



HKEx Group 2013 Results Announcement

26 February 2014

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The statements contained in this presentation that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about the financial markets in which HKEx will invest, and the beliefs and assumptions of HKEx. Words such as "expects", "targeted", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "forecasts", "projects", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and returns may differ materially from what is expressed or forecasted in such forward-looking statements. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include, but are not limited to changes in economic conditions; changes in the level of capital investment; success of business and operating initiatives; changes in the regulatory environment; fluctuations in interest and exchange rates; the outcome of litigation; changes in political and economic stability; government actions; and natural phenomena such as floods, earthquakes and hurricanes. Other unknown or unpredictable factors could cause actual results or performance to differ materially from those in the forward-looking statements contained in this presentation. We caution that the foregoing list of important factors is not exhaustive.

Agenda



1 **HKEx Group Business Review**

2 **HKEx Group Financial Review**

3 **Business Updates**

4 **Appendix**

2013 – Key Achievements



**Revenue up 21%, mainly driven by trading volume increase and LME contribution;
Net profit up 11%**

Global # 2 in IPO funds raised: 88% increase year-on-year

Integrated LME business into HKEx Group and building presence in Asia

Launched derivatives initiatives: After Hours Futures Trading, Stock Options Revamp

Progress on FIC business: OTC Clear launch, growing volume of RMB currency futures

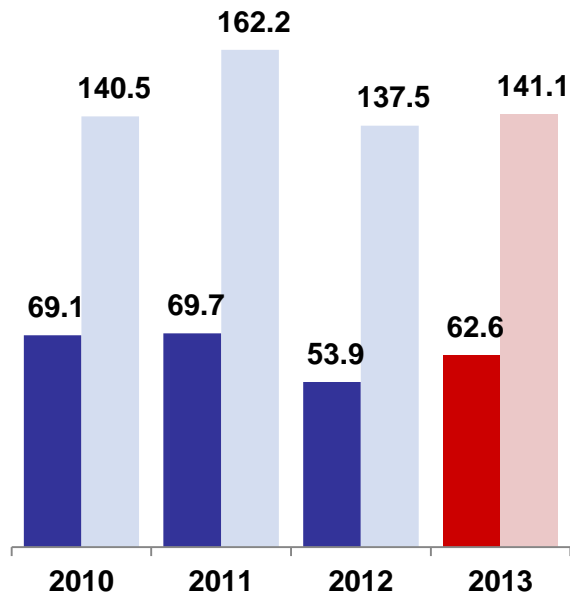
**Enhanced platform infrastructure capability: Orion Market Data Platform Phase I,
Migration of derivatives trading & clearing systems to Genium INET**

2013 Trading Trend

“Recovery” Year in Trading Momentum



Cash Market

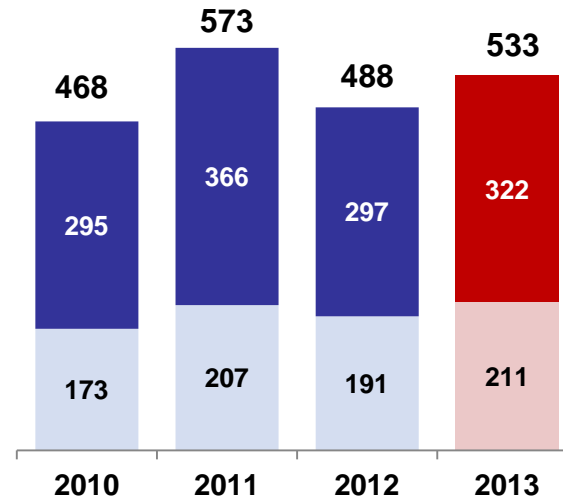


■ ■ ADT in billion \$
■ ■ ADT in billion shares

ADT in value: ↑ 16.2%

Derivatives Market

(In '000 contracts)

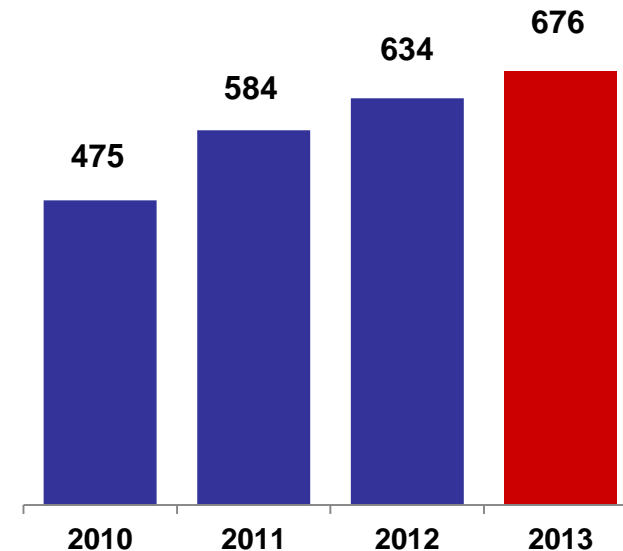


■ ■ Options contracts traded (ADV)
■ ■ Futures contracts traded (ADV)

Derivatives contracts: ↑ 9.2%

Commodities

(In '000 lots)



■ ■ Contracts traded (ADV)

