



2022 Full Year Results Media Briefing

Nicolas Aguzin *Chief Executive Officer, HKEX Group*
Vanessa Lau *Group Chief Financial Officer, HKEX Group*

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HKEX
香港交易所

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Agenda

01 | 2022 Key Highlights

02 | HKEX Group Financial Review

03 | Business and Strategic Update

04 | Appendix



2022 key highlights

Financial Performance

2022 : HK\$18.5b (-12%YoY)

Q4 2022: HK\$5.2b (+20%QoQ)

Revenue and other income

2022 : HK\$10.1b (-20%YoY)

Q4 2022: HK\$3.0b (+32%QoQ)

Profit attributable to shareholders

Business and Strategy

- **Record Q4; solid FY demonstrating resilience and diversification** despite challenging macroeconomic and geopolitical backdrop
- **Year of significant strategic progress:**
 - **ETFs included in Stock Connect; Swap Connect** announced (Jul 2022)
 - **Enhancement to Stock Connect trading calendar** announced (Aug 2022)
 - 3 new initiatives announced by CSRC (Sep 2022) offer significant potential: **(1) International HK-listed company inclusion in Stock Connect; (2) RMB trading counters to be included in HK Stock Connect; and (3) China Treasury bond futures available in Hong Kong**
 - **Launch of Core Climate**, new international HK-based carbon-trading platform
- **Cash market softness** reflecting global market sentiment, ADT down 25%YoY on record 2021
- **Diversification delivering results:**
 - **Very strong performance in derivatives markets** with record high ADV of 715k contracts (+33%YoY)
 - **Strong momentum in ETPs - ADT +56%YoY**; Technology revenue +9%YoY; Data revenue +5%YoY
- **2H 2022 positive sentiment returning to IPO market**, fundraisings more than four times 1H 2022
- **Market microstructure enhancements will further enhance competitiveness** – Derivatives Holiday Trading (May 2022), HKD-RMB Dual Counter Model and Market Making Programme announced (Dec 2022)



HKEX Group Financial Review



Record Q4 Revenue; FY Revenue down vs 2021 due to lower ADT, reflecting global market sentiment

Core business revenue⁽²⁾

2022 : HK\$18.4b
(↓9% vs 2021)
Q4 2022: HK\$4.8b
(↑10% vs Q3 2022)

Revenue and other income⁽³⁾

2022 : HK\$18.5b
(↓12% vs 2021)
Q4 2022: HK\$5.2b
(↑20% vs Q3 2022)

EBITDA

2022 : HK\$13.2b
(↓19% vs 2021)
Q4 2022: HK\$3.8b
(↑28% vs Q3 2022)

PAT

2022 : HK\$10.1b
(↓20% vs 2021)
Q4 2022: HK\$3.0b
(↑32% vs Q3 2022)

Basic EPS

2022 : HK\$7.96
(↓20% vs 2021)
Q4 2022: HK\$2.35
(↑31% vs Q3 2022)

DPS

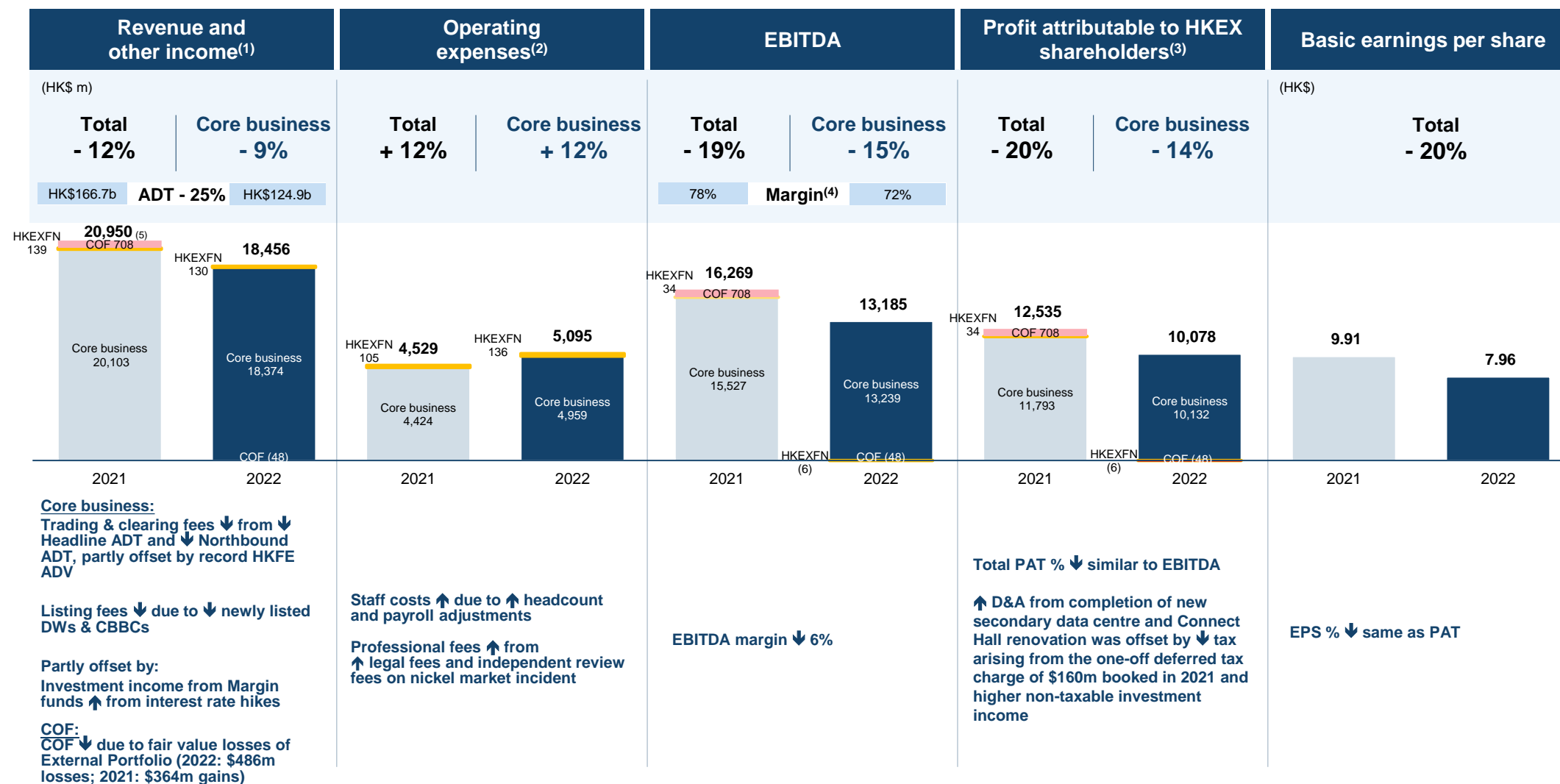
1st interim DPS : HK\$3.45 (paid)
2nd interim DPS : HK\$3.69
Full Year DPS : HK\$7.14
(↓20% vs 2021)



1. All percentage changes are computed based on amounts reported in financial statements
2. Core business revenue represents total revenue and other income, excluding net investment income/(loss) of Corporate Funds and HKEX Foundation (HKEXFN) donation income
3. Represents gross revenue and other income before deducting transaction-related expenses

FY financial results – 2022 vs 2021

Core business net profit down 14% from the record 2021, mainly driven by 25% lower Headline ADT

