



HKEx Group 2014 Annual Results Announcement

5 March 2015

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1 HKEx Group Business Review

2 HKEx Group Financial Review

3 Strategy Update

4 Appendix

2014 – Key Achievements



Revenue and other income up 13% mainly driven by increase in trading volumes and related revenue

Record fundraising year; 2nd globally in IPOs

Successfully launched Shanghai-Hong Kong Stock Connect; enhancements being implemented

LME commercialisation in good progress; launched LME Clear for immediate incremental revenue

ADV on LME hit record high; introduced three London Metal Mini Futures as the first step to building the “East Wing” of LME

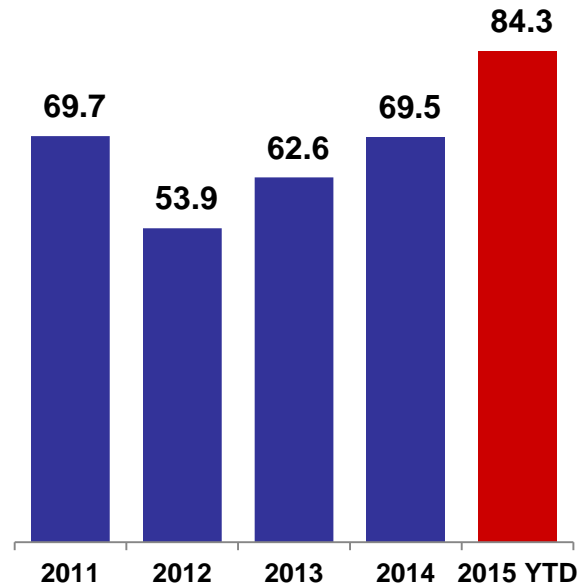
2014 Trading Trend

Strong Momentum Continued into 2015



Cash Market

(In \$ billions)

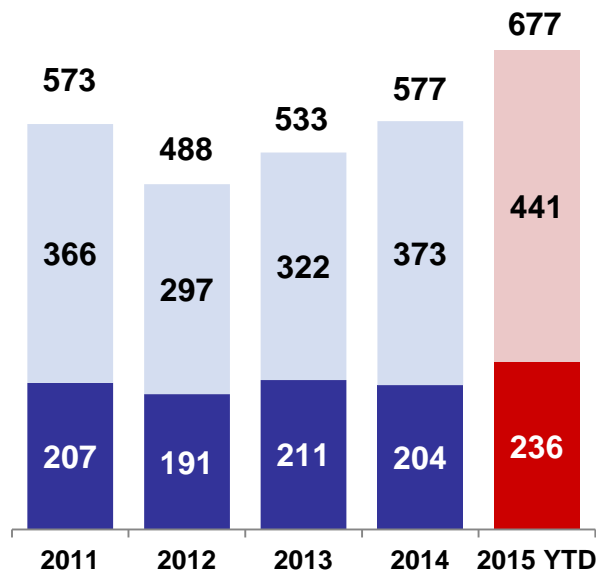


Value traded (ADT)

Cash market ADT: ↑ 11%

Derivatives Market

(In '000 contracts)



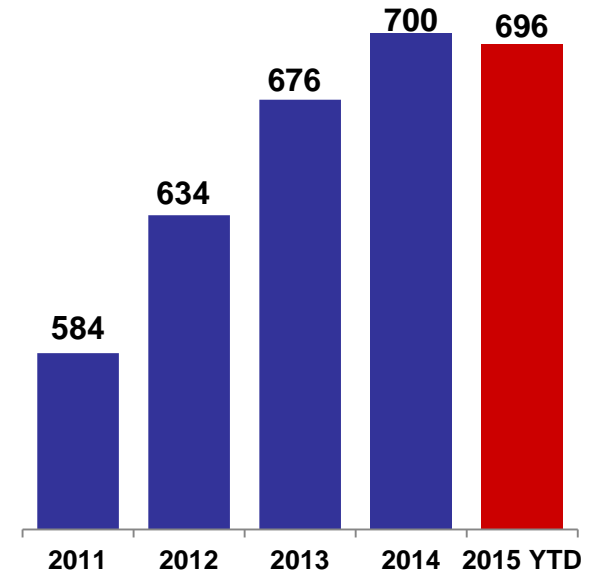
Futures contracts traded (ADV)

Options contracts traded (ADV)

Derivatives ADV: ↑ 8%

Commodities

(In '000 lots)



Contracts traded (ADV)

