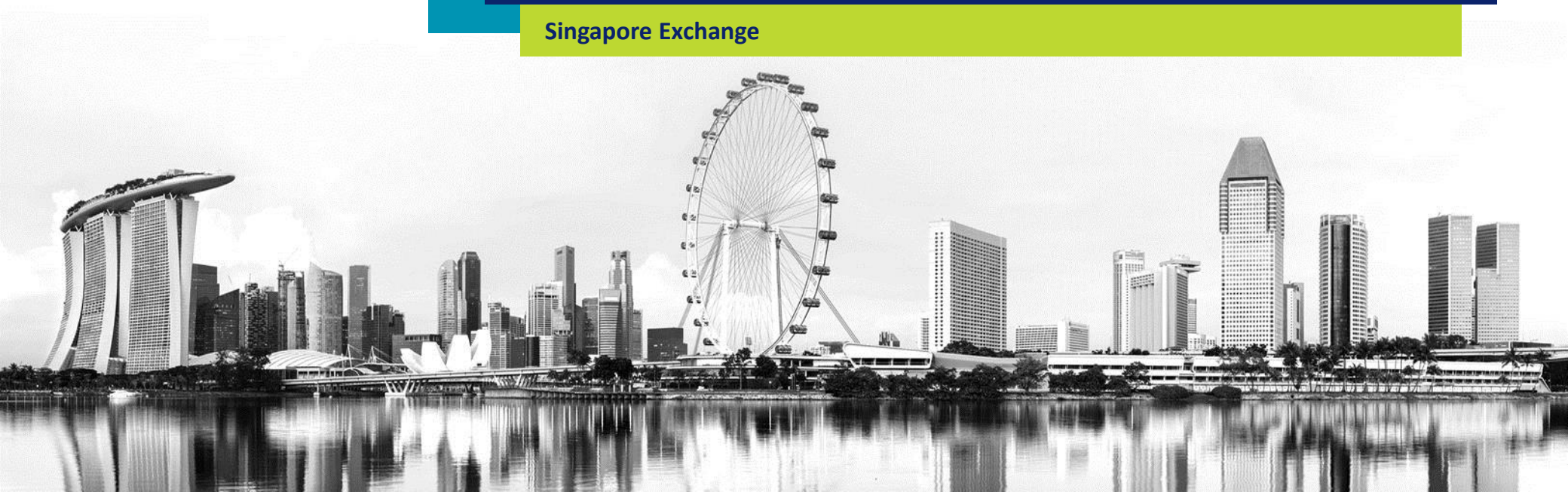


# SGX-UBS Singapore Corporate Day

Loh Boon Chye, Chief Executive Officer  
Chng Lay Chew, Chief Financial Officer

1 October 2018

Singapore Exchange





# Who we are

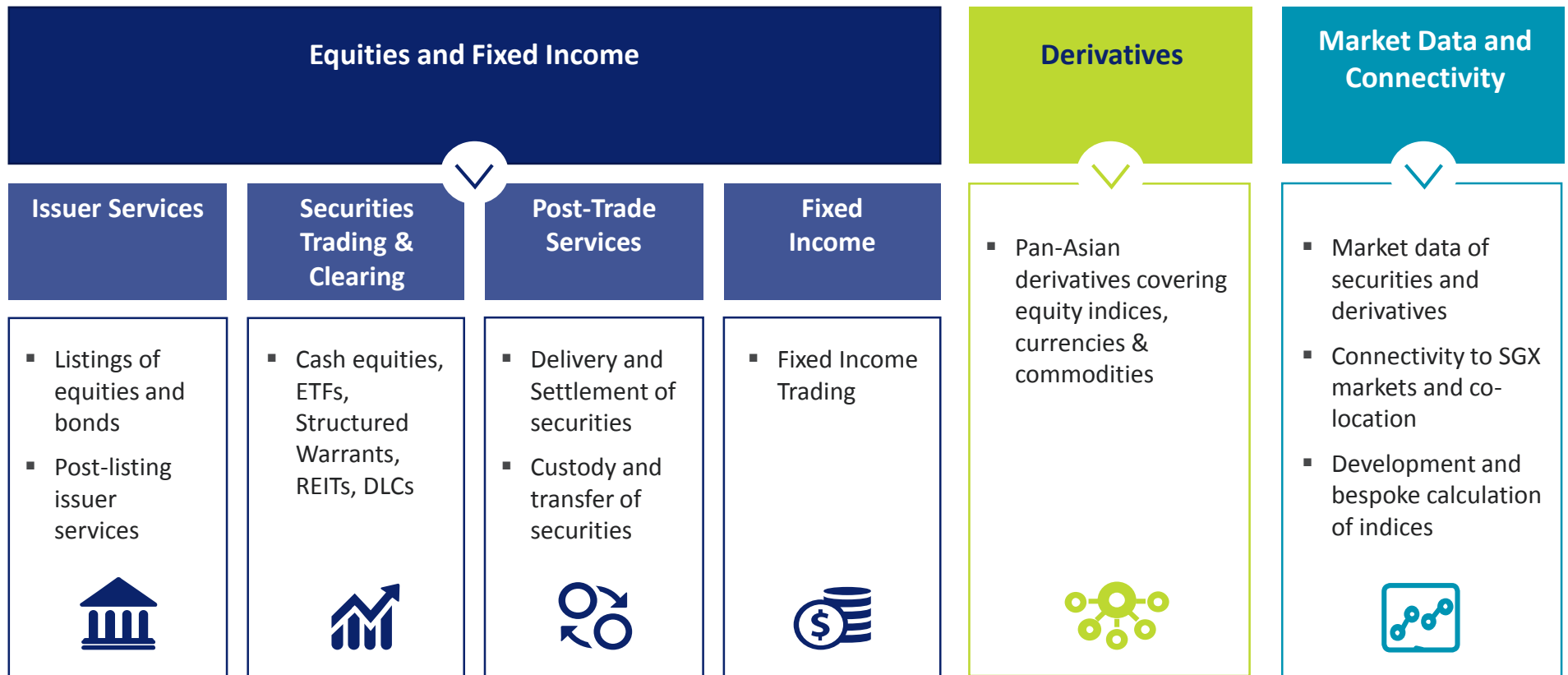
# About SGX

A diversified exchange group that runs key market infrastructure including the Singapore securities market and a pan-Asian derivatives exchange covering all major asset classes.



# 3 Main Business Lines

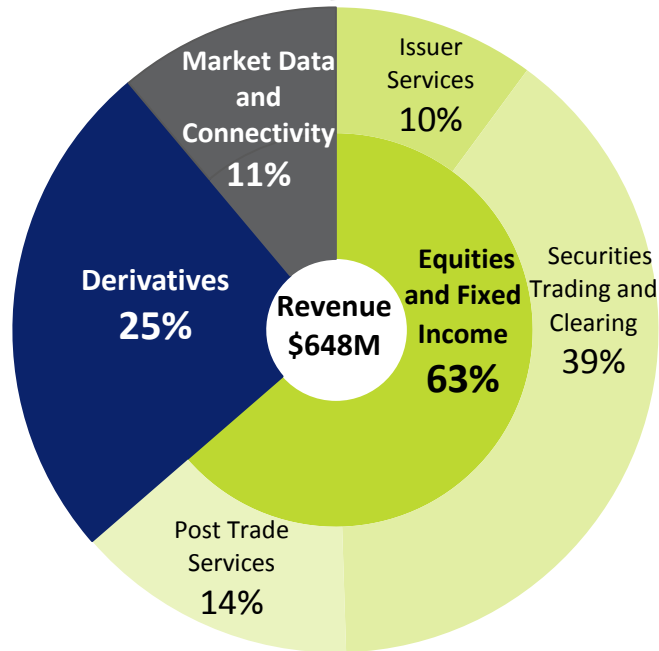
Three business units covering the entire exchange value chain, resulting in diversified and resilient revenue streams.



