

2023 Annual Results Analyst Presentation

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HKEX
香港交易所

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Where this document refers to the trading of securities through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (together, the “Stock Connect” programs), the applicable SEHK rules and Hong Kong and Mainland China regulations shall apply. Currently, access to northbound trading is only available to intermediaries licensed or regulated in Hong Kong; southbound trading is only available to intermediaries licensed or regulated in Mainland China. Direct access to the Stock Connect is not available outside Hong Kong and Mainland China.

Where this document refers to Bond Connect, please note that currently, access to northbound trading is only available to foreign investors that are able to trade onshore bonds on the China Foreign Exchange Trade System & National Interbank Funding Centre; southbound trading is only available to institutional investors in Mainland China.

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Agenda

01 | 2023 Key Highlights

02 | HKEX Group Financial Review

03 | Business and Strategic Update

04 | Appendix



2023 key highlights

Financial Performance

FY2023: HK\$20.5b (+11% YoY)

Q4 2023: HK\$4.9b (-7% YoY)

Revenue and other income

FY2023: HK\$11.9b (+18% YoY)

Q4 2023: HK\$2.6b (-13% YoY)

Profit attributable to shareholders

Business and Strategy

- **Strong results:** Despite a challenging macroeconomic and fragile geopolitical backdrop, FY2023 results demonstrated core business **resiliency and strength**, reinforcing HKEX's position as a vital superconnector
- **Second best-ever annual revenue and other income and profit, after exceptional FY2021**
- **Year of significant strategic progress:**
 - Expansion of eligible stocks under Stock Connect with 1,000+ additional stocks for NB and primary-listed international companies in HK added for SB (Mar 2023)
 - Specialist Technology Company listing chapter took effect (Mar 2023)
 - Swap Connect launched (May 2023)
 - HKD-RMB Dual Counter Model and its Market Making Programme launched (Jun 2023)
 - Launched FINI, digitalised IPO settlement platform to shorten the time between IPO pricing to trading (Nov 2023)
 - Proposed launch of China Treasury Bond Futures announced (Nov 2023)
- **Cash market softness continued**, reflecting weak market sentiment, ADT down 16% YoY
- **Diversification delivering results:**
 - **Derivatives and ETPs** - record high volumes
 - **FX** - USD/CNH Futures contracts traded **more than doubled**
 - **Data and Connectivity** - revenue up 4% YoY
 - **Northbound Bond Connect** - record high ADT
 - **LME** - ADV up 11% YoY & open interest up 25% YoY
- **Favourable ruling by the UK Court in respect of LME's nickel incident case (Nov 2023)** - LME will continue to take necessary and appropriate measures to ensure an orderly market



**HKEX Group
Financial Review**



FY2023: Second best-ever annual revenue and other income and profit, demonstrating business resiliency

Core business revenue⁽²⁾

FY2023 : HK\$18.9b (↑3% YoY)

Q4 2023: HK\$4.5b (↓5% YoY)

Revenue and other income⁽³⁾

FY2023 : HK\$20.5b (↑11% YoY)

Q4 2023: HK\$4.9b (↓7% YoY)

EBITDA

FY2023 : HK\$14.8b (↑12% YoY)

Q4 2023: HK\$3.3b (↓14% YoY)

PAT

FY2023 : HK\$11.9b (↑18% YoY)

Q4 2023: HK\$2.6b (↓13% YoY)

EPS

FY2023 : HK\$9.37 (↑18% YoY)

Q4 2023: HK\$2.05 (↓13% YoY)

Dividend per share

1st interim DPS : HK\$4.50 (paid)

2nd interim DPS : HK\$3.91

Full Year DPS : HK\$8.41

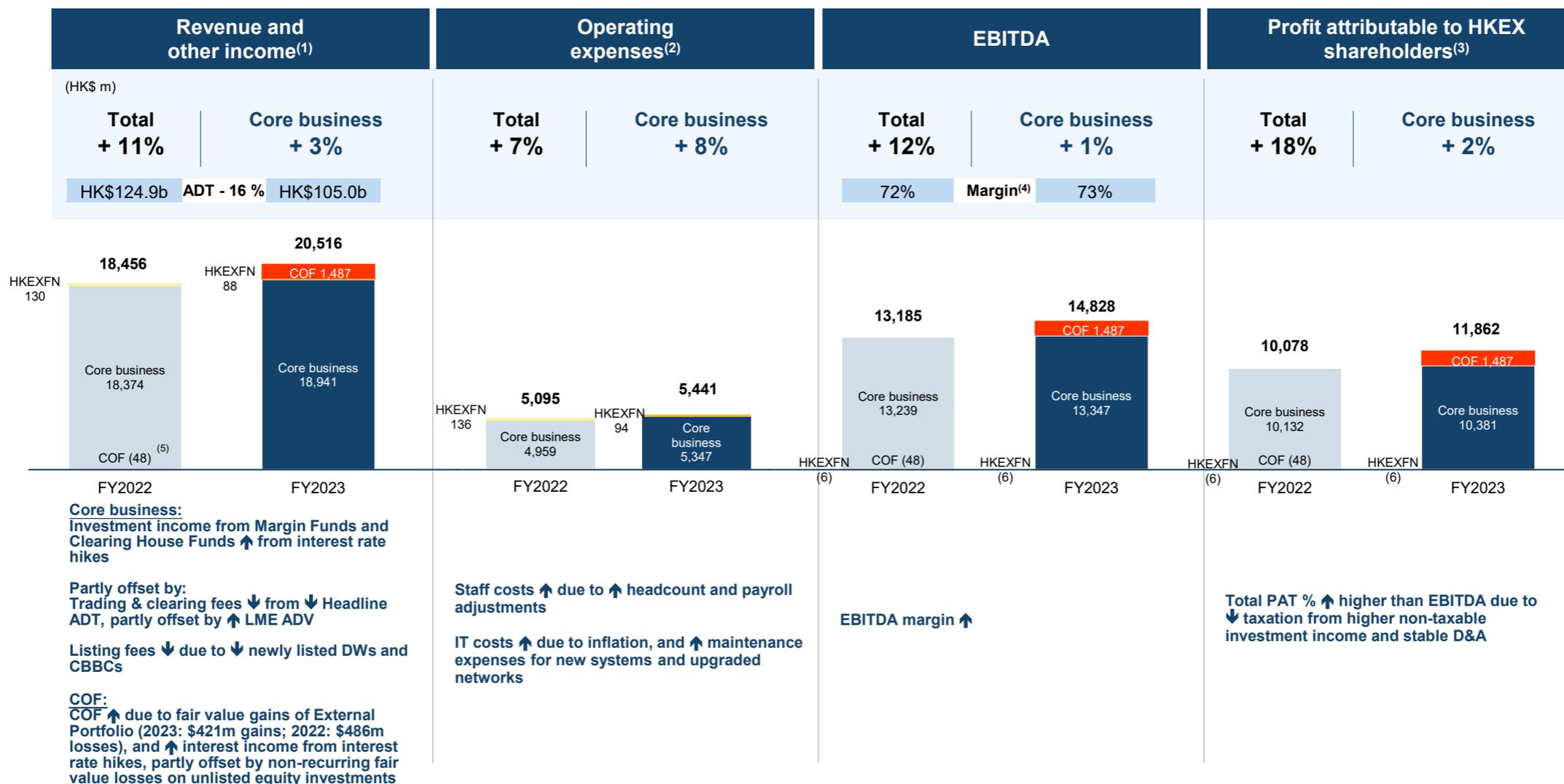
(↑18% YoY)



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 donation income of HKEX Foundation (HKEXFN)
3. Represents gross revenue and other income before deducting transaction-related expenses

FY2023 vs FY2022

Strong revenue and profit, driven by record net investment income and higher LME volumes

