



# 2017 Annual Results Presentation

April 2018



*(A joint stock company incorporated in the PRC with limited liability  
under the Chinese corporate name 华泰证券股份有限公司 and carrying  
on business in Hong Kong as HTSC)*

# Agenda

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**Company overview**

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**Financial overview**

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**Business overview**

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**Development strategy**

# Agenda

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**Company overview**

**Financial overview**

**Business overview**

**Development strategy**

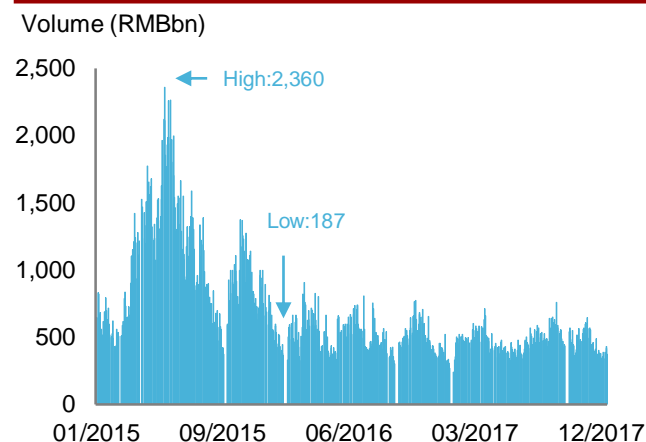
# Market Environment

Capital markets experienced a structural transform under the background of tightened regulations, financial deleveraging and risk control in 2017, returning to the original function of financial services

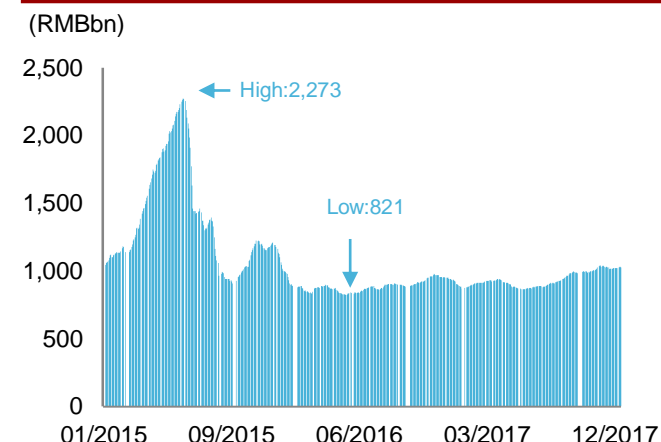
## Performance of key market indices<sup>1</sup>



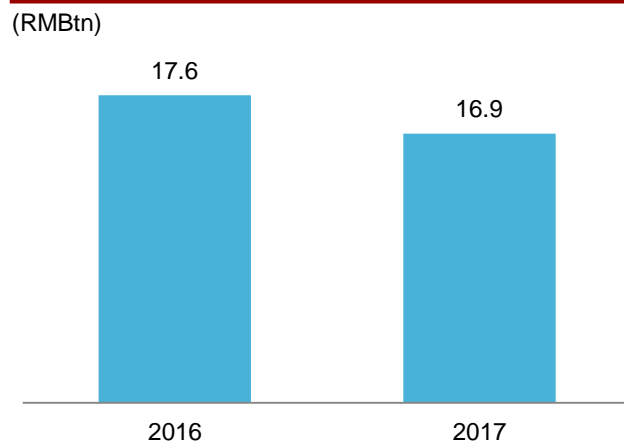
## Stock trading volume



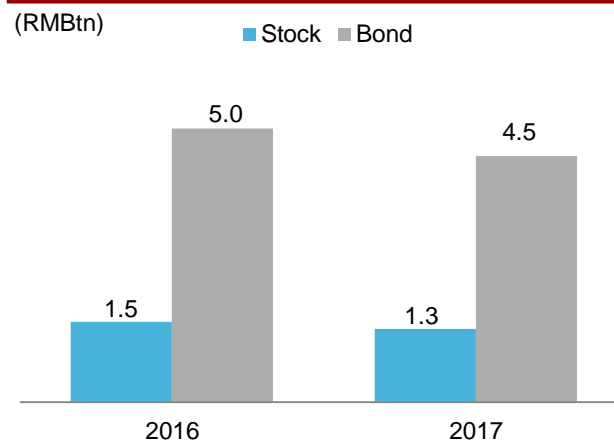
## Marginal financing and securities lending (MFSL) balance



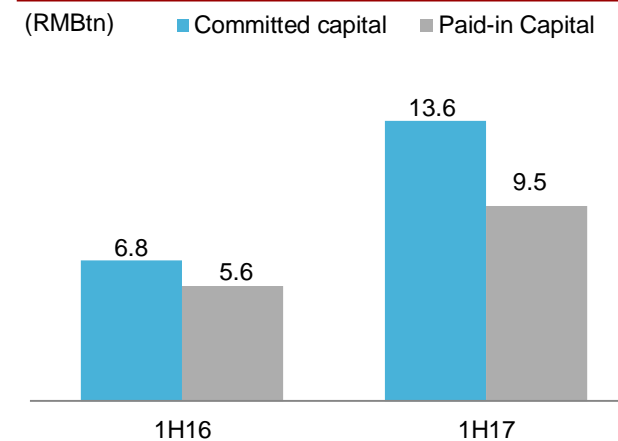
## AUM of securities companies



## Equity and bond issuance amount



## Scale of domestic private funds



Sources: Securities Association of China, Wind, East Money Choice, Fund Association of China

Note: 1. All indexes are rebased to the beginning level of Shanghai Composite Index

# Business Highlights

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## Strengthening leadership

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**Ranked #1** in terms of stock and fund trading volume



**Ranked #1** by ZhangLe WM in terms of number of monthly active users among all apps of securities companies in China



**Ranked #2** in terms of AUM of securities companies



**Ranked #3** in terms of the size of capital intermediary business



**Ranked #3** in terms of the size of ABS issuance

## Pursuing breakthrough

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**Positive growth** of revenue and net profit



**Ranked #1** in terms of M&A transaction amount by Chinese listed companies



**Significant growth** of revenue contribution by overseas business



**Over US\$40bn** AUM by AssetMark



**Ranked #1** in terms of OTC option trading volume

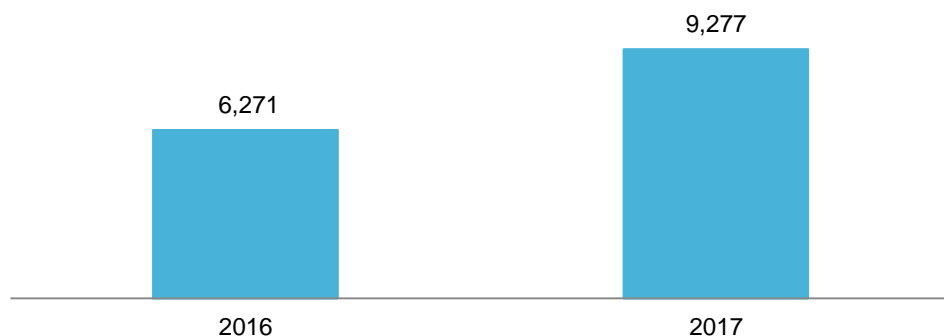
Source: Company data

# Business Performance Overview

Overall performance improved substantially YoY and revenue mix became more balanced

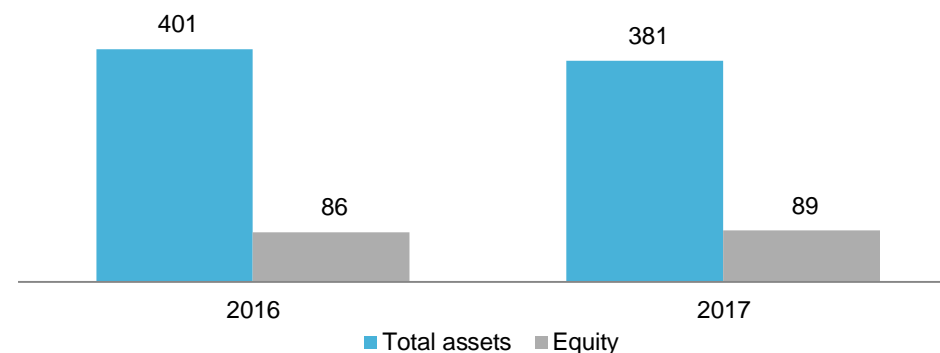
## Net profit

(RMBmm)