Commodities contracts: ↑ 6.7%

Agenda



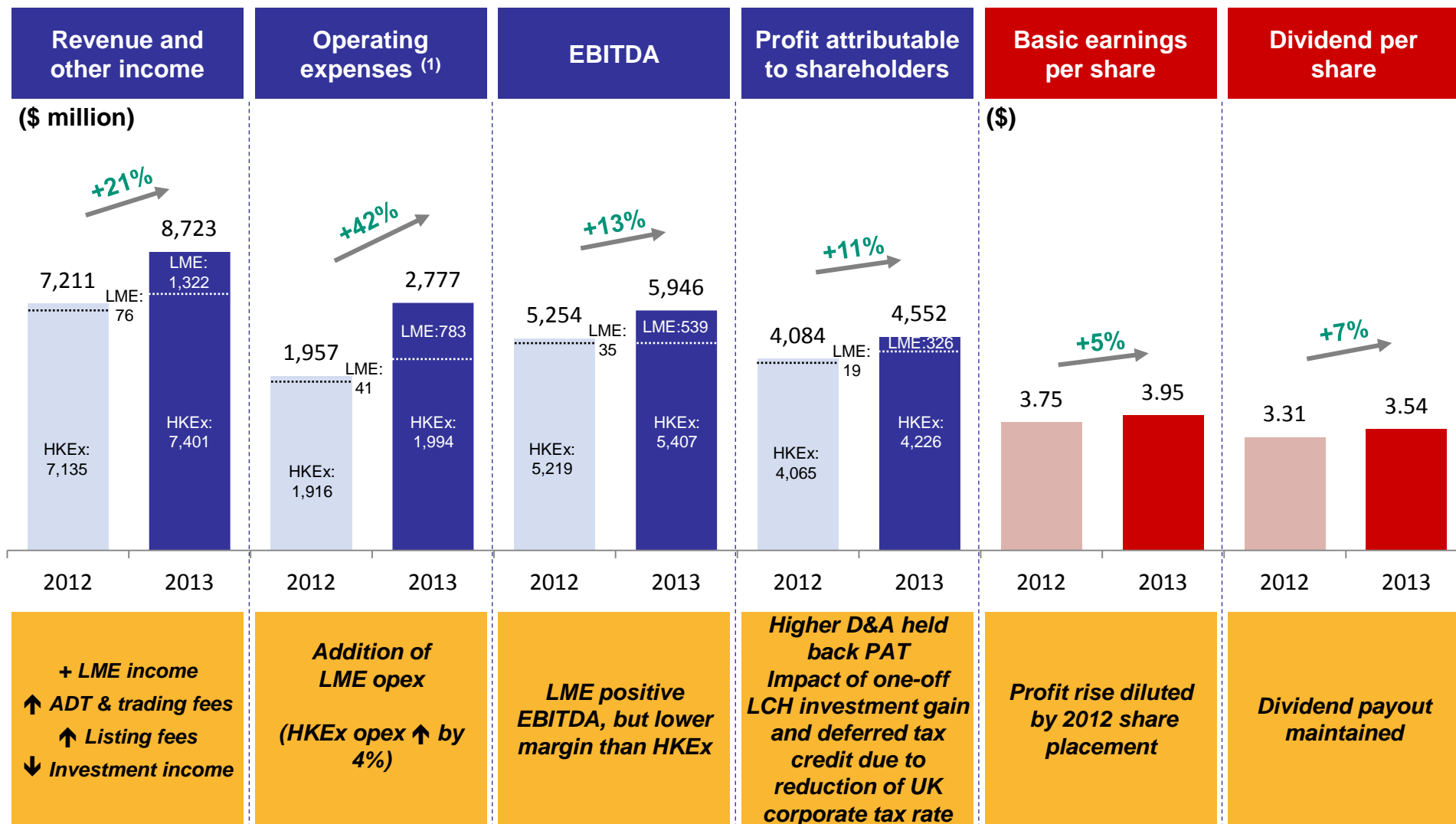
1 HKEx Group Business Review

2 **HKEx Group Financial Review**

3 Business Updates

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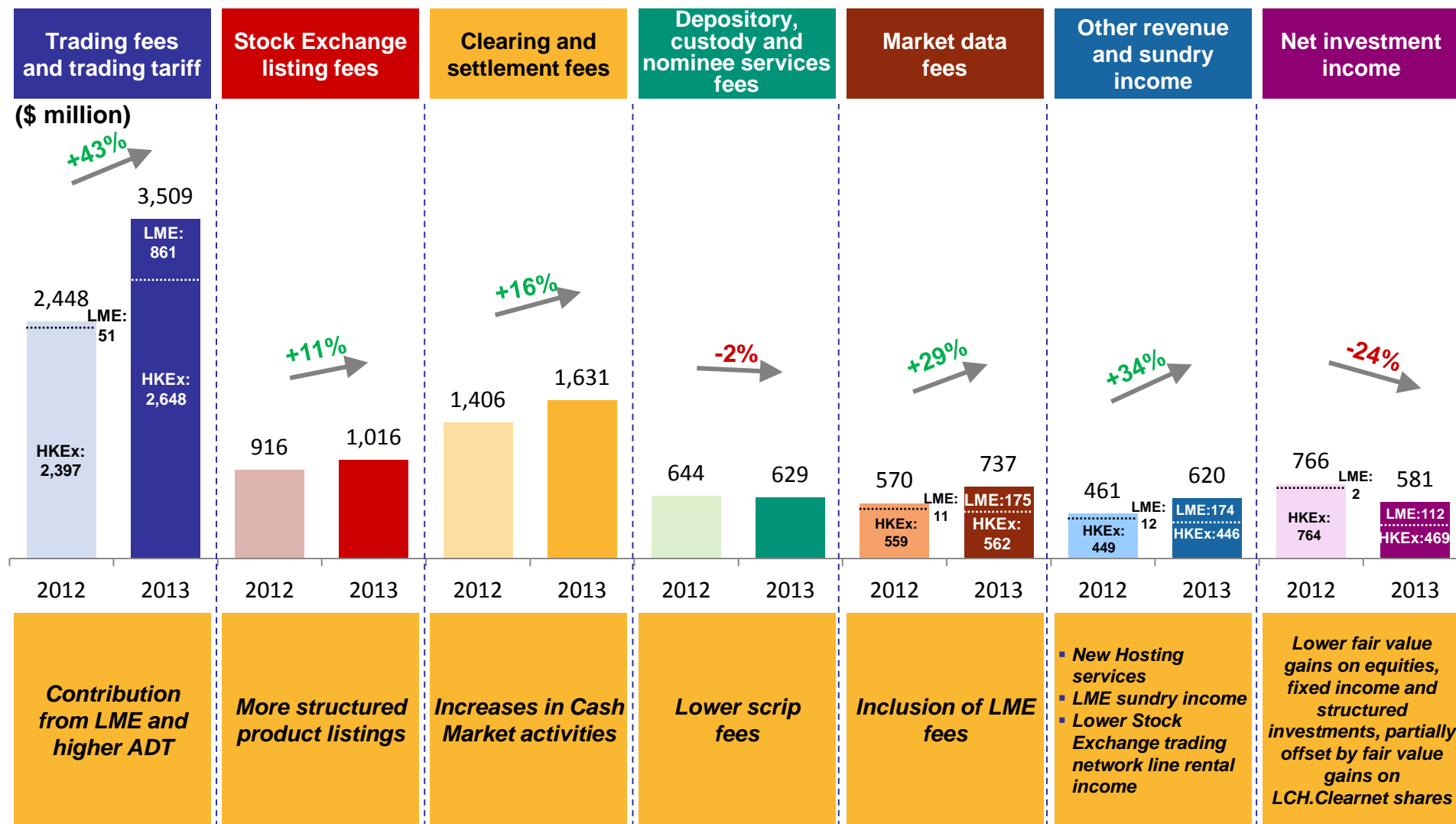
Highlights: 2013 Annual Results



(1) Excludes depreciation and amortisation, costs relating to the acquisition of the LME Group, fair value loss on derivative component of convertible bonds, finance costs, and share of loss of a joint venture