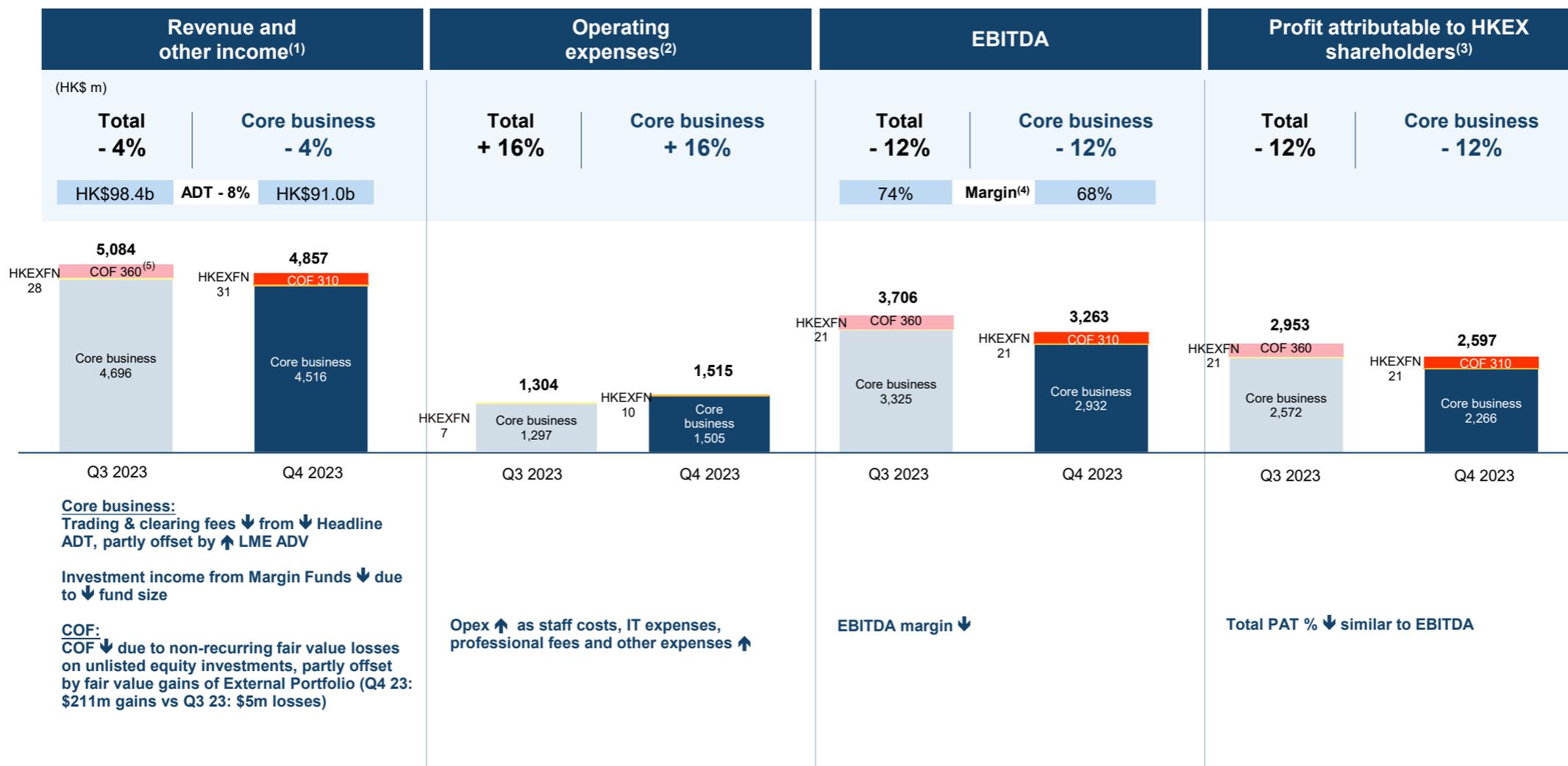


1. Represents gross revenue and other income before deducting transaction-related expenses (FY2022: \$176m; FY2023: \$247m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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



Q4 2023 vs Q3 2023

Q4 net profit down 12% mainly due to lower Headline ADT and net investment income

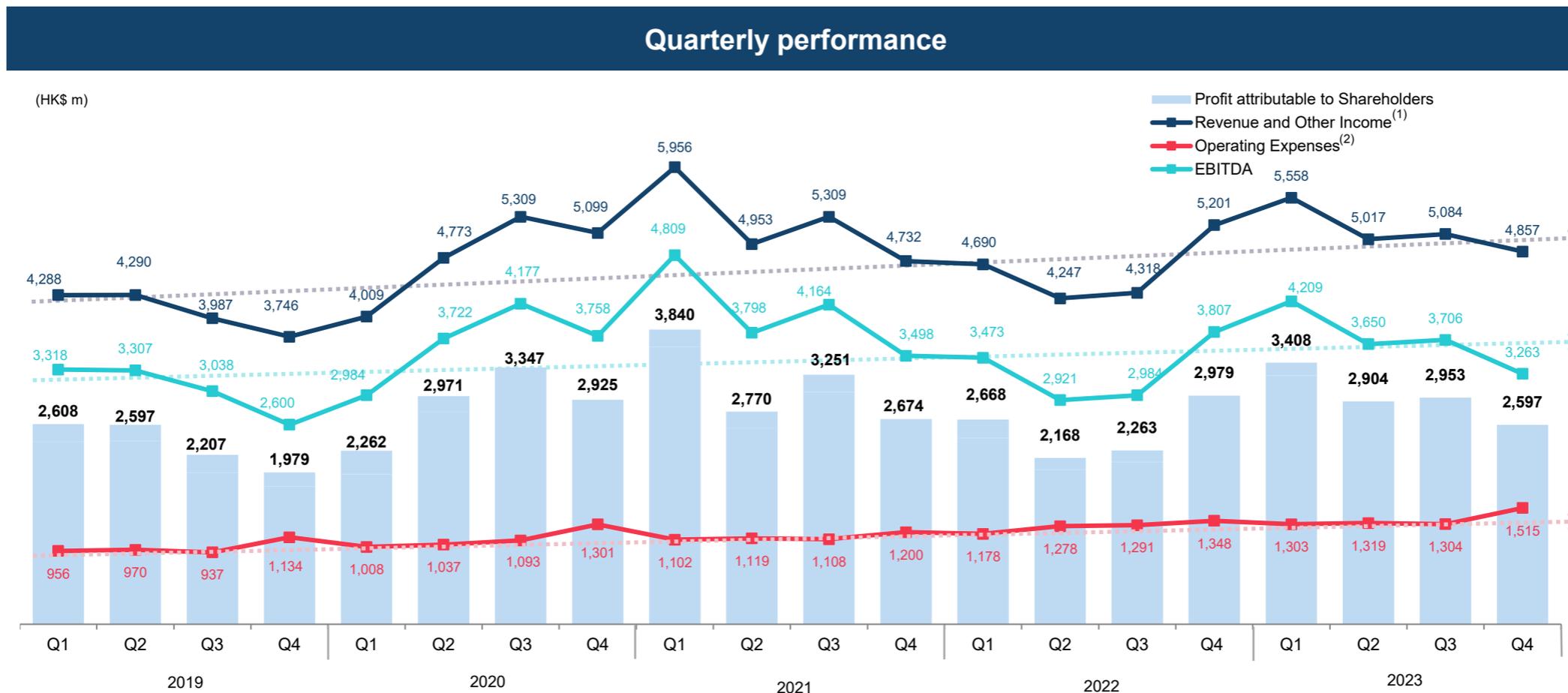


1. Represents gross revenue and other income before deducting transaction-related expenses (Q3 2023: \$74m; Q4 2023: \$79m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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 of Corporate Funds



