



2022 Q3 Results Analyst Presentation

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HKEX
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Agenda

- 01 | YTD Q3 2022 Key Highlights
- 02 | HKEX Group Financial Review
- 03 | Business and Strategic Update
- 04 | Appendix

YTD Q3 2022 key highlights

Financial Performance

HK\$13.3bn

(-18%YoY)

Revenue and other income

HK\$1.7bn

(-18%YoY)

Stock Connect revenue
and other income

HK\$7.1bn

(-28%YoY)

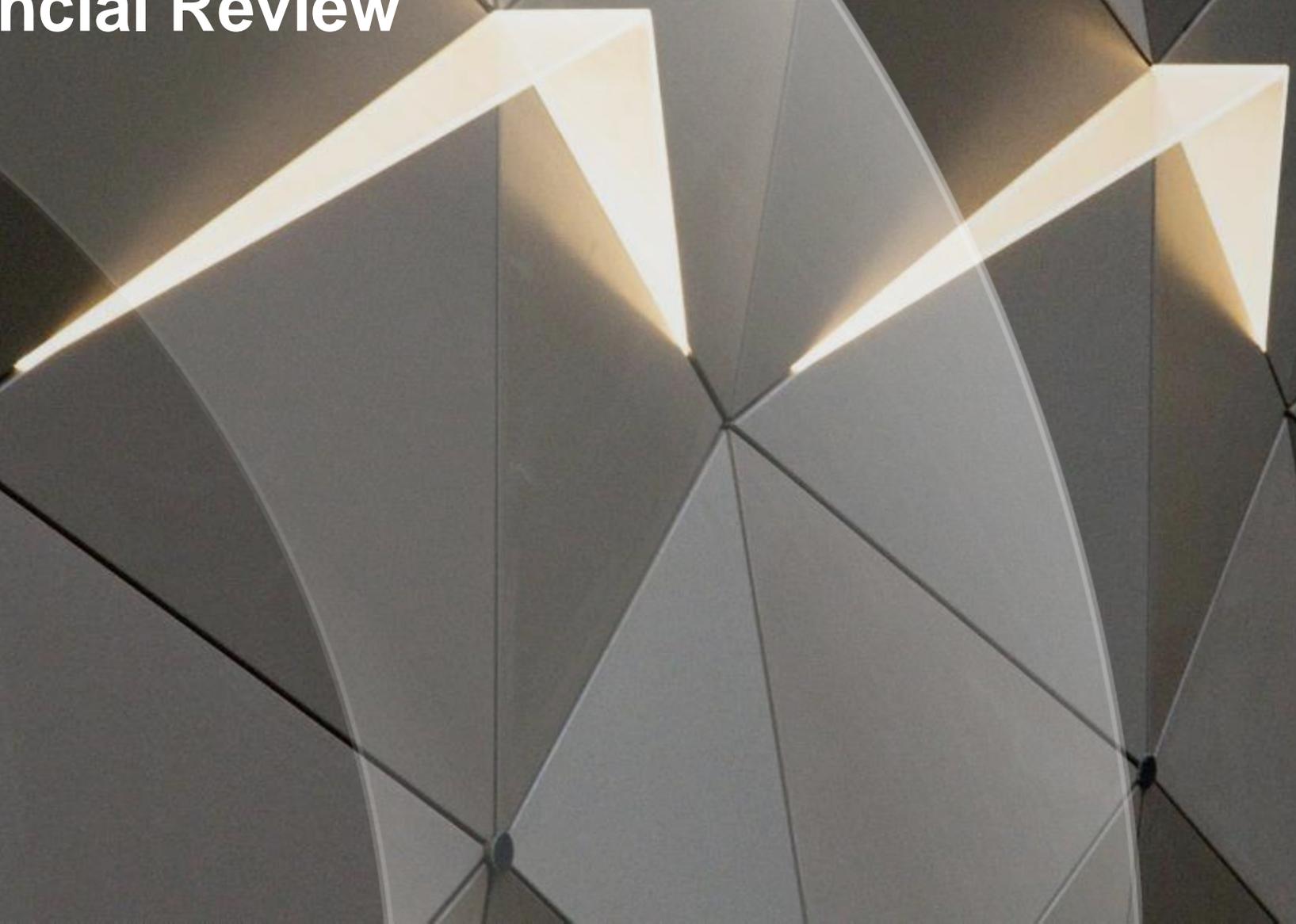
Profit attributable to
shareholders

Business and Strategy

- **Resilient results**, despite global market fragility and ongoing geopolitical tensions
- **Strategic delivery across range of initiatives including Connect franchise:**
 - **ETFs included in Stock Connect; Swap Connect** announced (Jul 2022)
 - **Enhancement to Stock Connect trading calendar** announced (Aug 2022)
 - **Bond Connect Northbound ADT** reached **record nine-month high**
 - 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**
- **Cash market softness** reflecting global market sentiment, ADT down 31% YoY on record YTD Q3 2021
- **Q3 2022 momentum in IPO market, with fundraisings more than double 1H 2022.** IPO pipeline remained strong with over 140 active applications as at 30 Sep 2022
- **HKFE Derivatives ADV** reached **record nine-month high** of 672k contracts (+26% YoY)
- **Diversification delivering results - ETPs ADT +42% YoY; Technology revenue +6% YoY; Data revenue +4% YoY**
- **Investment in talent, technology and operational excellence continues - positioning us strongly for the future**



HKEX Group Financial Review



Q3 2022: Revenue down vs Q3 2021 due to lower ADT, but EBITDA and PAT improved vs Q2 2022

Core business revenue⁽²⁾

Q3 2022: HK\$4.3bn

(↓17% vs Q3 2021)

(↓4% vs Q2 2022)

Revenue and other income⁽³⁾

Q3 2022: HK\$4.3bn

(↓19% vs Q3 2021)

(↑2% vs Q2 2022)

EBITDA

Q3 2022: HK\$3.0bn

(↓28% vs Q3 2021)

(↑2% vs Q2 2022)

PAT

Q3 2022: HK\$2.3bn

(↓30% vs Q3 2021)

(↑4% vs Q2 2022)