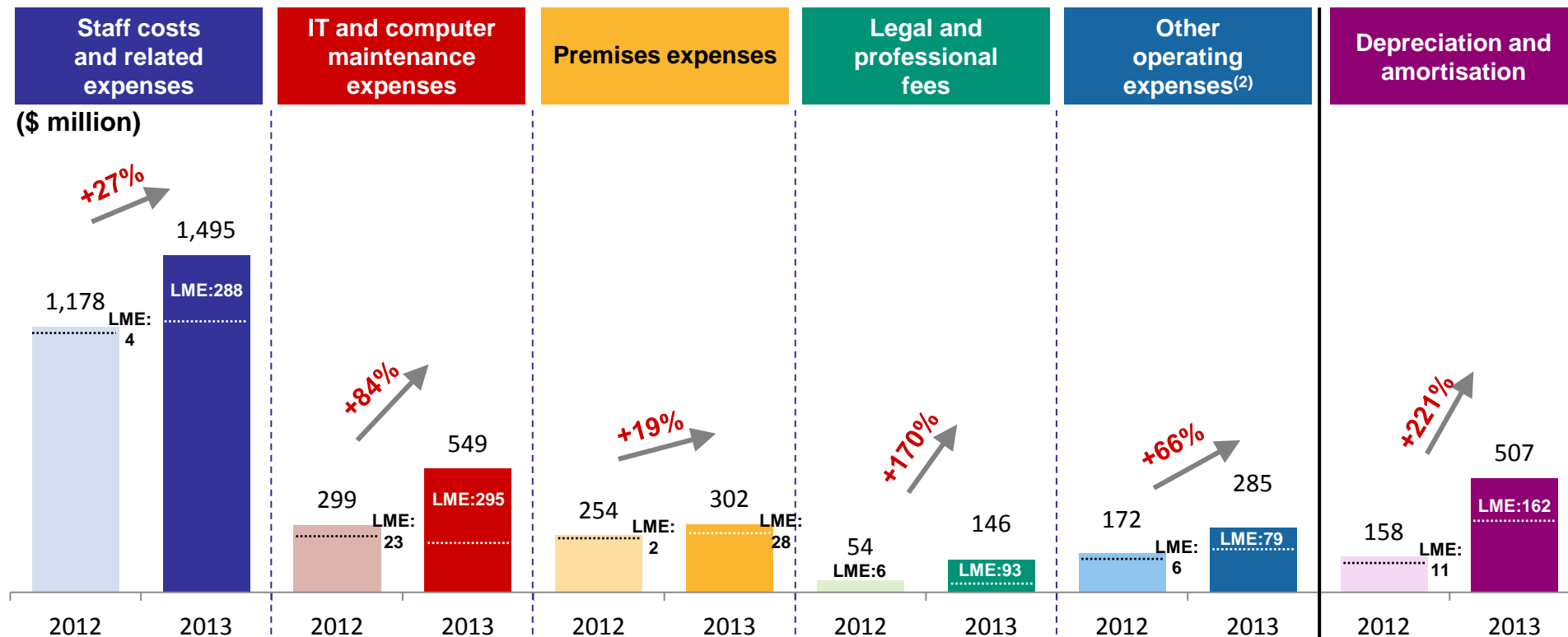
2013 Annual Results

Revenue and Other Income



2013 Annual Results

Operating Expenses and Depreciation & Amortisation



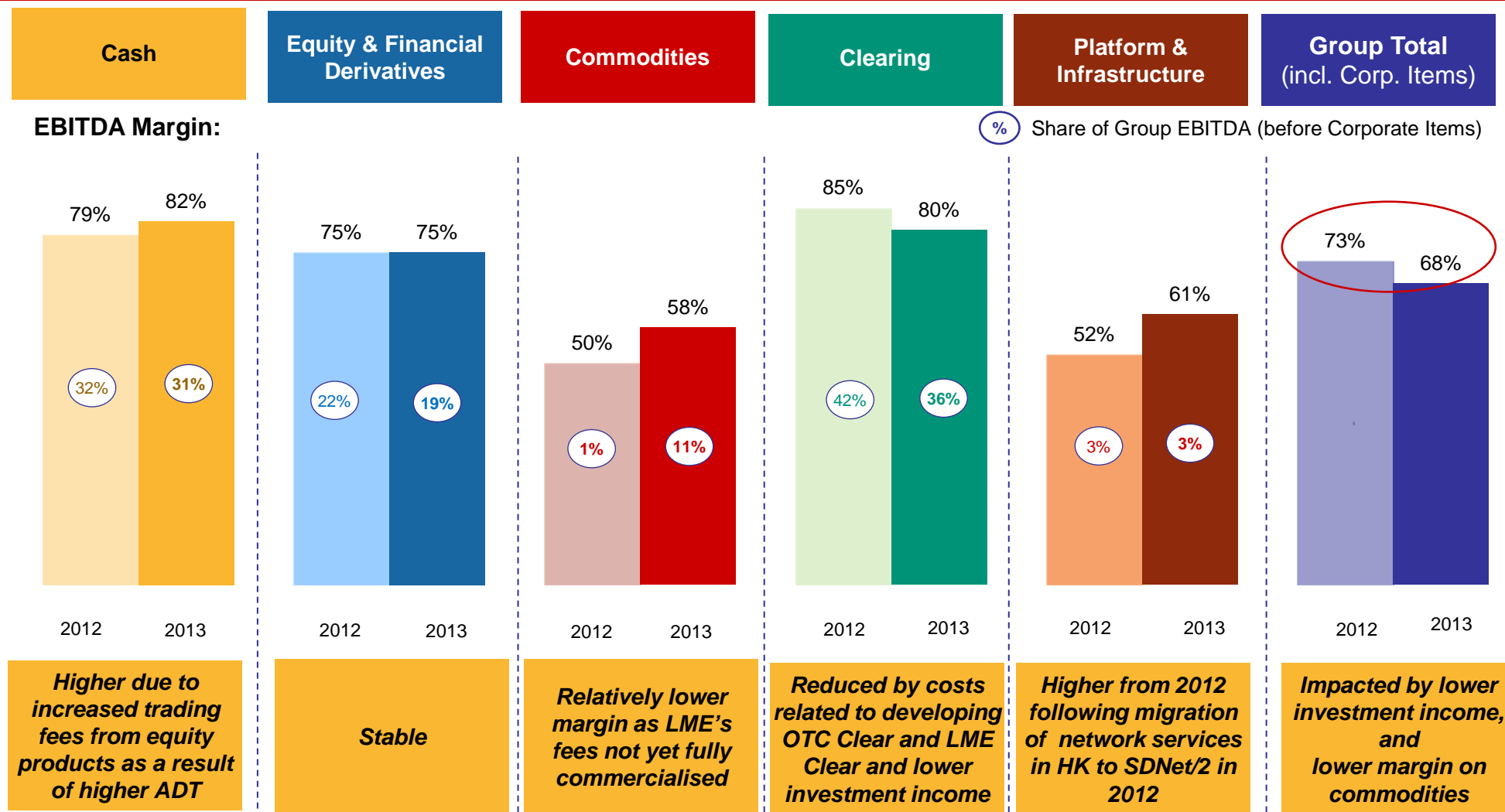
Operating expenses increased due to inclusion of LME
Excluding LME, HKEx operating expenses⁽¹⁾ increased by only 4%

Reflects completion of TKO data centre, inclusion of LME and amortisation of intangibles

(1) Excludes depreciation and amortisation, costs relating to the acquisition of the LME Group, fair value loss on derivative component of convertible bonds, finance costs, and share of loss of a joint venture