Commodities ADV: ↑ 4%

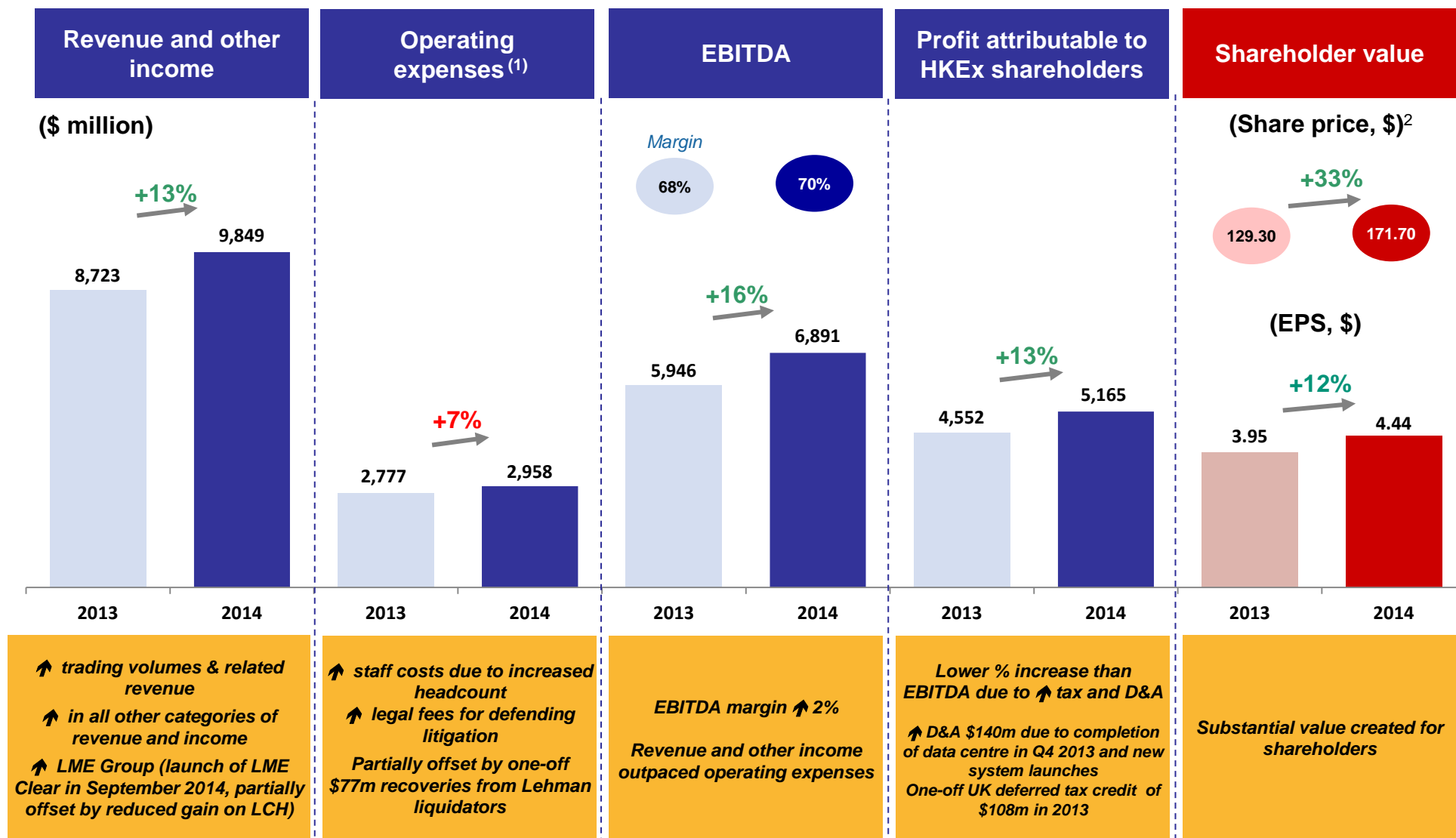
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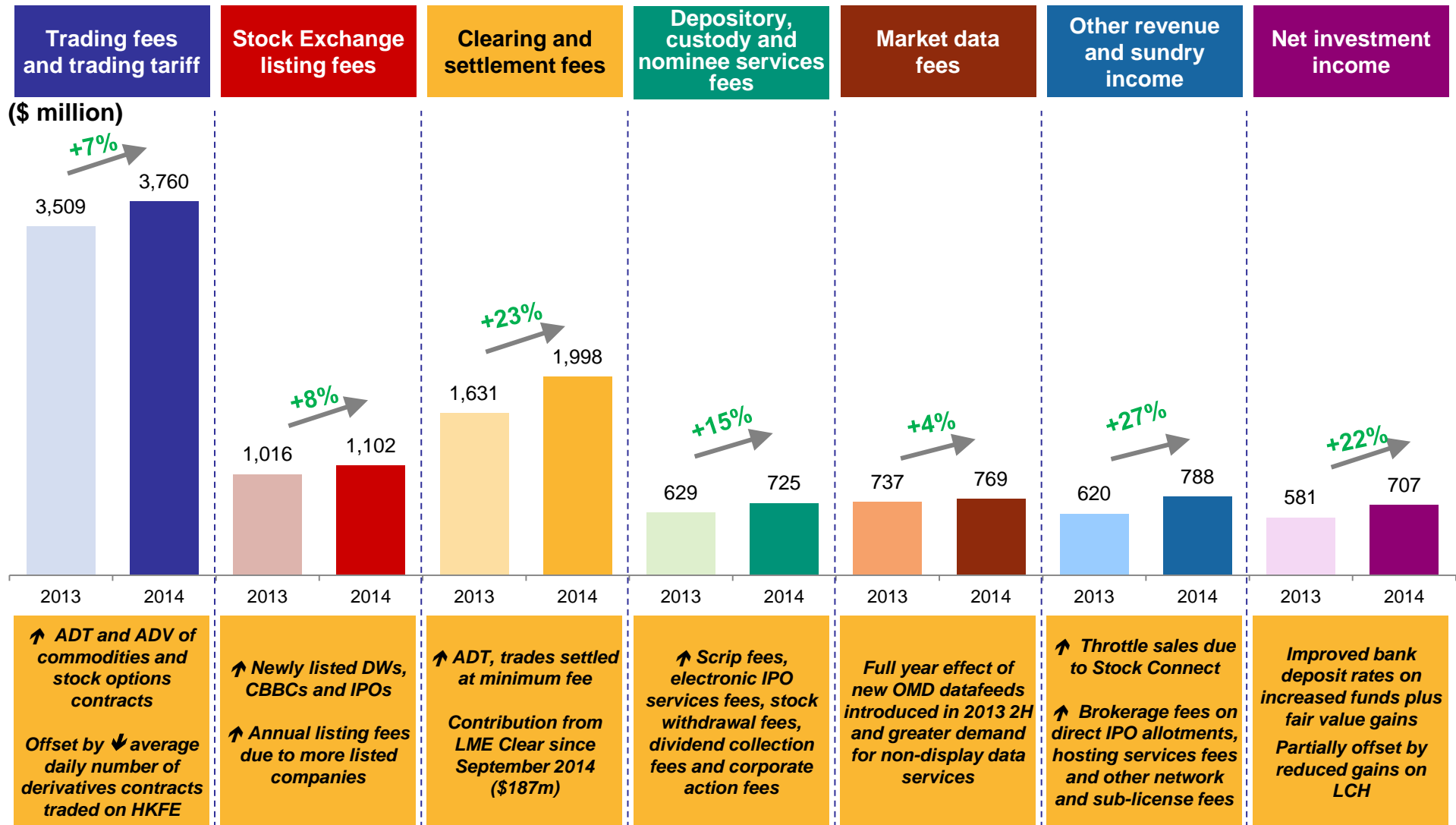
Highlights: 2014 Annual Results



(1) Excludes depreciation and amortisation, finance costs, and share of loss of a joint venture (2) As at 31 December