Quarterly performance

FY2023 results in line with long-term historical upward trendline



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

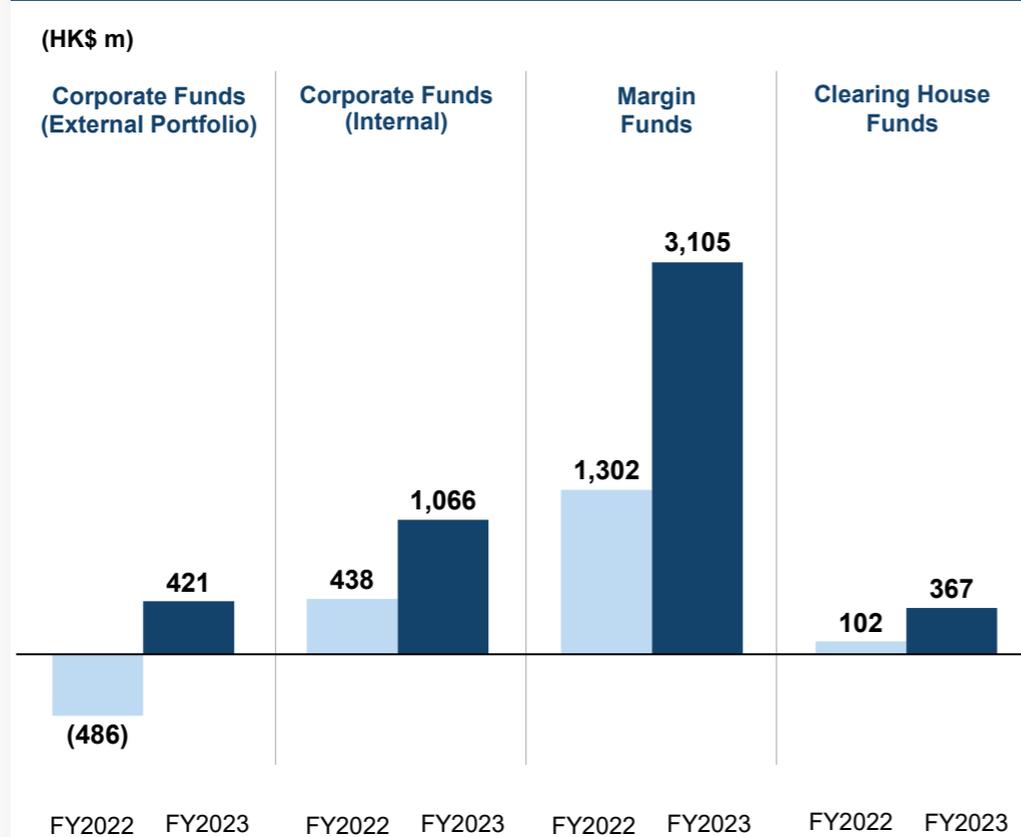


Net investment income (NII) – FY2023 vs FY2022

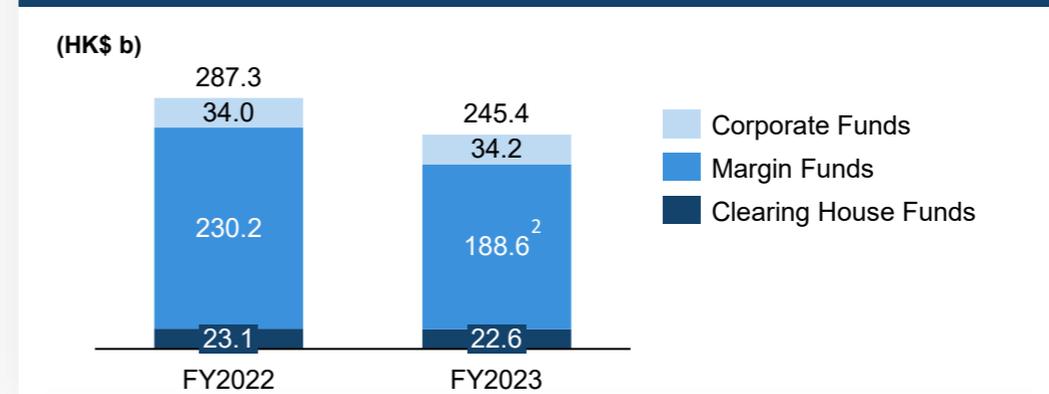
NII benefited from higher interest rates and External Portfolio gains

FY2023: HK\$4,959m (FY2022: HK\$1,356m)

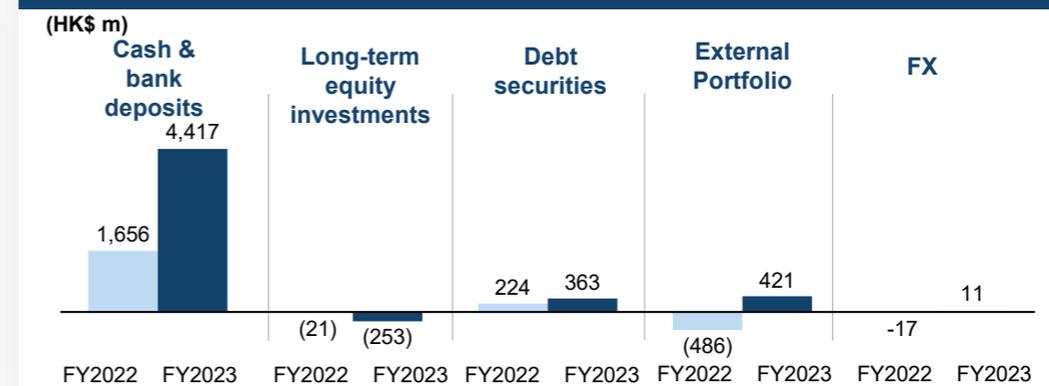
Net investment income by funds



Average fund size



Net investment income by category of investments



FY2023 External Portfolio gains HK\$421m (FY2022: losses HK\$486m).

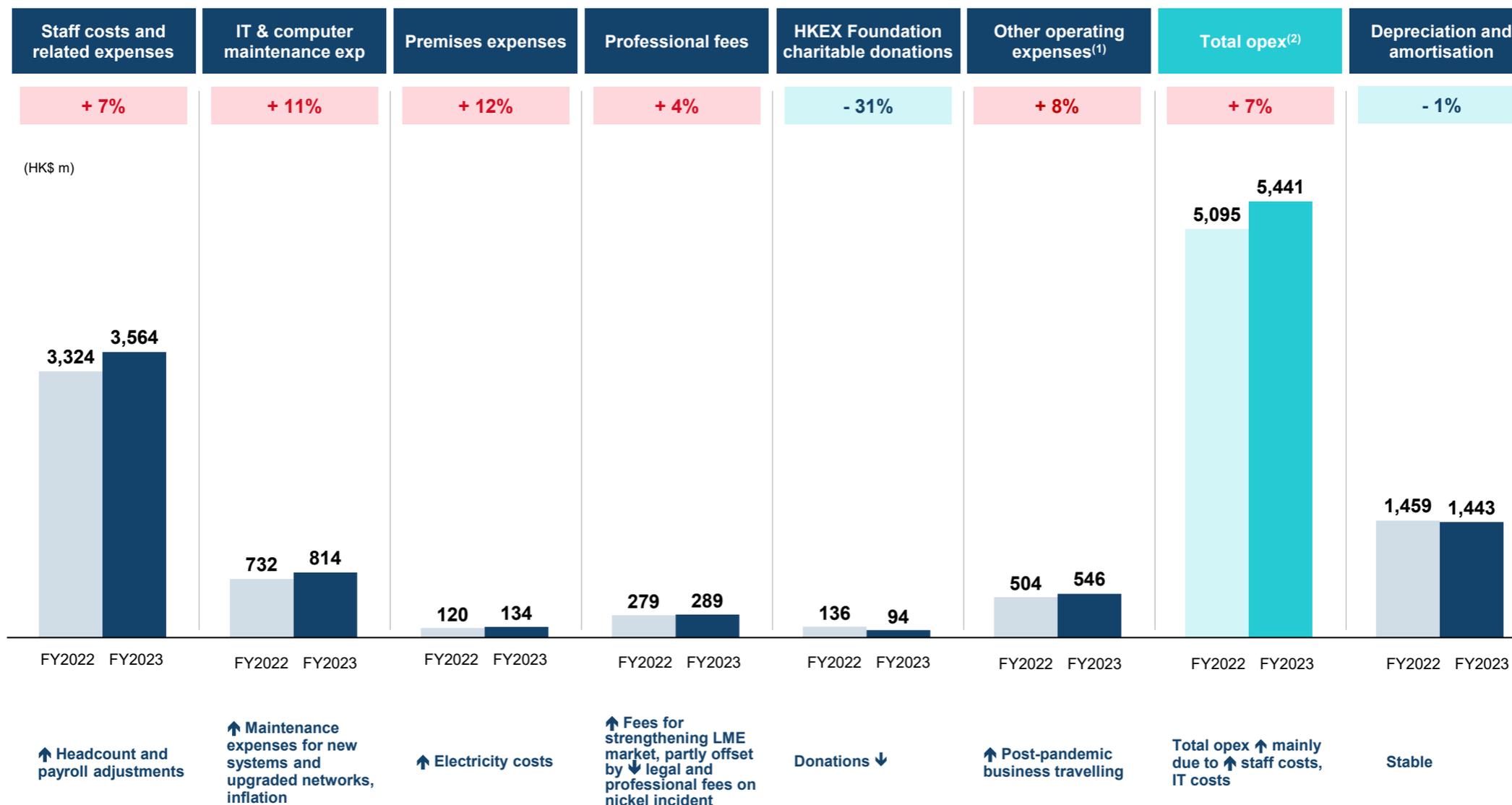
Margin Funds NII up 138%YoY in FY2023 due to higher interest rates

1. 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 2023), a certain proportion is invested in long-term investment grade debt securities (approximately 8% at 31 Dec 2023) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of 10 months as at 31 Dec 2023).
2. FY2023 Margin Funds dropped mainly due to LME Clear Margin Funds, reflecting lower margin requirements from lower contract prices.