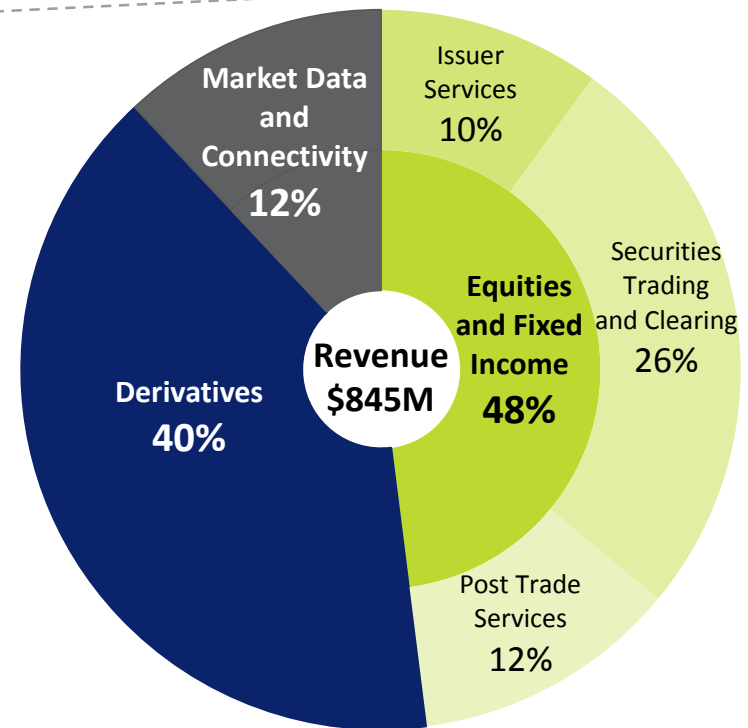
# Successfully achieved diversification of revenues

Revenue contribution from Derivatives grew from 25% in FY2012 to 40% in FY2018. Total revenue grew 30% during the same period.

**FY2012 Revenue Breakdown**



**FY2018 Revenue Breakdown**



**Net Profit: \$292 million**

**Net Profit: \$363 million**

Note: Numbers may be subject to rounding  
Source: SGX

# Growing International Footprint

Anchored in Singapore with global reach, serving a diverse set of international clients seeking Asian opportunities.



