

Second Quarter Financial Year 2013 Singapore Exchange Reports \$76 Million Profit

- Revenue: \$162 million (\$148 million in 2Q FY2012)
- EBITDA: \$100 million (\$89 million) and Net Profit: \$76 million (\$65 million)
- Earnings per share: 7.1 cents (6.1 cents)
- Interim Dividend per share: 4.0 cents (4.0 cents)

All figures are for the quarter except for figures in brackets which are for the quarter a year earlier unless otherwise stated

SGX recorded revenue of \$162 million (\$148 million), net profit of \$76 million (\$65 million) and earnings per share (EPS) of 7.1 cents (6.1 cents). The Board of Directors has declared an interim dividend of 4.0 cents (4.0 cents) per share, payable on 6 February 2013.

Mr Magnus Bocker, SGX CEO, said, "We are pleased to report a net profit of \$76 million. Our Securities market continued to hold up from the first quarter and daily traded value increased 8% year-on-year. Our Derivatives market achieved a record quarter with daily average traded volume of 358,532 contracts, following record volumes in our China A50 futures and Japan Nikkei 225 options. Open Interest on our Derivatives market hit a new high, reflecting SGX's attractiveness as a centre for risk management."

Business Highlights

- *Securities:* Securities daily average traded value (SDAV) for the quarter was \$1.2 billion, up 8% year-on-year (\$1.1 billion) and down 9% quarter-on-quarter (\$1.3 billion).
- *Derivatives:* Derivatives daily average volume (DDAV) for the quarter was a record 358,532 contracts, up 30% from a year ago (274,757 contracts), and 17% from the previous quarter (306,811 contracts). Several other records were also set this quarter, including monthly DDAV of 402,920 contracts in December and single-day Open Interest of 2.95 million contracts on 13 December.
- *Issuer Services:* We had 8 new Initial Public Offers (IPO) (9) this quarter, raising \$798.9 million (\$214.7 million). Secondary fund raising totalled \$1.3 billion (\$2.2 billion). Total stock market capitalisation increased 20% to \$934.5 billion as of 31 December 2012. Our Bond market raised \$39.7 billion (\$18.8 billion) through 90 (45) new bonds.

Market Development, Risk Management & Regulations

New international regulatory and risk management standards have been set by the International Organisation of Securities Commissions (IOSCO) and Committee on Payment and Settlement Systems (CPSS). SGX will be among the earliest exchanges and clearing houses globally to meet these standards. By doing so, we assure our customers that they can continue to expand their businesses and manage their risks via SGX.

SGX has deployed adequate capital into our two clearing houses, namely Central Depository (CDP) and Singapore Exchange Derivatives Clearing (SGX-DC) to meet all obligations as Central Counterparties (CCP). As a group, SGX has ample capital and a strong debt-free balance sheet.

Amid other international regulatory changes impacting our customers in the US and Europe, we are taking steps to maintain continuity in our global Derivatives activities. We are seeking formal recognition from the US Commodity Futures Trading Commission (CFTC) for both our derivatives exchange (SGX-DT) and clearing house (SGX-DC). We will similarly be seeking recognition from the European Securities and Markets Authority (ESMA) in the second half of FY2013.

SGX-DC's application to be registered as a Derivatives Clearing Organisation (DCO) in the US is in progress. In the meantime, CFTC has granted us specific no-action relief to enable US customers to continue their current over-the-counter (OTC) clearing activities via SGX-DC till such time when the registration is complete.

Separately, the Basel Committee on Banking Supervision has published a new framework, as part of Basel III, which requires banks to maintain capital for their exposures to CCPs. Based on this framework, banks clearing through a Qualifying CCP will benefit from lower capital requirements. Since 14 January 2013, SGX-DC has become a Qualifying CCP, enabling our CDP and SGX-DC members to benefit from these reduced capital requirements.

Outlook

This past quarter, we have seen improved sentiments across capital markets globally leading to increased volumes. We are well positioned to benefit if these sentiments continue. Our IPO and bond listings pipelines remain healthy. We will continue to invest our resources in developing new products and services, and strengthening our regulatory and risk management capabilities. Expenses for FY2013 are expected to be between \$295 million and \$305 million. Capital expenditure is expected to be between \$30 million and \$35 million.

Financial Performance

SGX's net profit was \$76.3 million (\$65.4 million) and EBITDA \$100.1 million (\$89.3 million). Earnings per share (EPS) was 7.1 cents (6.1 cents).