Operating expenses and depreciation & amortisation – FY2023 vs FY2022

Prudent investment in talent, infrastructure and operational excellence



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

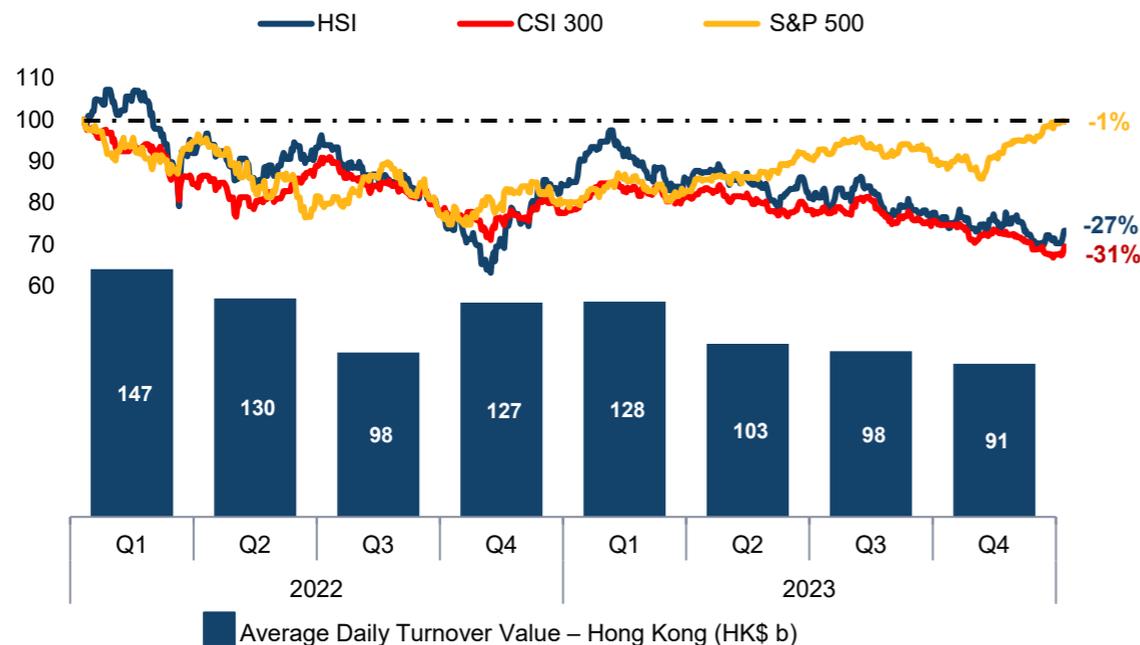


Business and Strategic Update



Strong, resilient performance in FY2023

Global market comparison



Strategic diversification helped mitigate lower cash market volumes

- **Derivatives:** record high ADV at 1.4m contracts (up 4% YoY)
- **ETPs:** record high ADT at HK\$14.0b (up 17% YoY)
- **OTC Clear:** Clearing notional amount record high at US\$495.8b (up 119% YoY), partly due to Swap Connect launch in May 2023
- **Data and Connectivity:** revenue at HK\$2.1b (up 4% YoY)

Connect programmes continue to perform well

- **Stock Connect revenue:** HK\$2,207m (down 3% YoY), contributed 11% to Group total revenue
- **Stock Connect NB ADT:** Up 22% to RMB112.1b for the rest of the year after Stock Connect expansion took effect on 13 Mar 2023
- **ETF Connect:** SB ADT at HK\$2.7b, NB ADT at RMB500m
- **Bond Connect:** record NB ADT at RMB40.0b (up 24% YoY)

FY2023 IPO pipeline remained robust, with signs of good momentum in Q4 2023

- No. of IPO at 73 (down 19% YoY), IPO funds raised HK\$46.3b (down 56% YoY)
- **IPO pipeline remains robust** with 72 active applications as at 31 Dec 2023
- **Signs of good momentum in Q4 2023**, with 26 listings raising \$21.7b (nearly half of the funds raised during FY2023)

Key market indicators (Q1 2022 – Q4 2023)

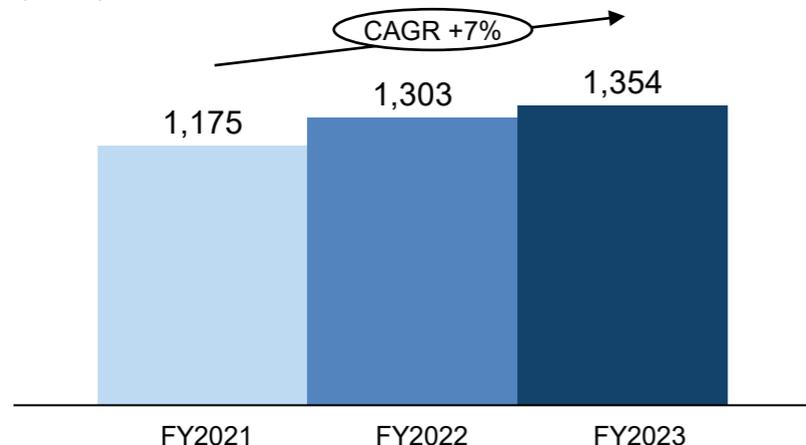
	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23
Derivatives Market ADV ('000 contracts)	1,342	1,274	1,115	1,483	1,418	1,316	1,336	1,343
NB ADT (RMB b)	105.9	101.8	96.7	97.6	97.0	122.5	106.1	108.4
LME ADV ('000 lots)	620	515	496	507	531	606	578	660
No. of IPOs	17	10	29	34	18	15	14	26
IPO funds raised (HK\$ b)	14.9	4.8	53.5	31.4	6.7	11.2	6.7	21.7



FY2023 saw record high ADV in derivatives and strong recovery in LME

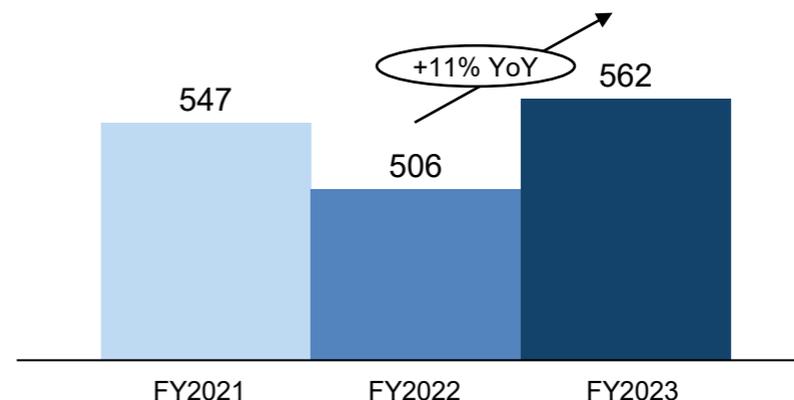
Record number of derivatives contracts traded

ADV (in '000)



Strong recovery in LME volumes

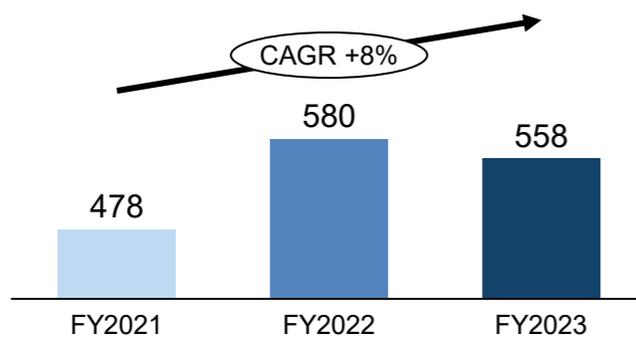
Chargeable ADV (in '000)



HSI and HSCEI products provide strong base, while growth mainly driven by HS TECH Index products and USD/CNH futures