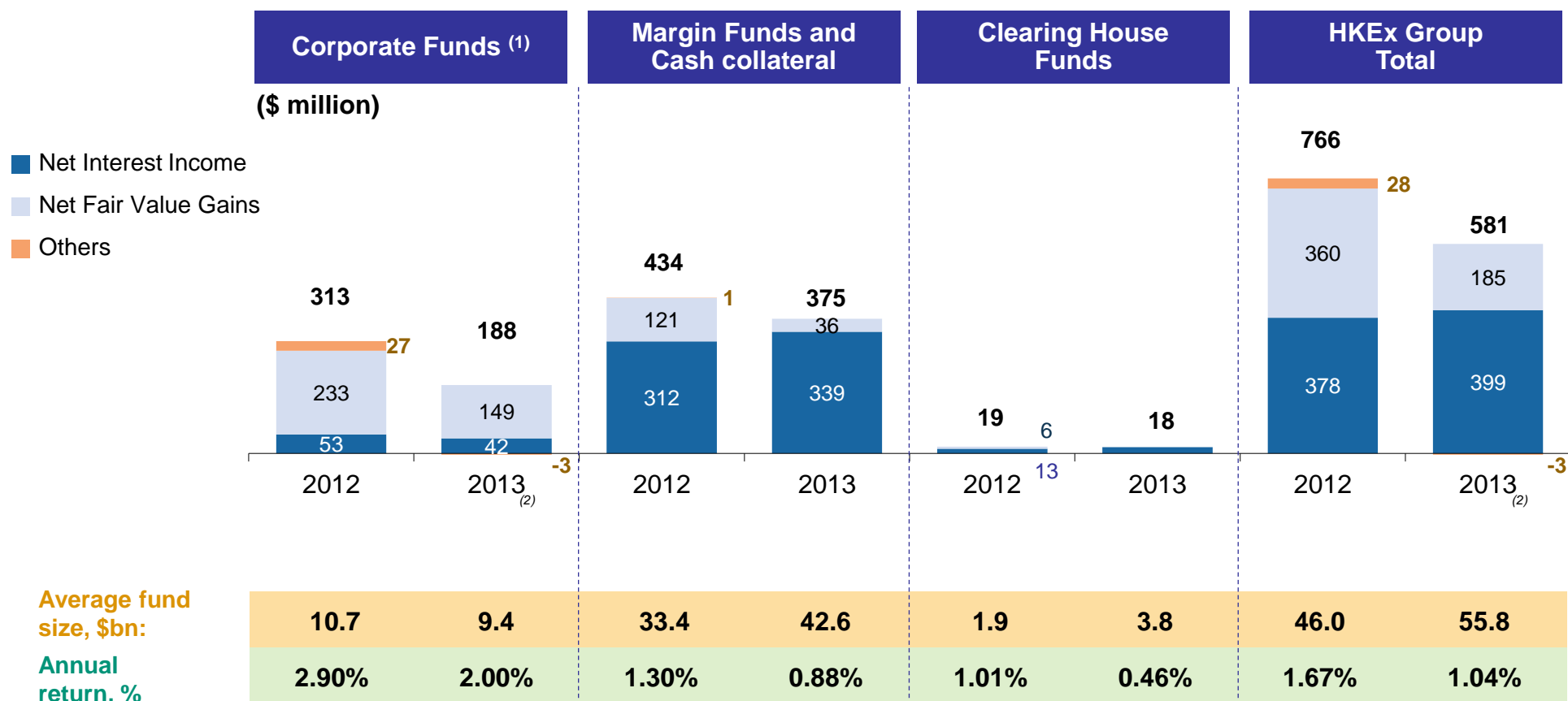
(2) Includes product marketing and promotion expenses

Performance by Operating Segment



EBITDA margin down mainly due to inclusion of LME Group

Net Investment Income and Return by Funds



Lower short-term HK\$ interest rates → reduced returns on margin and clearing house funds
Higher USD interest rate environment and wider credit spreads → reduced fair value gains on fixed income portfolio
Overall portfolio returns within market benchmarks

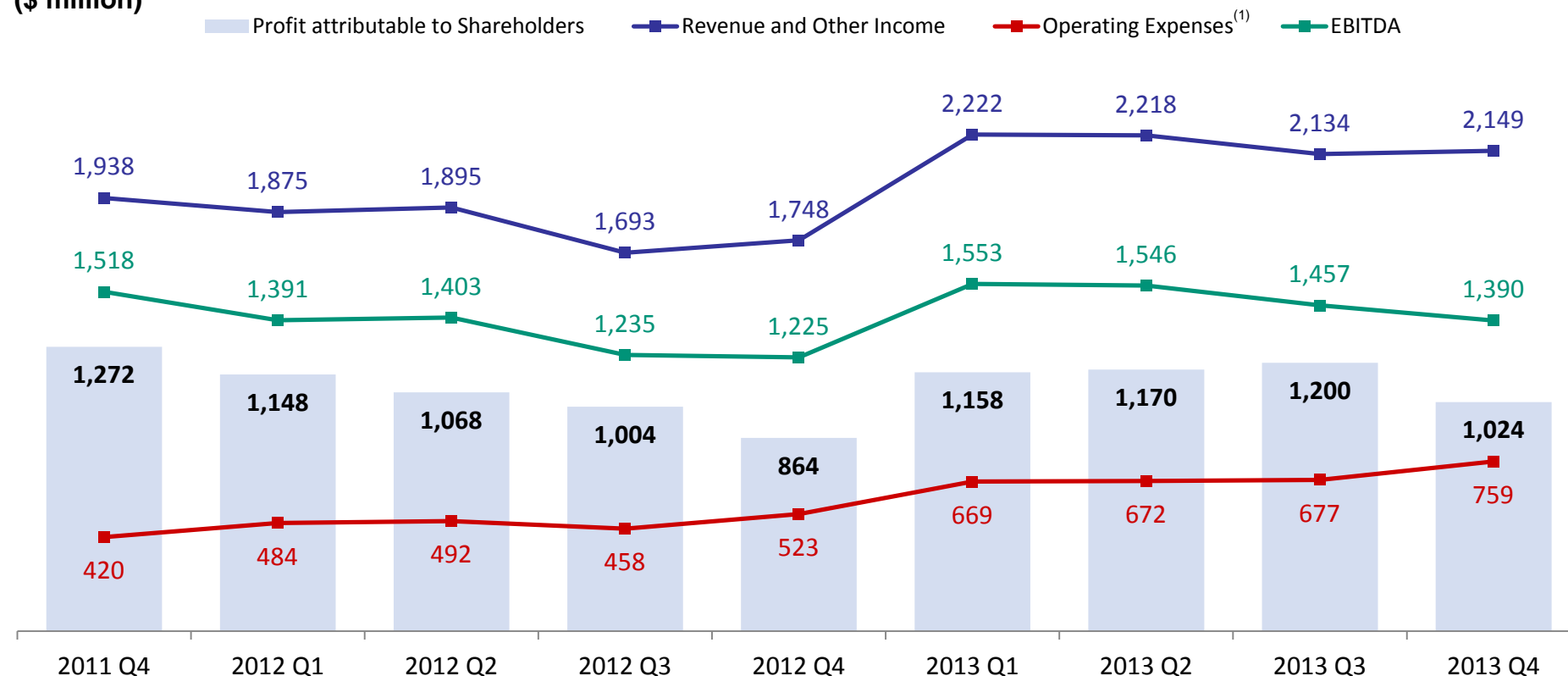
(1) Includes \$156 million which has been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear since 31 October 2013