EPS

Q3 2022: HK\$1.79

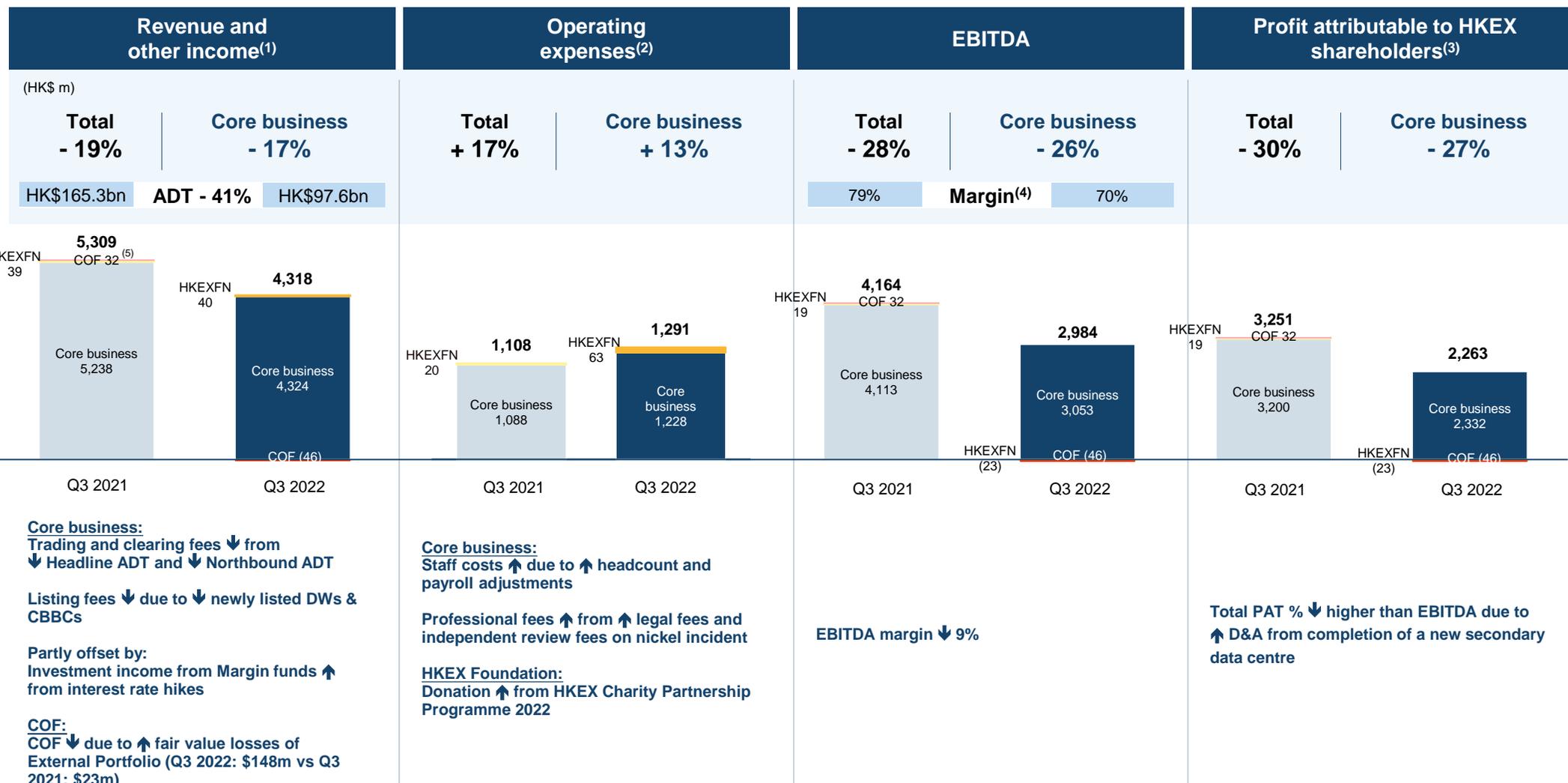
(↓30% vs Q3 2021)

(↑5% vs Q2 2022)