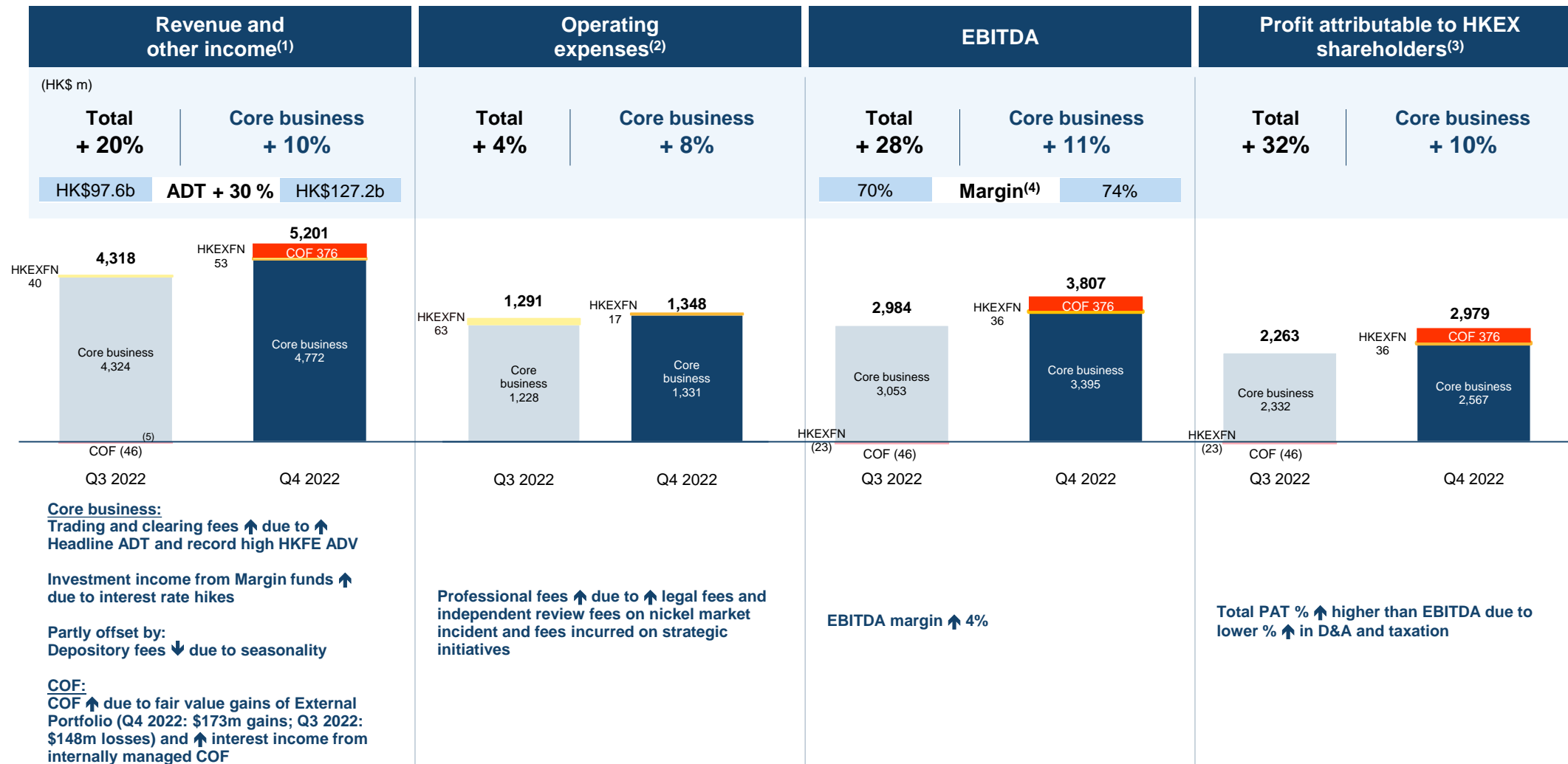


1. Represents gross revenue and other income before deducting transaction-related expenses (2021: \$152m; 2022: \$176m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses
5. COF represents net investment income/(loss) of Corporate Funds



Quarterly financial results – Q4 2022 vs Q3 2022

Record Q4: Net profit up 32% reflecting stronger cash market, record derivatives volume and higher investment income

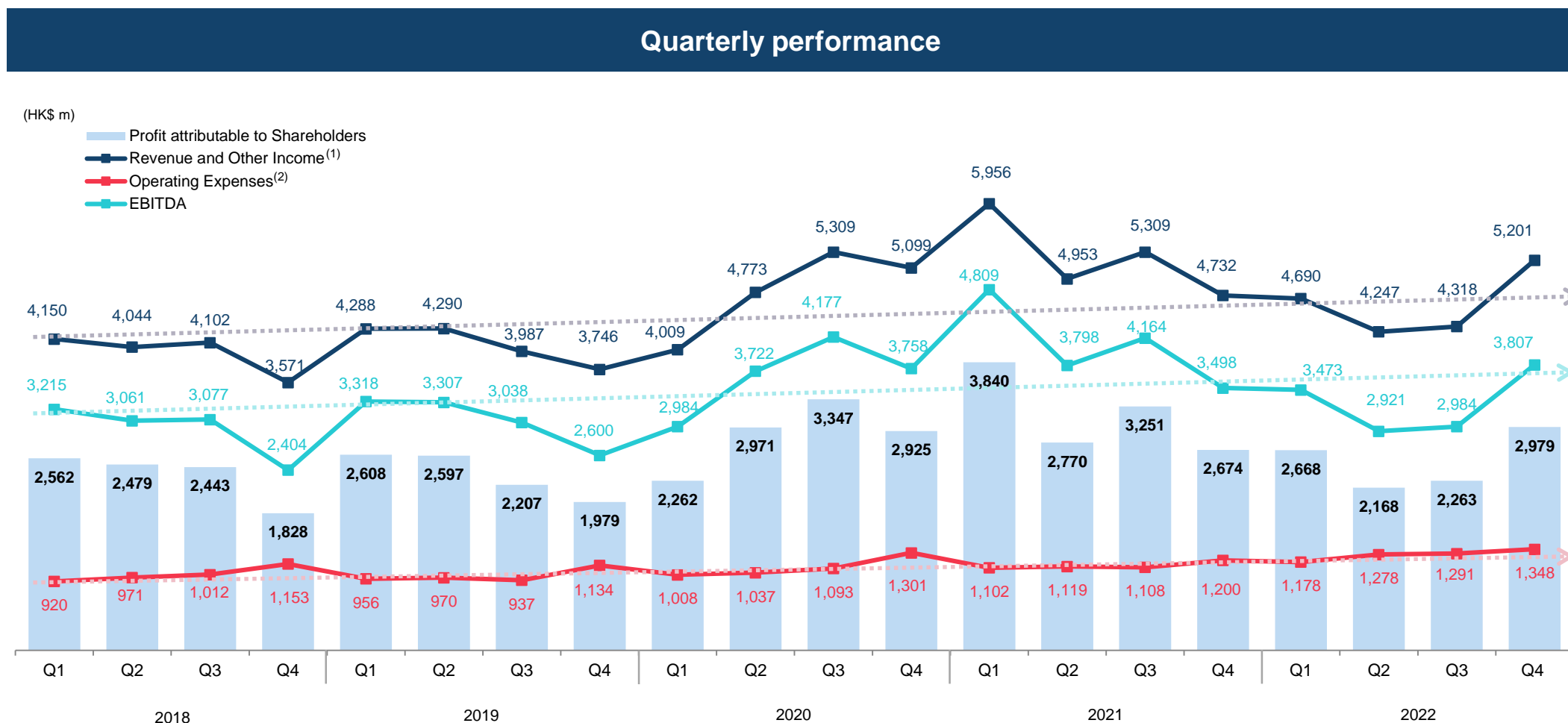


1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2022: \$43m; Q4 2022: \$46m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF
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Quarterly performance

2022 results in-line with long-term normalised levels



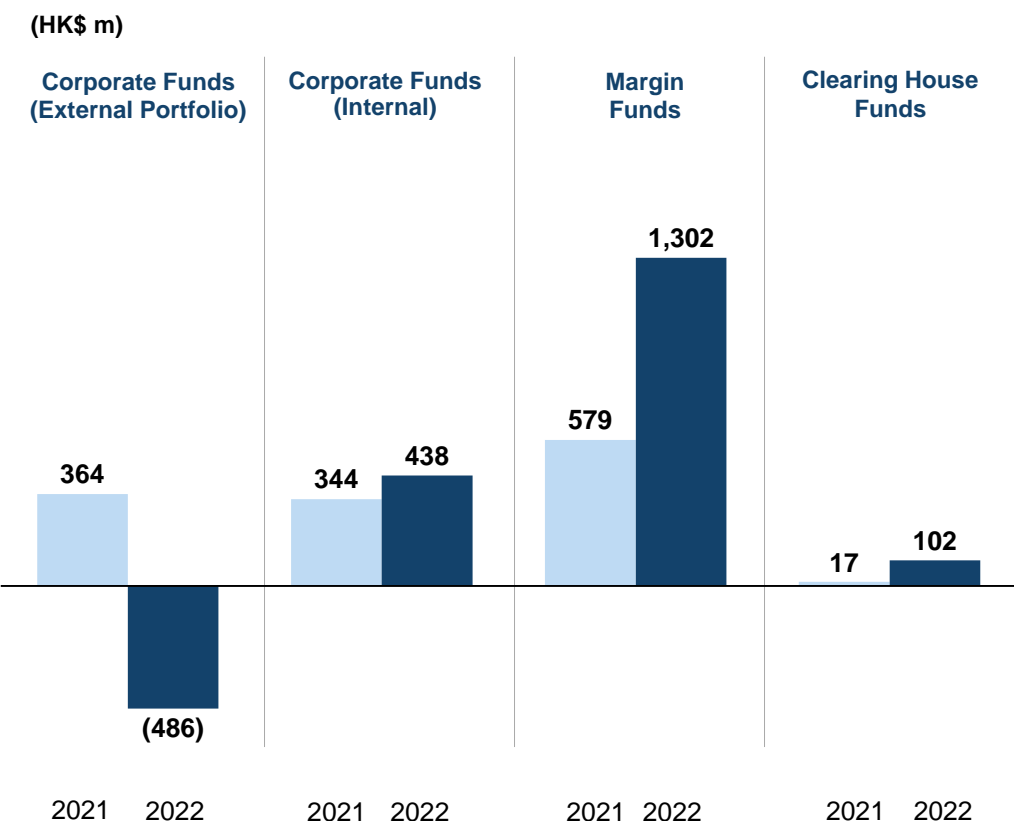
1. Represents gross revenue and other income before deducting transaction-related expenses
2. Exclude transaction-related expenses, depreciation and amortisation, finance costs, share of results of joint ventures, and certain exceptional costs
3. Dotted trend lines are illustrative and do not constitute a forward forecast

