

# Leveraging Our Financial Strength, Investing for Growth

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Group Chief Financial Officer



# Strong Track Record of Revenue Growth

Key Drivers Include Cash and Derivatives Volumes, IPOs and Stock Connect

## Revenue and Other Income (Before Deducting Transaction-related Expenses)

HK\$m

Y-o-Y change:

+19%

+20%

+3%

+18%

+9%



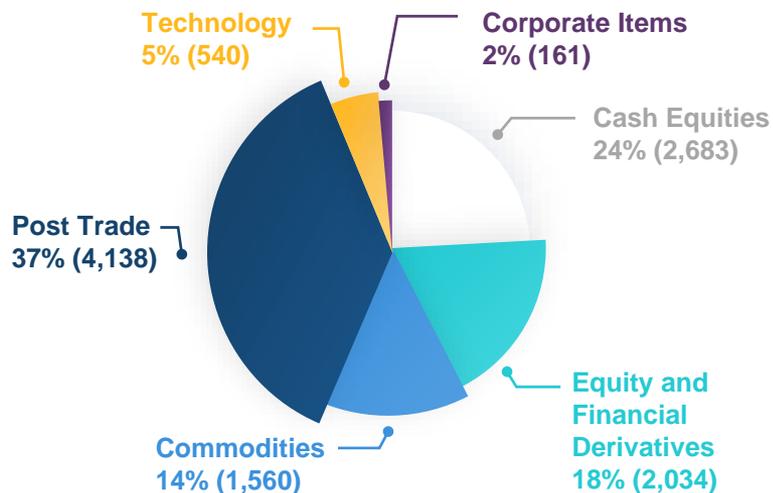
- 2021 revenue growth driven by record headline ADT and Northbound ADT
- Partly offset by lower net investment income attributable to low interest rate environment

# Strong Growth Across Most Segments

Asset class and product revenue<sup>1</sup> diversification will continue

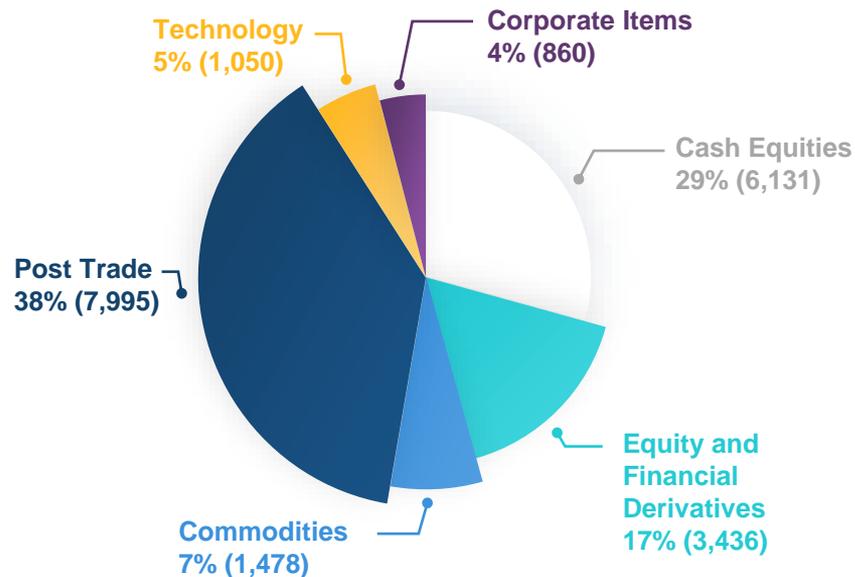
2016

HK\$m



2021

HK\$m



1. Represents gross revenue and other income before deducting transaction-related expenses



# Trading Volumes Returned to Normalized Level After a Buoyant Q1 2021 in Cash Market

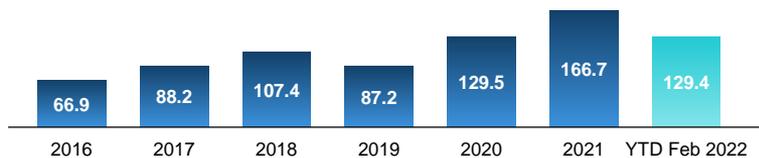
## YTD February 2022 Cash Market Trading Volumes Similar to 2020 Level