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

Q3 2022 vs Q3 2021

Core business net profit down 27% driven by 41% lower Headline ADT

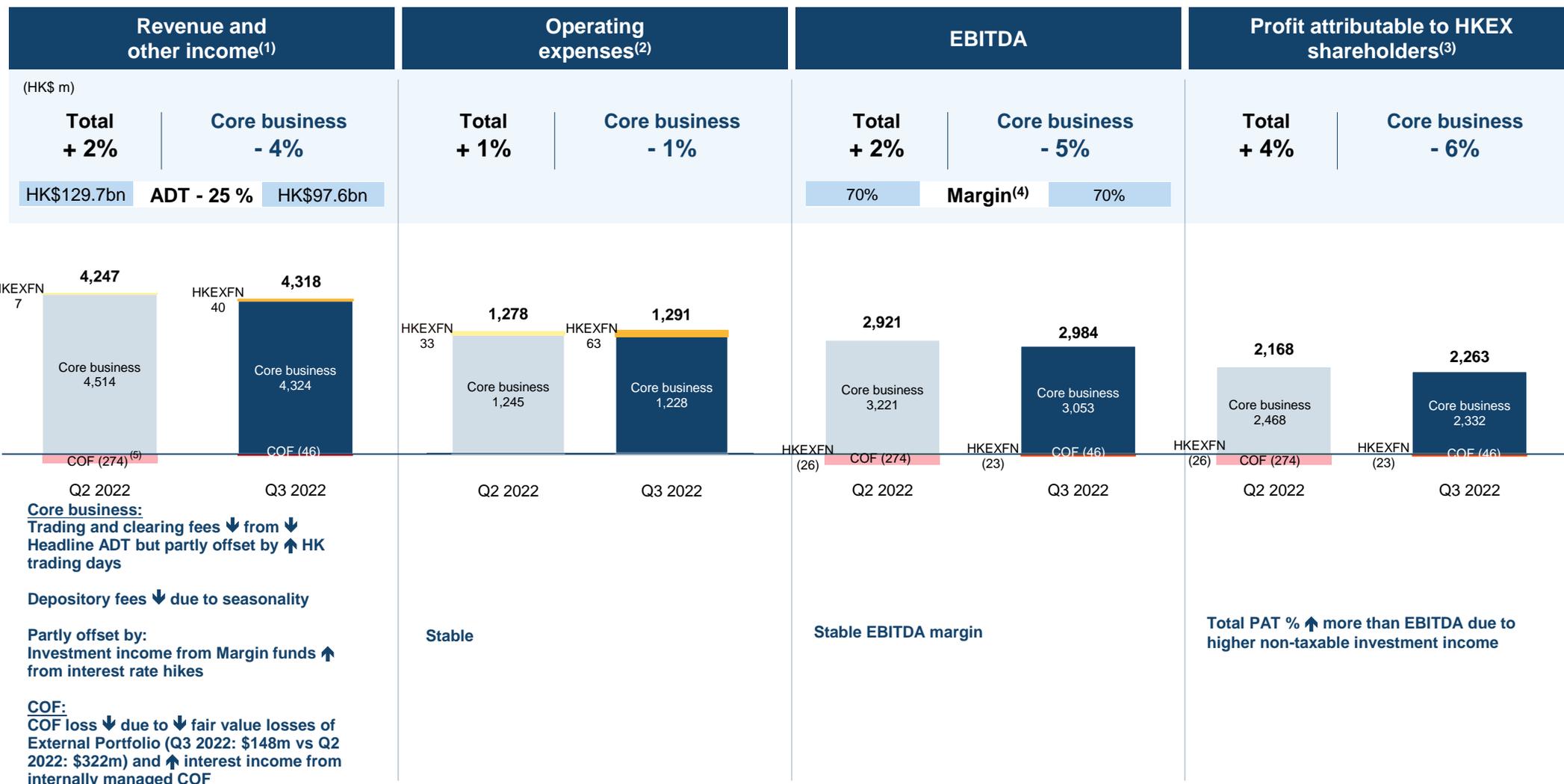


1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2021: \$37m; Q3 2022: \$43m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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



Q3 2022 vs Q2 2022

Net profit up 4% driven by increase in net investment income, offsetting the 25% lower Headline ADT



1. Represents gross revenue and other income before deducting transaction-related expenses (Q2 2022: \$48m; Q3 2022: \$43m)
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

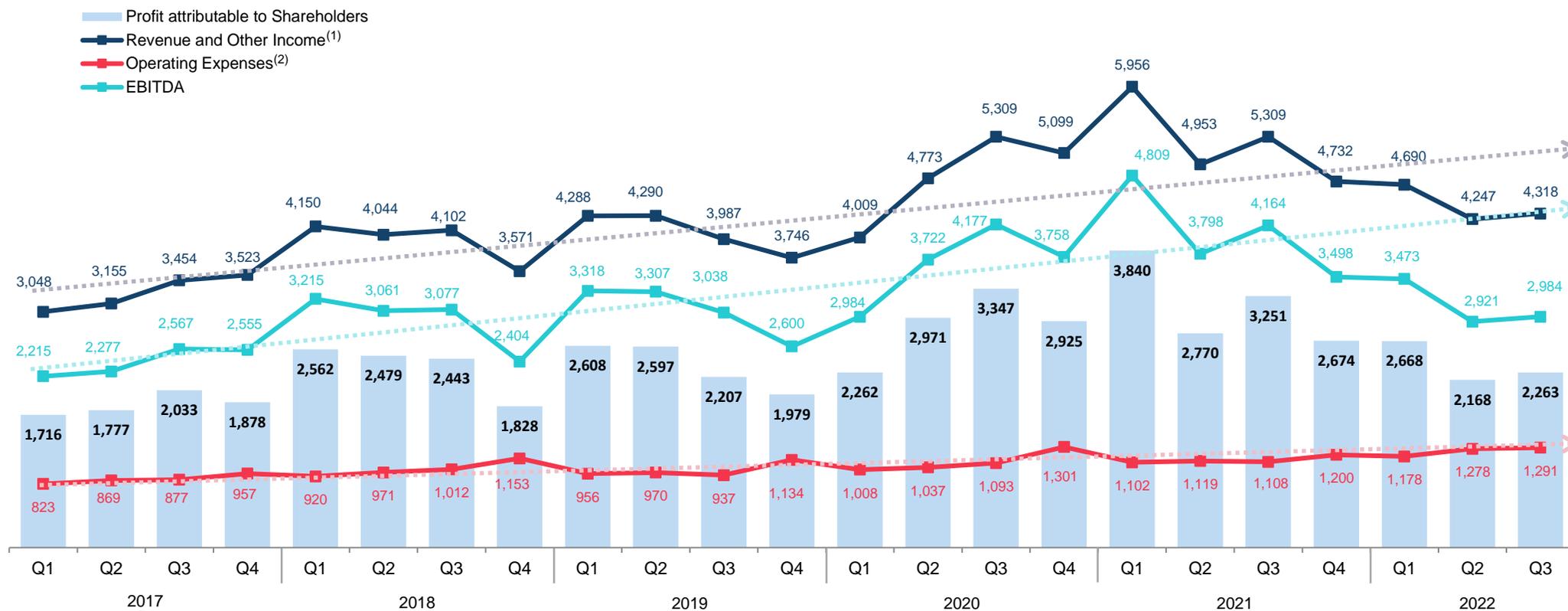


Quarterly performance

2022 results consistent with long-term normalised levels

Quarterly performance

(HK\$ m)