Our offices:

|         |          |           |        |
|---------|----------|-----------|--------|
| Beijing | Chicago  | Hong Kong | London |
| Mumbai  | Shanghai | Singapore | Tokyo  |

## Key roles of our International offices

- Engage existing clients and acquire new clients to improve liquidity (Equities, Fixed Income, and Derivatives)
- Increase memberships and listing of equity and debt instruments
- Grow existing clients and acquire new clients for connectivity, data, and index licensing services
- Our key clients include: Sell-side participants, Interdealer brokers, Corporate trade clients, Institutional investors and Proprietary Trading Groups.

# Robust Risk Management Standards



## Adopted global Principles for Financial Market Infrastructure (PFMI) Standards

- One of the first exchanges globally to adopt the PFMI standards, and is certified as a Qualifying Central Counterparty under the Basel III framework.
- Committed to the safety of the Singapore marketplace by contributing an amount equivalent to 25% of the default fund size, one of the highest “skin in the game” among global clearing houses.



## Aligned with the required regulatory standards to service US and European customers

- Attained Derivatives Clearing Organization (DCO) and Foreign Board of Trade (FBOT) status from the US Commodity Futures Trading Commission (CFTC).
- Recognized by the European Securities and Markets Authority (ESMA) as a third-country central counterparty.



- Derivatives Exchange of the Year: Asia Risk Awards 2018



# Our Focus

# FY2019 Strategic Priorities and beyond



- Expand FX product suite
- Enhance Bond Trading Platform
- Develop SGX Cargo and Freight franchise

- Strengthen overseas presence in U.S. and London
- Grow our base of buy-side clients (AM, HFT & PTG)

- Enter into collaborative agreements to grow cross-border flows and enhance service capabilities



# Building a Multi-asset exchange – FX Futures

| FX | Size of Market   | Singapore   | SGX    |
|----|---|--|---|
|    | <ul style="list-style-type: none"> <li>▪ US\$5.1 trillion traded daily</li> <li>▪ Asian NDF, excluding CNH, is a \$73 billion DAV market with the potential to be futurised</li> <li>▪ Largest off-exchange (OTC) market globally</li> <li>▪ Regulatory trends favour shift to on-exchange trading</li> </ul> | <ul style="list-style-type: none"> <li>▪ US\$500 billion traded daily</li> <li>▪ Largest FX center in Asia Pacific, third largest globally</li> <li>▪ Leading global trading venue for key Asian currencies</li> </ul> | <ul style="list-style-type: none"> <li>▪ 21 currency futures and options contracts</li> <li>▪ &gt;70% market share in USD/CNH and &gt; 40% market share in INR/USD</li> <li>▪ Calendar year-to-date<sup>1</sup> Notional volume traded of US\$478 B, up 139% over the same period in 2017.</li> </ul> |

## Total Notional Values up to Date

**US\$1.40Tn**

Aggregate notional value traded since launch (Nov 2013 to Aug 2018)

**US\$6.34Bn**

Open Interest value (Aug 2018)

## Key Highlights

Fastest Growing  
**232%**

Total Volume - CAGR

Nov 13 – Aug 18

Growing number of Participants  
**89.8%**

Number of Participants - CAGR

Nov 13 – Aug 18

Most diverse Asian FX  
**19**

Futures

**2**

Options

# SGX is well positioned to be the Digital Freight Marketplace

**Mission:** Fortify The Baltic Exchange, leverage SGX cargo & freight franchise, and **invest strategically** in market infrastructure & data.



Offer **full-stack digital services** in spot price discovery, matching & trading, and post-trade risk management.

Dominate a new **multi-modal asset class of freight** - wet & dry bulk, container & air

# International footprint and partnerships

Our offices:

- Beijing
- Chicago
- Hong Kong
- London
- Mumbai
- Shanghai
- Singapore
- Tokyo



# FY2018 Results

# Financial Year 2018 Highlights

- Record Revenue of \$845M; Net profit of \$363M, at 10-year high
- Securities traded value up 12% to \$314B. Record Derivatives traded volume, up 20% to 198M contracts
- Dividend per share – 30 cents, up 2 cents per share; Earnings per Share – 33.9 cents

