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News Release

21 October 2015

SGX reports net profit growth for Q1 FY2016 and highlights business priorities

SGX today announced net profit of \$99 million, up 28% year-on-year for Q1 FY 2016, following growth in all businesses apart from Issuer Services. Revenue was up 30% to \$220 million. The Board of Directors has declared an interim dividend of 5 cents per share, up from 4 cents per share, payable on 5 November 2015.

CEO Loh Boon Chye highlighted that efforts to improve liquidity in the Securities market are moving in the right direction. Improving liquidity is one of his three business priorities for the exchange, the other two being to diversify SGX's business mix and to maintain cost discipline.

Results Summary

Securities revenue recorded a 14% year-on-year increase to \$55.9 million. Year-on-year, securities daily average traded value (SDAV) increased 27% to \$1.23 billion, and SDAV of Straits Times Index (STI) stocks increased 61% to \$0.88 billion.

Over the past 18 months, Market Maker and Liquidity Provider (MM/LP) programmes were introduced to improve liquidity in the stock market. MM/LP participants now account for about 18% of traded value, compared with 12% the same quarter a year ago. Notable improvements in spreads and market depths are observed in the STI stocks, during the first year of implementation of the MM/LP programmes.

Since the reduction of the board lot size in January, retail participation in the overall market as well as retail participation in STI stocks have both increased. Based on the past 9 months, there was an 11% increase in overall retail SDAV and a 24% increase in retail SDAV in STI stocks.

Commented Mr. Loh, "We are encouraged by the progress of our initiatives to increase the liquidity of our Securities market and will continue to build on this momentum. We appreciate the efforts of retail brokers during the recent market volatility in August, which helped increase retail participation in STI stocks."

Derivatives revenue recorded a 69% increase to \$90.9 million, driven by growth in equities and commodities derivatives as well as collateral management, licence, membership and other revenue.

Revenue from derivatives in equities and commodities grew 67% to \$67.1 million on the back of an 82% increase in volume growth, driven primarily by the strong performance of the SGX FTSE China A50 Index futures, and to a lesser extent, the Nikkei 225 Index and CNX India Nifty Index futures and options. Iron Ore contracts also performed well, increasing 266%, albeit from a low base, to 2.4 million contracts this quarter.

In September 2015, SGX was named “Derivatives Exchange” and “Central Counterparty (CCP) of the Year” at the annual Asia Risk Awards, as well as “Asia Pacific Derivatives Exchange of the Year” by Global Capital. Futures and Options World also awarded SGX “Derivatives Exchange of the Year” and “Most Innovative New Contract” (USD/CNH currency contract). The awards reflect the innovation and diversity of SGX’s derivatives offerings and commitment to best-in-class risk management.

Outlook and Business Priorities

This quarter’s results reflect increased activities from the recent volatility in global markets. However, sustained volatility with persistent weak market sentiment may pose challenges in the coming quarters.

Articulating his business priorities for the exchange, Mr. Loh said, “**Improving the liquidity of our Securities market** is one of my three key priorities. Specifically, we will expand the Market Maker and Liquidity Provider programme to extend improvements in spreads and market depths to the mid and small cap stocks, which will complement ongoing efforts to profile our corporates. We also recognise that only with a sufficiently deep and liquid market will we be able to attract more IPOs as and when global economic and financial conditions improve.”

He added, “My second priority is to **diversify our business mix**, in order to broaden our revenue streams and reduce reliance on specific contracts. We will do so by a) growing the market for currency futures; b) developing SGX as a regional fixed income platform and c) growing our market data and index businesses.”