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

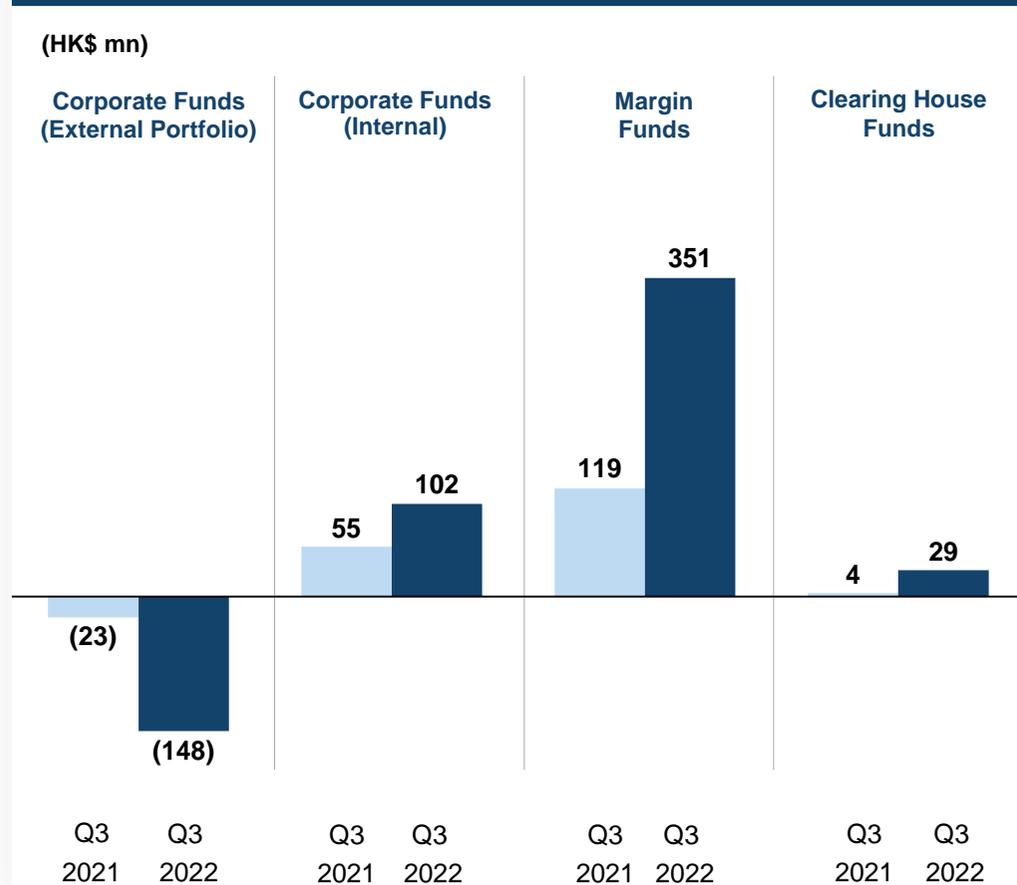


Net investment income – Q3 2022 vs Q3 2021

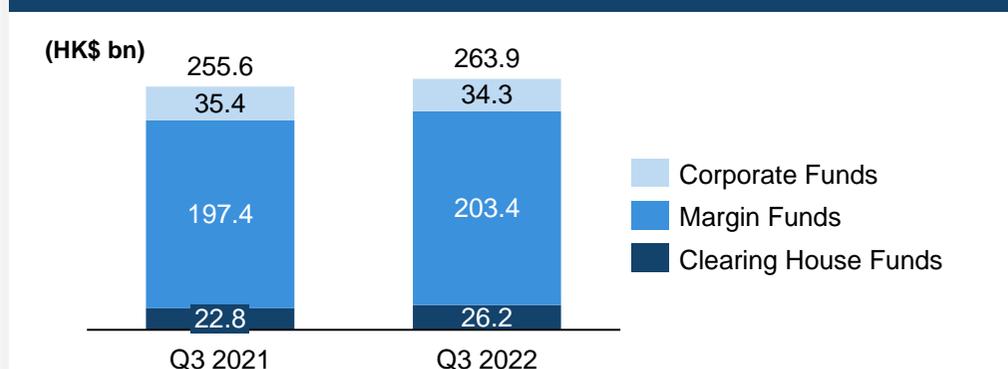
Net investment income affected by macro sentiment & interest rate

Q3 2022: HK\$334mn (Q3 2021: HK\$155mn)

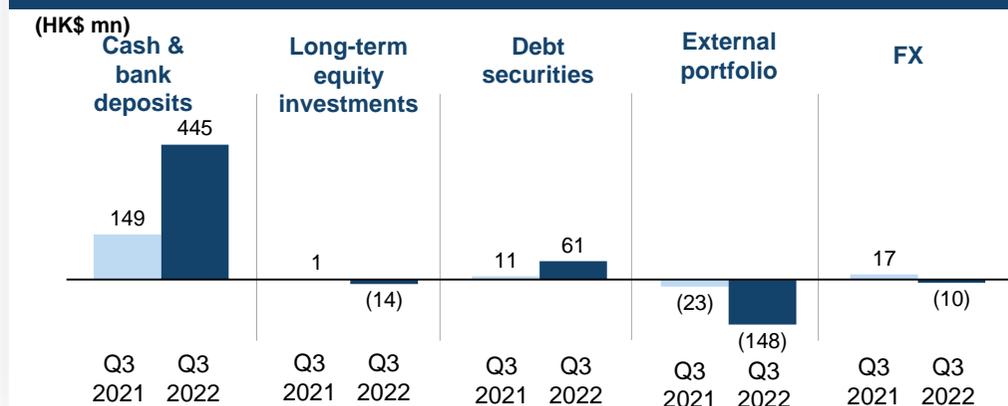
Net investment income by funds



Average fund size



Net investment income by category of investments



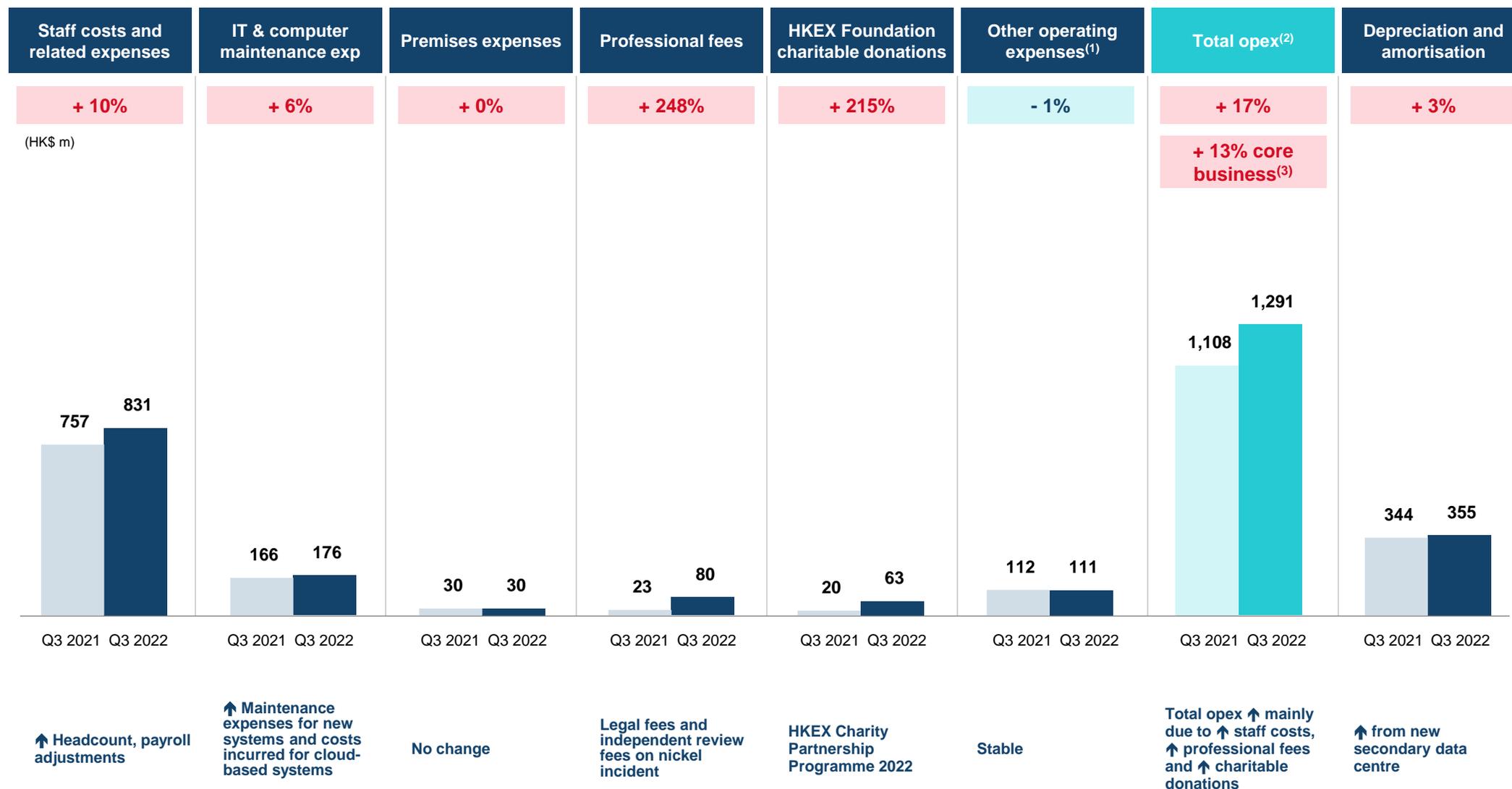
HK\$1.8bn of external portfolio redeemed in Q3 2022 - improves downside protection and reduces earnings volatility (Balance as of 30 Sep 2022: HK\$6.4bn)