Net investment income – 2022 vs 2021

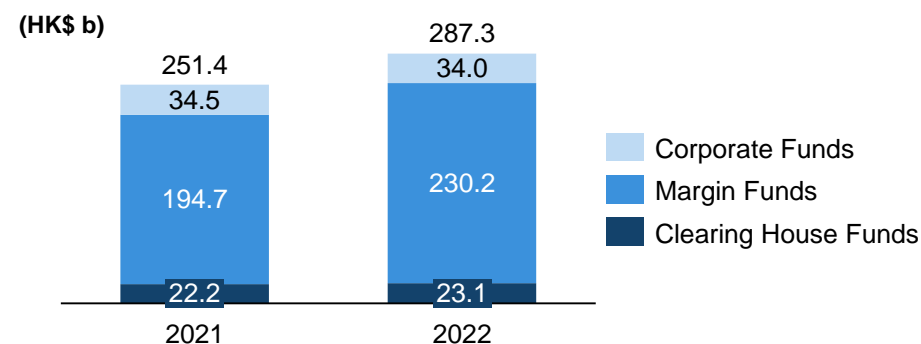
Net investment income (NII) benefited from higher interest rates

2022: HK1,356m (up 4%YoY)

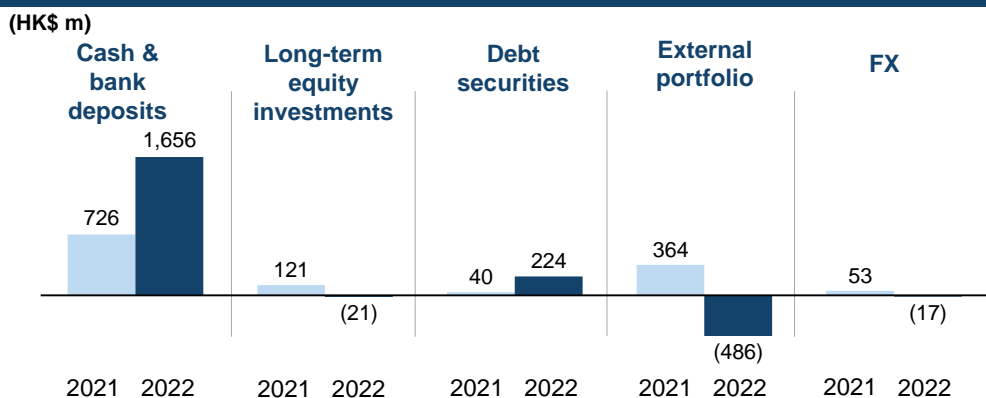
Net investment income by funds



Average fund size



Net investment income by category of investments



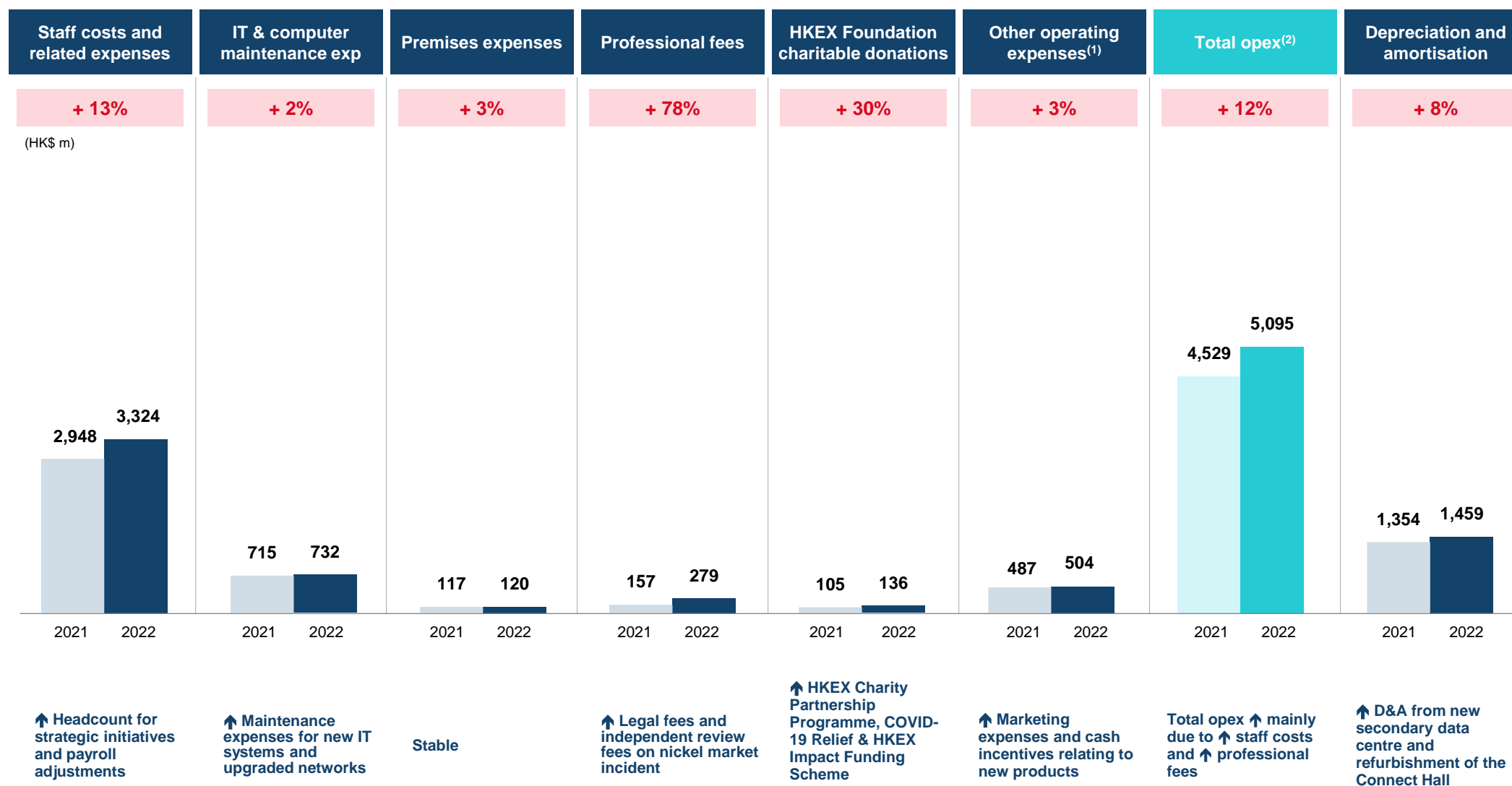
HK\$2b of external portfolio was redeemed in 2022, reducing earnings volatility.
Q4 2022 external portfolio gains HK\$173m (Q3 2022: losses HK\$148m). Margin Funds NII up 125% in 2022 given higher interest rates and larger fund size

- Financial figures on this slide are computed based on financial figures disclosed in 2022 and 2021 results announcements.
- Margin Funds and Clearing House Funds of LME Clear are mainly invested in overnight reverse repurchase investments, where high quality assets are held against such investments as collateral. In Hong Kong, Clearing House Funds are predominantly kept overnight or invested in Exchange Fund Bills issued by the Hong Kong Monetary Authority due to regulatory requirements. For Margin Funds, a certain proportion of the funds are kept overnight to meet withdrawal requests from Clearing Participants (approximately 20% at 31 Dec 2022), a certain proportion is invested in long-term investment grade debt securities (approximately 5% at 31 Dec 2022) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of seven months as at 31 Dec 2022).