### Headline ADT

\$ billions  
Y-o-Y change:



2016 – 2021 CAGR : 20%

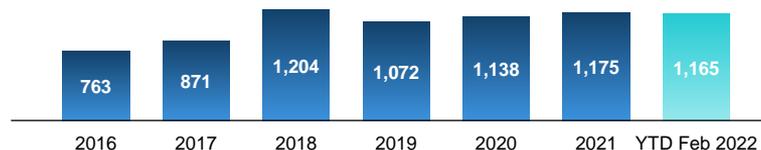


### Derivatives ADV

'000 contracts  
Y-o-Y change:



2016 – 2021 CAGR : 9%

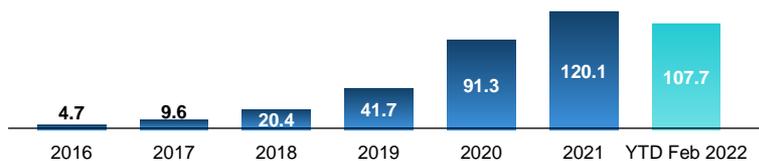


### Stock Connect Northbound ADT

RMB billions  
Y-o-Y change:



2016 – 2021 CAGR : 91%

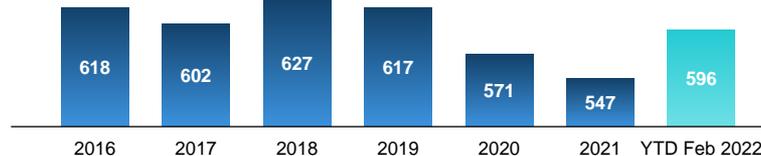


### LME Chargeable Contracts (Exclude Admin Trades) ADV

'000 contracts  
Y-o-Y change:

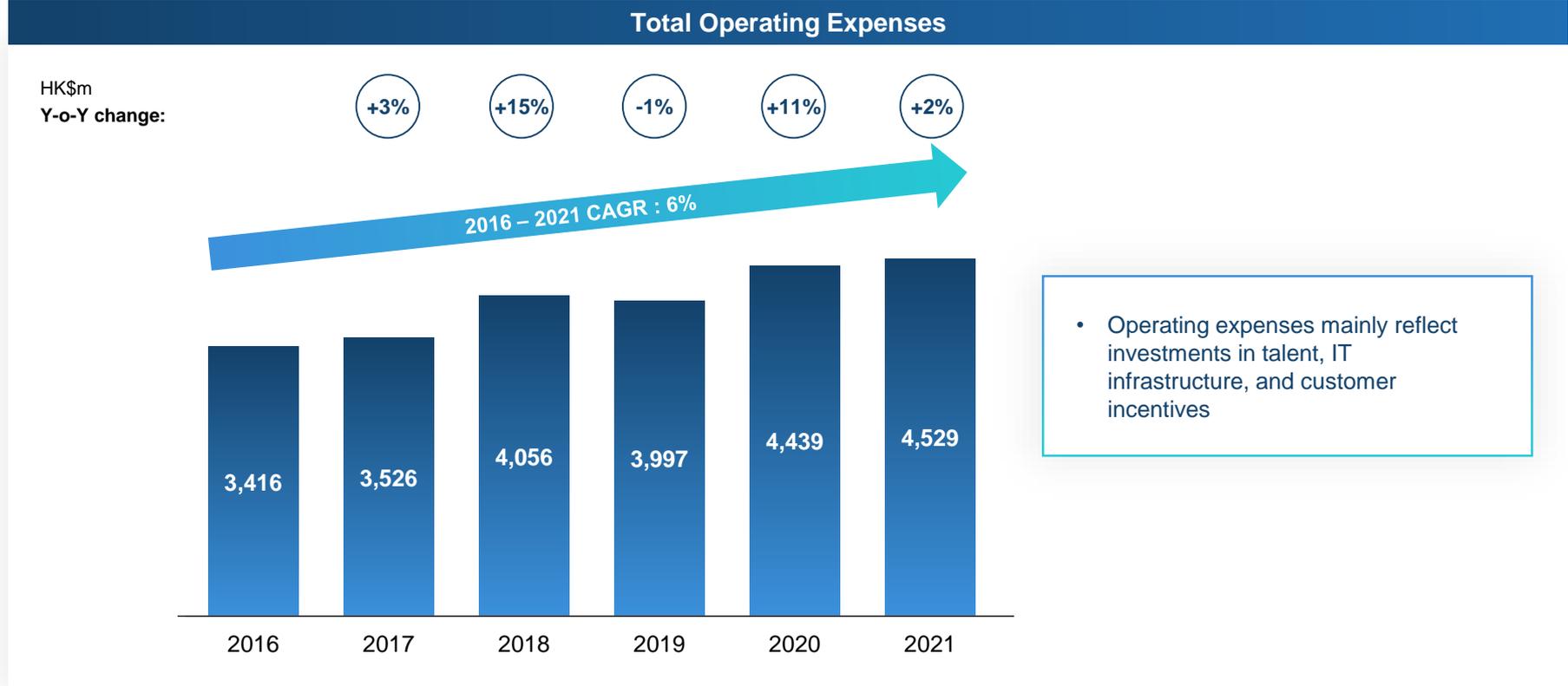


2016 – 2021 CAGR : -2%



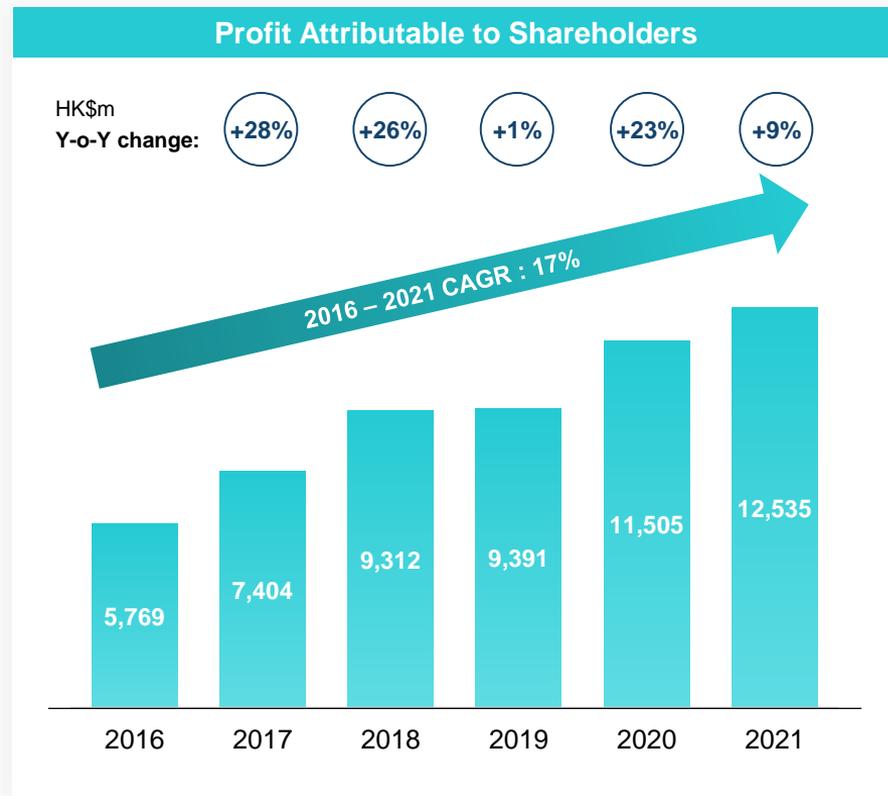