- Financial figures on this slide are computed based on financial figures disclosed in YTD Q3 and 1H 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 30 per cent at 30 June 2022), a certain proportion is invested in long-term investment grade debt securities (approximately 4 per cent at 30 June 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 30 June 2022).



Operating expenses and depreciation & amortisation – Q3 2022 vs Q3 2021

Investment in talent, technology and operational excellence, in addition to increased professional fees on nickel incident



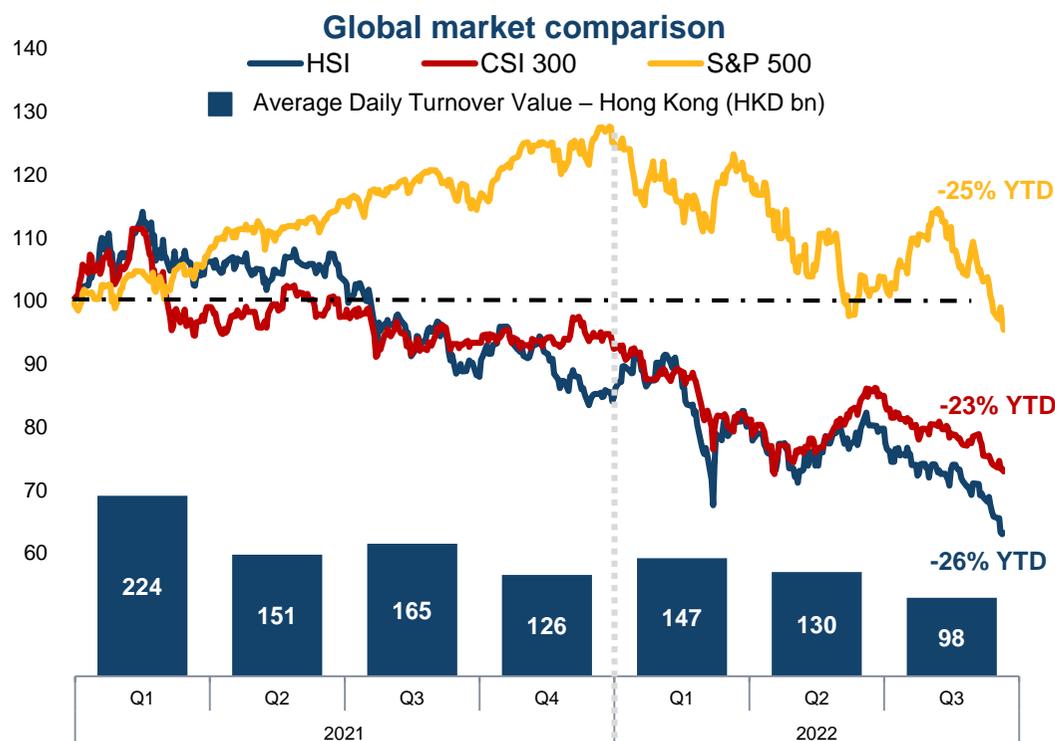
1. Includes product marketing and promotion expenses
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs, and share of results of joint ventures
3. Excludes HKEX Foundation charitable donations





Business and Strategic Update

Resilient Q3 2022 performance in weak market



Diversification helped to mitigate lower cash market volumes

- Cash Market ADT at HK\$124.1bn (down 31%YoY), reflecting global market fragility and ongoing geopolitical tensions
- ADV of derivatives traded on HKFE: 672k (up 26%YoY, a new record high for YTD Q3), driven by increased popularity of new products and cross product trading activities

Connect programmes continued to perform well

- Stock Connect: revenue of HK\$1.7bn (down 18%YoY), contributed 13% of the Group's total revenue
- Bond Connect Northbound ADT: record nine-month high RMB32.1bn (up 23%YoY)
- ETFs included in Stock Connect since 4 Jul 2022

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

Q3 2022 momentum in IPO market; pipeline remains strong

- IPO funds raised HK\$73.2bn (down 74%YoY, Q3 2022: more than double vs 1H 2022), with 68% from New Economy and Biotech companies
- IPO pipeline remains strong with over 140 active applications as at 30 Sep 2022 and 29 newly listed companies in Q3 2022 (vs 1H 2022: 27)

Source: HKEX, Bloomberg
 Figures represent data for YTD Q3 2022 unless otherwise stated



Good delivery on strategic priorities

	Connecting China and the World	Connecting Capital with Opportunities	Connecting Today with Tomorrow
Focus areas	<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
Delivery in 2022	<p>ETFs included in Stock Connect and Swap Connect announced in Jul 2022</p> <hr/> <p>Enhancement to Stock Connect trading calendar announced in Aug 2022</p> <hr/> <p>CSRC’s 3 new initiatives (Sep 2022): 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> <hr/> <p>First A-share structured products, MSCI China A 50 DW⁽¹⁾, listed in Aug 2022</p>	<p>Consultation for the listing regime for specialist tech companies announced in Oct 2022</p> <hr/> <p>Plan to revise T Session closing hour and T+1 Session opening hour for selected MSCI products announced in Sep 2022</p> <hr/> <p>7 new ETPs listed in Q3 2022</p>	<p>First green bond ETF listed in Q3 2022</p> <hr/> <p>110 sustainable-focused products now displayed on STAGE</p> <hr/> <p>Launched HK International Carbon Market Council in Jul 2022</p> <hr/> <p>Launched IR Connect in Jul 2022, a new digital investor relations platform</p>