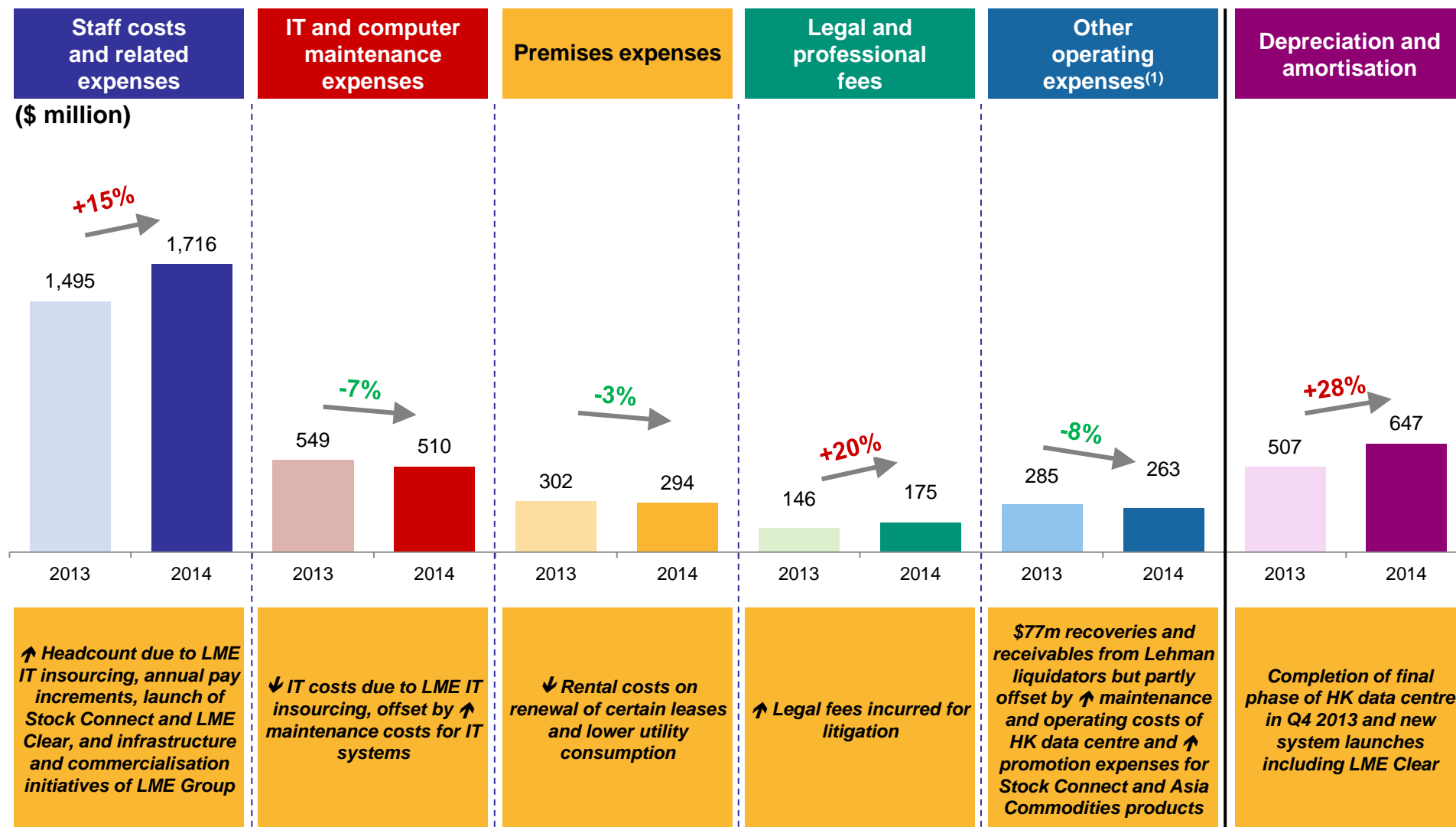
2014 Annual Results

Revenue and Other Income



2014 Annual Results

Operating Expenses and Depreciation & Amortisation

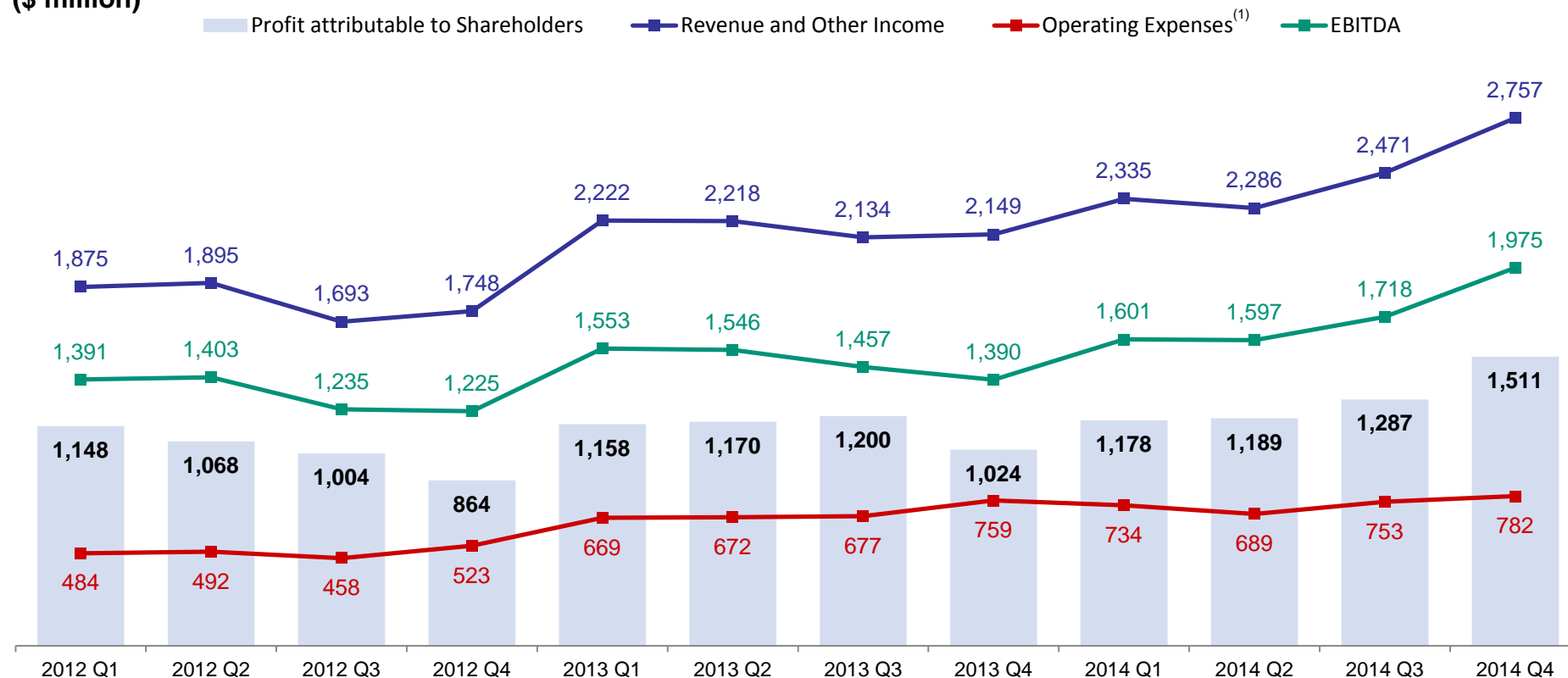


(1) Includes product marketing and promotion expenses

Quarterly Trend

Key Performance Indicators by Quarter

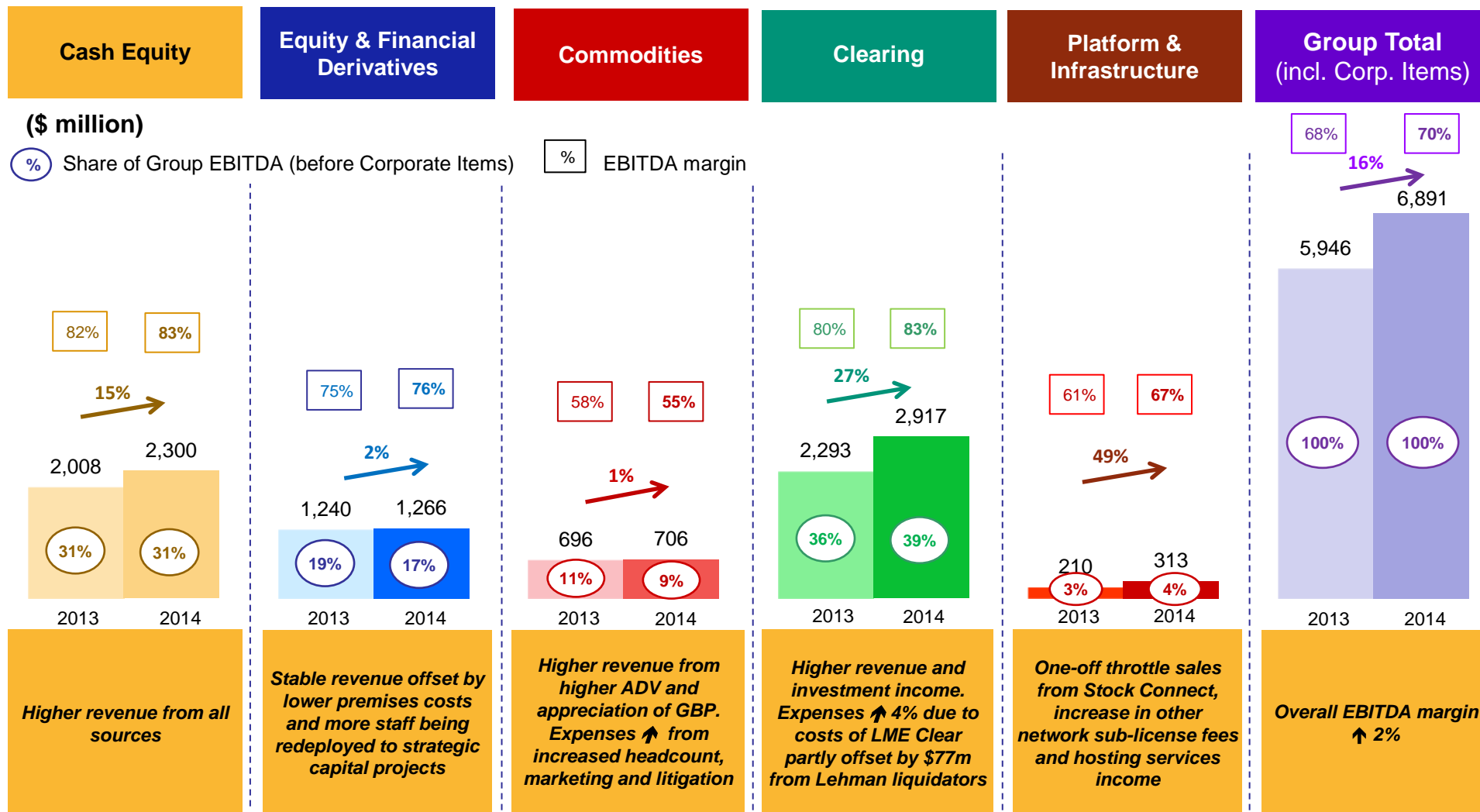
(\$ million)



**All measures have risen since 2013 due to contribution from LME Group
Increasing revenue trend since launch of LME Clear in September 2014
Expenditure growth reflects inclusion of LME Group 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

Performance by Operating Segment EBITDA

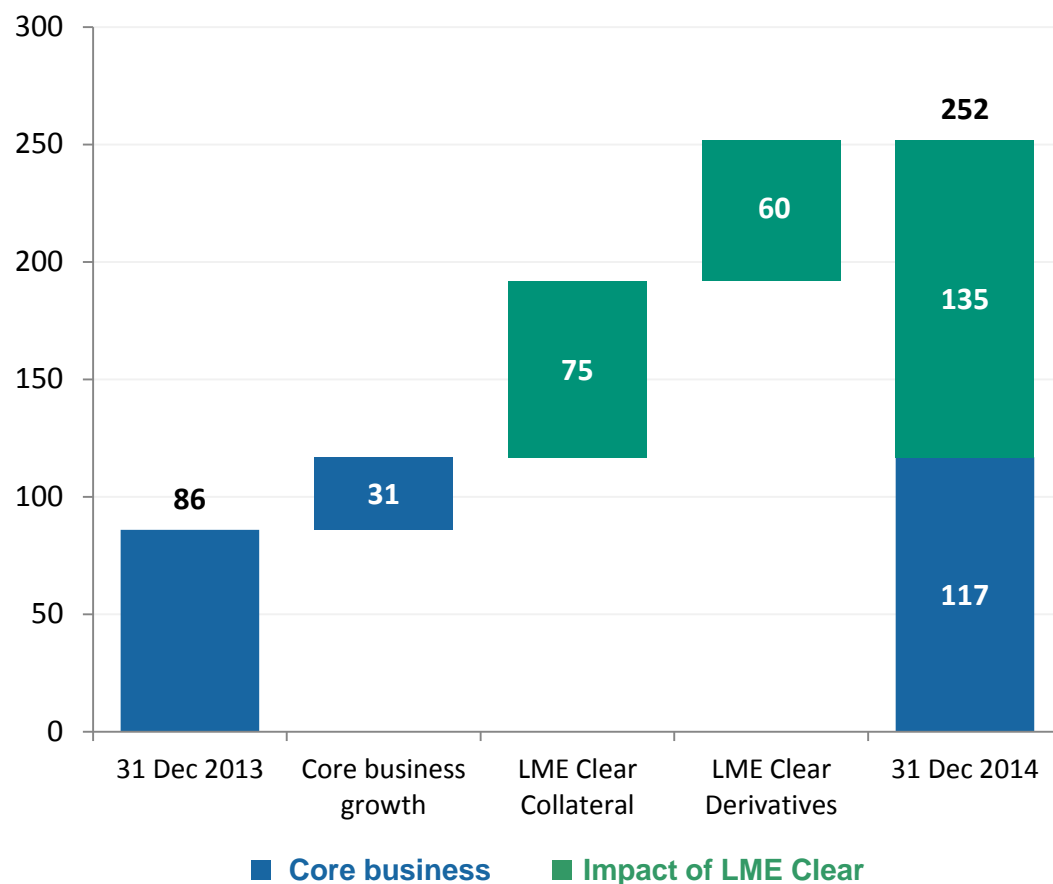


Overall EBITDA margin increased to 70%

Balance Sheet: Impact of LME Clear

Balance Sheet Size
(Total Assets and Total Liabilities/Equity)

(\$ billion)



Collateral balances

- LME Clear collects margin and contributions to clearing house funds from participants, based on the open derivative positions
- At year end this amounted to **\$75 billion**

Derivative positions

- Gross fair value of contracts being cleared through LME Clear ~ \$1.2 trillion
- Nature of contracts, where the gross value is settled, requires participants' net positions totaling **\$60 billion** to be recorded on balance sheet

Increase in both assets and liabilities substantially attributable to the launch of LME Clear