To diversify its business mix, SGX will focus on:

- a) Growing the market for currency futures. This is a natural extension of SGX’s equity index derivatives products portfolio. There is already early encouraging success in some of the contracts such as the USD/INR futures. Singapore’s position as Asia’s largest FX trading hub will help SGX establish Asia’s first liquid on-exchange FX market.
- b) Developing SGX as the regional fixed income platform. SGX will launch its bond trading platform – SGX Bond Pro – in the coming months as part of its efforts to support Asia’s wholesale bond trading market. This is an extension of SGX’s current position as Asia’s preferred listing venue for debt securities, and over time, SGX will develop our service offerings to cover the entire value chain of the fixed income business, from listing and trading to clearing and settlement, to custody and other post-trade services, for both institutional and retail investors.
- c) Growing market data and index businesses. SGX recently launched SGX Index Edge, a service that creates and offers comprehensive index services tailored for Asian market participants. SGX is in a unique position to develop Asia-focused index capabilities, again a natural extension of its existing suite of pan-Asian products and services.

Mr Loh added, “These will further the resilience and sustainability of our business model. We remain confident about our future, and will continue to invest in growing our businesses. My third priority is to **maintain cost discipline** and we will pace operating expenses and keep them aligned with business growth.”

As previously guided, operating expenses for FY2016 are expected to be between \$425 million and \$435 million. Technology-related capital expenditure is expected to be between \$75 million and \$80 million.

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Financial Highlights

<i>\$ million, except where indicated</i>	1Q FY2016	1Q FY2015	Change 1Q FY2016 vs 1Q FY2015	4Q FY2015	Change 1Q FY2016 vs 4Q FY2015
Key income statement figures					
Securities	55.9	49.1	14%	55.7	1%
Derivatives	90.9	53.7	69%	85.8	6%
Market Data and Connectivity	21.6	19.3	12%	20.9	3%
Depository Services	29.7	23.9	24%	28.7	3%
Issuer Services	21.4	22.7	(6%)	24.2	(12%)
Other	0.2	0.2	8%	0.3	(44%)
Operating revenue	219.6	168.9	30%	215.6	2%
Operating expenses	102.3	81.9	25%	104.9	(3%)
Operating profit	117.3	87.0	35%	110.7	6%
Other gains	2.0	2.0	3%	1.7	17%
Profit before tax and share of results of associated companies	119.4	88.9	34%	112.4	6%
Tax	20.4	12.1	69%	16.5	24%
Profit attributable to equity holders - reported	99.3	77.6	28%	96.2	3%
Earnings per share (in cents)	9.3	7.3	28%	9.0	3%
Dividend per share (in cents)	5.00	4.00	1.00	16.00	(11.00)
Key financial indicators					
Revenue growth	30%	(8%)		25%	
Cost to income ratio	47%	49%		49%	
Operating profit margin	53%	51%		51%	
Net profit margin	45%	46%		44%	
Return on shareholders' equity	45%	39%		37%	

Note: SGX's financial year is from 1 July to 30 June. Some numbers may be subject to rounding.

About Singapore Exchange

Singapore Exchange is Asia's leading and trusted market infrastructure, facilitating the exchange of capital and ideas to create value for people, businesses and economies. As a multi-asset exchange operating equity, fixed income and derivatives markets to the highest regulatory standards, SGX is a vertically integrated business that provides listing, trading, clearing, settlement, depository and data services. With about 40% of listed companies and 90% of listed bonds originating outside of Singapore as well as established linkages across the region and in Europe, SGX is Asia's most international and connected exchange. Offering a full suite of derivatives products across Asian equity indices, commodities and currencies, SGX is the world's most liquid offshore market for the benchmark equity indices of China, India, Japan and ASEAN.

The exchange was one of the first globally to adopt the Principles for Financial Market Infrastructure, the first and only central counterparty in the region to be fully approved by U.S. regulators as a Derivatives Clearing Organisation and a Foreign Board of Trade, and is recognised by European Union regulators for both securities and derivatives. As Asia's pioneering central counterparty, SGX is globally recognised for its risk management and clearing capabilities. In 2015, SGX was awarded Derivatives Exchange of the Year by Asia Risk, Futures and Options World and Global Capital as well as Central Counterparty (CCP) of the Year by Asia Risk.

Headquartered in AAA-rated Singapore, SGX has over 700 employees including offices in Beijing, Hong Kong, London, Mumbai, Shanghai and Tokyo. For more information, please visit www.sgx.com.

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