We are building the Marketplace of the Future

1. MSCI China A 50 Connect Index Derivatives Warrants



Looking ahead

- **Macro economic and geopolitical factors will continue to impact market sentiment and volumes**
- **Ongoing market volatility, inflationary pressures, a rising interest rate environment and slowing global growth** could continue to impact returns on the external portfolio; **HK\$1.8 billion was redeemed** to reduce earnings volatility, with a HK\$0.2 billion redemption to be completed in Q4 2022. Rising interest rates will benefit internally-managed investment income
- **Early signs of returning momentum in IPO market have put Asia at top of global funding tables at end of Q3 2022**; sentiment remains fragile but pipeline of over 140 companies is strong
- **Continued expansion of Connect programmes**, through new live initiatives and those already announced, offer further significant growth opportunities; a number of other new projects being developed, all focused on our strategic priorities
- **Continued investments in talent, technology, client and risk management** to deliver our strategy
- Business and markets remain strongly positioned to embrace opportunities and turn in sentiment

A long-exposure photograph of a city street at night. The image shows a multi-lane highway with light trails from cars, creating streaks of red, white, and blue. The surrounding area is filled with tall, modern skyscrapers, many of which are illuminated with blue and white lights. The sky is a deep blue, suggesting dusk or dawn. The overall scene is a vibrant, urban nightscape.

Welcome questions

Q&A Session



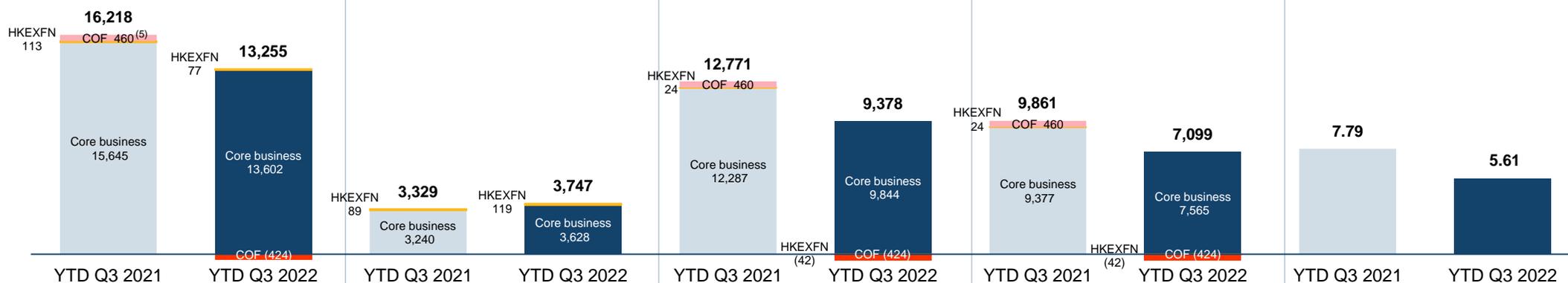
Appendix



YTD Q3 2022 vs YTD Q3 2021

Core business net profit down 19% from the record 2021, driven by 31% lower Headline ADT

Revenue and other income ⁽¹⁾		Operating expenses ⁽²⁾		EBITDA		Profit attributable to HKEX shareholders ⁽³⁾		Basic earnings per share
(HK\$ m)								(HK\$)
Total - 18%	Core business - 13%	Total + 13%	Core business + 12%	Total - 27%	Core business - 20%	Total - 28%	Core business - 19%	Total - 28%
HK\$180.3bn	ADT - 31%	HK\$124.1bn		79%	Margin ⁽⁴⁾	71%		



YTD Q3 2021
Core business:
Trading & clearing fees ↓ from
↓ Headline ADT and ↓ Northbound
ADT, partly offset by record HKFE
ADV

Depository fees ↓ from ↓ e-IPO
services fees

Partly offset by:
Investment income from Margin
Funds ↑ from interest rate hikes

COF:
COF ↓ due to fair value losses of
External Portfolio (YTD Q3 2022:
\$659m losses; YTD Q3 2021: \$298m
gains)

Staff costs ↑ from ↑ headcount,
payroll adjustments,
↑ recruitment costs

Professional fees ↑ from
↑ legal fees and independent
review fees on nickel incident and
↑ fees incurred for strategic
projects and initiatives

EBITDA margin ↓ 8%

Total PAT % ↓ similar to EBITDA

↑ D&A from completion of new
secondary data centre was offset
by ↓ tax arising from the one-off
deferred tax charge of \$160m
booked in 2021

EPS % ↓ same as PAT

1. Represents gross revenue and other income before deducting transaction-related expenses (YTD Q3 2021: \$118m; YTD Q3 2022: \$130m)
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



Financial highlights – Income Statement

(HK\$ mn, unless stated otherwise)	YTD Q3 2022	% of Revenue & Other Income	YTD Q3 2021	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	13,255	100%	16,218	100%	(18%)
Less: Transaction-related expenses	(130)	(1%)	(118)	(1%)	10%
Revenue and other income less transaction-related expenses	13,125	99%	16,100	99%	(18%)
Operating expenses	(3,747)	(28%)	(3,329)	(21%)	13%
EBITDA	9,378	71%	12,771	79%	(27%)
Depreciation and amortisation	(1,072)	(8%)	(1,006)	(6%)	7%
Operating profit	8,306	63%	11,765	73%	(29%)
Finance costs and share of results of joint ventures	(49)	(0%)	(58)	(0%)	(16%)
Profit before taxation	8,257	62%	11,707	72%	(29%)
Taxation	(1,160)	(9%)	(1,880)	(12%)	(38%)
Loss attributable to non-controlling interests	2	0%	34	0%	(94%)
Profit attributable to HKEX shareholders	7,099	54%	9,861	61%	(28%)
Capex	773		723		7%
Basic earnings per share	HK\$5.61		HK\$7.79		(28%)
Headline ADT on the Stock Exchange	HK\$124.1 bn		HK\$180.3 bn		(31%)