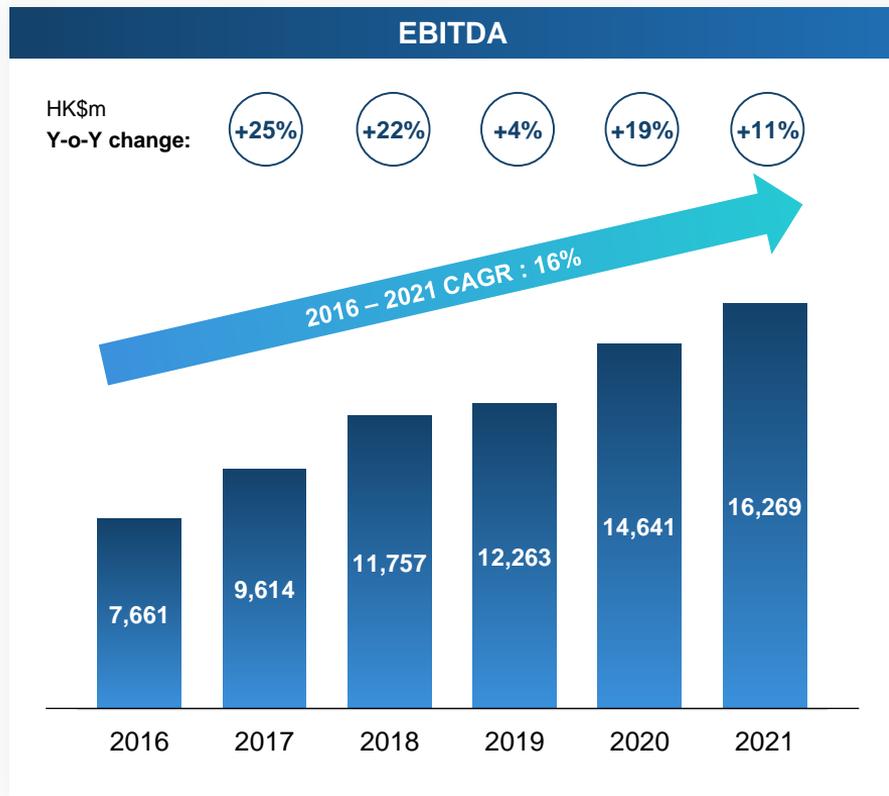
# Strong Cost Discipline with 6% Annual Opex Growth