Operating expenses and depreciation & amortisation – 2022 vs 2021

Investment in talent, infrastructure and strategic initiatives

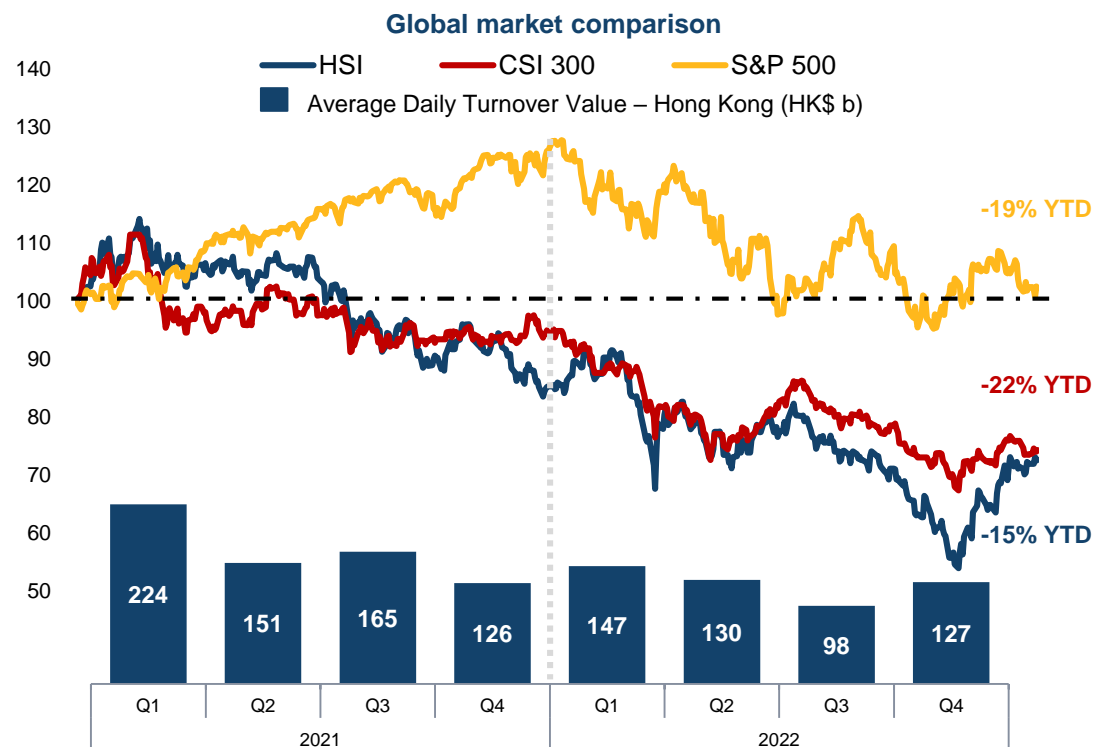


1. Includes product marketing and promotion expenses
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures



Business and Strategic Update

Strong, resilient 2022 FY performance in a challenging market



Key market indicators (2021 – 2022)								
	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Derivatives Market ADV ('000 contracts)	1,411	997	1,226	1,017	1,342	1,274	1,115	1,483
NB ADT (RMB b)	126.8	101.0	139.3	110.9	105.9	101.8	96.7	97.6
LME ADV ('000 lots)	564	577	571	580	620	515	496	507
No. of IPOs	32	14	27	25	17	10	29	34
IPO funds raised (HK\$ b)	136.6	75.1	74.2	45.4	14.9	4.8	53.5	31.4

Diversification helped to mitigate lower cash market volumes

- Cash Market ADT at HK\$124.9b (down 25%YoY), reflecting global market sentiment
- ADV of derivatives traded on HKFE: 715k (up 33%YoY, new record high), driven by increased hedging needs in volatile market and demand for newly launched derivatives contracts
- MSCI China A50 good growth, ADV 16,882 contracts (up 46%*)

Connect programmes continued to perform well

- Stock Connect: revenue of HK\$2.3b (down 17%YoY), contributed 12% of the Group's total revenue
- Bond Connect Northbound ADT: record high RMB32.2b (up 21%YoY)
- ETFs included in Stock Connect since 4 Jul 2022. Southbound ADT HK\$908m, Northbound ADT RMB67m (since commencement)

2H 2022 positive sentiment returning to IPO market

- IPO funds raised HK\$104.6b (down 68%YoY, 2H 2022 more than four times vs 1H 2022), with 65% from New Economy and Biotech companies
- IPO pipeline remains robust with over 90 active applications as at 31 Dec 2022 and 63 newly listed companies in 2H 2022 (1H 2022: 27)

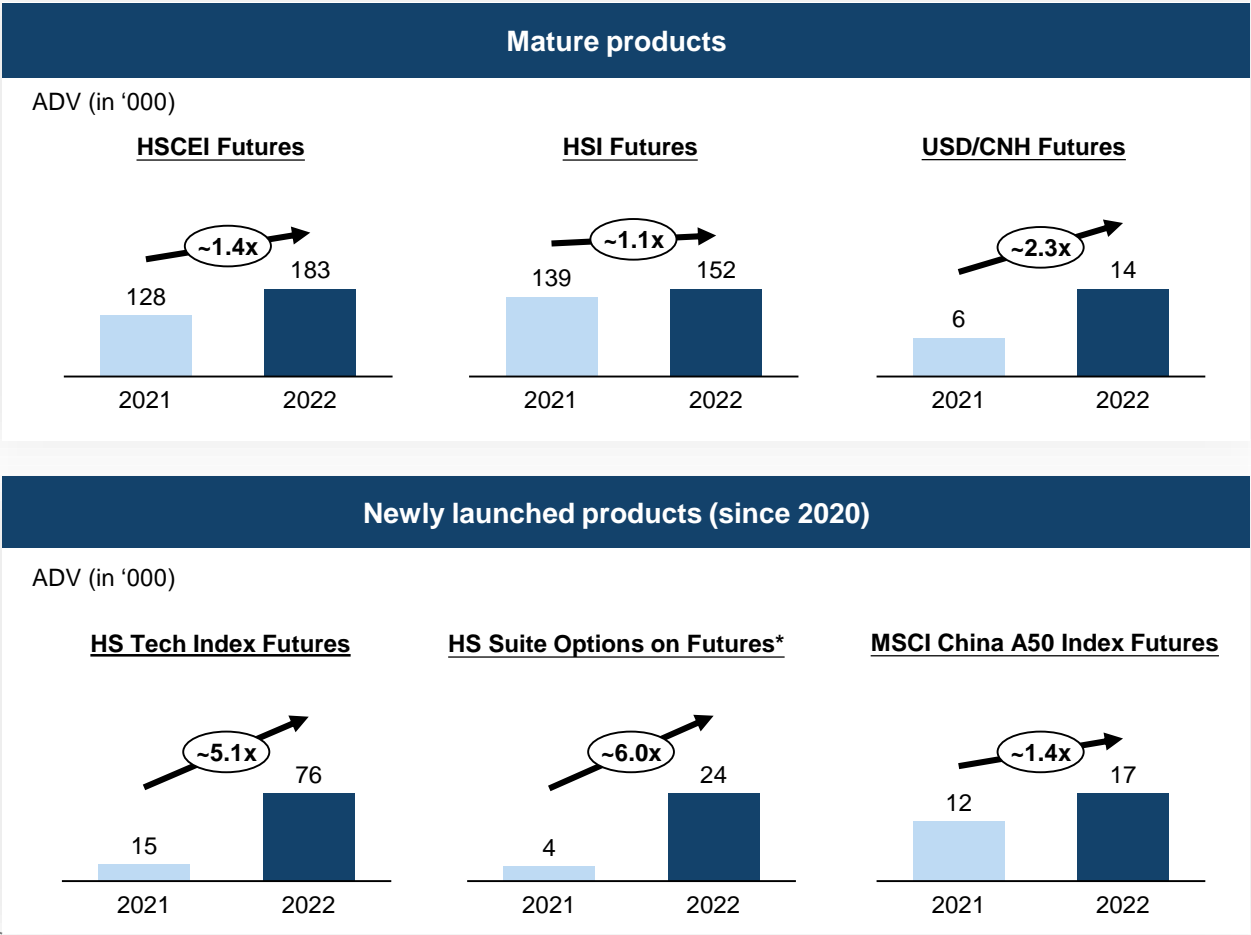
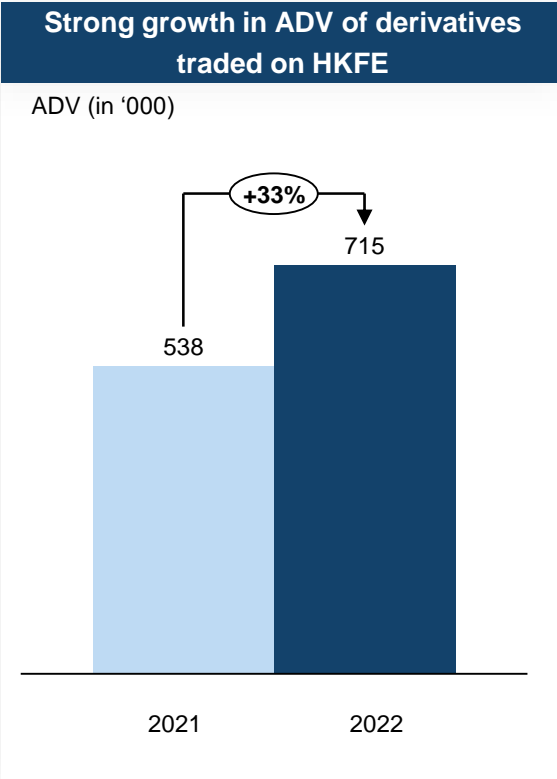