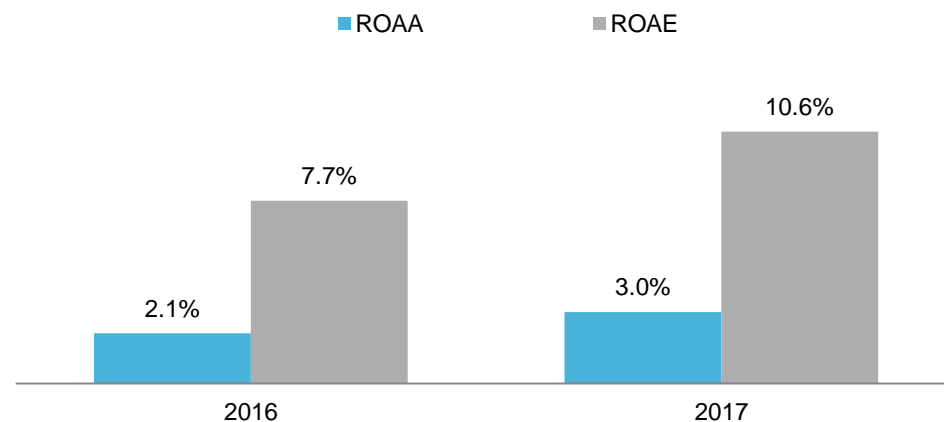


## Total assets and net assets

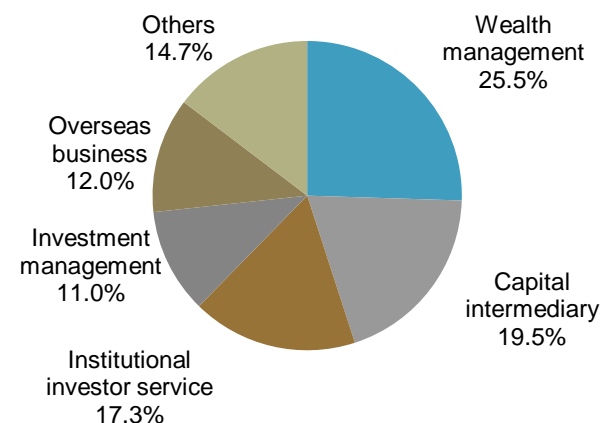
(RMBbn)



## ROAA and ROAE<sup>1</sup>



## 2017 revenue breakdown



Source: Company data

Note: 1. ROAA = net profit/average total assets, ROAE = net profit/average net assets

# Agenda

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**Company overview**



**Financial overview**

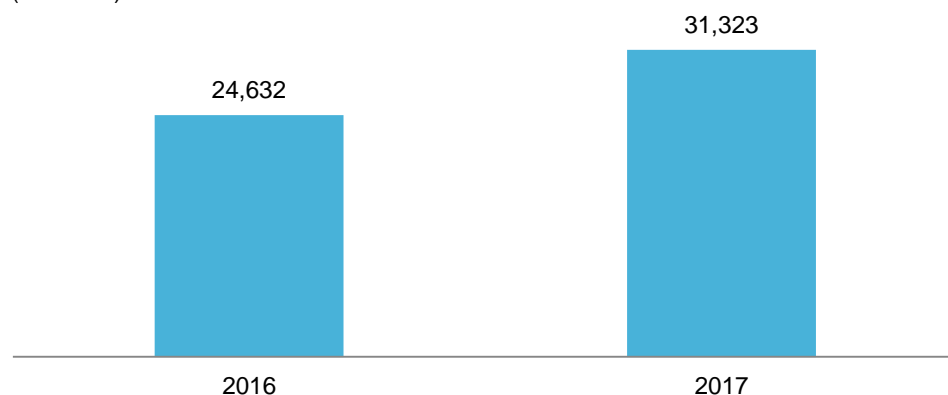
**Business overview**

**Development strategy**

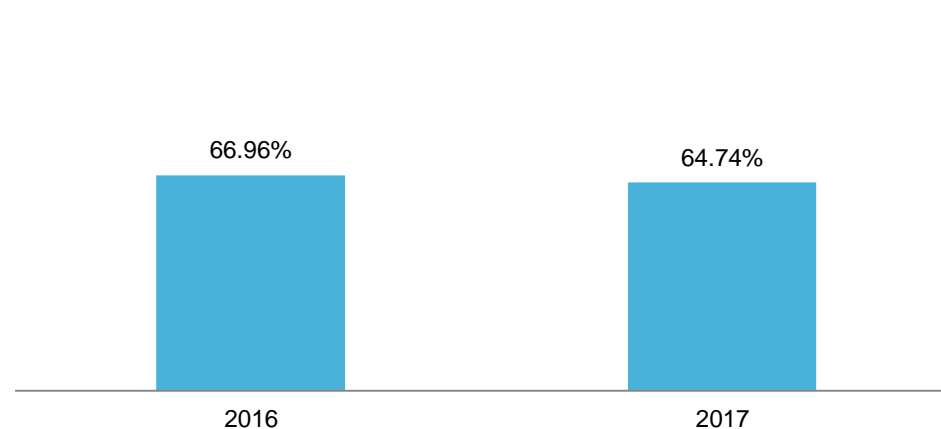
# Significant Growth in Overall Profitability

## Revenue

(RMBmm)

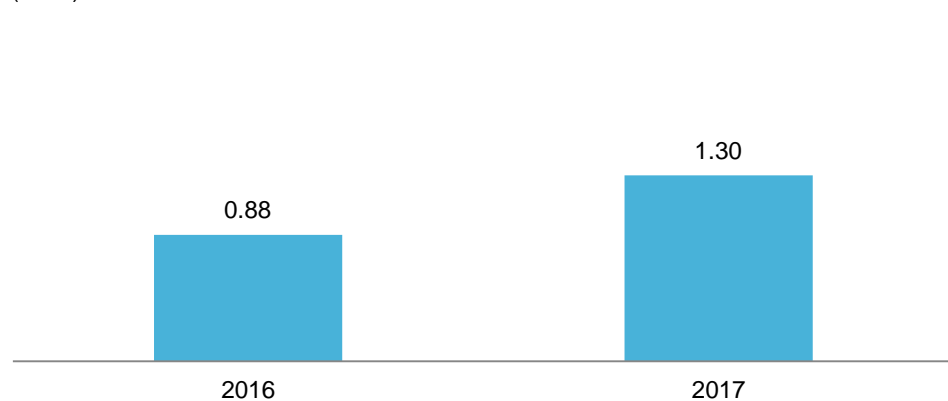


## Cost-to-income ratio



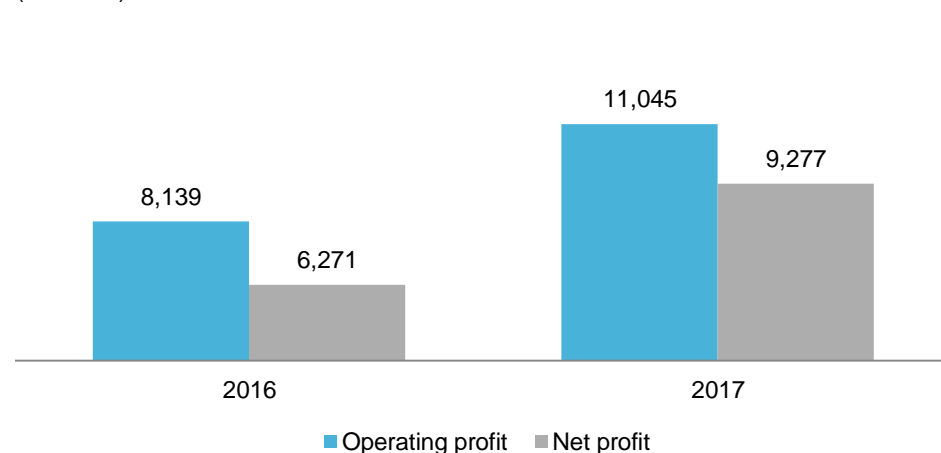
## Earnings per share

(RMB)



## Operating profit and net profit

(RMBmm)



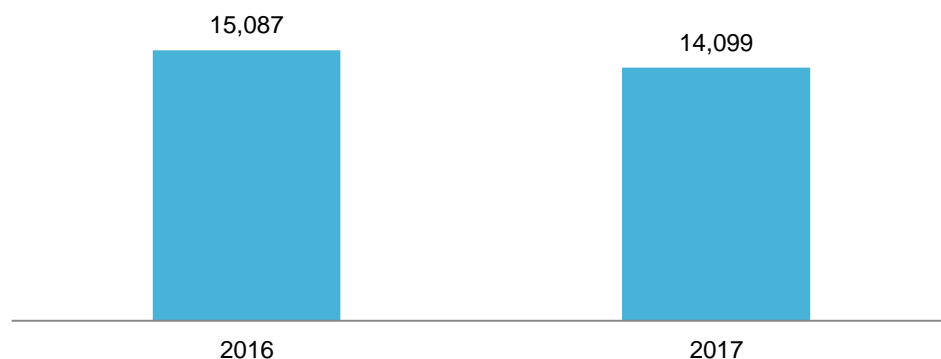
Source: Company data, financial report (IFRS)