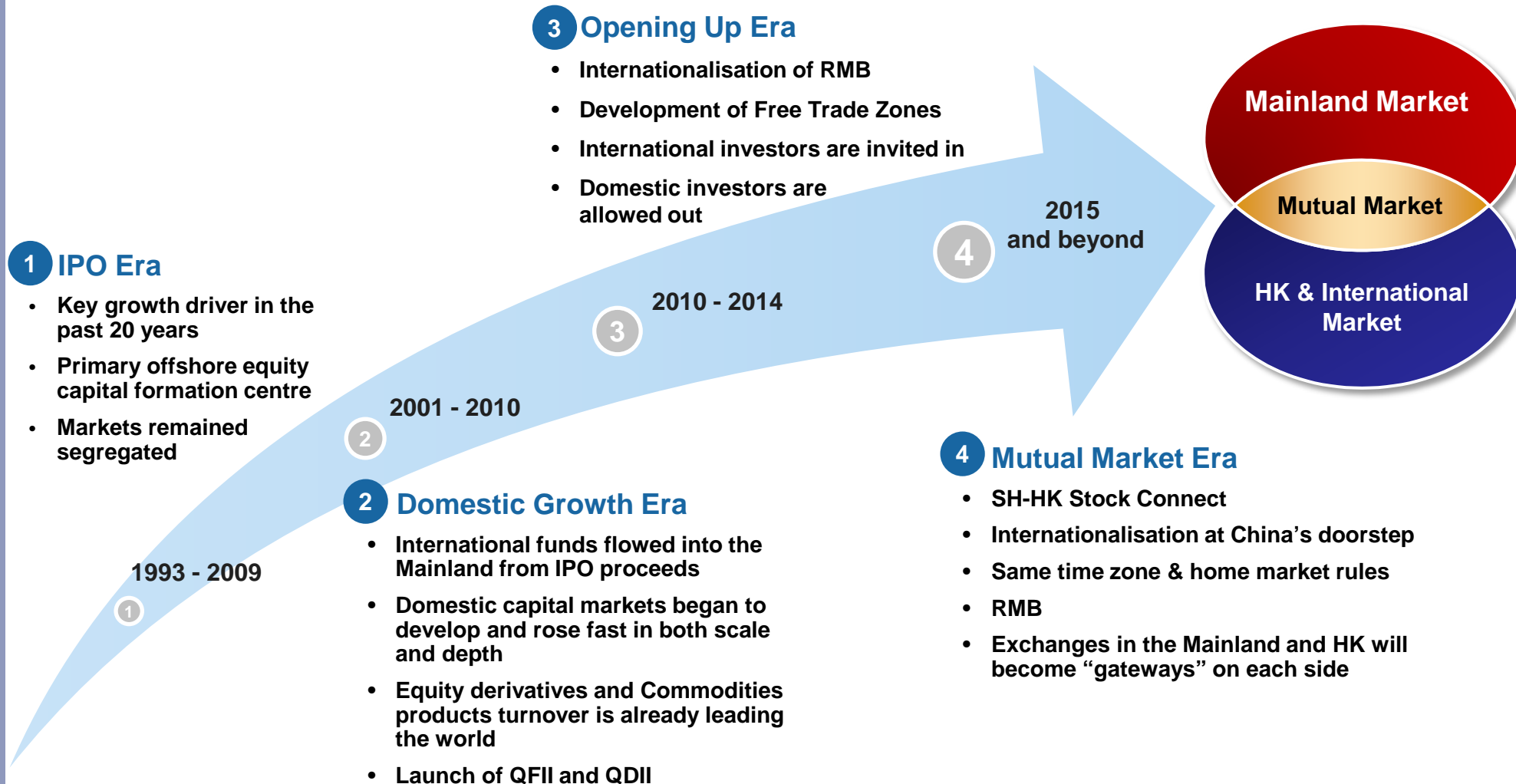
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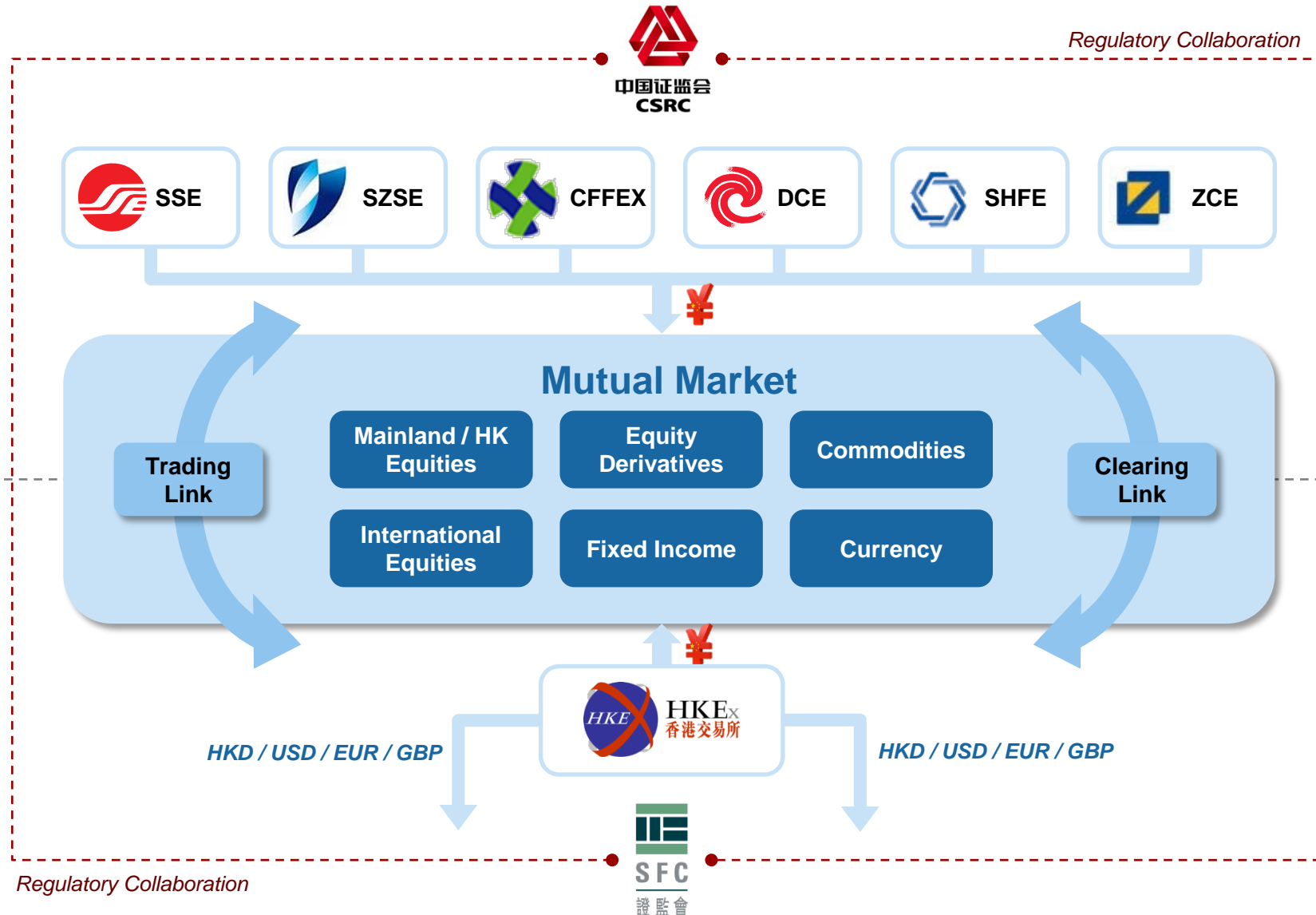
Evolution of Hong Kong and Mainland Financial Markets