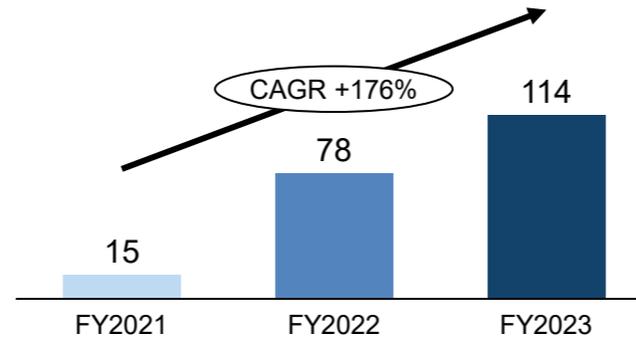
ADV (in '000)

HSI & HSCEI products⁽¹⁾



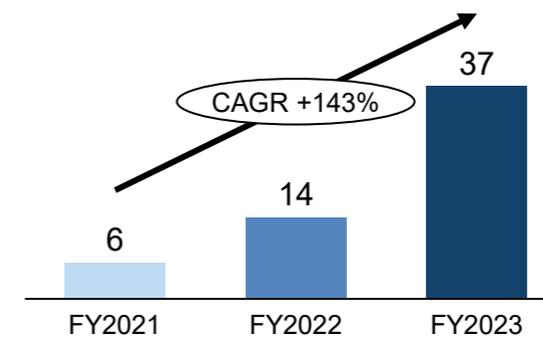
ADV (in '000)

HS TECH Index products⁽²⁾



ADV (in '000)

USD/CNH futures

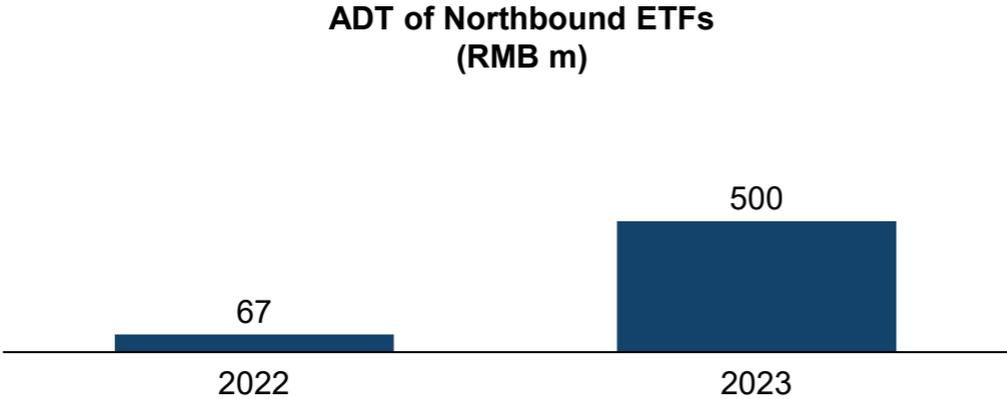
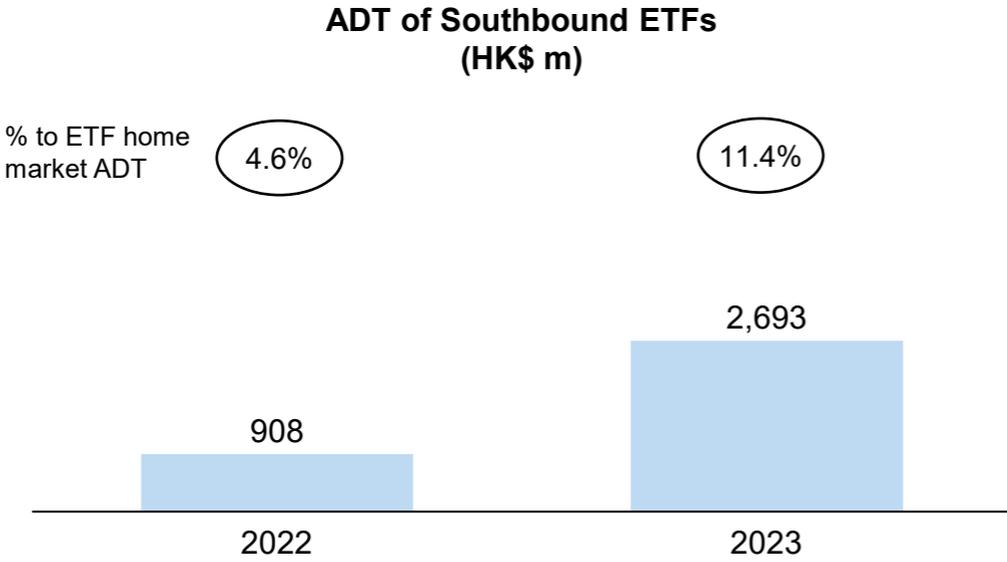


Source: HKEX

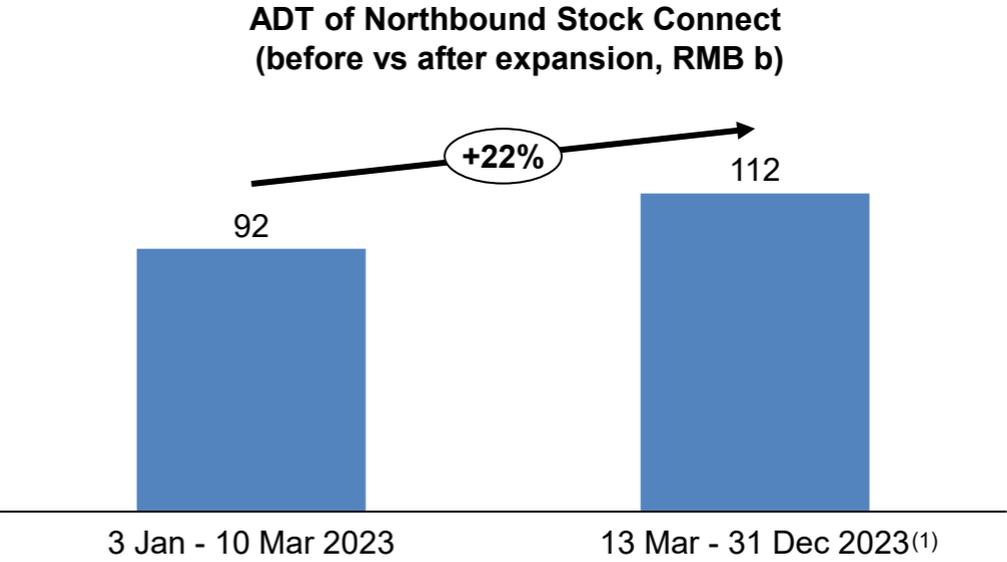
1. Include mini- and weekly HSI Futures and HSCEI Futures, and Options on Futures
2. Include HS TECH Index Futures, Options, and Options on Futures

Expansion of Connect programmes delivering positive impact

Strong ETF momentum in Stock Connect since launch



Robust Stock Connect growth, driven by expansion



Expansion of eligible stocks in Stock Connect (effective 13 Mar 2023)

- **Northbound: additional 1,034 stocks became eligible**, now covering around 90% of A share market cap
- **Southbound:**
 1. **Eligible primary-listed international companies** in HK were added
 2. **Additional 168 stocks became eligible** for Shanghai-HK Southbound to align with the existing scope for Shenzhen-HK Southbound



Source: HKEX, Bloomberg

1. Effective from 28 Aug 2023, SSE and SZSE lowered the A-share trading fees by 30% from 0.00487% to 0.00341% of the consideration of the trades, which affected Northbound Stock Connect

Strong strategic progress in 2023

	Connecting China and the World <i>- Leverage our China Advantage</i>	Connecting Capital with Opportunities <i>- Enhancing market liquidity and ecosystem</i>	Connecting Today with Tomorrow <i>- Prepare our organisation for the future</i>
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
Highlights in 2023	<p>Enhancing connectivity: Expansion of eligible stocks under Stock Connect went live (Mar)</p> <hr/> <p>Enhancing trading structure: Stock Connect trading calendar enhancements effective (Apr), block trading under Stock Connect announced (Aug)</p> <hr/> <p>Enhancing product offerings: Swap Connect launched (May), proposed launch of China Treasury Bond Futures (Nov)</p>	<p>HKD-RMB Dual Counter Model and Dual Counter Market Making Programme launched (Jun)</p> <hr/> <p>Opening of New York / London offices (Jun / Sep)</p> <hr/> <p>Consultation on Severe Weather Trading published (Nov)</p> <hr/> <p>Enhancements to Derivatives Market position limits took effect (Dec)</p> <hr/> <p>GEM Listing Reform concluded, implemented effective from Jan 24 (Dec)</p>	<p>HKEX Synapse, a new settlement acceleration platform for NB Stock Connect, launched (Oct)</p> <hr/> <p>Launch of FINI, a new digitalised IPO settlement platform (Nov)</p> <hr/> <p>Committed to achieve carbon neutrality by 2024, net zero by 2040 (Nov)</p> <hr/> <p>LME responsible sourcing requirements fully adopted by all of its listed brands (Dec)</p>