Revenue was 9% higher at \$161.8 million (\$148.1 million), primarily due to a 9% increase in Securities revenue to \$57.8 million (\$53.2 million) and a 21% increase in Derivatives revenue to \$45.7 million (\$37.7 million).

Expenses increased 4% to \$71.7 million (\$68.9 million). Staff expenses were at \$29.6 million (\$25.5 million) primarily due to higher variable compensation expense in line with improved performance, and write-backs in share-based expenses a year ago. Technology expenses decreased 5% to \$25.0 million (\$26.3 million) mainly due to lower maintenance expenses.

Headcount was 591 (608) on 31 December 2012.

Cashflow generated from operations was \$73.1 million (\$77.2 million). Capital expenditure was lower at \$5.2 million (\$7.2 million).

SGX's total equity was higher at \$742.2 million (\$731.1 million) on 31 December 2012. The unrestricted¹ cash reserves were \$477.0 million (\$486.7 million), inclusive of the 2Q FY2013 interim dividend of \$42.8 million (\$42.7 million) to be paid on 6 February 2013.

Performance Review

Securities, 36% (36%) of SGX's revenue

Securities revenue increased 9% to \$57.8 million (\$53.2 million). The average clearing fee was 3.0 basis points (3.0 basis points).

SDAV was \$1.2 billion, down 9% from the previous quarter but up 8% from the same quarter a year ago on improved market sentiments. SDAV in December was \$1.2 billion, significantly higher than \$0.8 billion from a year ago.

We continue to make good progress engaging our retail customers. The number of subscribers to My Gateway, our online portal launched in January 2012, grew 17% to 135,500 from 116,000 the previous quarter. We also conducted StockWhiz, an online real-time share investing contest, from September to November, drawing 13,300 active participants.

Table below summarises the metrics of our Securities market:

	2Q FY13	2Q FY12	Change
SDAV	\$1.21B	\$1.12B	+8%
% of trades below \$1.5M	58%	58%	No Change
% of trades above \$1.5M	42%	42%	No Change
Primary and secondary listed market capitalisation (quarter end)	\$934.5B	\$775.8B	+20%
% of total value traded			
Singapore companies	62%	56%	+6% pts
International companies	38%	44%	-6% pts
Turnover velocity (primary listed only)			
Singapore companies	44%	47%	-3% pts
International companies	38%	39%	-1% pt
International companies	64%	73%	-9% pts

Derivatives, 28% (25%) of SGX's revenue

Derivatives revenue grew 21% to \$45.7 million (\$37.7 million).

Futures and Options (F&O) total traded volumes grew 32% to 22.2 million contracts (16.8 million contracts) while revenue increased 23% to \$30.1 million (\$24.6 million). Yield per contract was \$1.36 (\$1.46) due to depreciation of the US Dollar and changes in our product mix.

¹ Excludes cash set aside for clearing fund contributions

DDAV increased 30% to a quarterly record of 358,532 contracts (274,757 contracts), supported by strong growth in the China A50 futures and Japan Nikkei 225 options. DDAV for these two products were 65,006 and 26,230 respectively, both of which were also quarterly records.

Table below summarises the metrics of our Derivatives market:

	DAV (contracts)			Market Share (%)		
	2Q FY13	2Q FY12	Change %	2Q FY13	2Q FY12	Change % pt
Japan Nikkei 225 futures	112,212	100,385	+12	27	28	-1
MSCI Taiwan futures	69,091	65,895	+5	26	23	+3
China A50 futures	65,006	16,959	+283	0.7	0.4	+0.3
India Nifty futures	62,031	58,479	+6	35	18	+17
MSCI Singapore futures	14,994	17,795	-16	-	-	-
Rubber futures	991	1,118	-11	9	11	-2
MSCI Indonesia futures	515	-	-	-	-	-
Japan Nikkei 225 options	26,230	10,202	+157	6	3	+3
India Nifty options	2,841	-	-	0.2	-	+0.2
Others	4,621	3,924	+18	-	-	-
Total	358,532	274,757	+30			

	2Q FY13	2Q FY12	Change
Average month-end Open Interest (contracts)	2,460,788	1,346,544	83%
Algorithmic trading	38%	35%	+3%pts

Source: Bloomberg

Average month-end Open Interest for the quarter was up 83% to 2.5 million contracts. This was the result of an increasing number of customers choosing to manage their risks on SGX.

Structured Warrants revenue declined to \$0.6 million from \$1.2 million, following a decrease in traded value from \$2.2 billion to \$1.3 billion.