# Steady Growth in Institutional Service and Investment Management Businesses, with Breakthrough in Overseas Business

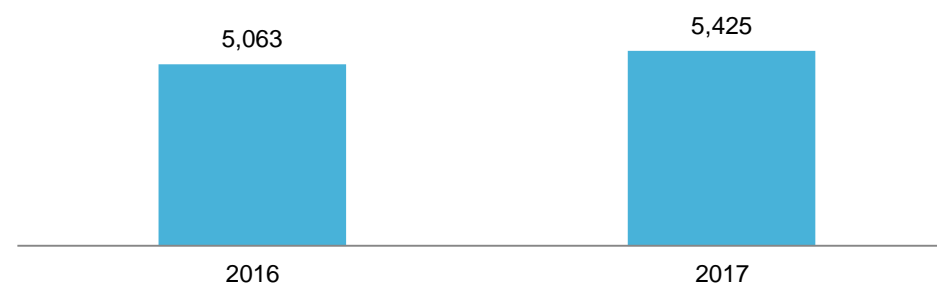
## Wealth management revenue

(RMBmm)



## Institutional service revenue

(RMBmm)



## Investment management revenue

(RMBmm)



## Overseas business revenue

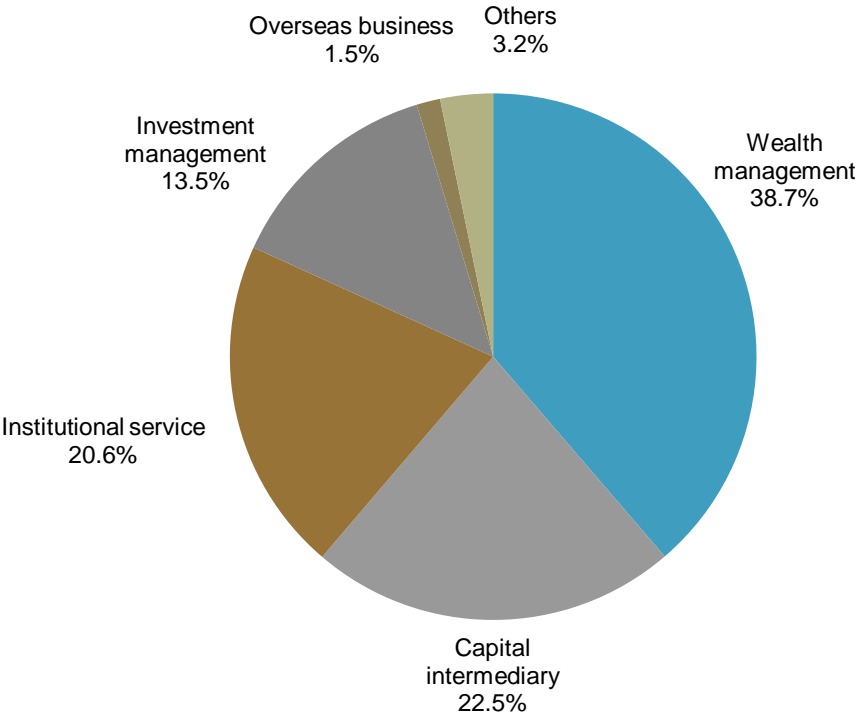
(RMBmm)



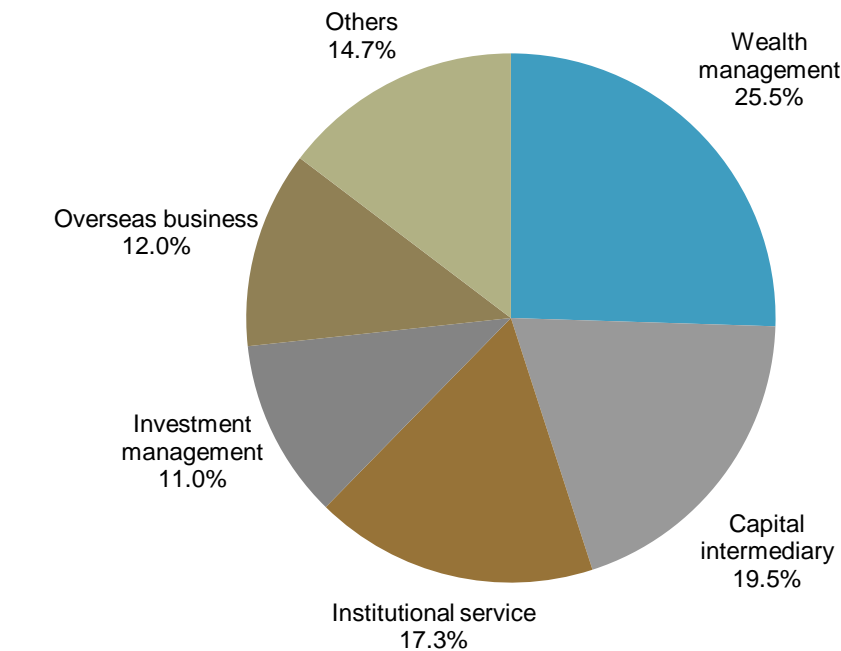
Source: Company data, financial report (IFRS)

# Optimizing Trend of Revenue Mix

2016 revenue breakdown



2017 revenue breakdown

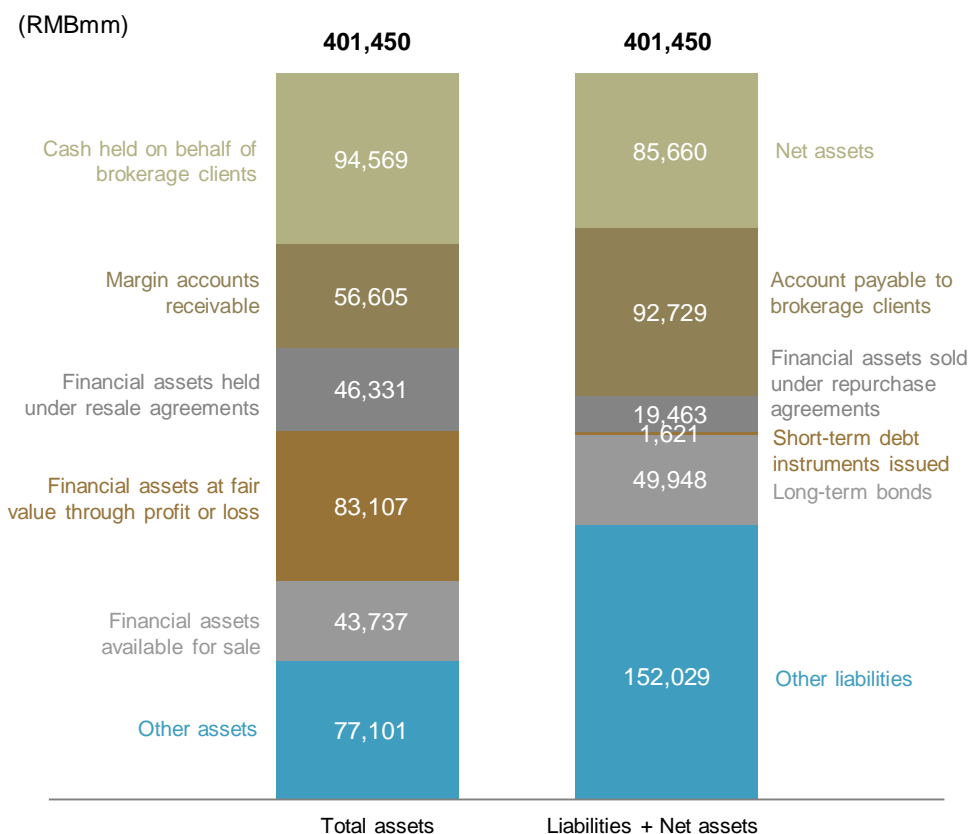


Source: Company data, financial report (IFRS)