Looking ahead

- **Market sentiment will continue to be impacted by macroeconomic and geopolitical factors**, including China-US relations, interest rate movement and pace of Mainland economic recovery
- **Strong start for the Derivatives Market in 2024**, with the overall derivatives volume reaching record daily high on 25 Jan 2024. The recently-launched products and strength in currency futures contracts will continue to underpin growth in the Derivatives Market
- **LME volumes continue to see healthy growth in 2024**. The trading and clearing fee increment and the favourable Court ruling on the nickel incident should provide a further boost to LME's business
- **Internally managed investment income expected to decline in 2024** along with expectations of plateauing / falling interest rate
- **Prudent, targeted investment in talent, technology, client and risk management will continue**, supporting long-term success and sustainable development of the business
- **HKEX is well placed to capitalise on the global pivot to Asia**, on Hong Kong's unique role as an East-West superconnector, on its unrivalled China advantage and on megatrends that are shaping capital markets around the world





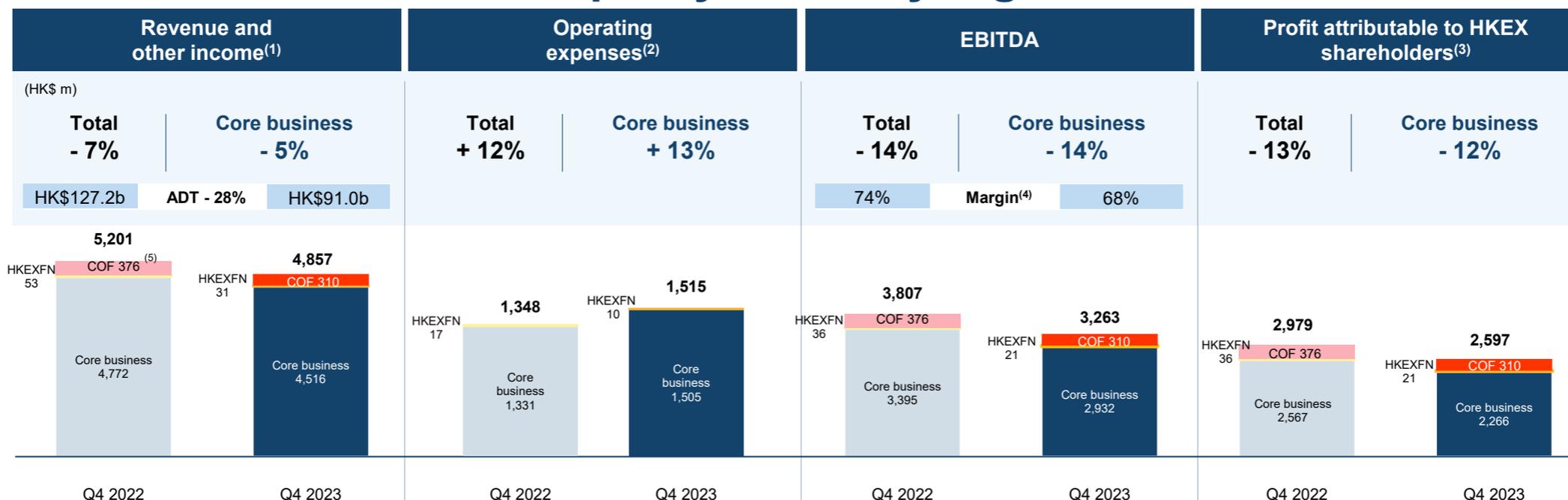
Q&A Session

Appendix



Q4 2023 vs Q4 2022

Q4 core business profit down 12% due to lower volumes from Cash and Derivatives Markets, partly offset by higher LME ADV



Core business:

Trading and clearing fees ↓ from ↓ Headline ADT and ↓ Derivatives Market ADV, partly offset by ↑ LME ADV

Partly offset by:

Investment income from Margin Funds and Clearing House Funds ↑ from interest rate hikes

Depository fees ↑ due to ↑ scrip fees

COF:

COF ↓ due to non-recurring fair value losses on unlisted equity investments, partly offset by ↑ investment income from interest rate hikes and ↑ fair value gains of External Portfolio (Q4 2023: \$211m vs Q4 2022: \$173m)

Staff costs ↑ due to ↑ headcount, payroll adjustments

IT costs ↑ due to inflationary increase and ↑ maintenance expenses;

Partly offset by:

Professional fees ↓ on nickel incident

EBITDA margin ↓

Total PAT % ↓ similar to EBITDA



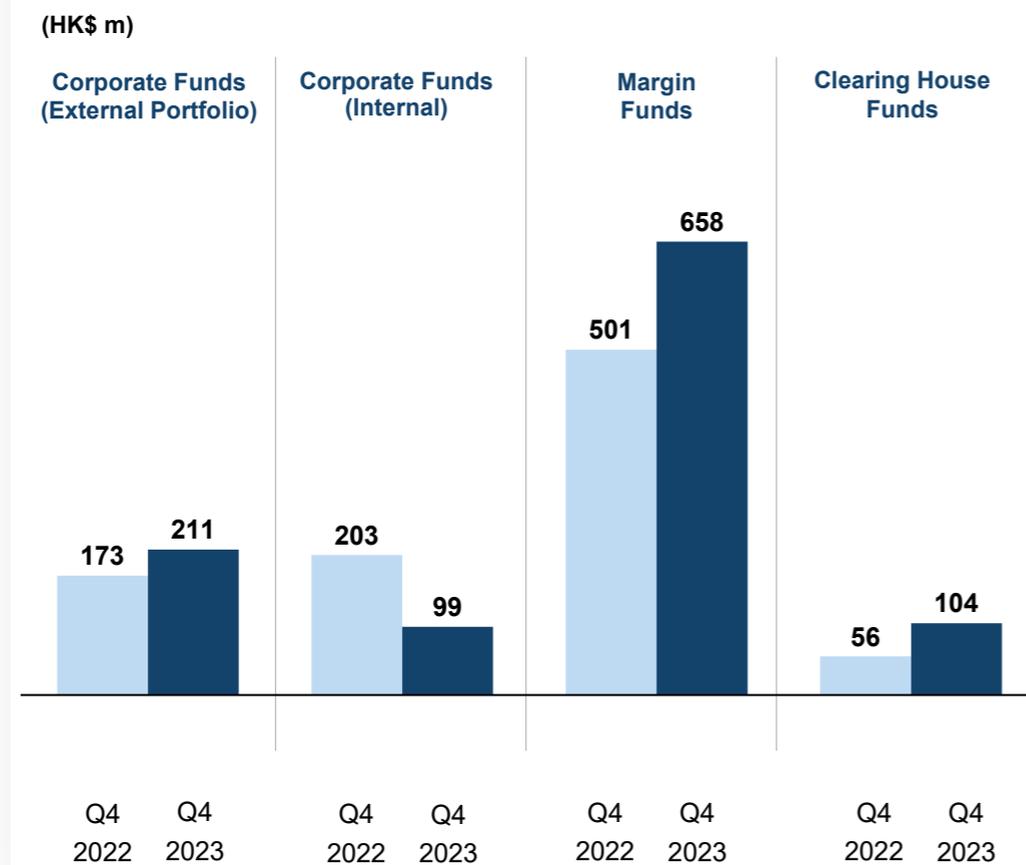
1. Represents gross revenue and other income before deducting transaction-related expenses (Q4 2022: \$46m; Q4 2023: \$79m)
2. Excludes transaction-related expenses, depreciation and amortisation, finance costs and share of results of joint ventures
3. For the purpose of this presentation, tax impact 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 of Corporate Funds