China's opening up over time presents both opportunities and challenges for Hong Kong as an IFC

Moving Towards a Mutual Market Era

Stock Connect's model is scalable and replicable across multiple asset classes



Q & A

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

1 HKEx Group Business Review

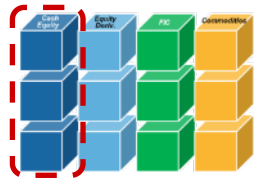
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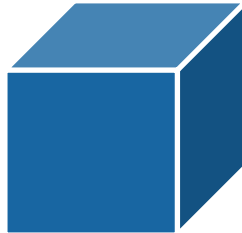
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Business Updates

Cash Equity

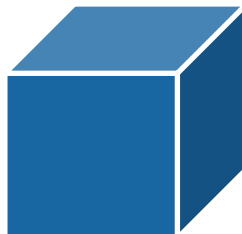


Products



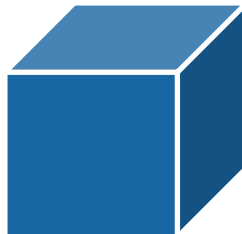
- **IPO funds raised** up 38% y-o-y, reaching \$232.5 billion
- Published **Concept Paper on Weighted Voting Rights**
- **ETFs** reached 122, witnessed **record high turnover of \$1,168 billion**
- **12 newly listed ETFs** in 2014, including:
 - The first RQFII ETF tracking Mainland's bond market
 - The first RQFII sector ETF

Trading



- Launched **Shanghai-Hong Kong Stock Connect**
 - **97 CCEPs** and **63 Trade-through EPs** registered for Northbound Trading
 - **Enhancements** in progress
- **11 trading days** in December with **daily turnover > \$100 billion**
- Published consultation on **Closing Auction Session and Volatility Control Mechanism** in January 2015

Clearing



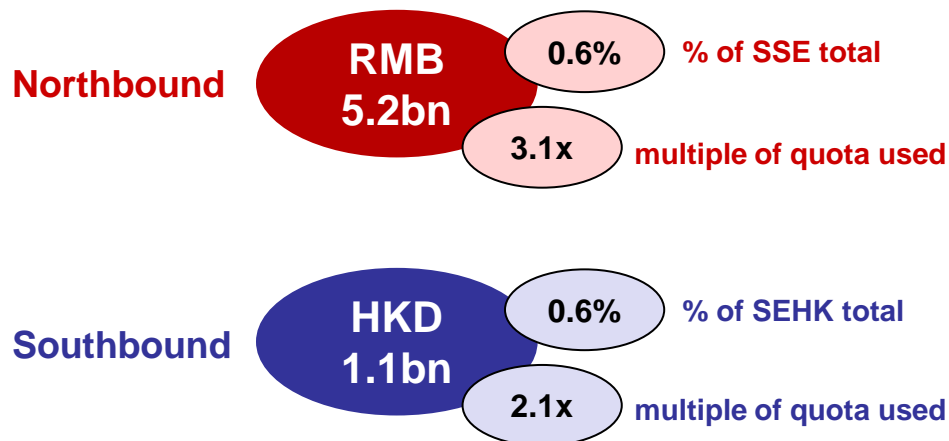
- **Relocated HKSCC's depository counter and CCASS back-up centre** to Exchange Square in November 2014
- Gaining recognition as **third country CCP** by ESMA
- **Alternative Pre-trade Checking mechanism** and **Delivery-versus-Payment Settlement Instructions** for Stock Connect to be launched in March 2015

2014 was a transformational year marked by the launch of Stock Connect

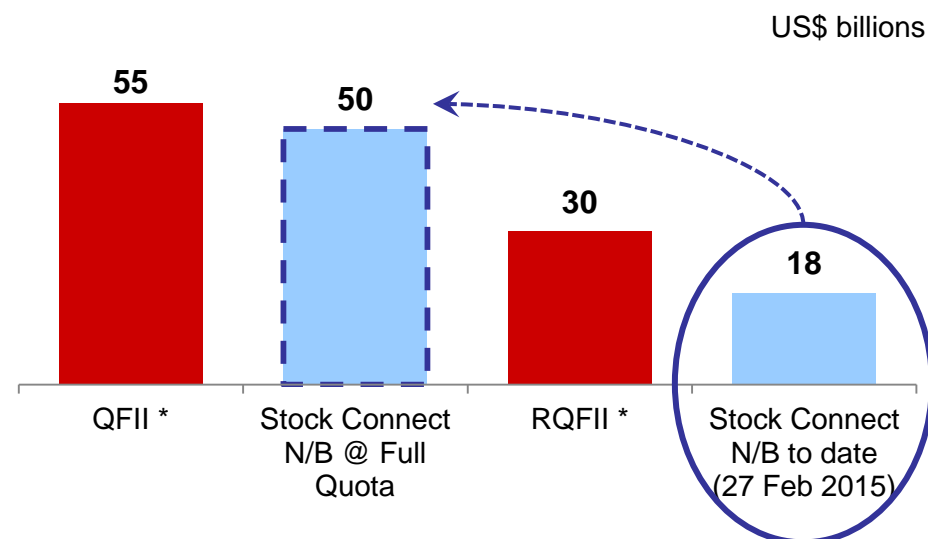
Update on Stock Connect



Average Daily Turnover



Aggregate Quota Usage



Enhancements in Progress

Covered short-selling of SSE securities started on 2 March 2015

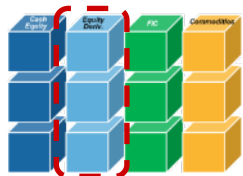
Alternative pre-trade checking mechanism to be enabled in Q1 2015

DvP Settlement Instructions for SSE securities to be enabled in Q1 2015

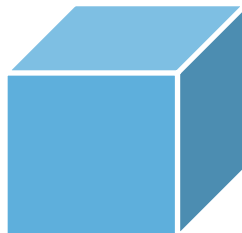
Beneficial ownership – providing legal clarity to the market

Business Updates

Equity Derivatives

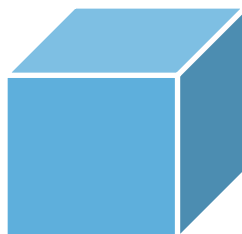


Products



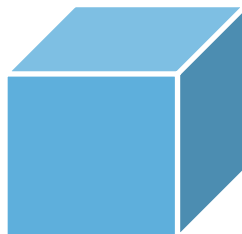
- **CES 120 Futures** awarded the Most Innovative New Contract Launch by FOW in 2014
- Launched **CES China 280 Index** in July 2014
- Launched **new index series on Stock Connect** in December 2014

Trading



- Record high turnover in **equity derivatives** in 2014
- **After-hours futures trading (AHFT)**
 - Added Block Trading, Mini HSI Futures and Mini HHI Futures on 6 January 2014
 - Added **RMB Currency Futures** on 7 April 2014
 - **Extended closing time** from 11:00pm to 11:45pm on 3 November 2014
 - **Added 3 London Metal Mini Futures** on 1 December 2014
 - Accounted for **6% of day session's trading volume**