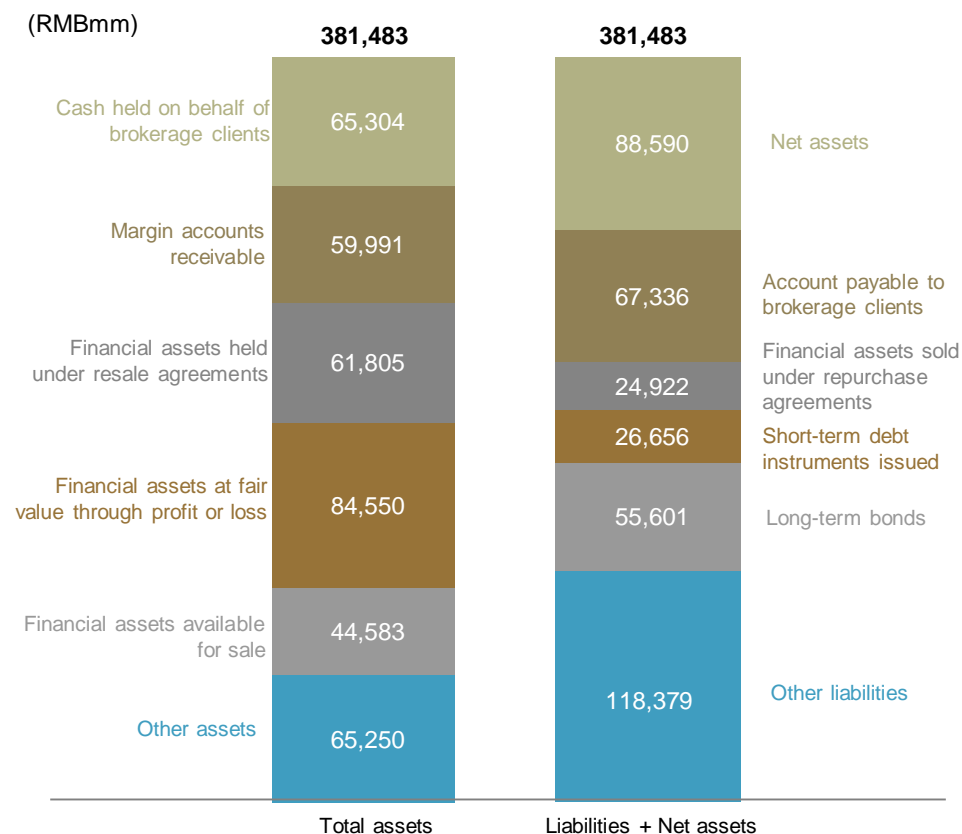
# Flexible and Effective Liability and Liquidity Management Supports Business Growth

While the Company's total assets declined in 2017, its debt-to-asset ratio dropped with strengthening risk resistance capability

## As of 31 December 2016



## As of 31 December 2017



## Capital raise by subsidiaries

- Huatai Futures raised its registered capital from RMB1.009bn to RMB1.609bn

## Bond issuance

- Issued two tranches of corporate bonds on Feb 23, 2017 and May 15, 2017, with total amounts of RMB 8.0bn and RMB10.0bn respectively
- Issued three tranches of corporate bonds on Aug 11, 2017, Oct 19, 2017 and Nov 20, 2017, with total amounts of RMB 4.0bn, RMB 5.0bn and RMB4.0bn respectively
- Issued two tranches of subordinated bonds on Jul 27, 2017 and Sep 14, 2017, with total amounts of RMB 5.0bn and RMB2.0bn respectively

Source: Company data, financial report (IFRS)

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**Company overview**

**Financial overview**



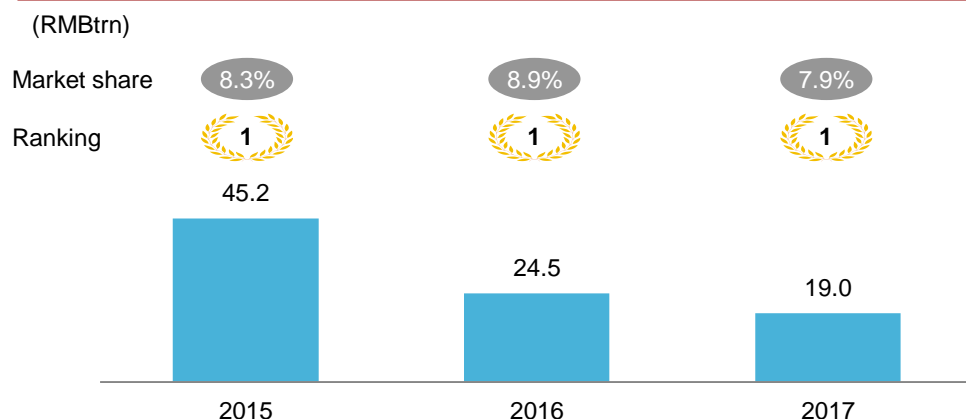
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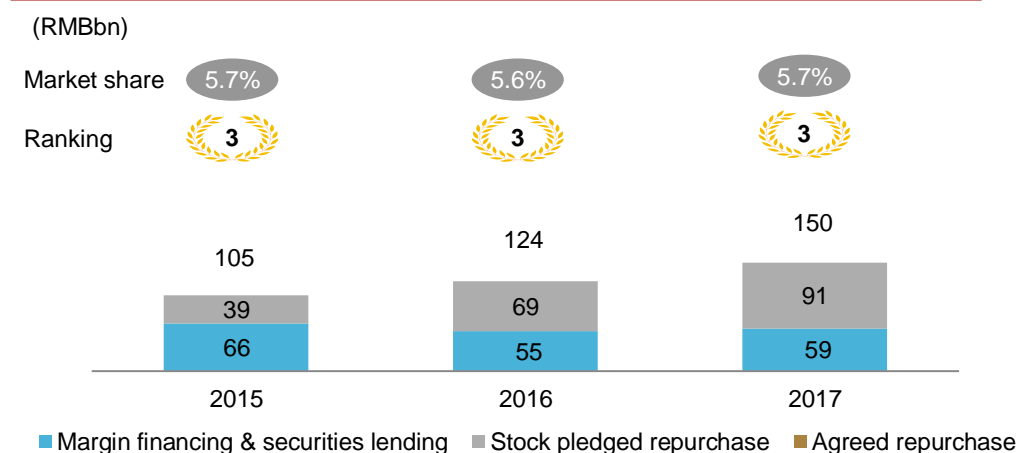
# Maintaining Leadership in Wealth Management Business

Maintain a market-leading position in stocks and funds trading volume, with strengthened trading services. Expanded client base with optimized structure. Capital intermediary business sustains at top of the market

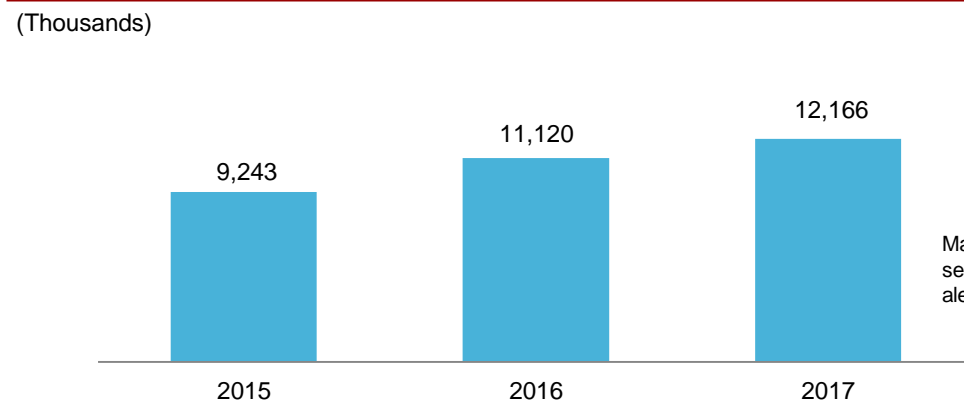
## Stocks and funds trading volume



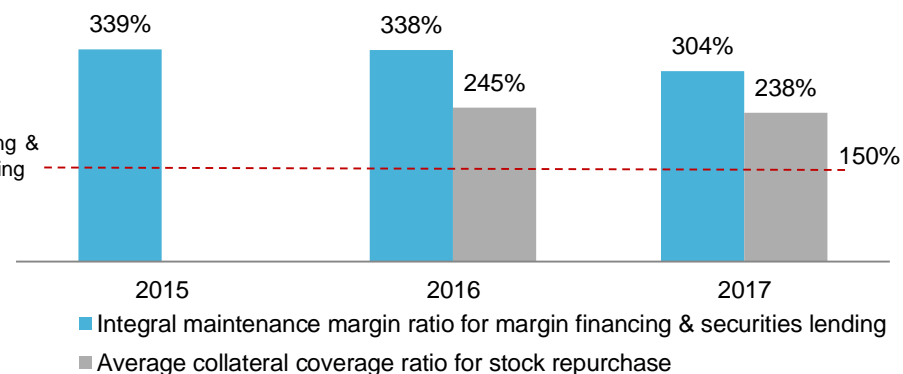
## Size of capital intermediary business