Net investment income (NII) – Q4 2023 vs Q4 2022

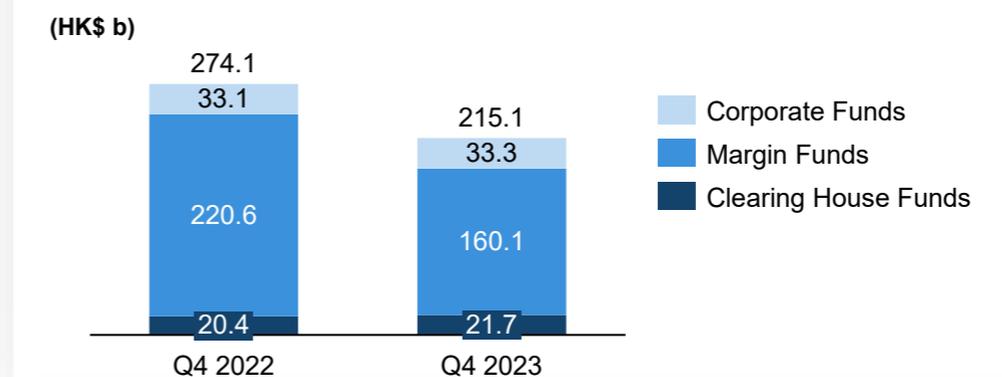
NII benefited from higher interest rates and higher external portfolio returns

Q4 2023: HK\$1,072m (Q4 2022: HK\$933m)

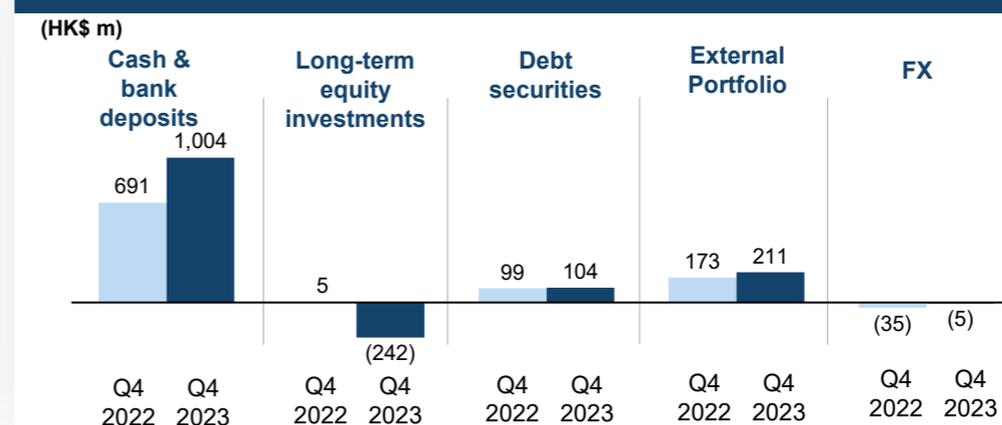
Net investment income by funds



Average fund size



Net investment income by category of investments



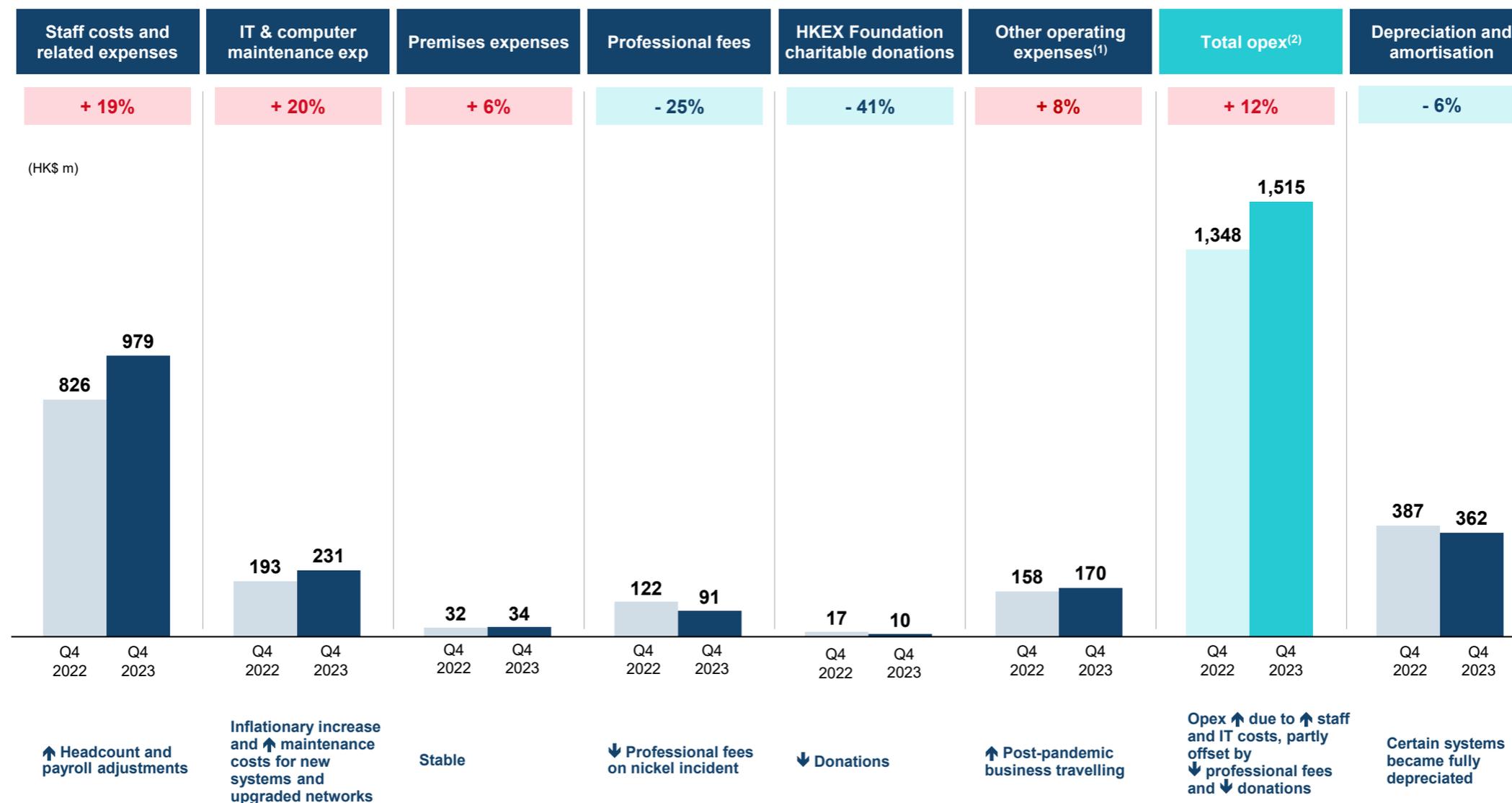
Margin Funds NII up 31%YoY in Q4 2023 due to higher interest rates

- Financial figures on this slide are computed based on financial figures disclosed in FY2023 and YTD Q3 2023 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 2023), a certain proportion is invested in long-term investment grade debt securities (approximately 8% at 31 Dec 2023) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of 10 months as at 31 Dec 2023).



Operating expenses and depreciation & amortisation – Q4 2023 vs Q4 2022

Prudent investment in talent, infrastructure and operational excellence



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



Financial highlights – Income Statement

(HK\$ m, unless stated otherwise)	FY2023	% of Revenue & Other Income	FY2022	% of Revenue & Other Income	YoY Change
Results					
Revenue and other income	20,516	100%	18,456	100%	11%
Less: Transaction-related expenses	(247)	(1%)	(176)	(1%)	40%
Revenue and other income less transaction-related expenses	20,269	99%	18,280	99%	11%
Operating expenses	(5,441)	(27%)	(5,095)	(28%)	7%
EBITDA	14,828	72%	13,185	71%	12%
Depreciation and amortisation	(1,443)	(7%)	(1,459)	(8%)	(1%)
Operating profit	13,385	65%	11,726	64%	14%
Finance costs and share of results of joint ventures	(53)	(0%)	(67)	(0%)	(21%)
Profit before taxation	13,332	65%	11,659	63%	14%
Taxation	(1,351)	(7%)	(1,564)	(8%)	(14%)
Profit attributable to non-controlling interests	(119)	(1%)	(17)	(0%)	600%
Profit attributable to HKEX shareholders	11,862	58%	10,078	55%	18%
Capex	1,381		1,184		17%
Basic earnings per share	HK\$9.37		HK\$7.96		18%
Headline ADT on the Stock Exchange	HK\$105.0b		HK\$124.9b		(16%)