Clearing

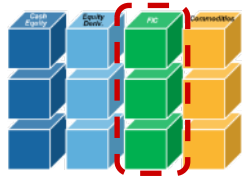


- **Enhanced clearing service** for AHFT's extension of trading hours

Continue to enhance market structure and maintain competitiveness

Business Updates

Fixed Income and Currency



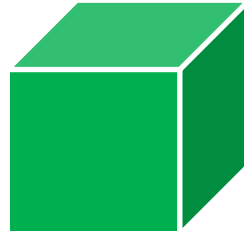
Products



- **RMB Currency Futures** – trading volume up 48%

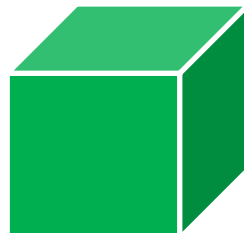
- **Daily volume** record high: 6,318 contracts on 19 March 2014
- **Open interest** record high: 23,887 contracts on 14 February 2014
- Included in the AHFT session since 7 April 2014, accounted for **7.7%** of day session
- Introduced **Active Trader Programme** and **Spread Enhancement Programme** in January 2015

Trading



- Held **RMB FIC Conference** on 22 May in Hong Kong
- Second conference to be held in June 2015

Clearing

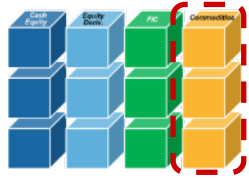


- **OTC Clear** obtained **no-action relief** from US CFTC in May 2014
- OTC Clear developing **clearing of cross currency swaps** for launch by end of 2015

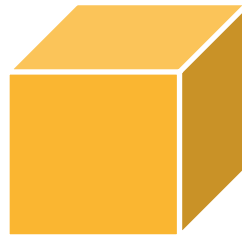
Continuing to develop FIC offering driven by RMB internationalisation

Business Updates

Commodities



Products



- Trading momentum at the LME continues: **ADV up 4%**
- Launched 3 **new commodities contracts** in Hong Kong on 1 December 2014
 - London Aluminium Mini Futures
 - London Copper Mini Futures
 - London Zinc Mini Futures
 } traded and settled in RMB
- Attracted 3 liquidity providers and 18 Active Traders
- Introduced **HKFE/LME Reciprocal Membership Arrangement**

Trading



- **Commercialisation: announced new fees** in September 2014 with effect from 1 January 2015
- Continuing with **warehousing reforms**
- Maintaining **further investments in the Ring**
- Administering **London Platinum and Palladium fixings** since 1 December 2014

Clearing



- Introduced **LMEwire** in February 2014
- **LME Clear launched on 22 September 2014**
 - 43 LME Clearing Members transferred positions reflecting 100% of the open interest
- HKCC extended services to support **London Metal Mini Futures** effective 1 December 2014

Transformational initiatives are taking the commodities business to the next level

Enhanced Platform & Infrastructure Update



Orion Central Gateway (OCG)

- Launched for securities market in June 2014
- EP migration took place via 2 batches

China Stock Connect (CSC)

- “China Stock Connect System” and “China Stock Connect Open Gateway” have been operating smoothly

New Securities Trading Device (NSTD)

- NSTD rolled out in November 2014 to replace the legacy AMS Terminals and MWS trading devices
- Migration will be completed within 2015

Orion Market Data (OMD)

- Introduced Mainland Market Data Hub (MMDH) in Shanghai on 3 March 2014
- Expanded and launched for Derivatives Market in December 2014

LME

- Launch of LMEwire trade reporting service on 12 February 2014
- LMEstage real time testing service launched on 21 March 2014
- Successful insourcing of Information Technology from Xchanging on 1 May 2014
- LMEnet service announced on 24 July 2014

Financial Highlights – Income Statement



(\$ million, unless stated otherwise)	2014	% of revenue & other income	2013	% of revenue & other income	Y-o-Y change
Results					
Revenue and other income	9,849	100%	8,723	100%	13%
Operating expenses	(2,958)	(30%)	(2,777)	(32%)	7%
EBITDA	6,891	70%	5,946	68%	16%
Depreciation and amortisation	(647)	(7%)	(507)	(6%)	28%
Operating profit	6,244	63%	5,439	62%	15%
Finance costs and share of loss a joint venture	(206)	(2%)	(193)	(2%)	7%
Profit before taxation	6,038	61%	5,246	60%	15%
Taxation	(900)	(9%)	(700)	(8%)	29%
Non-controlling interests	27	0%	6	0%	350%
Profit attributable to shareholders	5,165	52%	4,552	52%	13%
Basic earnings per share	\$4.44		\$3.95		12%
Diluted earnings per share	\$4.43		\$3.94		12%
Average daily turnover on the Stock Exchange	\$69.5 billion		\$62.6 billion		11%
Capex	512		730		(30%)

Performance by Operating Segment



\$ million	Cash Equity	Equity & Financial Derivatives	Commodities	Clearing	Platform and Infrastructure	Corporate Items	Group 2014	Group 2013
Revenue and other income	2,761	1,666	1,274	3,503	465	180	9,849	8,723
<i>% of Group Total</i>	<i>28%</i>	<i>17%</i>	<i>13%</i>	<i>35%</i>	<i>5%</i>	<i>2%</i>	100%	100%
Operating expenses	(461)	(400)	(568)	(586)	(152)	(791)	(2,958)	(2,777)
EBITDA	2,300	1,266	706	2,917	313	(611)	6,891	5,946
<i>% of Group Total ⁽¹⁾</i>	<i>34%</i>	<i>18%</i>	<i>10%</i>	<i>42%</i>	<i>5%</i>	<i>(9%)</i>	100%	100%
<i>EBITDA margin</i>	<i>83%</i>	<i>76%</i>	<i>55%</i>	<i>83%</i>	<i>67%</i>	<i>(339%)</i>	70%	68%
Depreciation and amortisation	(89)	(64)	(322)	(98)	(46)	(28)	(647)	(507)
Finance costs	-	-	-	-	-	(196)	(196)	(183)
Share of loss of a joint venture	-	(10)	-	-	-	-	(10)	(10)
Profit before taxation	2,211	1,192	384	2,819	267	(835)	6,038	5,246