## Number of brokerage and wealth management clients



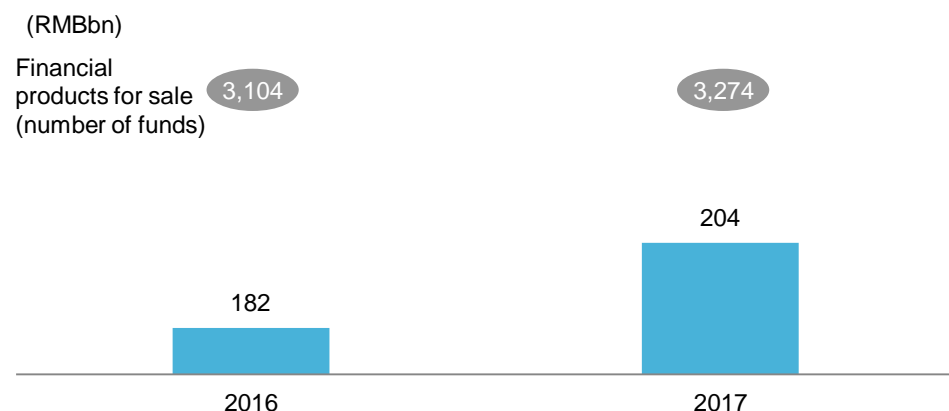
## Maintenance margin ratio & average collateral coverage ratio



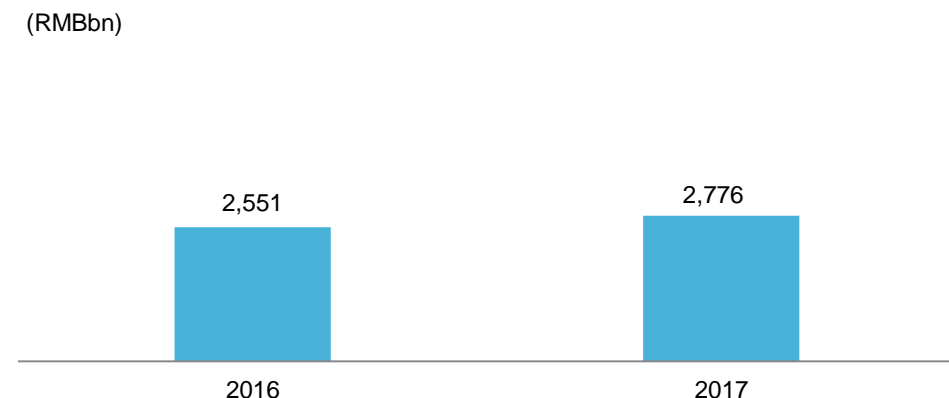
## Maintaining Leadership in Wealth Management Business (cont'd)

Accelerate the transformation into wealth management, with steady financial product distribution. Growing financial advisor team supported by wealth management platform, remarkable growth in client assets with improved services

### Value of financial products distributed<sup>1</sup>



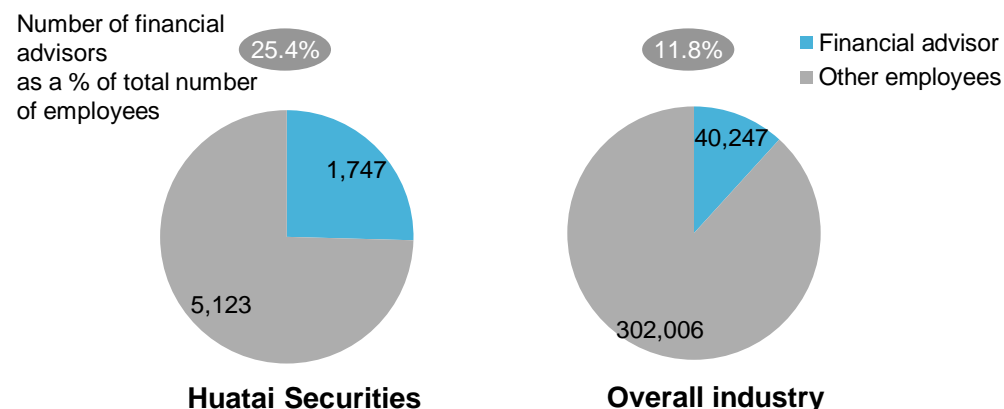
### Client assets under custody



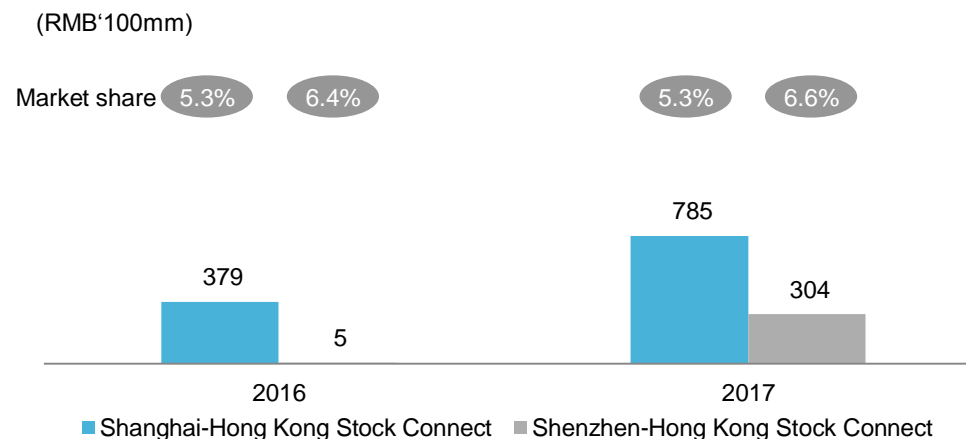
Source: Company data

Note: 1. Tiantianfa is not included in the value of financial products distributed and financial products for sale

### Number of financial advisors (2017)



### Southbound trading value under SH-HK Stock Connect and SZ-HK Stock Connect



# First-Class Mobile Financial Service Platform Empowered by Technology

Adhering to the client-centric principles and leveraging internet, big data and AI, ZhangLe WM 5.0 has been launched to focus on trading and wealth management services. Building an integrated retail system and continuously strengthening the brand name

ZhangLe WM maintained leadership in 2017

**TOP 1**

**Analysys**  
易观智库

ZhangLe WM ranks **No.1** amongst apps developed by securities companies in terms of average monthly active users

ZhangLe WM is driving customer service and customer stickiness



**5,840k**

Monthly Active Users (MAU)



**37,425k**

Cumulative downloads and users on platform



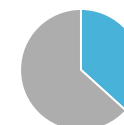
**1,106k**

# of accounts opened on mobile terminals



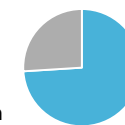
**98%**

% of new account opening



**35%**

% of transaction value



**85%**

% of transacting clients

Continue strengthening industry-leading position with commitment to financial services – rollout of ZhangLe WM 5.0



## Smart family



- AI-enabled market watch
- Similar K-line
- Cost evaluation
- Treasury bonds transactions

## Panoramic market updates



- Analysis of market performance; core Big Data
- Scrutiny over trending individual stocks and market abnormalities
- Ultra-attentive market scrutiny with dual screens

## Super accounts



- Asset yield display
- Dedicated service staff for accounts
- Guidance for cross-trading deals

## Selective wealth management products



- Pre-trade sifting of products and clients
- On-trade display and matching
- Post-trade tracking and repurchases

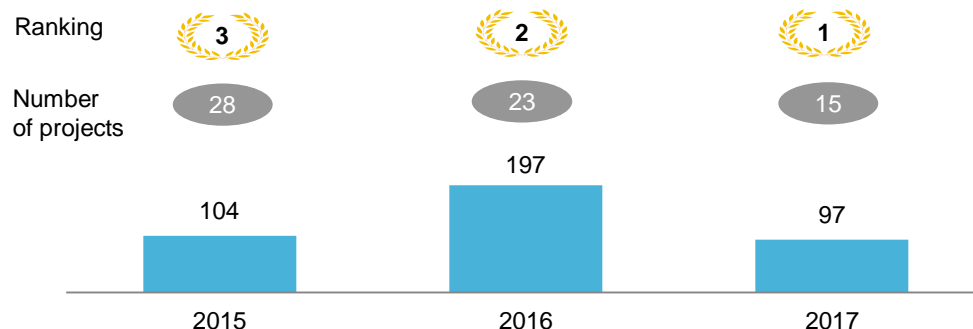
Source: Company data, Analysys

## Increasingly Prominent Advantage in Institutional Business

Industry-leading expertise and influence of investment banking further strengthened, building on integrated platform and full service chain with industry focuses, regional coverage and deepening client relations. M&A transaction value ranked #1, with various landmark deals including the restructuring and listing of Qihoo 360

