bn)



- Internationalization of the Renminbi and the further opening up of the PRC capital markets contributes to the growth of cross-border business
- Opportunities exist in areas such as the offshore listing outbound investment of PRC-based companies, the potential listing on PRC capital markets and inbound investment of multinational corporations, etc.

# Our strategy: focus on the highest growth segments of the securities industry



# Thank you!