## Revenue

- \$845M
- Up 5%

## Expenses

- \$420M
- Up 5%

## Operating Profit

- \$425M
- Up 6%

## Net Profit

- \$363M
- Up 7%

## Securities Trading

- \$314B total traded value
- Up 12%

## Derivatives Trading

- 198M contracts
- Up 20%

## Earnings Per Share

- 33.9 cents
- Up 7%

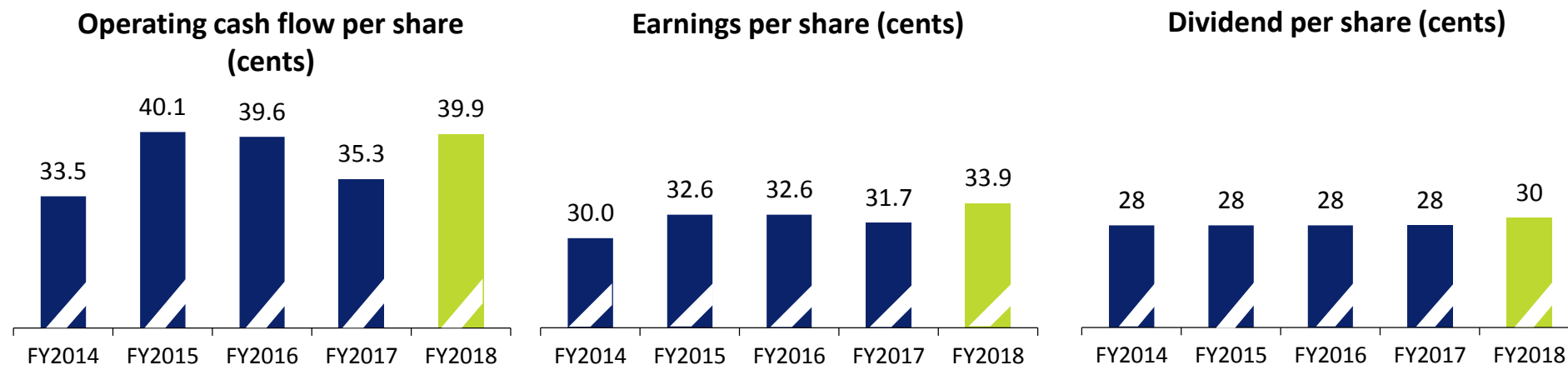
## Dividend Per Share

- 30 cents
- Up 2 cents

# Key Financial Indicators

- High operating profit margin of 50%
- ROE of 34%

|                               | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|-------------------------------|--------|--------|--------|--------|--------|
| Revenue (\$ million)          | 686    | 779    | 818    | 801    | 845    |
| Operating profit (\$ million) | 371    | 402    | 409    | 402    | 425    |
| Operating profit margin       | 54%    | 52%    | 50%    | 50%    | 50%    |
| Net profit (\$ million)       | 320    | 349    | 349    | 340    | 363    |
| Return on equity              | 35%    | 37%    | 36%    | 34%    | 34%    |

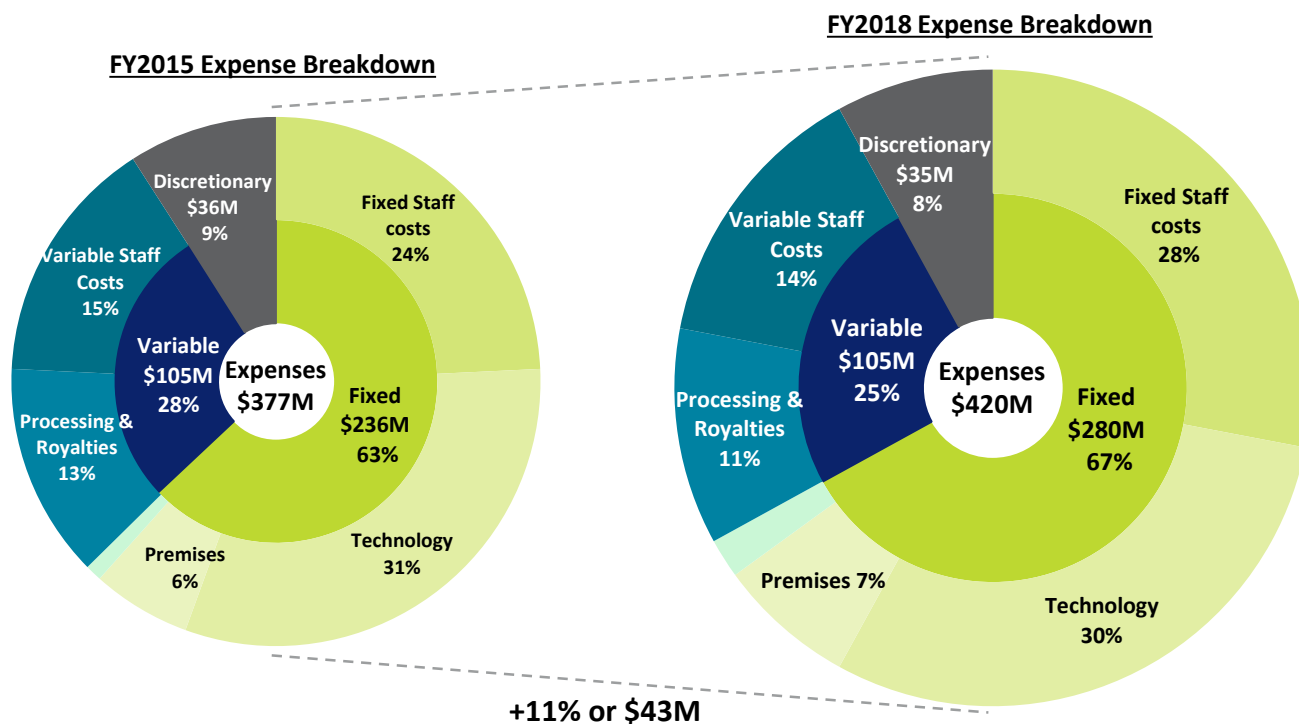


Note: All figures in \$ millions unless otherwise stated and may be subject to rounding



# Disciplined in our expenditure

- Investments in building capabilities to support growth
- FY2018 expense of \$420M , up 5% from a year ago
- FY2019 Operating Expense Guidance: \$445M to \$455M