(2) Includes \$106 million fair value gain on investment in LCH.Clearnet by LME

Quarterly Trend

Key Performance Indicators by Quarter

(\$ million)



**All measures have risen in 2013 due to contribution from LME Group
Stable revenue trend with LME contribution; Expenses reflect inclusion of LME cost base and implementation of strategic projects**

(1) Excludes depreciation and amortisation, costs relating to the acquisition of the LME Group, fair value loss on derivative component of convertible bonds, finance costs, and share of loss of a joint venture

1 HKEx Group Business Review

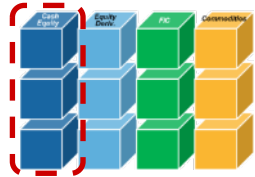
2 HKEx Group Financial Review

3 Business Updates

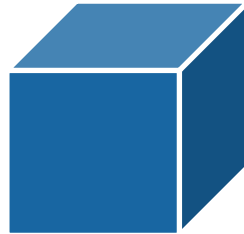
4 Appendix

Business Updates

Cash Equity



Products



- **IPO funds raised** up 88% y-o-y, reaching HK\$169 billion
- Revised **Joint Policy Statement** regarding overseas Listing and 20 Country Guides
- Celebrated 20 years of **H-share listings**
- **RMB products** increased to 102 by end of 2013, including:
 - 11 RQFII ETFs
 - Asia's first offshore RMB bond ETF
- **ETFs trading** up 73% y-o-y; **16 newly listed ETFs**
- Completed development of first **CES cross-border index series**

Trading



- Completed consultation on **Trading Halt**
- **Mutual market access**: Exploring best approach and model
- To launch **Mainland Market Data Hub (MMDH)**, with 5 information vendors signed up

Clearing

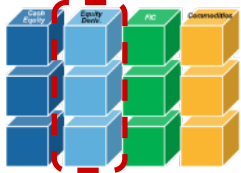


- **Cross-border clearing infrastructure**: Admitted ChinaClear as Clearing Agency Participant for B-H conversion
- Achieving compliance with **international standards**: ESMA, PFMI, FSAP...

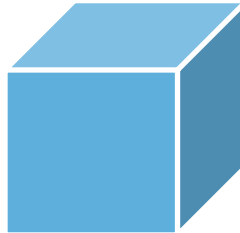
Expect rapid and sustainable growth resulting from China's accelerating internationalisation

Business Updates

Equity Derivatives

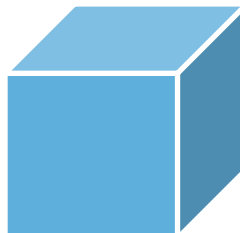


Products



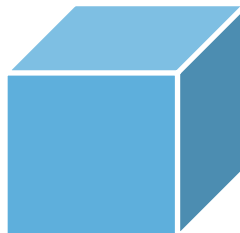
- **CES 120 futures** launched on 12 August 2013
- **3 futures contracts on A-share ETFs** introduced in June 2013
- **7 New Stock Options Classes** introduced in 2013

Trading



- **After-hours futures trading (AHFT)**
 - Completed post 6 month launch review
 - Added Mini-HSI futures, Mini H-share index futures and block trade facility on 6 January 2014
 - Accounted for approximately **4% of day session's trading volume**
- **Stock options revamp**
- **Tailor-made combination function**
- **Extended dynamic pricing banding mechanism**

Clearing

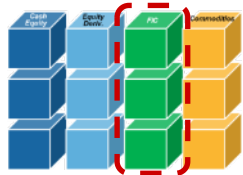


- Continue to develop infrastructure

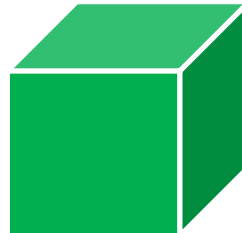
Enhancing market structure will continue to be the key to help us maintain advantages

Business Updates

Fixed Income and Currency



Products

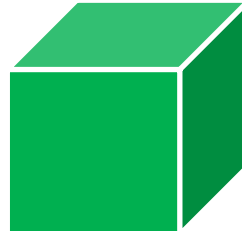


■ RMB currency futures

- **ADV** reached 568 contracts in 2013
- **Open interest** record high: 18,701 contracts on 31 December 2013

■ **OTC products cleared:** currently interest rate swap and non-deliverable futures

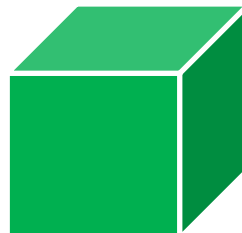
Trading



■ Leverage HKFE trading platform (upgraded to Genium in 2013)

■ Plan **AHFT for RMB futures** in 2014

Clearing



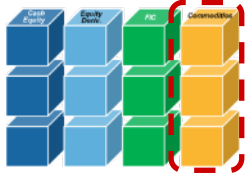
■ **OTC Clearing launched**

- **12 founding shareholders**, among which 4 are clearing members
- OTC Clearing and Settlement System (**OCASS**) platform
- Applied for **EMIR recognition** in January 2014
- To launch **client clearing services** upon regulatory approval in 2014

Key milestone reached for OTC Clear, but still at an early stage of development

Business Updates

Commodities

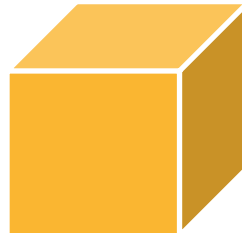


Products



- Trading momentum at the LME continues: **ADV** up 7% y-o-y
 - 6 metals contracts reached **record annual volumes**
- **Market open interest** up 10% y-o-y

Trading



- Enhanced **LME's Asia Benchmark Price**
- Expanded **warehouse network** to Taiwan
- **Consultation on warehouses** aimed at cutting queues

Clearing



- **LME Clear**
 - Submitted CCP recognition application to UK and European regulators
 - Completed core technology platform
 - Established corporate governance structure
 - On track to launch in September 2014

LME volume maintained strong; Built Asia Commodities team to tap into China opportunities; LME Clear on track for 2014 launch

LME

Commercialisation

- Market data access enhancement for customers from March 2014
- New products: investigating premium hedging and other product initiatives
- Details under review

LME Clear

- Launched EMIR compliant trade reporting service (LMEwire) – enabling LME members and their clients to fulfill EMIR obligations
- Fully on track for September 2014 launch