Source: HKEX, Bloomberg

Figures represent data for 2022 unless otherwise stated

* Against the ADV during the period since launch (18 Oct 2021) to 31 Dec 2021

Diversification delivering results: Strong growth in major derivatives contracts

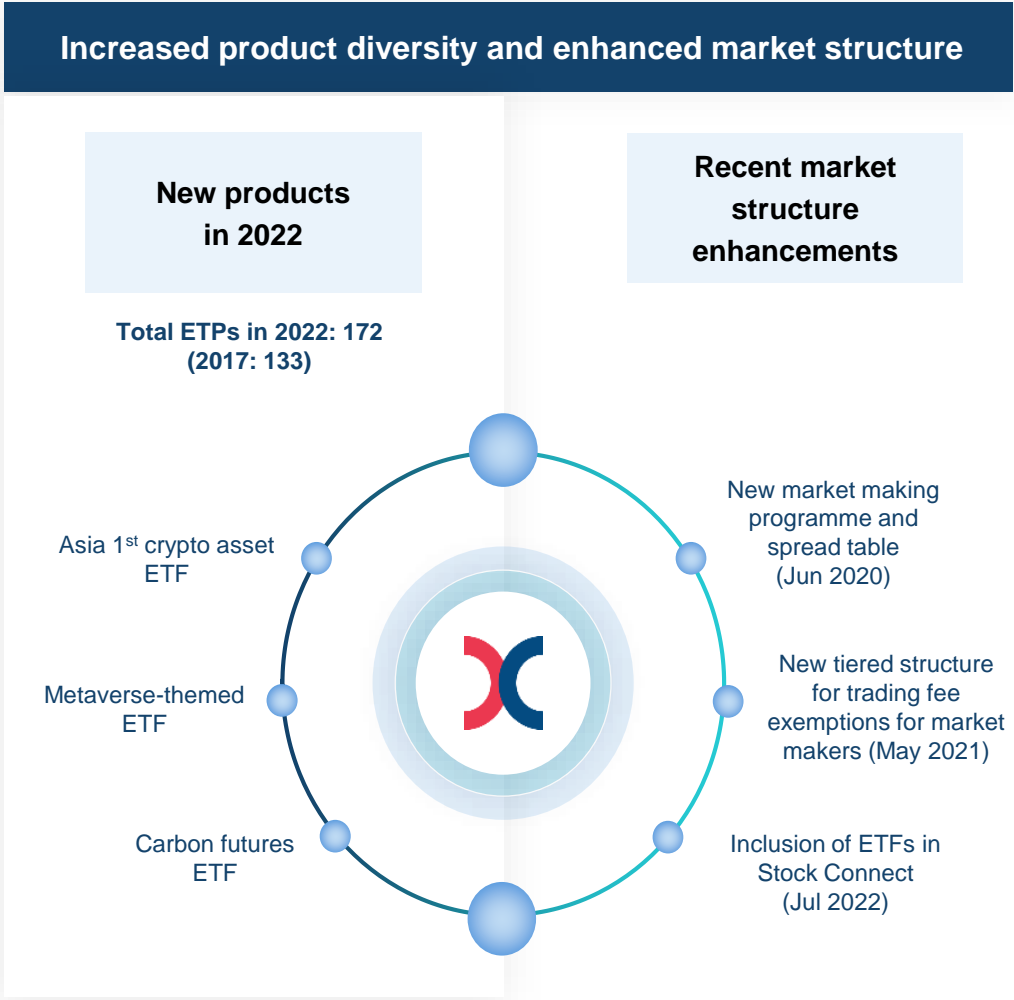
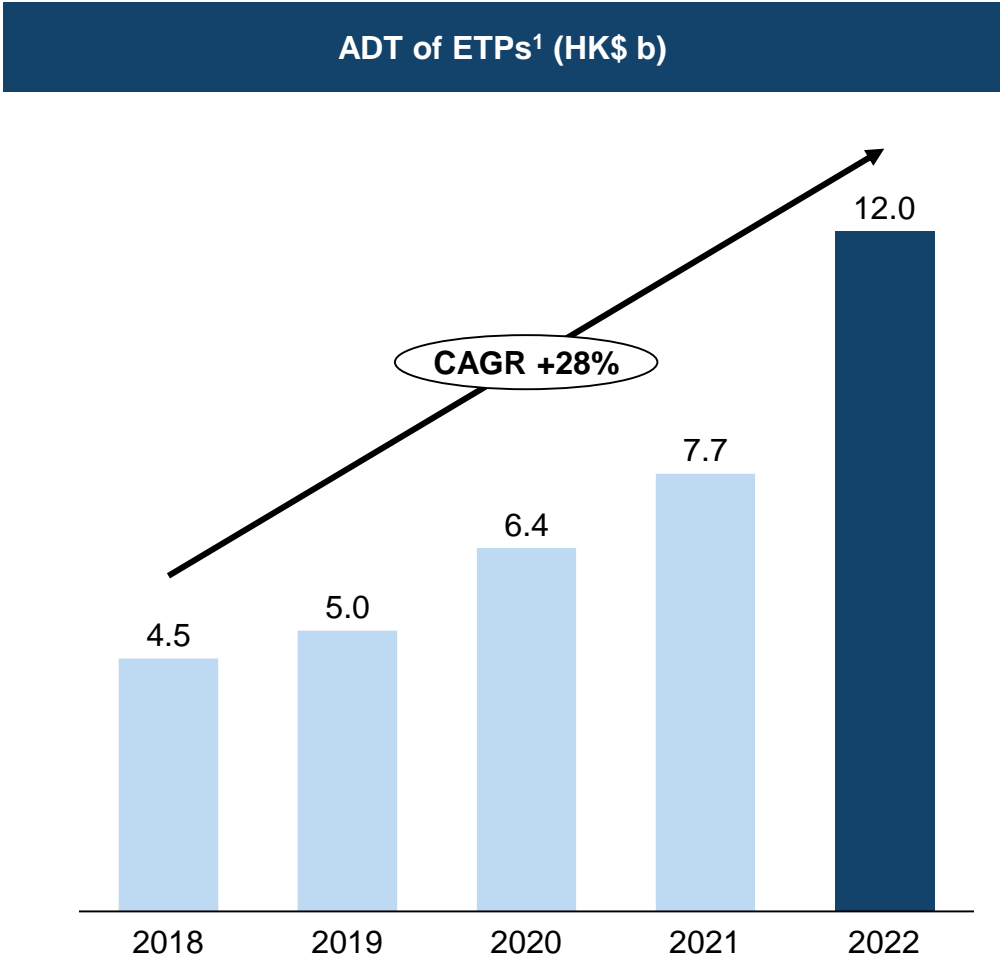


Expanded offerings and increasing cross product trading support growth in derivatives



Source: HKEX
* Represents HSI futures options, HSCEI futures options and HS Tech Index futures options

Diversification delivering results: Strong growth in ETP market, with expanded products and enhanced market structure