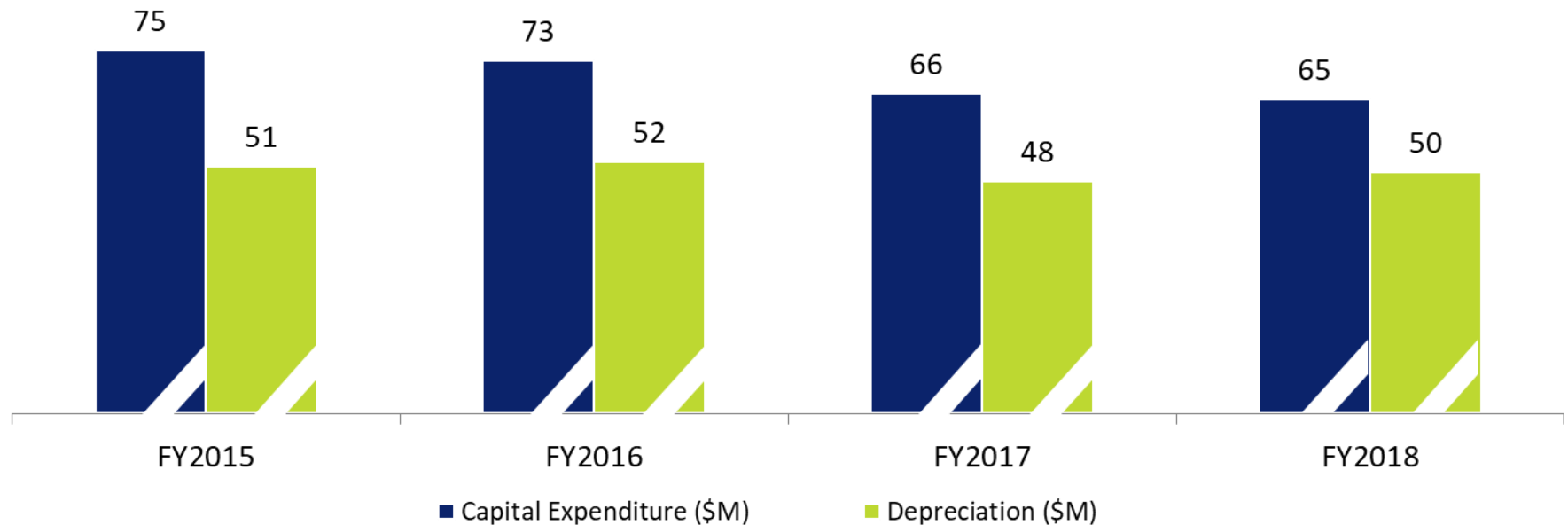


- Fixed costs – 67%  
Variable costs – 25%  
Discretionary costs – 8%
- Variable costs – Processing & Royalties expenses are volume-related
- Discretionary costs – Focused on distribution capabilities and client-related activities.

Note: Numbers may be subject to rounding.

# Delivered new systems and platforms to support growth

- Invested in enhancing capabilities in Derivatives, Fixed Income and Post Trade
- FY2018 Technology CAPEX of \$65M, in line with guidance
- FY2019 CAPEX Guidance: \$60M to \$65M



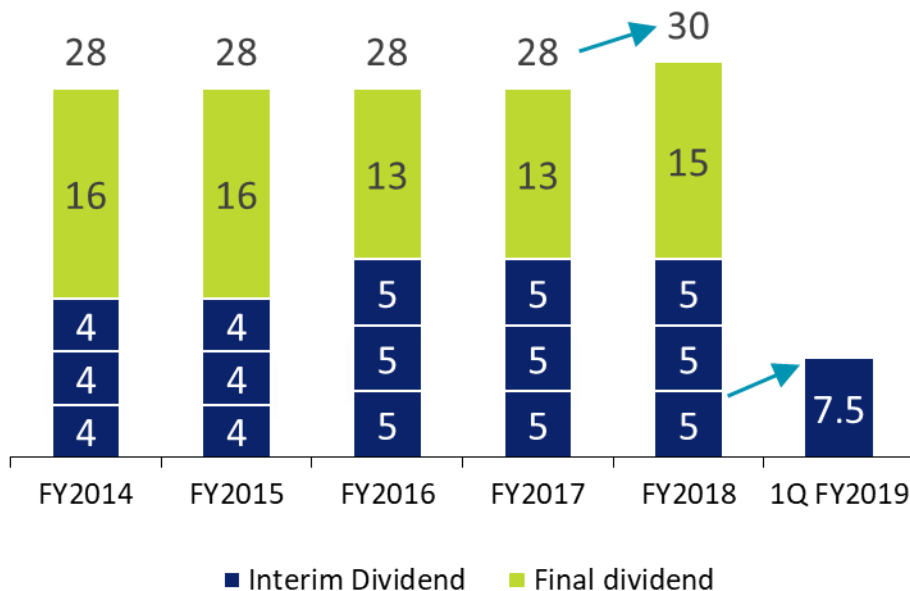
Note: All figures in \$ millions unless otherwise stated and may be subject to rounding