Warehousing

- New load in-load out requirements due from April 2014
- Logistical review to further strengthen LME's physical operations network

Asia

Products

- Developing new products to be launched in 2014 on the HK platform, cash-cleared in RMB
- Phase I product launch to focus on Asia – oriented to metals and bulk

Business Development

- Support existing members in Asia to increase volumes and explore new opportunities
- Hold educational courses in Hong Kong and Mainland to help attract new business
- Expand physical operations coverage in Asia

Membership

- Promote Asian membership through consultation and assistance on applications
- Expand LME distribution to new end-users

Platform & Infrastructure Update

Enhanced Platform Infrastructure Capability



Platforms	Orion Market Data <ul style="list-style-type: none"> Launched for Cash Market in September 2013 Extend to Derivatives Market in 1H 2014 	Genium (Derivatives Platform) <ul style="list-style-type: none"> Completed migration of HKATS & DCASS to Genium in October 2013 	OTC Clear <ul style="list-style-type: none"> Launched in November 2013 Rolled out OCASS to support clearing service for OTC derivatives in November 2013 	LME Clear <ul style="list-style-type: none"> Building with Cinnober To launch in September 2014
	Data Centre <ul style="list-style-type: none"> Completed migration of data centres for Derivatives Market and Cash Clearing to TKO in May and December 2013 Hosting Services: <ul style="list-style-type: none"> Expanded to support Derivatives Market in June 2013 Accounts for 20% and 46% for Cash and Derivatives turnover respectively 	Access <ul style="list-style-type: none"> SDNet/2: Extended to Derivatives Market in March and Cash Clearing in August 2013 Orion Central Gateway <ul style="list-style-type: none"> Implement for Cash Market in 2Q 2014 	Connectivity <ul style="list-style-type: none"> Introduce Mainland Market Data Hub (MMDH) in Shanghai in 1Q 2014 <ul style="list-style-type: none"> Launched Founding Members Programme in February 2013 China Connectivity: Exploring feasible models 	Resources <ul style="list-style-type: none"> Exploring Mainland Technology Centre
	Infrastructure & Resources			

Q & A

HKEx Group Website: www.hkexgroup.com
HKExnews Website: www.hkexnews.hk

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Financial Highlights – Income Statement

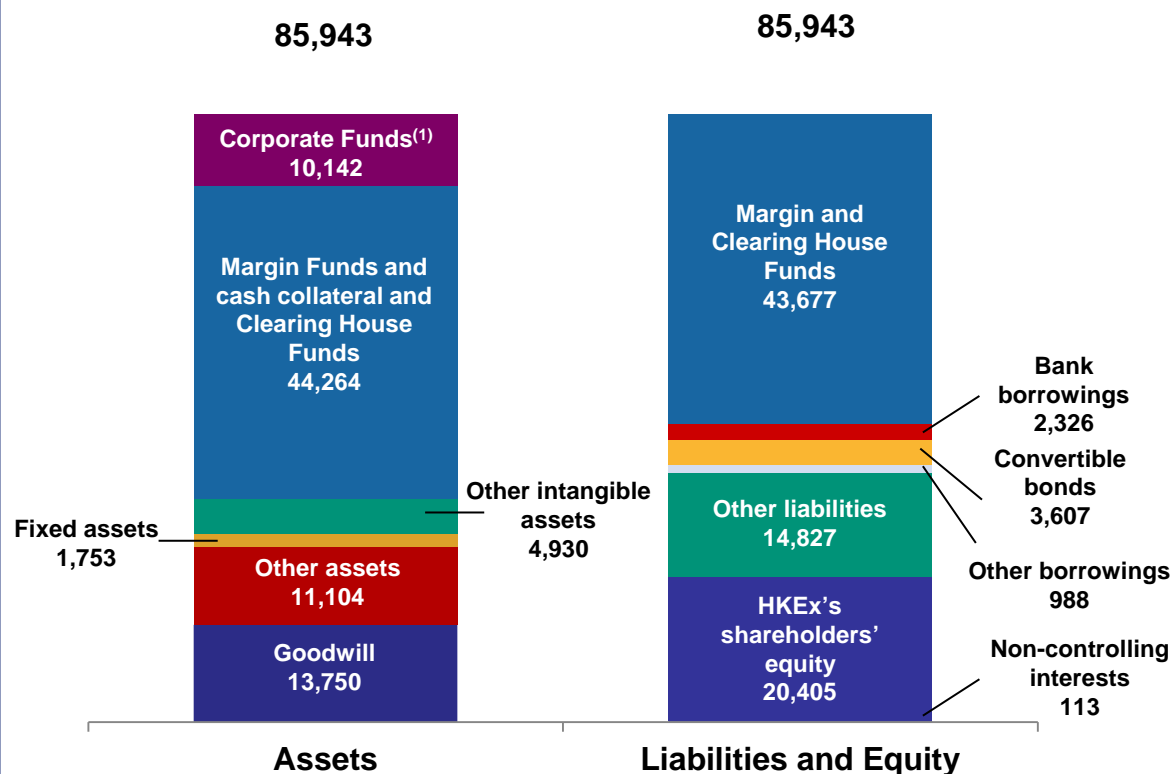


(\$ million, unless stated otherwise)	2013	% of revenue & other income	2012	% of revenue & other income	Y-o-Y change
Results					
Revenue and other income	8,723	100%	7,211	100%	21%
Operating expenses	(2,777)	(32%)	(1,957)	(27%)	42%
EBITDA	5,946	68%	5,254	73%	13%
Depreciation and amortisation	(507)	(6%)	(158)	(2%)	221%
Operating profit	5,439	62%	5,096	71%	7%
Costs relating to acquisition of LME Group	-	-	(138)	(2%)	(100%)
Finance costs	(183)	(2%)	(55)	(1%)	233%
Fair value loss on derivative component of convertible bonds	-	-	(55)	(1%)	(100%)
Share of loss of a joint venture	(10)	(0%)	(3)	(0%)	233%
Profit before taxation	5,246	60%	4,845	67%	8%
Taxation	(700)	(8%)	(761)	(10%)	(8%)
Non-controlling interests	6	0%	-	-	N/A
Profit attributable to shareholders	4,552	52%	4,084	57%	11%
Basic earnings per share	\$3.95		\$3.75		5%
Diluted earnings per share	\$3.94		\$3.74		5%
Average daily turnover on the Stock Exchange	\$62.6 billion		\$53.9 billion		16%
Capex	730		1,097		(33%)

Financial Highlights – Balance Sheet



(\$ million, except %)



Leverage Ratios	
Total Debt	6,921
Net Debt ⁽²⁾	390
Total Debt / Assets	8%
Total Debt / Equity	34%
Total Debt / EBITDA	1.2x
Net Debt / Equity	2%

Acquisition of the LME has created Goodwill on Balance Sheet
Leverage ratios well within targeted ranges