1. % may not add up due to rounding



Performance by operating segment

HK\$ mn	Cash	Derivatives	Commodities	Post Trade	Technology	Corporate Items	Group YTD Q3 2022	Group YTD Q3 2021
Revenue and other income	3,764	2,368	1,019	5,612	830	(338)	13,255	16,218
<i>% of Group Total</i>	<i>28%</i>	<i>18%</i>	<i>8%</i>	<i>42%</i>	<i>6%</i>	<i>(3%)</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	-	(122)	-	(8)	-	-	(130)	(118)
Revenue and other income less transaction-related expenses	3,764	2,246	1,019	5,604	830	(338)	13,125	16,100
Operating expenses	532	509	525	708	225	1,248	3,747	3,329
EBITDA	3,232	1,737	494	4,896	605	(1,586)	9,378	12,771
<i>% of Group Total</i>	<i>34%</i>	<i>19%</i>	<i>5%</i>	<i>52%</i>	<i>6%</i>	<i>(17%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin⁽¹⁾</i>	<i>86%</i>	<i>77%</i>	<i>48%</i>	<i>87%</i>	<i>73%</i>	<i>N/A</i>	<i>71%</i>	<i>79%</i>
Depreciation and amortisation							(1,072)	(1,006)
Finance costs							(105)	(116)
Share of results of joint ventures							56	58
Profit before taxation							8,257	11,707

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



Top 10 IPOs contributing to increased trading activity

Top 10 IPOs since Jan 2018

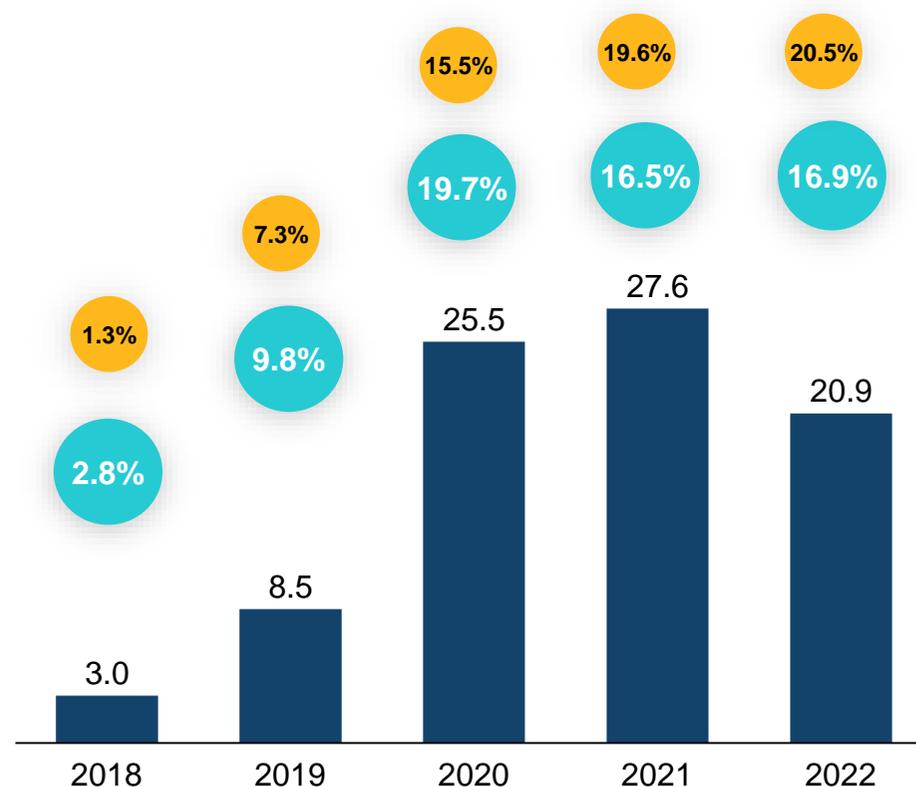
Rank	Stock Name	IPO date	IPO size (HK\$bn)
1	BABA - SW	26/11/2019	101.20
2	CHINA TOWER - H	08/08/2018	58.80
3	KUAISHOU - W	05/02/2021	48.30
4	BUD APAC	30/09/2019	45.08
5	XIAOMI - W	09/07/2018	42.61
6	JD - SW	18/06/2020	34.56
7	MEITUAN - W	20/09/2018	33.14
8	JD HEALTH	08/12/2020	31.00
9	JD LOGISTICS	28/05/2021	28.27
10	NTES - S	11/06/2020	24.26

Rising contribution to volumes from Top 10 IPOs

■ Cash Market ADT (HK\$ bn) contributed by Top 10 IPOs and related Structured Products ADT

● % of respective ADT

● % of single stock option ADV



As of Sep 2022, 17% of cash ADT and 21% of single stock option ADV were contributed by the top 10 IPOs since 2018

Source: HKEX, as of Sep 2022. S – Secondary listings; W – Weighted Voting Rights; H – H shares



Continuous ADR conversion and trading migration from China concept homecoming

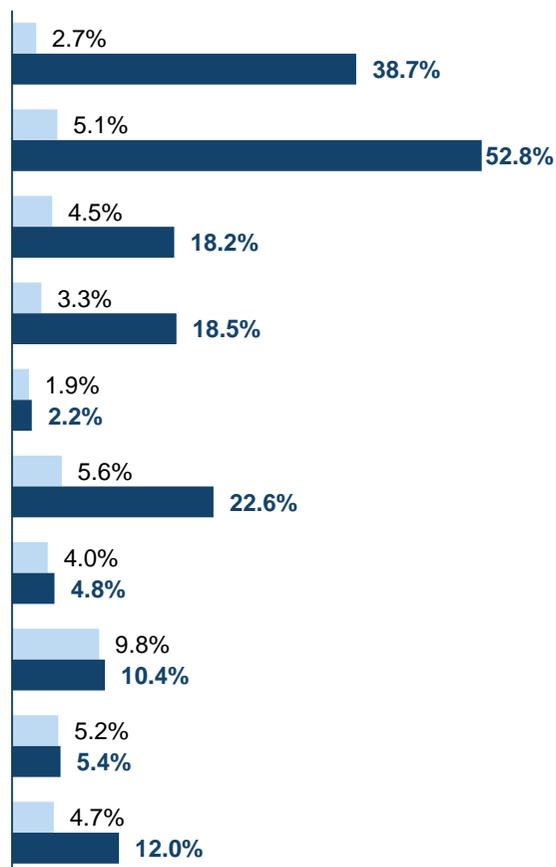
Top 10 Secondary and Dual Primary Listings¹