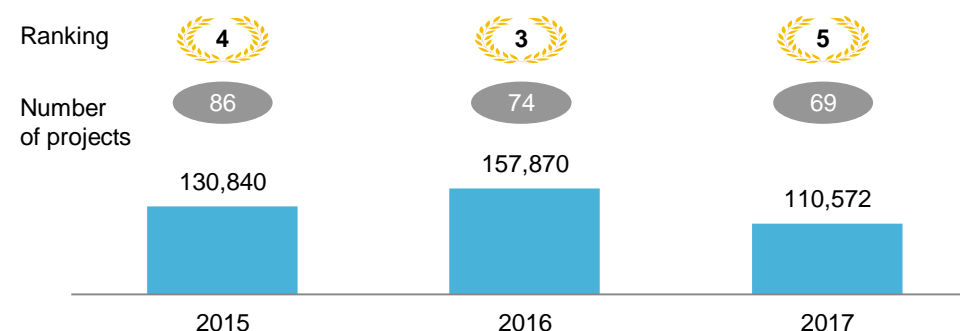
### #1 in terms of M&A transaction value in 2017<sup>1</sup>

(RMBbn)



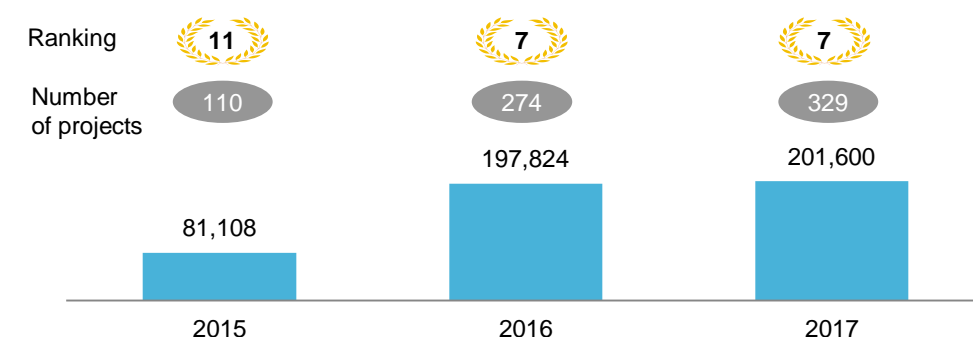
### No. 5 by equity underwriting amount and No. 2 by the number of follow-on offerings

(RMBm)



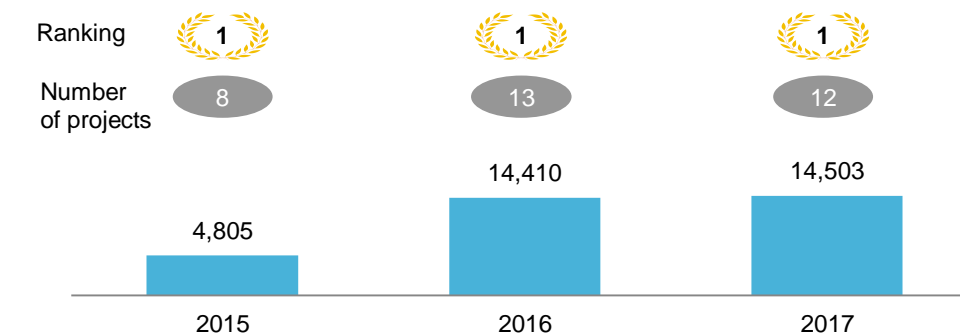
### Bond underwriting have been steadily rising<sup>3</sup>

(RMBmm)



### No. 1 in exchangeable bonds underwriting

(RMBmm)



Source: Wind data, compiled according to openly available information

Note: 1. Number and ranking of M&A transactions approved by the Committee for M&A and Restructurings

2. Scope of statistics includes IPOs, follow-on offerings, rights issues, preferred shares, convertible bonds, and exchangeable bonds

3. Scope of statistics includes local government bonds, policy bank bonds, non-financial financial bonds, enterprise bonds, corporate bonds, short-term financing bills, medium-term notes, targeted instruments, international institutional bonds, government-backed bonds, asset-backed securities, convertible bonds, exchangeable bonds and other bonds



## Increasingly Prominent Advantage in Institutional Business (cont'd)

Further implement the full service-chain strategy with comprehensive financial services covering companies' full business cycle, prioritizing A-class clients and key industries in generating landmark deals

Provide high quality service with our dedication and commitment



Largest restructuring deal in 2017 & largest A-share listing of Dotcom ever

- The **RMB50.4bn** restructuring and listing of 360 was the largest of its kind in 2017 (per initial disclosure) and the largest A-share listing of an internet company to date.
- Worked with efficiency and precision in resource integration and transaction designing and execution for the listco; timely handled contingencies, enabling its **successful A-share listing**.
- Full preparation facilitated the approval process with **only 57 days** from draft announcement to regulatory ratification.



Restructuring Zotye by Jinma Ltd to build a national auto champion

- The restructuring was valued at **RMB11.6bn** with a supporting financing of RMB2bn
- **An innovative deal structure** is designed in compliance with regulatory requirements for the injected assets, thus facilitating the transaction.
- After restructuring, Zotye can better access premium financial resources, improving R&D capabilities, core technology and competitiveness



A 20bn preferred share issue, the only listed preferred shares in China in 2017

- RMB20bn preferred share offering of the Bank of Jiangsu is **the only preferred share listing in China in 2017**
- The offering was **oversubscribed at twice of its original offering** with dividend ratio **at market** at issuance
- With the offering, Bank of Jiangsu enjoys sufficient capital to better support national economic adjustment and transformation.



Largest exchangeable corporate bond offering to date on the market

- The RMB16bn exchangeable corporate bonds offering is the **largest** of its kind on the market.
- This offering marked the **debut** of CCCC in the bond market.
- Through CCCC's offering, we further supported the **implementation of CCCC's SOE reform and mixed ownership reform**.



Completing Ciming's industry consolidation  
RMB2.697bn



First A-share IPO of a China Concepts Stock in 3 years  
RMB710mm



Highest subscription rate in CCB's RMBS project history  
RMB9.857bn



Everbright's transfer of ChinaUMS equities  
RMB590mm

Source: Company information, Wind data

## Increasingly Prominent Advantage in Institutional Business (cont'd)

Investment and trading business contributes significantly to overall results by actively addressing market change, optimizing investment strategies, and continuously improving the ability to gain absolute revenues. Continuous investment in PB business, research and institutional sales strengthened integrated service capabilities for institutional clients

### Equity investment and trading

1 Continues to strengthen the idea of **absolute revenue of value investment** by actively building industry database, conducting research from the perspective of industry chains, consistently optimizing **stock pool investment research and management**, and identifying investment products with high safety margins

2 Actively builds a **quantitative market-tracking system** to accomplish rational, exact management and improving investment allocation capabilities; expanding the breadth and depth of strategy research by promoting the development of trading tactics and business model upgrading and undertaking a full-blown overhaul of the **Big Data system** platform

### Fixed-income products, forex and commodities

#### Proprietary bond investment

Proprietary investment business consistently advances the initiative of the investment strategy through active employment of quantitative risk identification and hedging methods for the diversification and innovation of trading tactics, so as to **obtain low-risk excess income**

#### Commodities

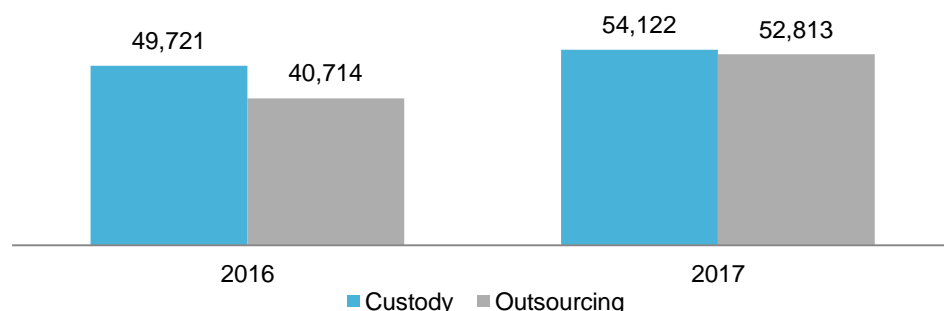
The commodities business focuses on expanding the trading categories and optimizing the trading pattern by advancing **gold leasing** and **design development for related commodities products**