## 2% Opex Growth in 2021

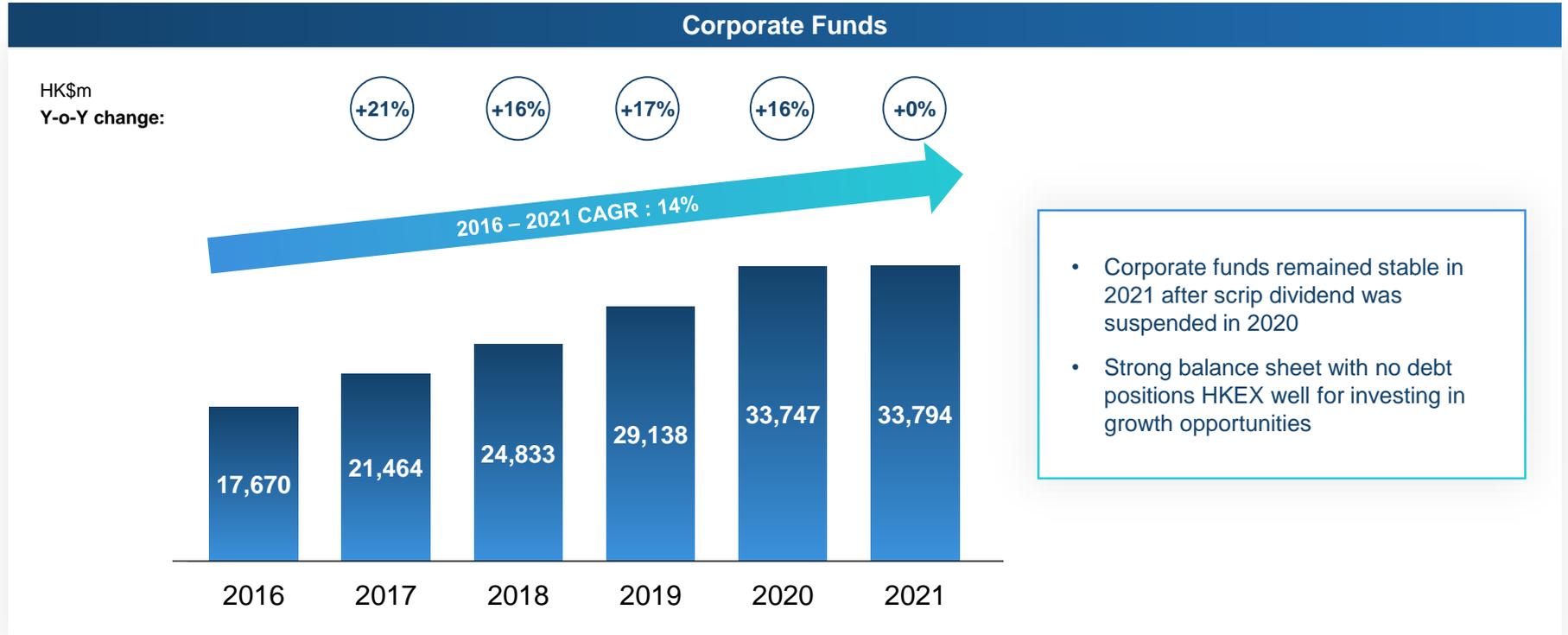


# Strong Track Record of EBITDA and Profit Growth

## A Result of Strong Revenue Growth Coupled with Cost Discipline



# Corporate Funds<sup>1</sup> have Increased Between 2016-2021 at an Average of 14% Annually It is More Important than Ever that we Invest Now to be Ready for the Future



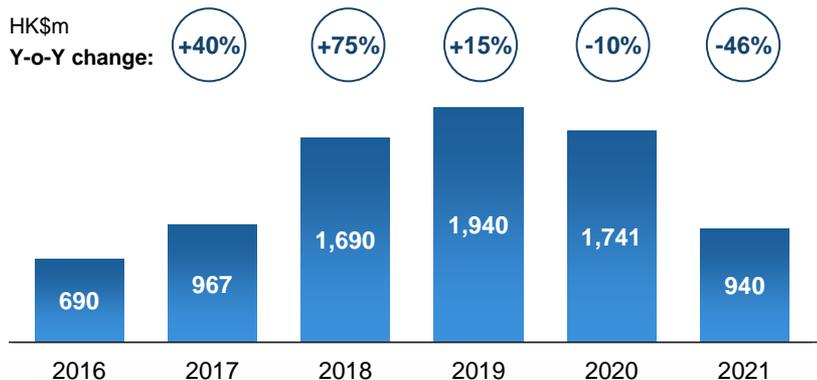
<sup>1</sup> A portion of the Corporate Funds is used to comply with the regulatory capital requirements of regulated entities of the Group and further funding has to be set aside for liquidity requirements of the Group and the HK clearing houses to cover daily stress scenarios and operational funding of the Group's subsidiaries in the UK and the PRC and OTC Clear. In addition, a portion of Corporate Funds is solely used to support Skin-in-the-Game and default fund credits for the Clearing House Funds.

# Prevailing Interest Rate Environment Drives Investment Income

## Interest Rate Hikes in 2022 should Benefit Internal Funds' Investment Income

### External Portfolio Performance Subject to Macro Market Conditions

#### Net Investment Income of Internal Funds



- Net investment income of internal funds has been impacted by the low interest rate environment in 2020 and 2021
- 2021 HIBOR overnight, 3-month and 12-month rates fell by 91%, 82% and 68% respectively, versus 2020