Stock Name	Market Cap (HK\$ bn)	HK IPO Date
BABA-SW	1,651	26/11/2019
JD-SW	620	18/6/2020
NTES-S	389	11/6/2020
BIDU-SW	315	23/3/2021
NIO-SW	203	10/3/2022
LI AUTO-W [^]	189	21/8/2021
BEKE-W [^]	165	11/5/2022
YUM CHINA-S	158	10/9/2020
ZTO EXPRESS-SW	152	29/9/2020
TRIP.COM-S	135	19/4/2021

ADR conversion to HK CCASS

HK freely traded shares²

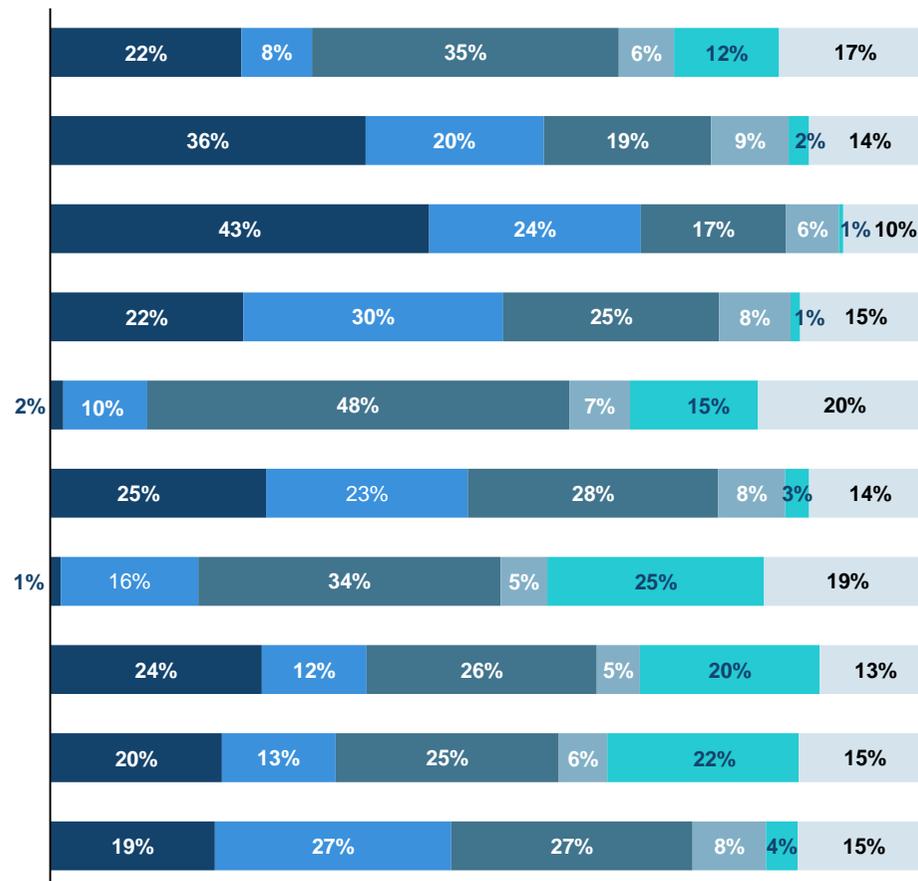
IPO date 30-Sep-2022



Trading shares among HK and US Exchanges

Trading volume breakdown (Q3 2022)

HKEX NASDAQ FINRA ADF³ NYSE Arca NYSE Others (US)



Source: HKEX, FactSet, as of 30 Sep 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. 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

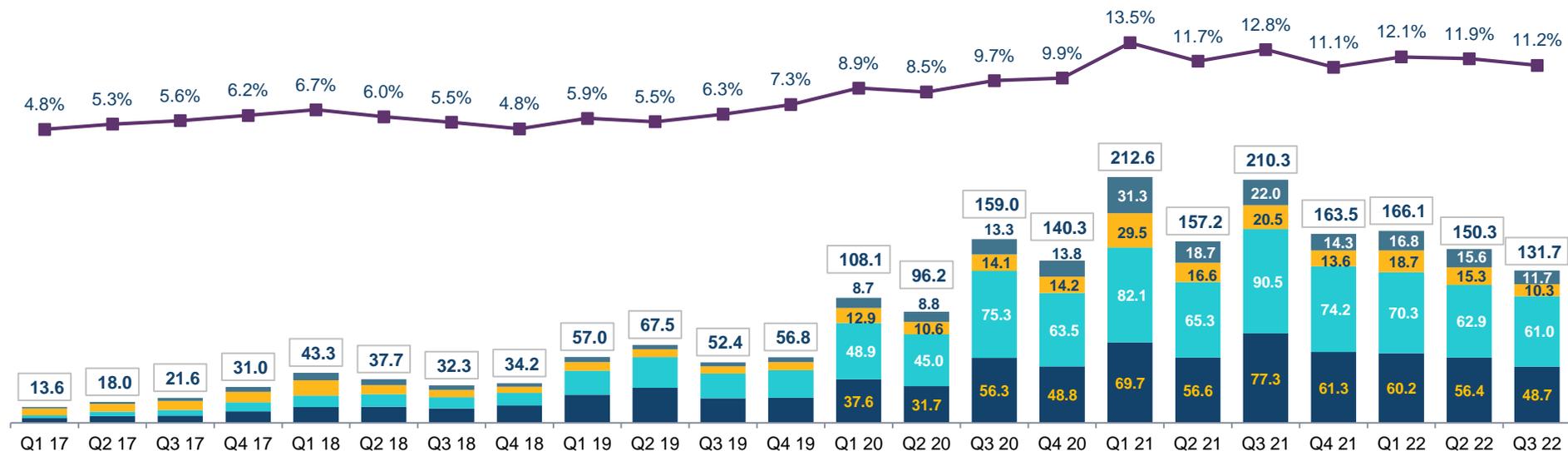
Stock Connect generated revenue of HK\$1,726mn in YTD Q3 2022

Stock Connect Average Daily Turnover in Value (HK\$ bn)

■ Shenzhen Southbound ■ Shenzhen Northbound ⁽¹⁾ Total average daily turnover in value
■ Shanghai Southbound ■ Shanghai Northbound ⁽¹⁾ — Percentage of Southbound turnover of Hong Kong Market

NB record of RMB191.2bn on 7 Jul 2020

SB record of HK\$102.2bn on 27 Jul 2021



Stock Connect Northbound and Southbound Trading ADT reached RMB101.3bn and HK\$29.1bn respectively in YTD Q3 2022

Stock Connect revenue reaching 13% of the Group's total revenue and other income in YTD Q3 2022 (YTD Q3 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.

For further information on HKEX, please go to
hkexgroup.com and hkexnews.hk