#### Foreign exchange

The forex business actively promotes business model research and system construction to accelerate establishing a footprint in **cross-border business**

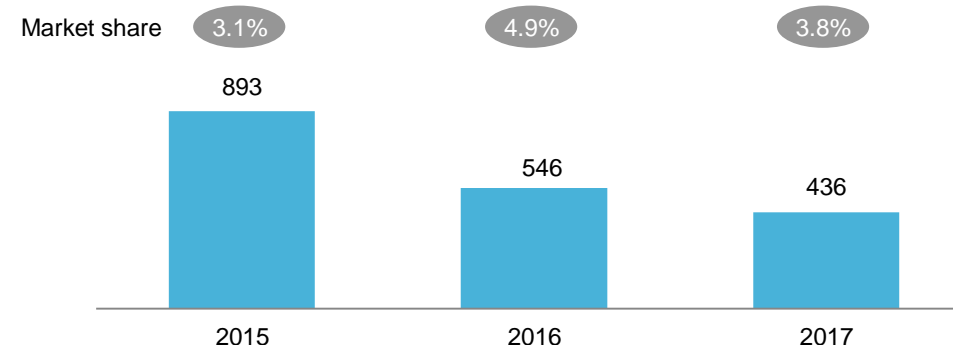
### Scale of fund custody and outsourcing businesses

(RMBmm)



### Mutual funds distribution

(RMBbn)



## Distinctive Strength in Investment Management Business

Asset management scale maintained market leading position, with enhanced active management capabilities supporting wealth management business. ABS scale ranked among industry top with leading innovation capabilities. Affiliated fund companies witnessed steady growth

### AUM of securities companies

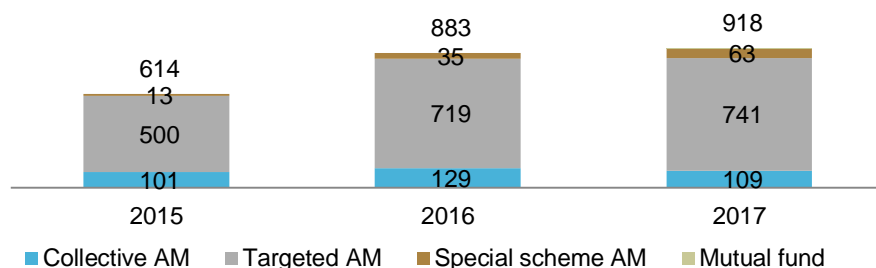
(RMBbn)

AUM ranking

3

2

2



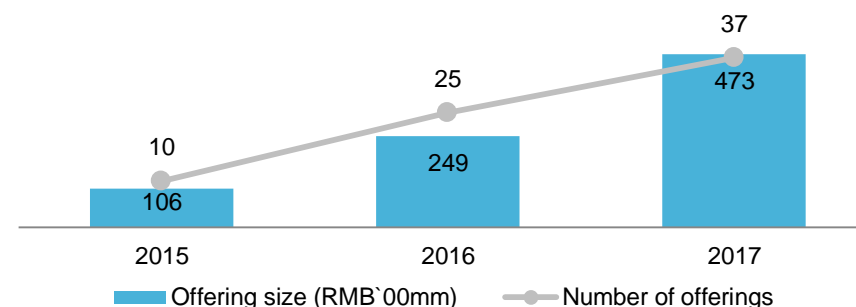
### Size of ABS business

Ranking

6

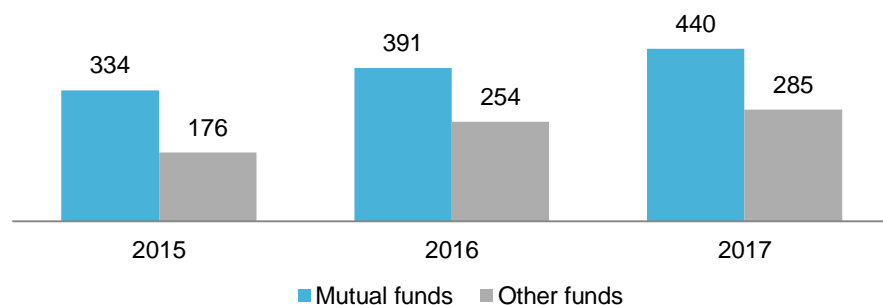
3

3

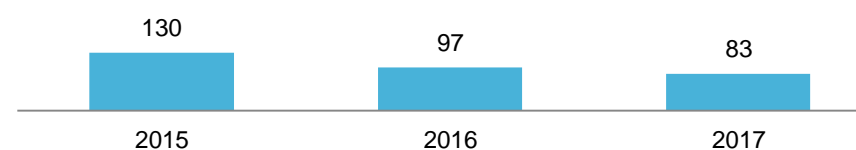


### AUM of affiliated mutual funds

(RMBbn)



(RMBbn)



Source: Company information, Wind data

# Notable Progress in International Business via Huatai Financial Holdings and AssetMark

Overseas business grew notably due to enhanced cross-border synergies. Huatai Financial Holdings made breakthroughs in major business areas while AssetMark recorded best in history results

## Huatai Financial Holdings



**No. 2** by *Institutional Investor* among Chinese institutions with the strongest research capabilities



Named by *China Financial Market* magazine as “**Annual IB Star**” of 2017 on the capital market



**No.1** Greater China Equity Fund 1-y Performance by *China Enterprise Association* in



**Structured Finance**  
Completed several leveraged buyouts financing with a market impact



**No. 3 in the US TAMP industry by 9.5% market share<sup>1</sup>**



## Investment management framework

The investment management framework of AssetMark enables financial advisors to efficiently build portfolios for investors, and easy explanation and marketing to investors

**Core Markets**

Broad market exposure allows investors to participate in the growth of the domestic or global economy

**Tactical Strategies**

Supplemental equity strategies that can add to portfolio performance or limit impact from extreme market declines.

**Diversifying Strategies**

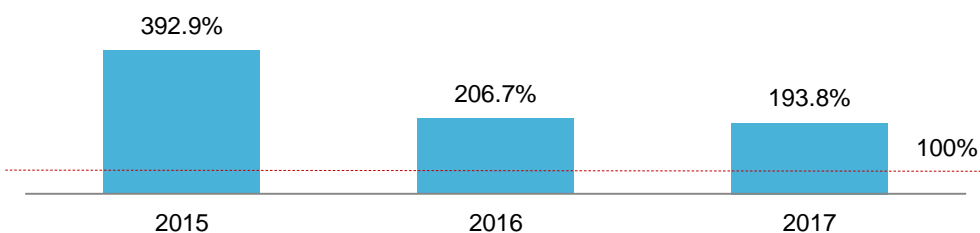
Low volatility or low correction strategies that can help smooth portfolio performance or allow greater equity exposure

Note: 1. As of 1Q2017

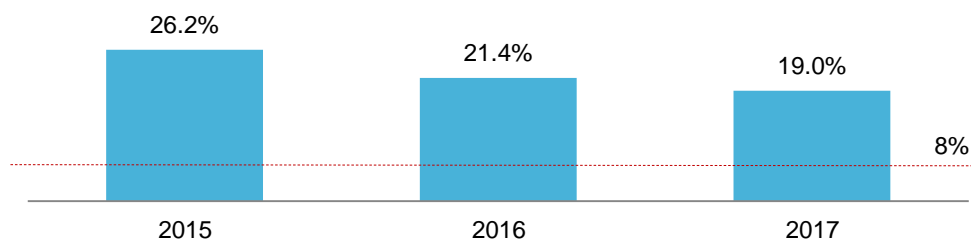
## Comprehensive Risk Management System to Sustain Sound Development

Improving the comprehensive risk management system featuring firm-wide coverage, penetration and IT support, with risk control metrics meeting regulatory and company requirements and operational risks under control.