(1) Includes \$156 million which has been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear since 31 October 2013
 (2) Net Debt equals total borrowings minus cash and cash equivalents of Corporate Funds

Performance by Operating Segment: 2013



\$ million	Cash	Equity & Financial Derivatives	Commodities	Clearing	Platform and Infrastructure	Corporate Items	Group 2013	As restated Group 2012
Revenue from external customers	2,455	1,662	1,210	2,452	347	5	8,131	6,432
Net investment income	-	-	-	393	-	188	581	766
Sundry income	-	-	-	11	-	-	11	13
Revenue and other income	2,455	1,662	1,210	2,856	347	193	8,723	7,211
<i>% of Group Total</i>	<i>28.1%</i>	<i>19.1%</i>	<i>13.9%</i>	<i>32.7%</i>	<i>4.0%</i>	<i>2.2%</i>	<i>100%</i>	<i>100%</i>
Operating expenses	(447)	(422)	(514)	(563)	(137)	(694)	(2,777)	(1,957)
EBITDA	2,008	1,240	696	2,293	210	(501)	5,946	5,254
<i>% of Group Total ⁽¹⁾</i>	<i>33.8%</i>	<i>20.8%</i>	<i>11.7%</i>	<i>38.6%</i>	<i>3.5%</i>	<i>(8.4%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin</i>	<i>81.8%</i>	<i>74.6%</i>	<i>57.5%</i>	<i>80.3%</i>	<i>60.5%</i>	<i>(259.6%)</i>	<i>68.2%</i>	<i>72.9%</i>
Depreciation and amortisation	(55)	(48)	(287)	(62)	(38)	(17)	(507)	(158)
Costs relating to LME acquisition	-	-	-	-	-	-	-	(138)
Finance costs	-	-	-	-	-	(183)	(183)	(55)
Fair value loss on derivative component of convertible bonds	-	-	-	-	-	-	-	(55)
Share of loss of a joint venture	-	(10)	-	-	-	-	(10)	(3)
Profit before taxation	1,953	1,182	409	2,231	172	(701)	5,246	4,845

LME's results are included under 'Commodities', 'Clearing' and 'Corporate Items'

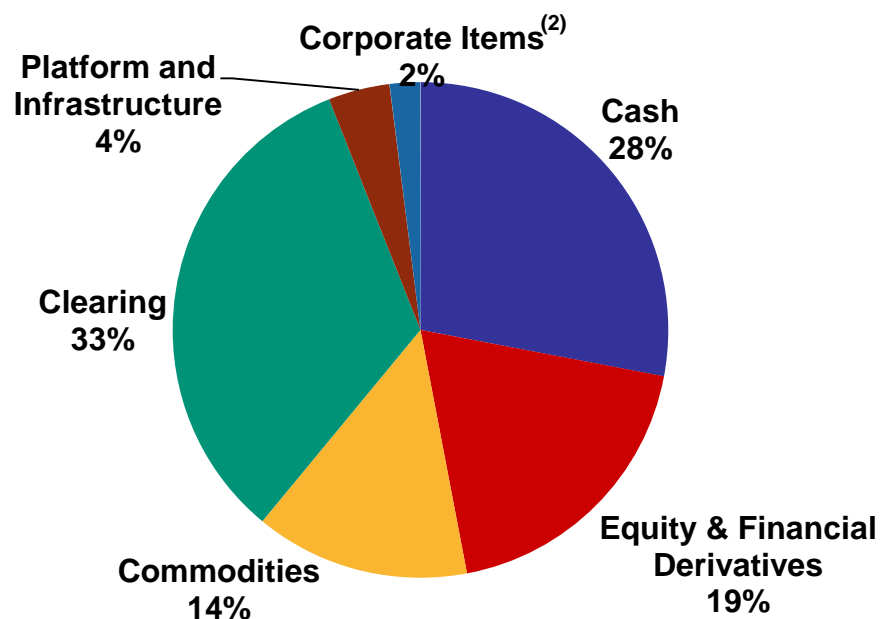
Note: (1) % Share of Group EBITDA (including Corporate Items)

(2) Please refer to Note 4 to the Consolidated Financial Statements

Revenue Contribution by Operating Segments⁽¹⁾

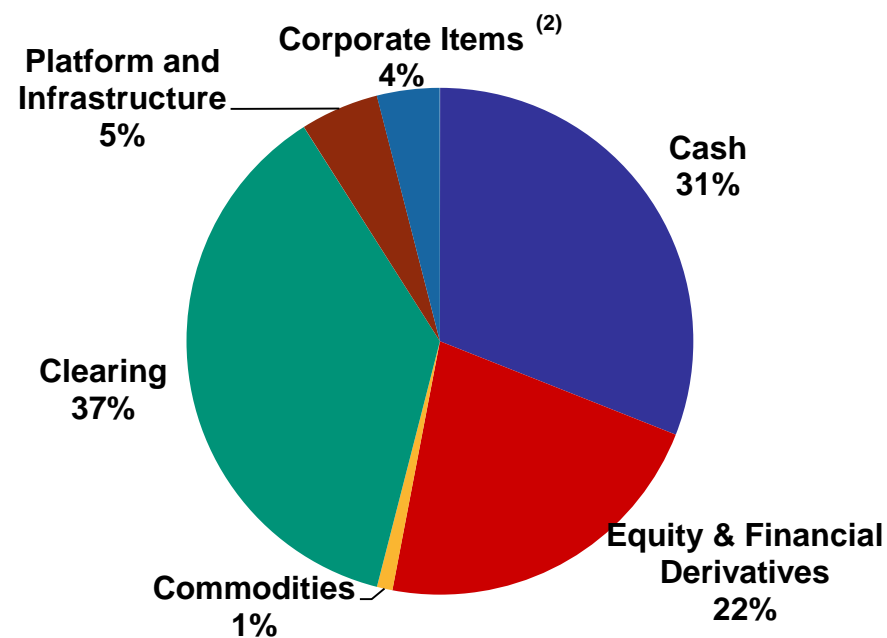
2013

Total revenue and other income = \$8,723m



2012

Total revenue and other income = \$7,211m



Vertically integrated model with further diversified sources of revenue following the acquisition of the LME Group

(1) Comprises revenue from external customers, net investment income and sundry income