# Revised Dividend policy to support growth

- Aims to provide sustainable and growing returns for shareholders

## 5 Year Dividend History

Dividend per share (cents)



Aims to pay a sustainable and growing dividend over time, consistent with the company's long-term growth prospects. Dividends will be paid on a quarterly basis and will be at the discretion of the Board<sup>1</sup>



Provides flexibility to balance dividend payments with the need to retain earnings to support growth



From FY2019, we aim to pay a higher dividend of 7.5 cents per share each quarter, up 2.5 cents (50%) from 5 cents per share



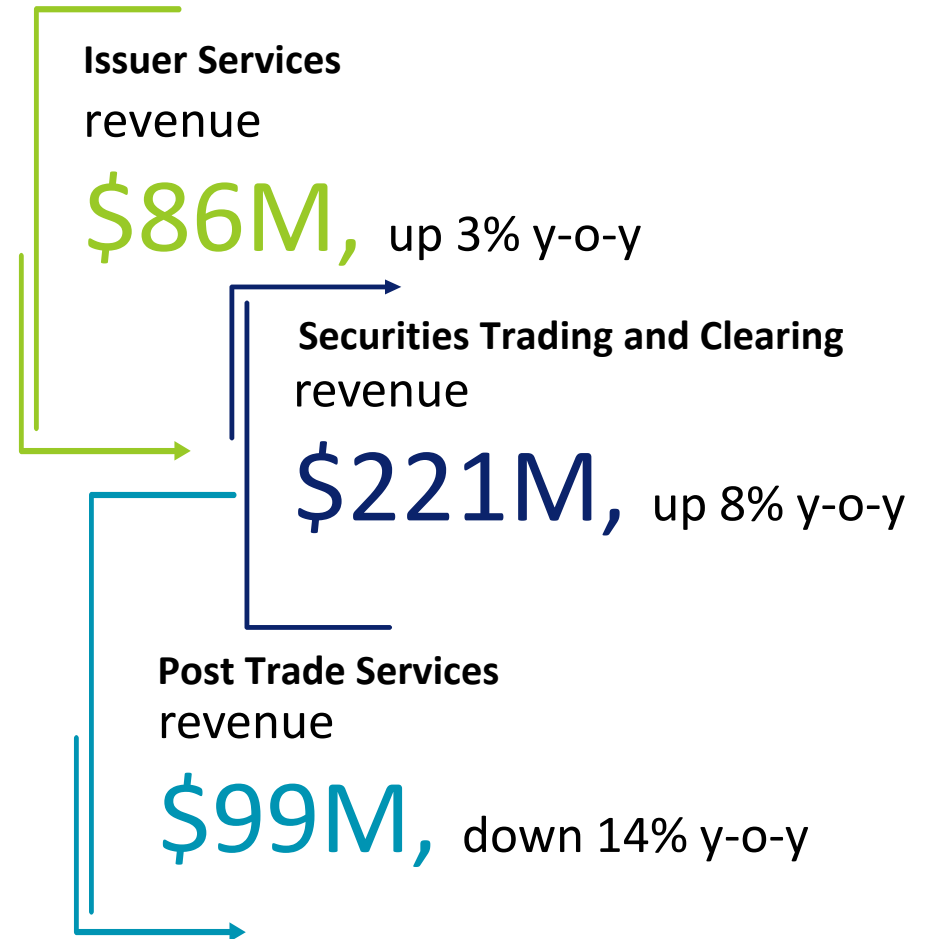
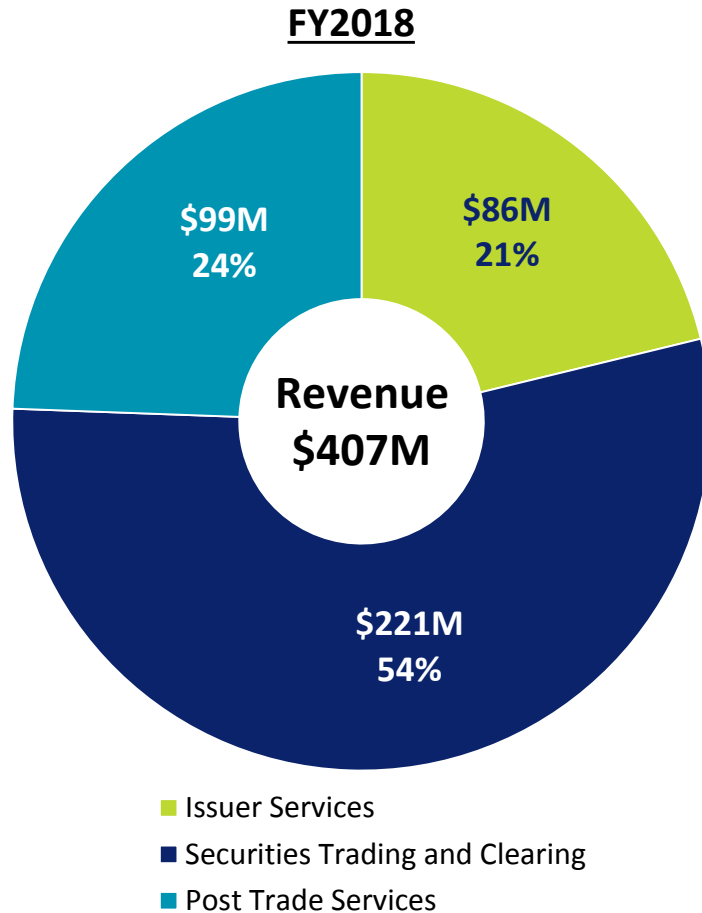
Shareholders will receive returns earlier. Potential growth in dividends when SGX performs well

<sup>1</sup> Previous dividend policy: For each financial year, the Board aims to pay, as dividend, an amount which is no less than (a) 80% of the annual net profit after tax; or (b) 20 cents per share, whichever is higher.