1. % may not add up due to rounding



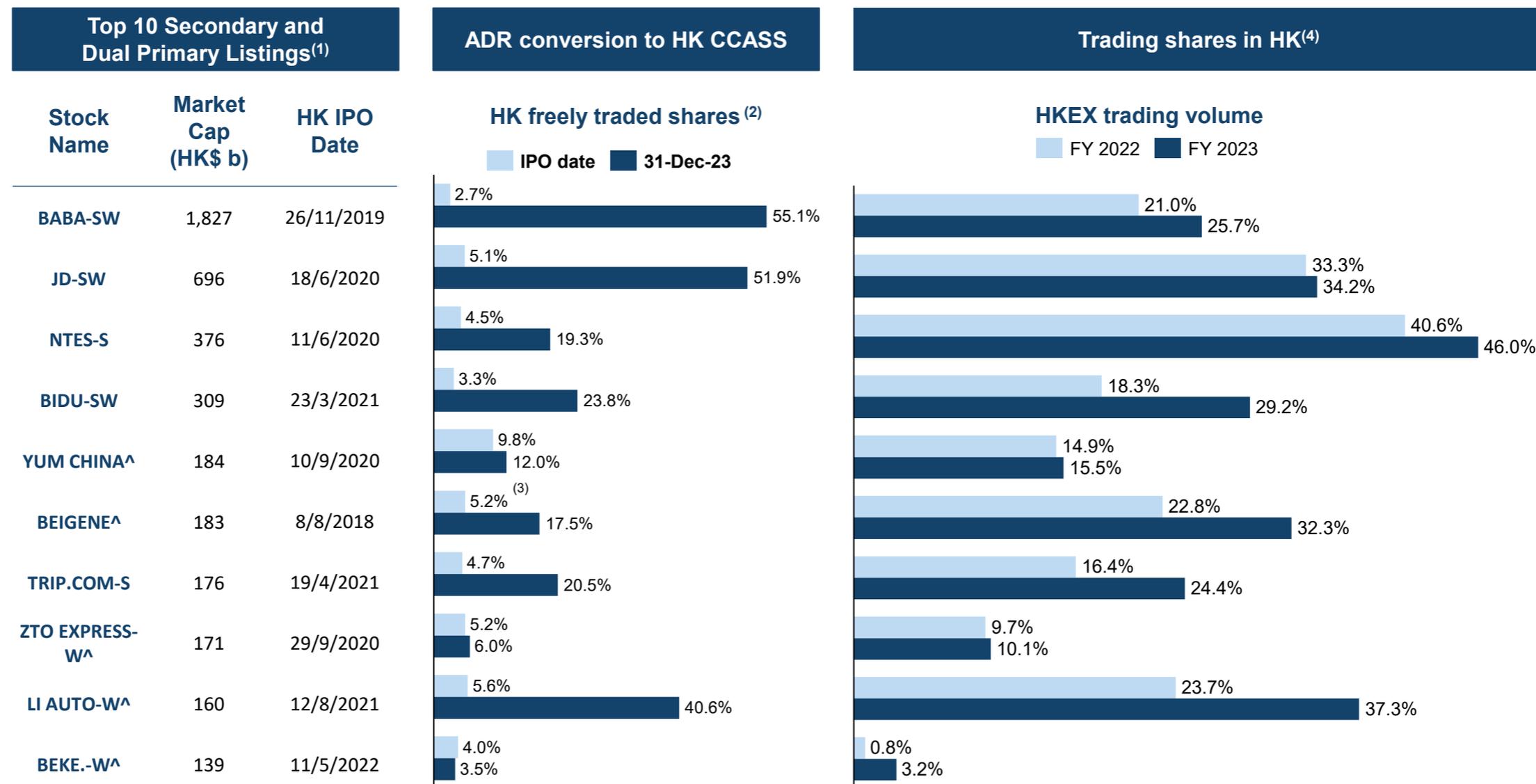
Performance by operating segment

HK\$ m	Cash	Derivatives	Commodities	Data and Connectivity	Corporate Items	Group FY2023	Group FY2022
Revenue and other income	8,164	6,502	2,188	2,073	1,589	20,516	18,456
<i>% of Group Total</i>	<i>40%</i>	<i>32%</i>	<i>11%</i>	<i>10%</i>	<i>8%</i>	<i>100%</i>	<i>100%</i>
Less: Transaction-related expenses	(10)	(237)	-	-	-	(247)	(176)
Revenue and other income less transaction-related expenses	8,154	6,265	2,188	2,073	1,589	20,269	18,280
Operating expenses	(1,127)	(862)	(1,208)	(438)	(1,806)	(5,441)	(5,095)
EBITDA	7,027	5,403	980	1,635	(217)	14,828	13,185
<i>% of Group Total</i>	<i>47%</i>	<i>36%</i>	<i>7%</i>	<i>11%</i>	<i>(1%)</i>	<i>100%</i>	<i>100%</i>
<i>EBITDA margin⁽¹⁾</i>	<i>86%</i>	<i>86%</i>	<i>45%</i>	<i>79%</i>	<i>N/A</i>	<i>73%</i>	<i>72%</i>
Depreciation and amortisation						(1,443)	(1,459)
Finance costs						(135)	(138)
Share of results of joint ventures						82	71
Profit before taxation						13,332	11,659

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, Bloomberg, as at 31 Dec 2023 [^]Dual Primary Listing

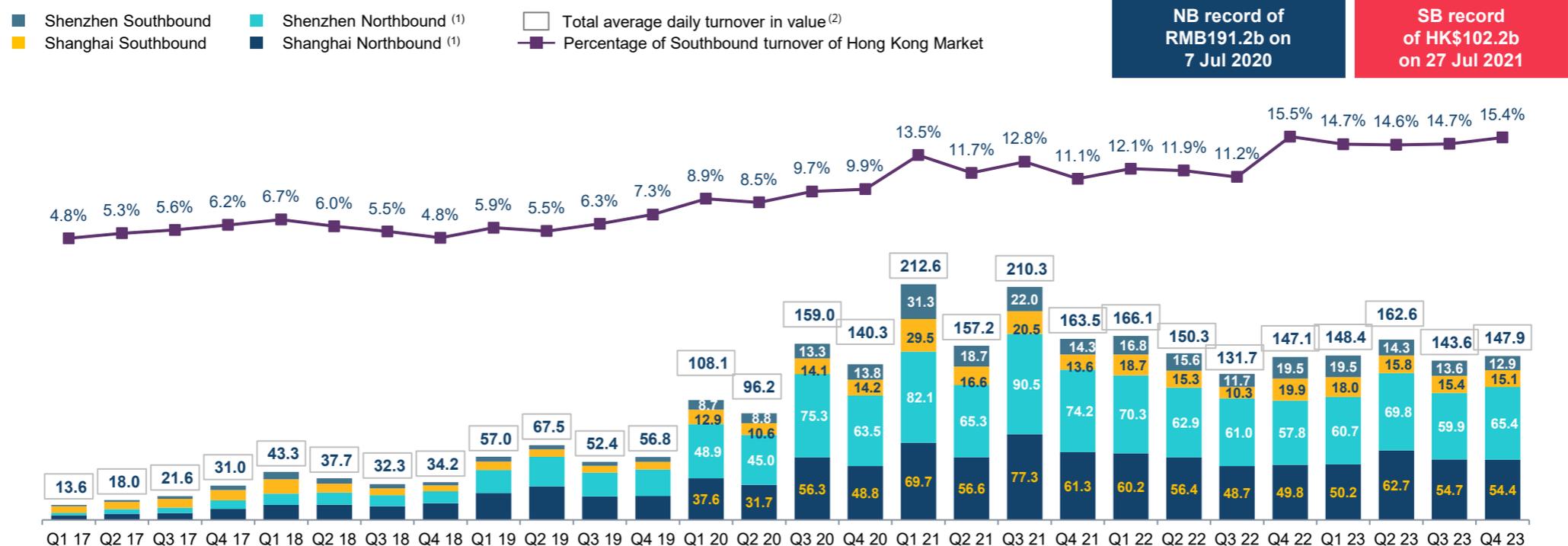
1. Ranked by market cap
2. Based on total CCASS balance deducting the balance of main custodian bank as reference
3. HK freely traded shares of Beigene (6160.HK) on its IPO date is not available and the earliest data available is as at 14 Jan 2022
4. Trading shares in US via various exchanges which include 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\$2,207m in FY2023 (down 3%YoY)

Stock Connect average daily turnover in value (HK\$ b)



Stock Connect Northbound and Southbound Trading ADT reached RMB108.3b and HK\$31.1b respectively in FY2023

Stock Connect revenue contributed 11% of the Group's total revenue and other income in FY2023 (FY2022: 12%)

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. Includes buy and sell trades. May not add up due to rounding