Source: HKEX
1. Include ETFs and L&I (Leveraged and Inverse) Products



Good year of strategic progress

		Connecting China and the World - Leverage our China Advantage	Connecting Capital with Opportunities - Improve our market liquidity and ecosystem	Connecting Today with Tomorrow - Prepare our organization for the future
Focus areas	Highlights in 2022	<ul style="list-style-type: none"> Enhance “Connect” programmes Become China’s go-to offshore risk management centre Solidify role as China’s preferred offshore fund raising centre Grow China-related products 	<ul style="list-style-type: none"> Further build attractiveness of primary market Enhance market structure Expand product ecosystem Grow client ecosystem 	<ul style="list-style-type: none"> Modernise infrastructure Evolve from infrastructure-led to client-led model Develop strong digital capabilities Leverage data
		<p>ETFs included in Stock Connect and Swap Connect announced (Jul)</p> <p>Enhancement to Stock Connect trading calendar announced (Aug)</p> <p>First A-share structured products, MSCI China A 50 DW, listed (Aug)</p> <p>CSRC’s 3 new initiatives (Sep): 1) include HK-listed foreign companies in Stock Connect; 2) add RMB trading counters to HK Stock Connect; 3) offer Treasury bond futures in HK</p>	<p>New listing regime for Overseas Issuers and SPAC implemented (Jan); Listing regime for Specialist Tech Companies consultation announced (Oct)</p> <p>Derivatives Holiday Trading launched (May) with extended trading hours (Nov)</p> <p>HKD/RMB Dual Counter Model and Dual Counter Market Making Programme announced (Dec)</p> <p>New York office opened (Dec) and soon the first European office</p>	<p>Upgraded Electronic Communication Platform for clients to exchange files with HKEX (Apr)</p> <p>HK’s international carbon marketplace, Core Climate, launched (Oct)</p> <p>New Hosting Services data hall upgrade completed (Oct)</p> <p>115 sustainable-focused products now displayed on STAGE (Dec)</p>


We are building the Marketplace of the Future



Looking ahead

- **Good solid start to 2023** - January 2023 cash market ADT reaching HK\$140b (up 10% against Q4 2022), with 10 IPOs. Global appetite for regional exposure remains strong and Hong Kong continues to be a superconnector between East and West
- **Market sentiment more optimistic**, driven by a relaxation in global monetary and fiscal tightening and Mainland China's stated commitment to continued opening-up and unwinding of their zero-Covid policy
- **Continued expansion of Connect programmes** offers further growth opportunities
- **Uncertainties still persist** - inflationary pressures, geopolitical tensions and risk of global economic recession. These will continue to affect market sentiment and impact returns on the external portfolio
- **Earnings volatility reduces** after HK\$2b of external portfolio was redeemed. **High interest rates** will continue to benefit internally-managed investment income
- **We will continue to invest - in talent, technology, client and risk management** to ensure we can continue to deliver on our strategy
- **Business is strongly positioned** to embrace future opportunities



A nighttime photograph of a dense urban skyline. Tall skyscrapers with illuminated windows frame a central view of a highway interchange. Long-exposure light trails from cars create vibrant streaks of red and white on the road. The sky is a deep twilight blue.