# Equities & Fixed Income Business

# Overview

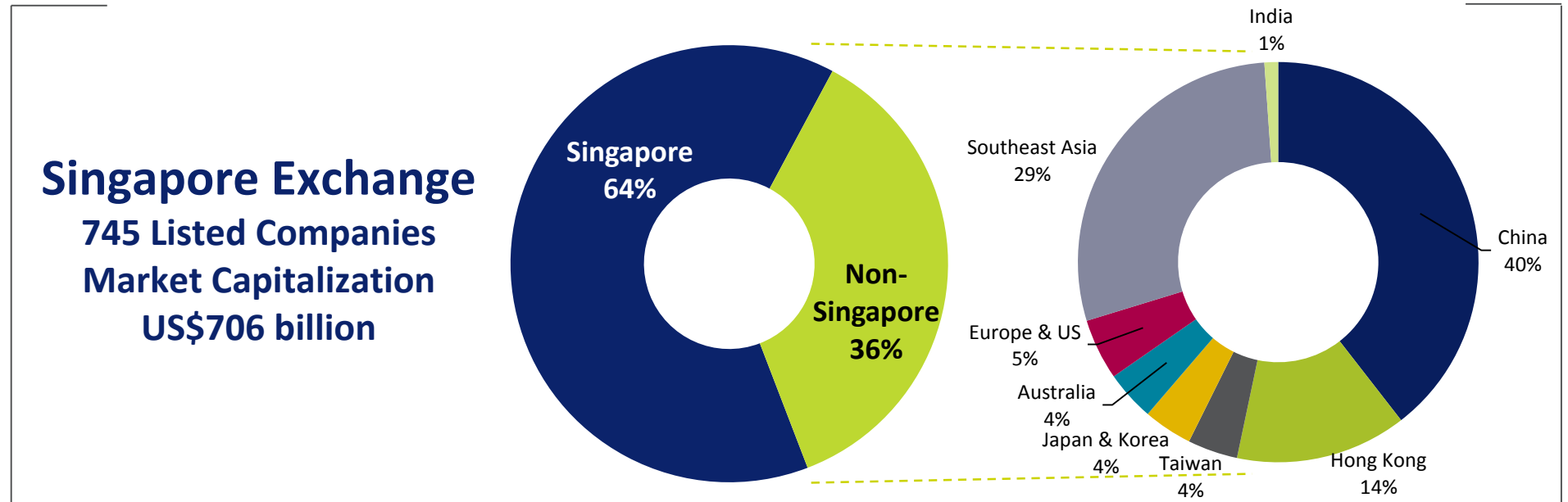
## Equities and Fixed Income



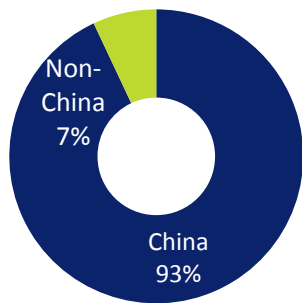
Note: Numbers may be subject to rounding.

# SGX is the Most International Exchange

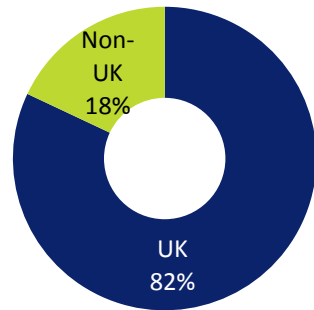
Nearly 40% of all companies listed on SGX are overseas companies.



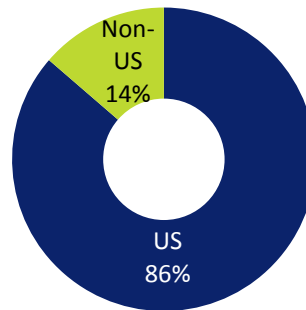
Hong Kong Stock Exchange



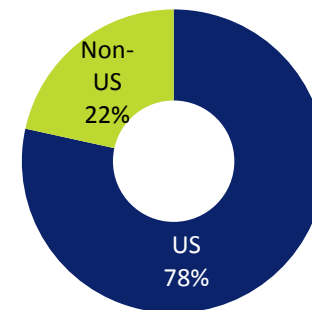
London Stock Exchange



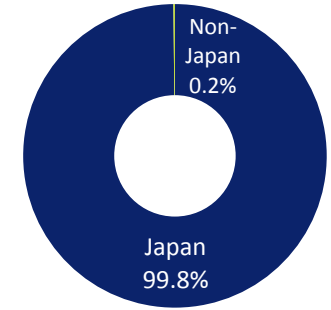
NASDAQ



New York Stock Exchange



Tokyo Stock Exchange



Source: World Federation of Exchanges (May 2018), Companies' Website and Singapore Exchange (Aug 2018)