Collateral management, license and other revenue increased 25% to \$15.0 million (\$12.0 million), mainly driven by improved yields on collateral balances and increased revenue from AsiaClear, our OTC clearing service. AsiaClear volumes increased 56% to 88,560 contracts (56,885 contracts), supported by a 90% increase in our Iron Ore swaps to 66,786 contracts (35,138 contracts).

Market Data, 6% (6%) of SGX's revenue

Market data revenue was up 4% to \$8.9 million (\$8.6 million) as a result of customers migrating to the higher yielding low latency SGX market data feed (SMDF). 55% of our Securities terminals were successfully migrated as of 31 December 2012.

The average number of Securities and Derivatives terminals was 39,679 (44,648) and 22,460 (25,133) respectively.

Member Services and Connectivity, 7% (8%) of SGX's revenue

Member Services and Connectivity revenue was \$12.0 million (\$11.4 million), with Membership and Connectivity revenues at \$1.9 million (\$1.9 million) and \$10.1 million (\$9.4 million) respectively.

Depository Services, 13% (15%) of SGX's revenue

Depository revenue declined 4% to \$21.6 million (\$22.5 million), following a 7% decrease in Securities settlement revenue to \$16.0 million (\$17.3 million). This was due to a 9% decrease in settlement transfer instructions to 405,000 instructions (447,000 instructions).

Our new Securities post-trade infrastructure was launched on 22 October 2012, providing CDP with better infrastructure resilience and lower maintenance costs. This also enables CDP to enhance its post-trade functionalities.

Issuer Services, 10% (10%) of SGX's revenue

Issuer Services revenue was up 6% at \$15.2 million (\$14.3 million), with both Listing and Corporate Action revenues higher from a year ago. Listing revenue increased 6% to \$8.9 million (\$8.3 million) on the back of increased listing processing and initial listing revenues for bonds. Corporate Action revenue increased 7% due to a number of takeovers and rights issues, at 8 (4) and 11 (10) respectively.

We had 8 (9) new IPOs, raising \$798.9 million (\$214.7 million). Secondary fund raising totalled \$1.3 billion (\$2.2 billion). As at 31 December 2012, there were 776 companies listed on SGX, with a total market capitalisation of \$934.5 billion (\$775.8 billion). There were 90 new bond listings, raising \$39.7 billion (\$18.8 billion).

Appendix

Financial Highlights

\$ Million	2Q FY2013	2Q FY2012	Change	1H FY2013	1H FY2012	Change
Income Statement						
Revenue	161.8	148.1	9.2%	322.2	326.5	(1.3%)
Expenses	71.7	68.9	4.1%	144.2	143.4	0.6%
Earnings before interest, tax, depreciation and amortisation	100.1	89.3	12.2%	197.4	204.4	(3.4%)
Net Profit attributable to equity holders	76.3	65.4	16.7%	150.6	152.9	(1.5%)
Statement of Financial Position						
Cash and cash equivalent (excluding restricted reserves)	477.0	486.7	(2.0%)	477.0	486.7	(2.0%)
Capital expenditure	5.2	7.2	(28.1%)	9.7	21.9	(55.5%)
Total equity	742.2	731.1	1.5%	742.2	731.1	1.5%
Financial Indicators						
Based on Net Profit attributable to equity holders						
Net profit margin (%)	46.9	44.0	2.9 pts	46.3	46.4	(0.1 pt)
Return on equity (%)	39.3	41.2	(1.9 pts)	39.3	41.2	(1.9 pts)
Basic earnings per share (cents)	7.1	6.1	1.0	14.1	14.3	(0.2)
Operating cash flow per share (cents)	6.8	7.2	(0.4)	15.2	17.0	(1.8)
Dividend per share (cents)						
Base	4.00	4.00	-	8.00	8.00	-

Note: SGX's financial year is from 1 July to 30 June.

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About Singapore Exchange (SGX)

Singapore Exchange (SGX) is the Asian Gateway, connecting investors in search of Asian growth to corporate issuers in search of global capital. SGX represents the premier access point for managing Asian capital and investment exposure, and is Asia's most internationalised exchange with more than 40% of companies listed on SGX originating outside of Singapore. SGX offers its clients the world's biggest offshore market for Asian equity futures market, centred on Asia's three largest economies – China, India and Japan.

In addition to offering a fully integrated value chain from trading and clearing, to settlement and depository services, SGX is also Asia's pioneering central clearing house. Headquartered in Asia's most globalised city, and centred within the AAA strength and stability of Singapore's island nation, SGX is a peerless Asian counterparty for the clearing of financial and commodity products.

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