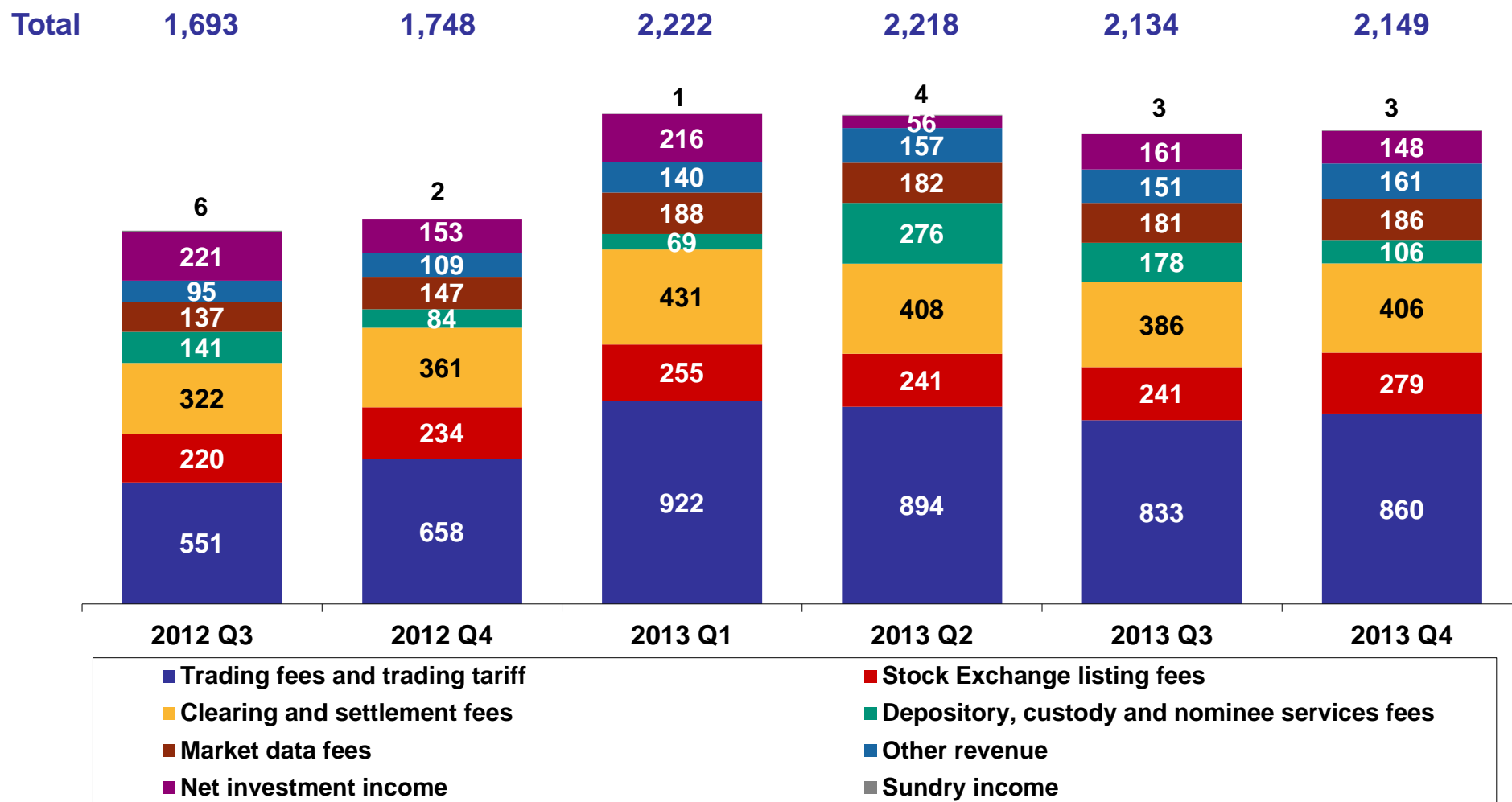
(2) Corporate Items include mainly net investment income of Corporate Funds

Quarterly Trend

Revenue and Other Income



(\$ million)

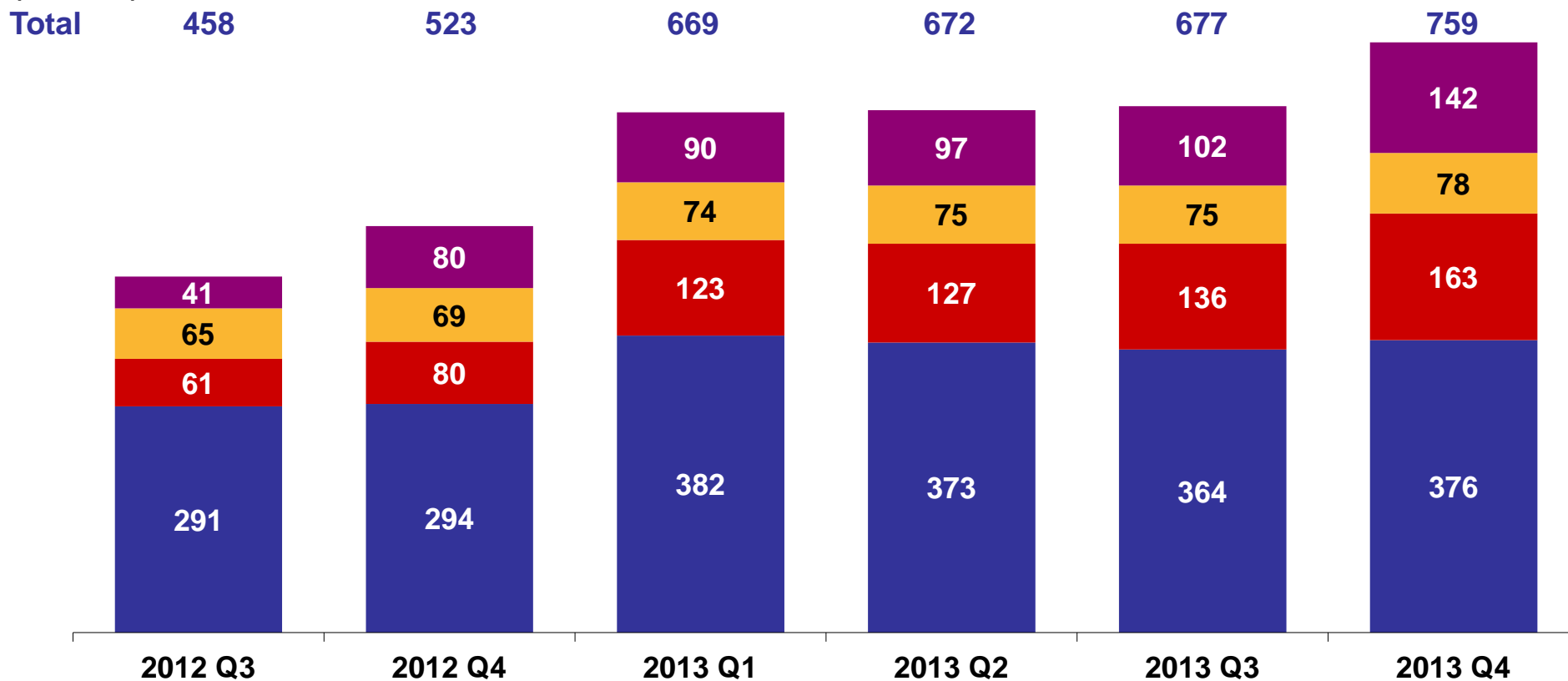


Quarterly Trend

Operating Expenses



(\$ million)



(1) Other costs include product marketing and promotion expenses, legal and professional fees and other operating expenses