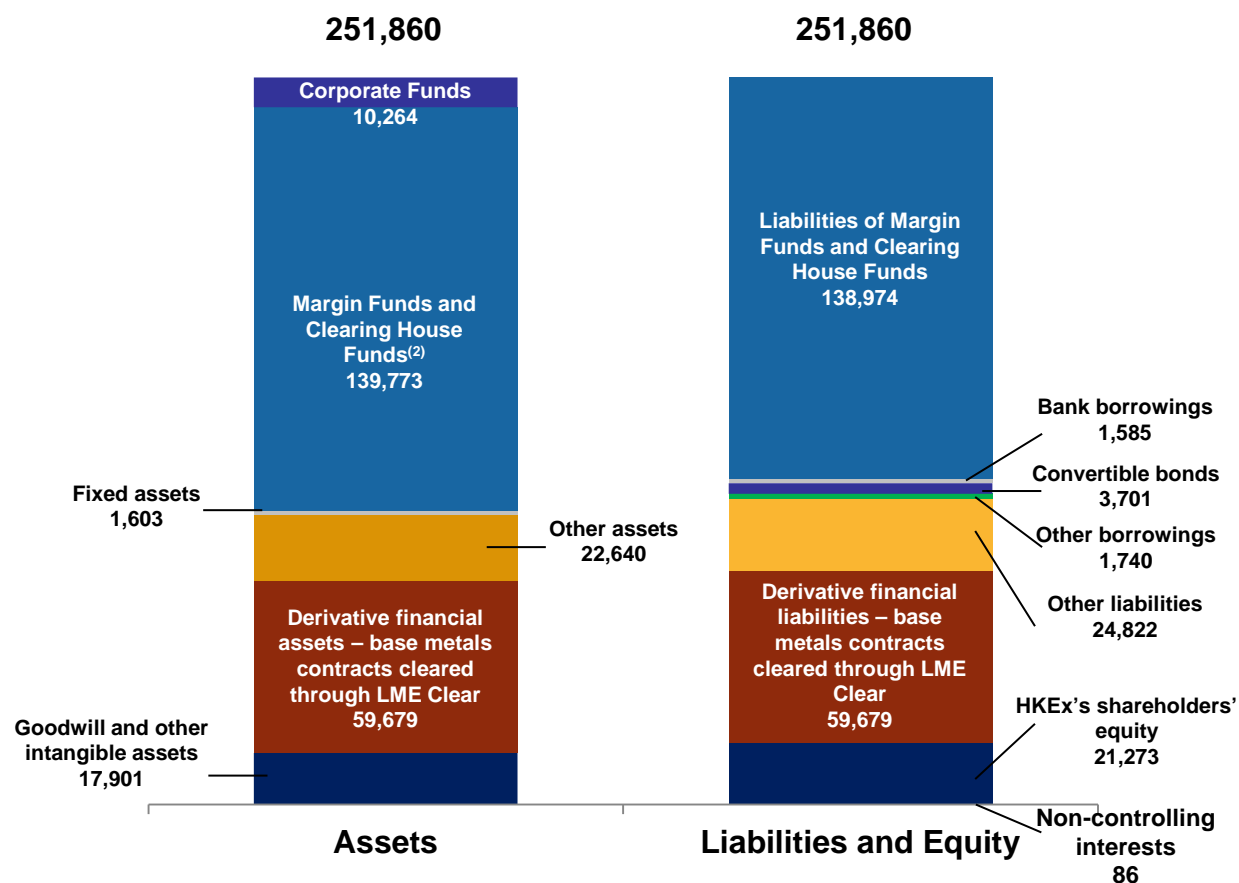
LME's results are included under 'Commodities' and 'Corporate Items'
LME Clear's results are included under 'Clearing'

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

Financial Highlights – Balance Sheet



(\$ million, except %)



Leverage Ratios	
Total Debt	7,026
Net Debt ⁽¹⁾	-
Total Debt / Assets	3%
Total Debt / Equity	33%
Total Debt / EBITDA	1.0x
Net Debt / Equity	0%

Leverage ratios well within targeted ranges

(1) Net Debt equals total borrowings minus cash and cash equivalents of Corporate Funds. It is zero since cash and cash equivalents of Corporate Funds is greater than total borrowings.

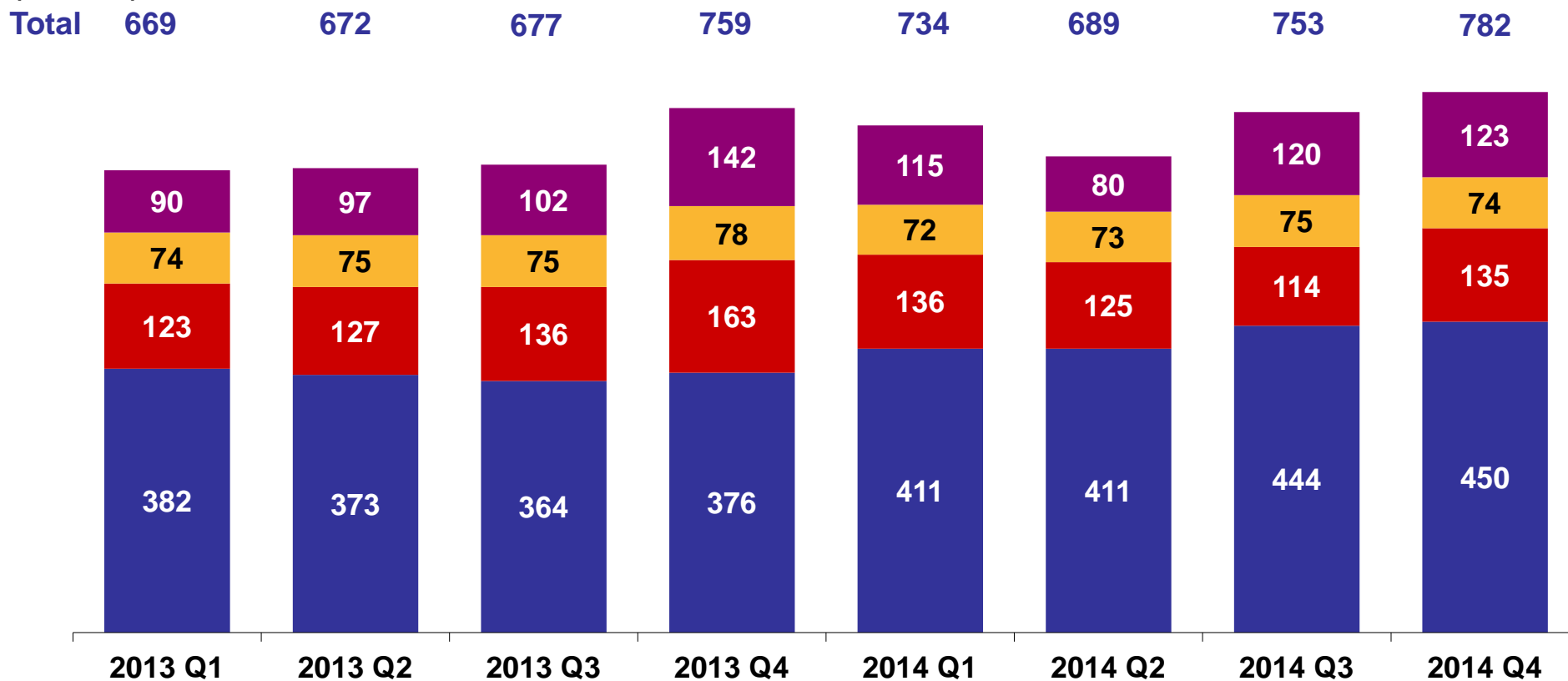
(2) Amounts included \$157 million for contribution to the Rates and FX Guarantee Resources of OTC Clear

Quarterly Trend

Operating Expenses



(\$ million)



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