Welcome questions

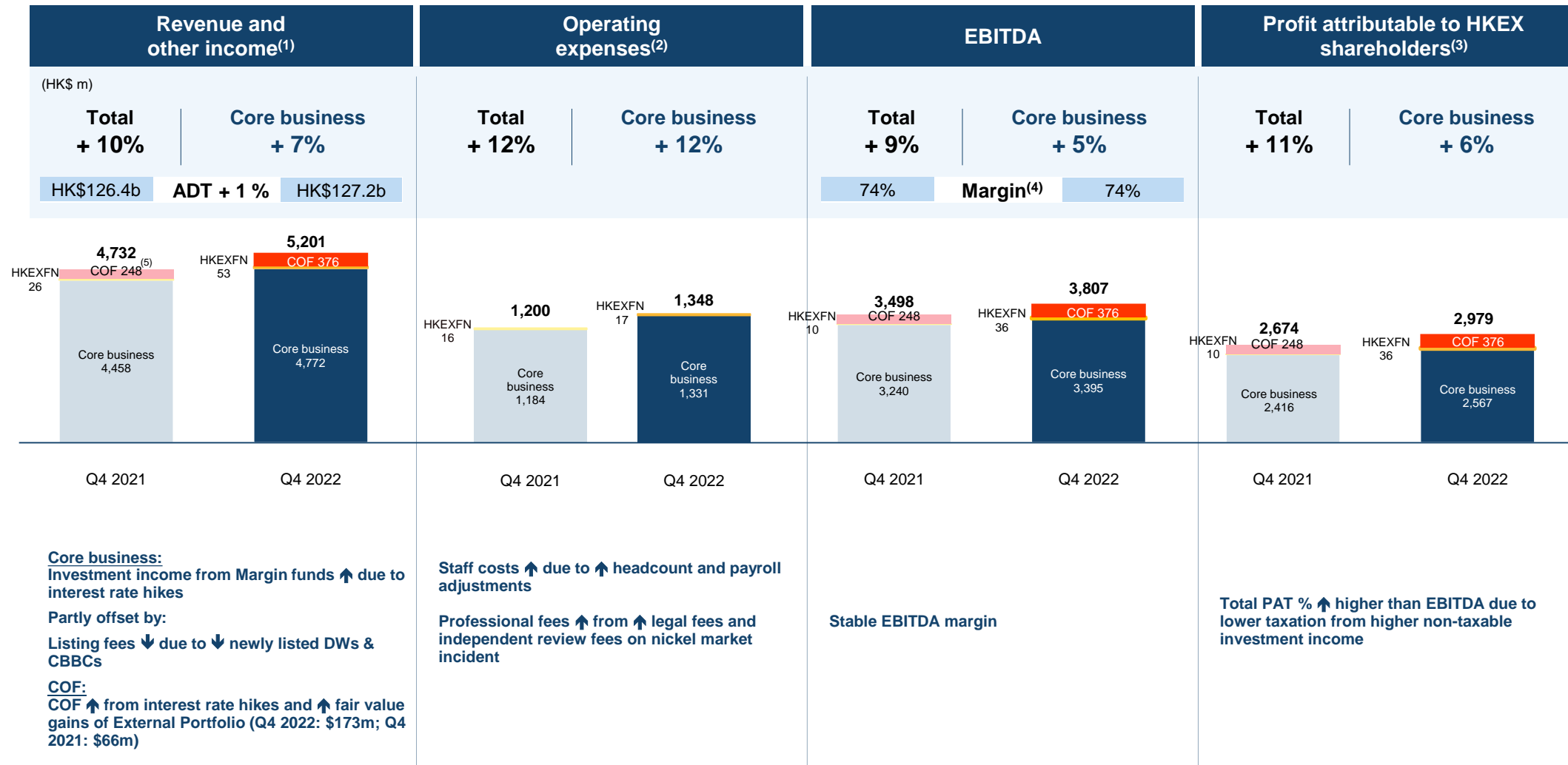
Q&A Session

Appendix



Quarterly financial results – Q4 2022 vs Q4 2021

Record Q4: resilient core business, boosted by higher investment income



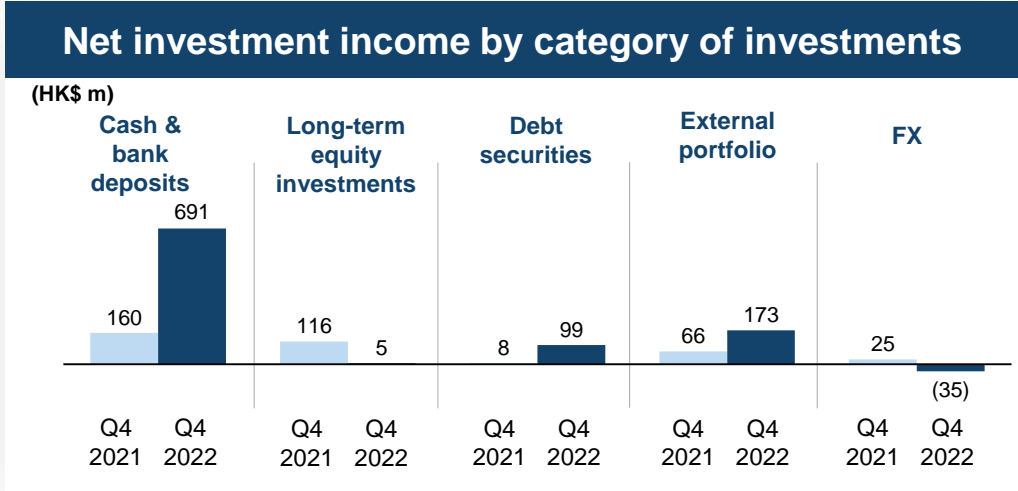
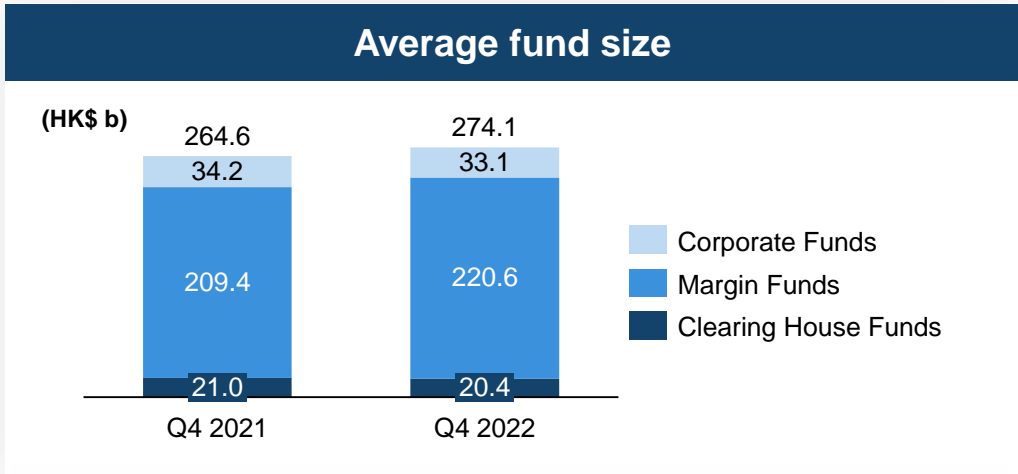
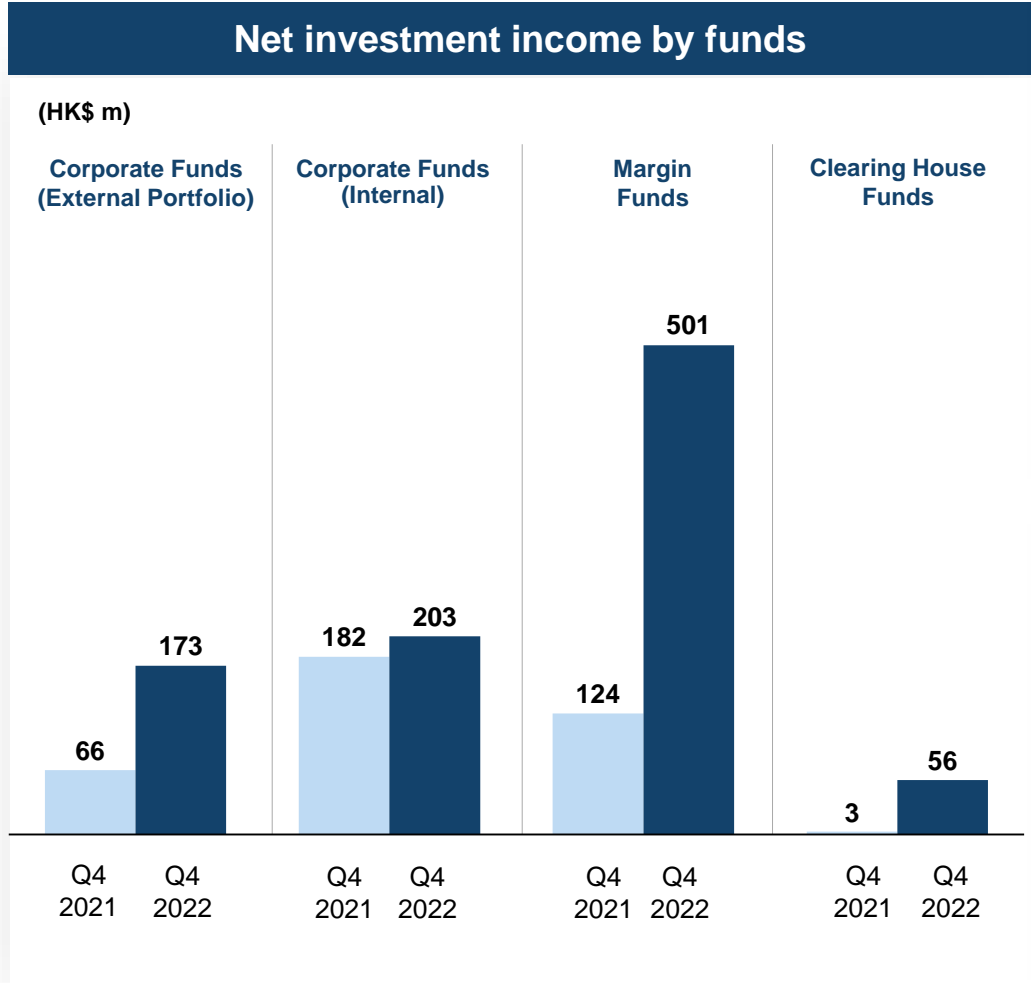
1. Represents gross revenue and other income before deducting transaction-related expenses (Q4 2021: \$34m; Q4 2022: \$46m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact of COF is not considered when calculating the PAT attributable to COF
4. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses
5. COF represents net investment income/(loss) of Corporate Funds



Net investment income – Q4 2022 vs Q4 2021

Net investment income boosted by higher interest rate and improved external portfolio performance

Q4 2022: HK\$933m (Q4 2021: HK\$375m)



1. Financial figures on this slide are computed based on financial figures disclosed in 2022 and 2021 results announcements.

2. Margin Funds and Clearing House Funds of LME Clear are mainly invested in overnight reverse repurchase investments, where high quality assets are held against such investments as collateral. In Hong Kong, Clearing House Funds are predominantly kept overnight or invested in Exchange Fund Bills issued by the Hong Kong Monetary Authority due to regulatory requirements. For Margin Funds, a certain proportion of the funds are kept overnight to meet withdrawal requests from Clearing Participants (approximately 20% at 31 Dec 2022), a certain proportion is invested in long-term investment grade debt securities (approximately 5% at 31 Dec 2022) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of seven months as at 31 Dec 2022).



Financial highlights – Income Statement

(HK\$ m, unless stated otherwise)	2022	% of Revenue & Other Income	2021	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	18,456	100%	20,950	100%	(12%)
Less: Transaction-related expenses	(176)	(1%)	(152)	(1%)	16%
Revenue and other income less transaction-related expenses	18,280	99%	20,798	99%	(12%)
Operating expenses	(5,095)	(28%)	(4,529)	(22%)	12%
EBITDA	13,185	71%	16,269	78%	(19%)
Depreciation and amortisation	(1,459)	(8%)	(1,354)	(6%)	8%
Operating profit	11,726	64%	14,915	71%	(21%)
Finance costs and share of results of joint ventures	(67)	(0%)	(74)	(0%)	(9%)
Profit before taxation	11,659	63%	14,841	71%	(21%)
Taxation	(1,564)	(8%)	(2,343)	(11%)	(33%)
(Profit)/loss attributable to non-controlling interests	(17)	(0%)	37	0%	N/A
Profit attributable to HKEX shareholders	10,078	55%	12,535	60%	(20%)
Capex	1,184		1,127		5%
Basic earnings per share	HK\$7.96		HK\$9.91		(20%)
Headline ADT on the Stock Exchange	HK\$124.9b		HK\$166.7b		(25%)