#### Net Investment Income of External Portfolio

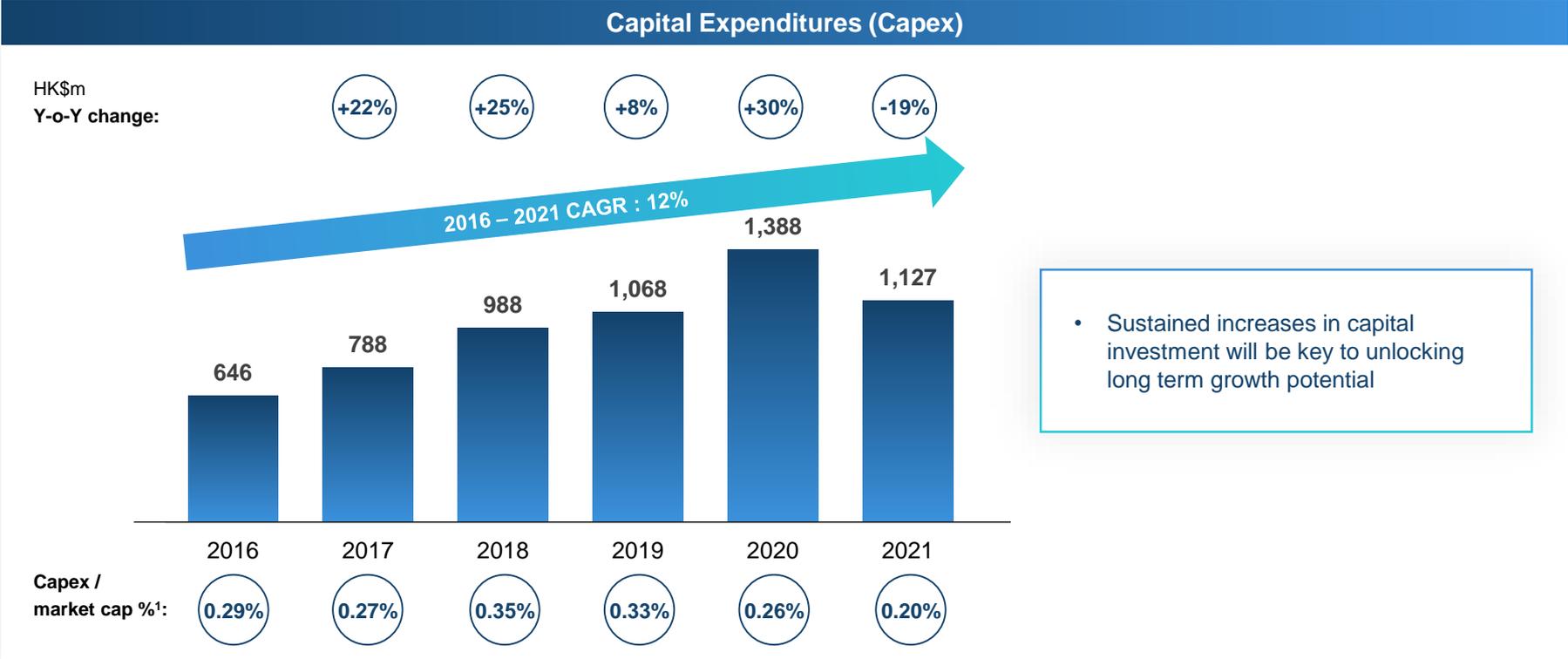


- Net investment income of external portfolio reflects the fluctuation in market prices
- \$2.2 billion cumulative gains since inception (annualised return of 6.3%)

1. External Portfolio commenced in December 2016

# Capex Investment Reflects Growth and Modernisation Drive

## Capex over \$1 Billion for Three Consecutive Years



<sup>1</sup> Based on market cap as at end of the year



# Investing to Unlock Growth Potential

## Accelerating Investments to Deliver Our Strategy

Investing in 4 Key Areas	Major Focus
 <b>Clients</b>	<ul style="list-style-type: none"><li>• Mindset Change – “from participants to clients, from products to solutions, from platform to partner”</li><li>• Further diversifying our revenue streams, through product development and new initiatives</li><li>• Building international client-facing teams to deepen knowledge and insight</li></ul>
 <b>Talent</b>	<ul style="list-style-type: none"><li>• Attracting and developing the very best global talent to future-proof our business</li><li>• Strengthening expertise in: risk and compliance, transformation and tech, new business areas and data</li></ul>
 <b>Technology</b>	<ul style="list-style-type: none"><li>• Modernisation of Derivatives System and Post Trade System</li><li>• Hosting Services Data Hall Expansion</li><li>• Other FinTech and New System Initiatives</li></ul>
 <b>New businesses / product diversification</b>	<ul style="list-style-type: none"><li>• Enhancing Connect Programmes</li><li>• Expanding across asset class – ESG, FIC and digital assets</li></ul>