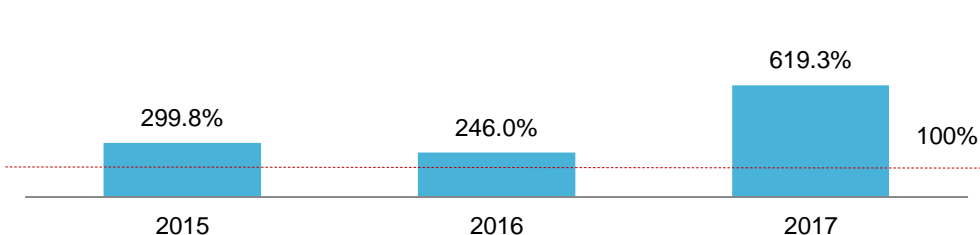
### Risk coverage ratio



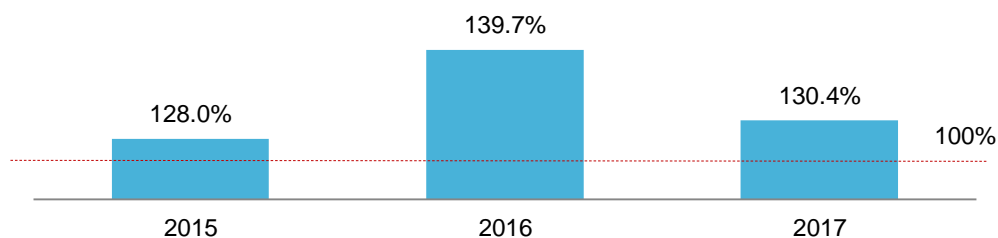
### Capital leverage ratio



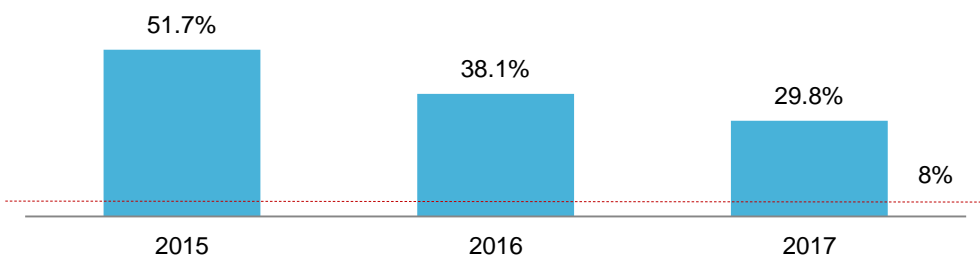
### Liquidity coverage ratio



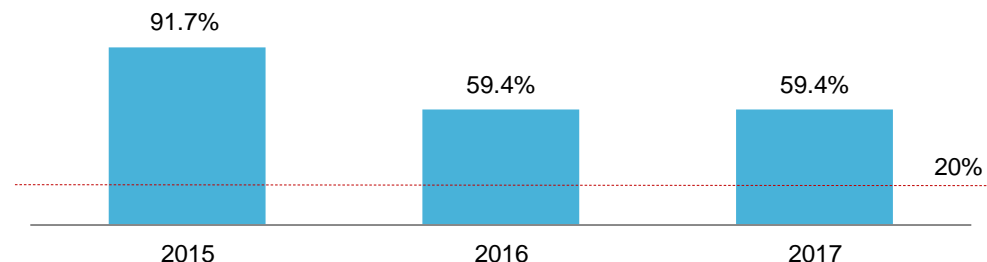
### Net stable funding ratio



### Net capital / Liabilities



### Net capital / Net assets



Source: Company materials

Note: 1. Red dashed line represents the ratio as stipulated by regulatory requirements

# Agenda

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**Company overview**

**Financial overview**

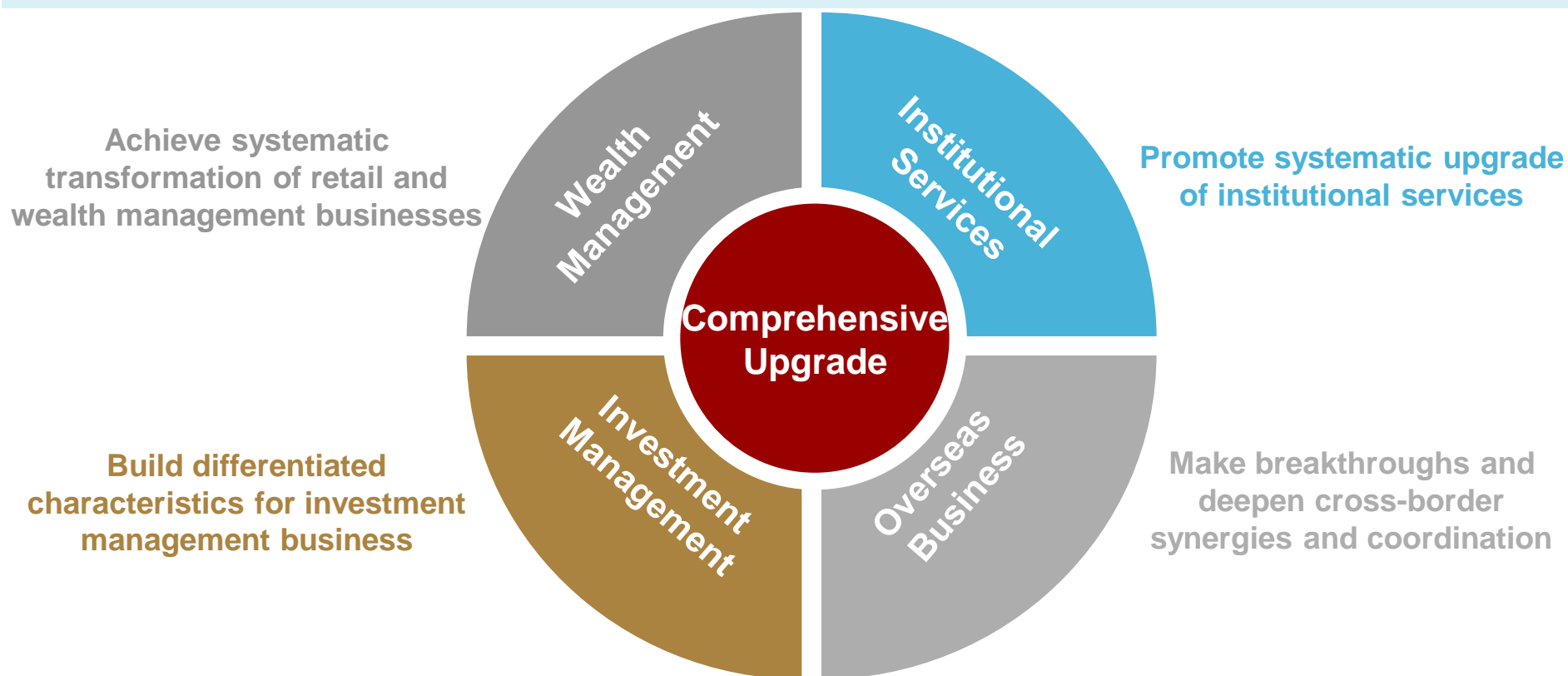
**Business overview**



**Development strategy**

## Development Strategy for 2018

**Focus on value creation for clients and aim for profitability enhancements**



**Build differentiated and forward-looking core competencies**

## Development and Business Strategies for 2018

<b>Wealth Management</b>	<ul style="list-style-type: none"> <li>✓ Build new retail business supported by trading activities and ZhangLe WM, with a long-term strategy to grow client base and client assets</li> <li>✓ Develop a wealth management system leveraging financial advisory services and the full-service chain; and optimize/upgrade wealth management service platform to beef up asset allocation capabilities</li> <li>✓ Manage financial products throughout the designing, introduction and allocation process and provide product offerings with differentiated competitiveness so as to scale up financial products and steadily grow capital intermediary business</li> </ul>
<b>Institutional Services</b>	<ul style="list-style-type: none"> <li>✓ Integrate resources from investment and trading, research and PB with IB as a locomotive and institutional sales as the channel to establish an integrated and specialized institutional client service system</li> <li>✓ Build a premier all-round investment bank by prioritizing clients and industries, leveraging M&amp;A strength, building up IPO project pools, and enhancing bond underwriting capabilities</li> <li>✓ Equity investment is transitioning from Big Data investment to transaction-centered model; vigorously promote the financial derivatives business while positioning FICC business towards a customer-centered approach.</li> <li>✓ Establish an integrated domestic and overseas research system to enhance market influence; improve the service capacity, competitiveness and scale of PB business.</li> </ul>
<b>Investment Management</b>	<ul style="list-style-type: none"> <li>✓ Underscore IB competitiveness, build a product system with fixed-income, structured, and equity products at its core, and improve its integrated competencies in asset acquisition, asset pricing and product designing.</li> <li>✓ Expand the whole ABS business chain to develop a ABS product line connecting primary and secondary markets</li> <li>✓ Achieve breakthrough in active management capabilities with a focus on FOF products</li> <li>✓ Deepen industry understanding, strengthen private equity business expertise and expand into high-end sectors</li> </ul>
<b>Overseas Business</b>	<ul style="list-style-type: none"> <li>✓ Establish differentiated competitiveness leveraging local resources, deepening cross-border synergies and prioritizing business areas</li> <li>✓ Accelerate domestic and overseas IB integration, strengthen cross-border research and institutional sales capabilities, build a diversified financial product platform covering domestic and overseas markets, and deepen strategic cooperation with AssetMark</li> </ul>



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