1. % may not add up due to rounding



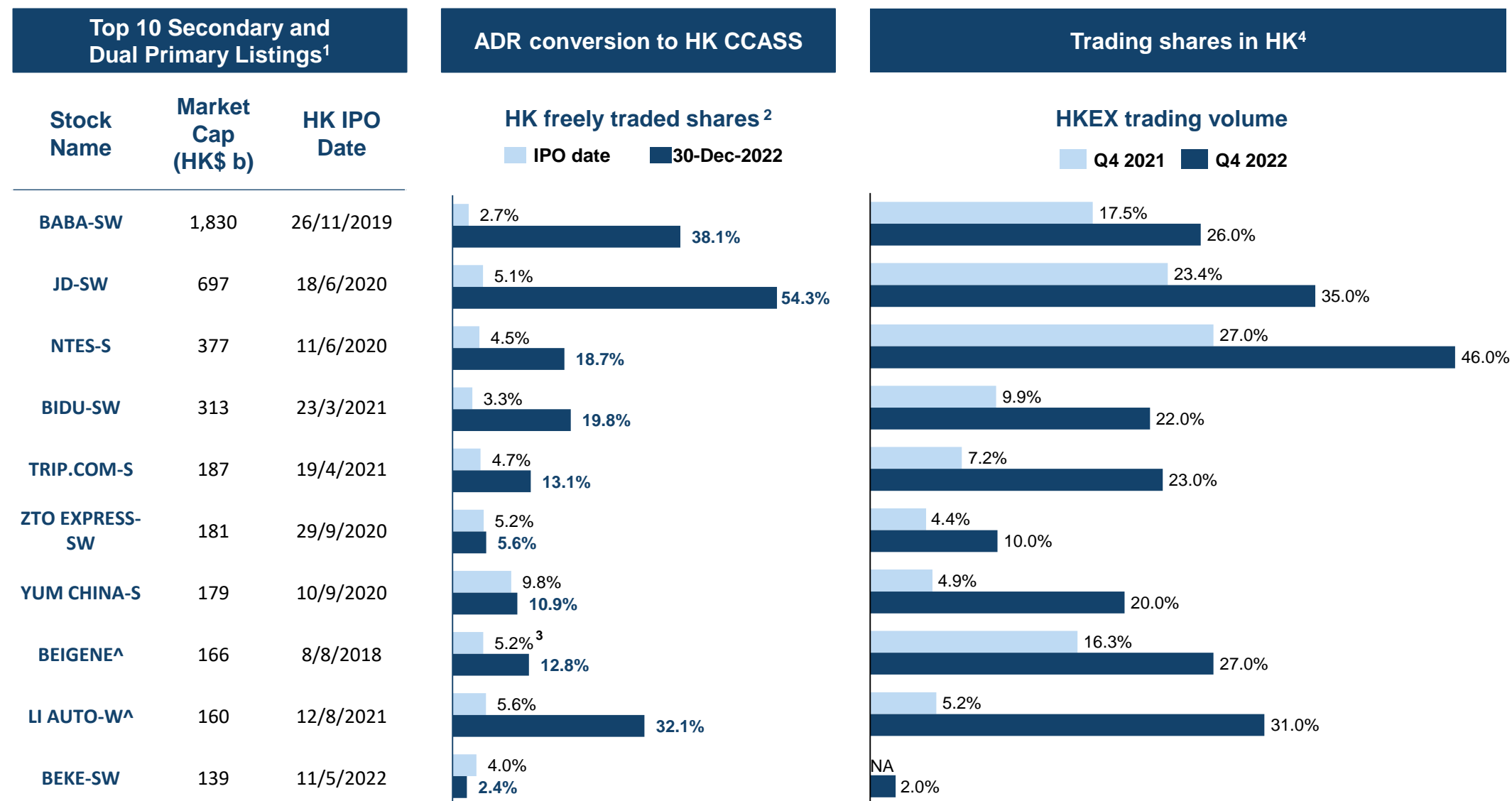
Performance by operating segment

HK\$ m	Cash	Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group 2022	Group 2021
Revenue and other income	5,055	3,176	1,344	7,642	1,145	94	18,456	20,950
<i>% of Group Total</i>	<i>27%</i>	<i>17%</i>	<i>7%</i>	<i>41%</i>	<i>6%</i>	<i>1%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	-	(165)	-	(11)	-	-	(176)	(152)
Revenue and other income less transaction-related expenses	5,055	3,011	1,344	7,631	1,145	94	18,280	20,798
Operating expenses	(732)	(695)	(751)	(938)	(322)	(1,657)	(5,095)	(4,529)
EBITDA	4,323	2,316	593	6,693	823	(1,563)	13,185	16,269
<i>% of Group Total</i>	<i>33%</i>	<i>18%</i>	<i>4%</i>	<i>51%</i>	<i>6%</i>	<i>(12%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin⁽¹⁾</i>	<i>86%</i>	<i>77%</i>	<i>44%</i>	<i>88%</i>	<i>72%</i>	<i>N/A</i>	<i>72%</i>	<i>78%</i>
Depreciation and amortisation							(1,459)	(1,354)
Finance costs							(138)	(154)
Share of results of joint ventures							71	80
Profit before taxation							11,659	14,841

1. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses
2. % may not add up due to rounding



Continuous ADR conversion and trading migration from China concept homecoming



Source: HKEX, FactSet, as of 30 Dec 2022 [^]Dual Primary Listing

1. Ranked by market cap

2. Based on total CCASS balance deducting the balance of main custodian bank as reference

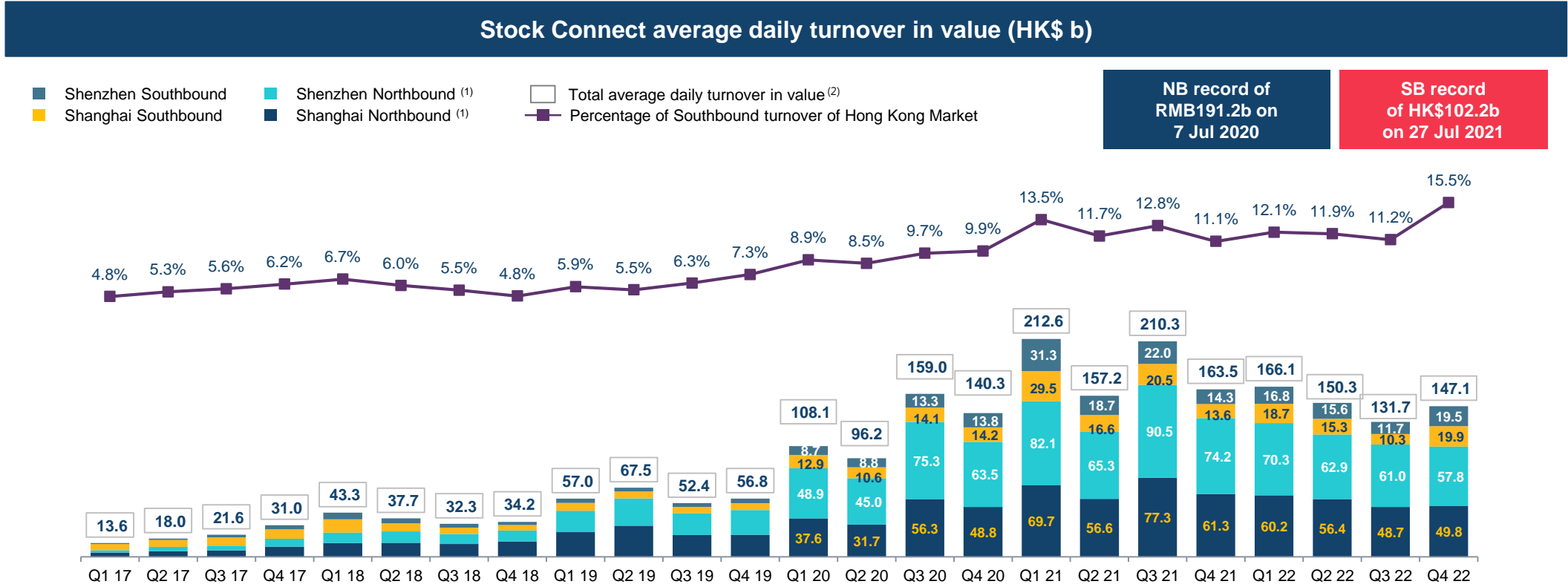
3. HK freely traded shares of Beigene (6160.HK) on its IPO date is not available and the earliest data available is as of 14 Jan 2022

4. Trading shares in US via various exchanges which include Nasdaq, NYSE, NYSE Arca, FINRA ADF and others. (FINRA ADF is an equity trading facility created by a self-regulatory organization FINRA. The ADF provides members with a facility for the display of quotations, the reporting of trades, and the comparison of trades such as dark pool trading)



Stock Connect – trading trends

Stock Connect generated revenue of HK\$2,268m in 2022, 17% lower than HK\$2,724m in 2021



Stock Connect Northbound and Southbound Trading ADT reached RMB100.4b and HK\$31.7b respectively in 2022

Stock Connect revenue reached 12% of the Group's total revenue and other income in 2022 (2021: 13%)

Source: HKEX, SSE and SZSE data

- 1. Northbound (NB) trading is conducted in RMB; the NB figures in the chart are converted to HKD based on the month-end exchange rate
- 2. May not add up due to rounding



Thank you.

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