# Top Sectors on SGX

## Consumer

PE: 19x



- Includes agri-commodities, food & beverage and retail
- 152 companies with market cap of US\$96 billion

## Technology

PE: 22x<sup>^</sup>



- Includes information & communications technology, medical technology and financial technology
- 74 companies with market cap of US\$53 billion

## Healthcare

PE: 25x



- Full range of companies from pharmaceuticals, healthcare services to medical devices technology
- 35 companies, 2 REITs and 1 Trust with market cap of US\$51 billion

## Maritime & Offshore Services

PE: 22x



- Asia's largest cluster of listed companies
- 60 companies and 2 business trusts with market cap of US\$22 billion

## Mineral, Oil and Gas

PB: 2.2x



- Companies in exploration, development and production of mineral or oil & gas
- 29 companies with market cap of US\$1.8 billion

## Real Estate

PB: 0.94x



- Asia's broadest range of real estate companies and property trusts covering global real estate assets
- 109 real estate companies and property trusts with market cap of US\$131 billion

Note: <sup>^</sup> Excludes the PE of telecommunication services companies by GICS sub-industry classification  
Source: Bloomberg & Singapore Exchange (Aug 2018)

# Growing Listings And Trading Activities

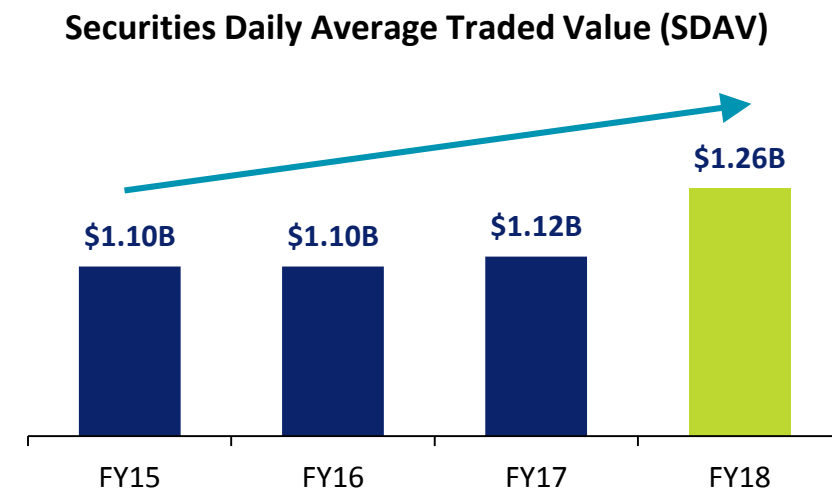
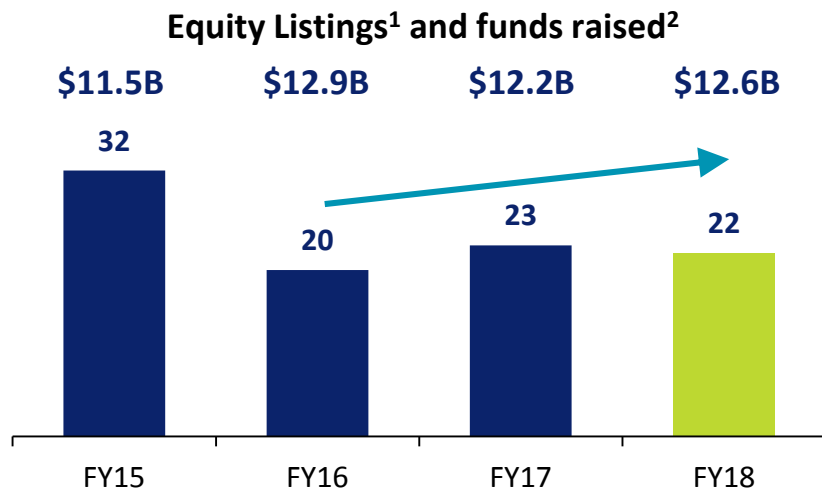
Higher funds raised, healthy IPO Pipeline, and Increasing Daily Trading Activity

## Equity Listings

- 22 listings in FY2018, 4% lower YoY
- S\$12.6B funds raised, 3% higher YoY

## Trading Activities

- FY2018 SDAV 12% higher YoY
- Total Market Capitalization of \$991 Billion



Source: SGX

<sup>1</sup>Equity listings include Initial Public Offerings (IPOs) and Reverse Takeovers (RTOs) | <sup>2</sup>Includes Placement, Rights and Warrants

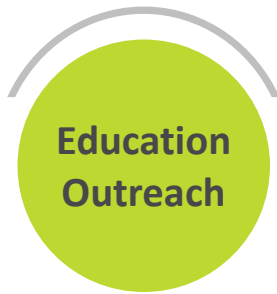


# Build Liquidity & Profile Companies

Continuing our efforts in increasing trading activity



Enhance market quality and lower transaction cost



Reaching out to 140,000 retail investors each quarter



Over 260,000 subscribers today



2 million online views per quarter



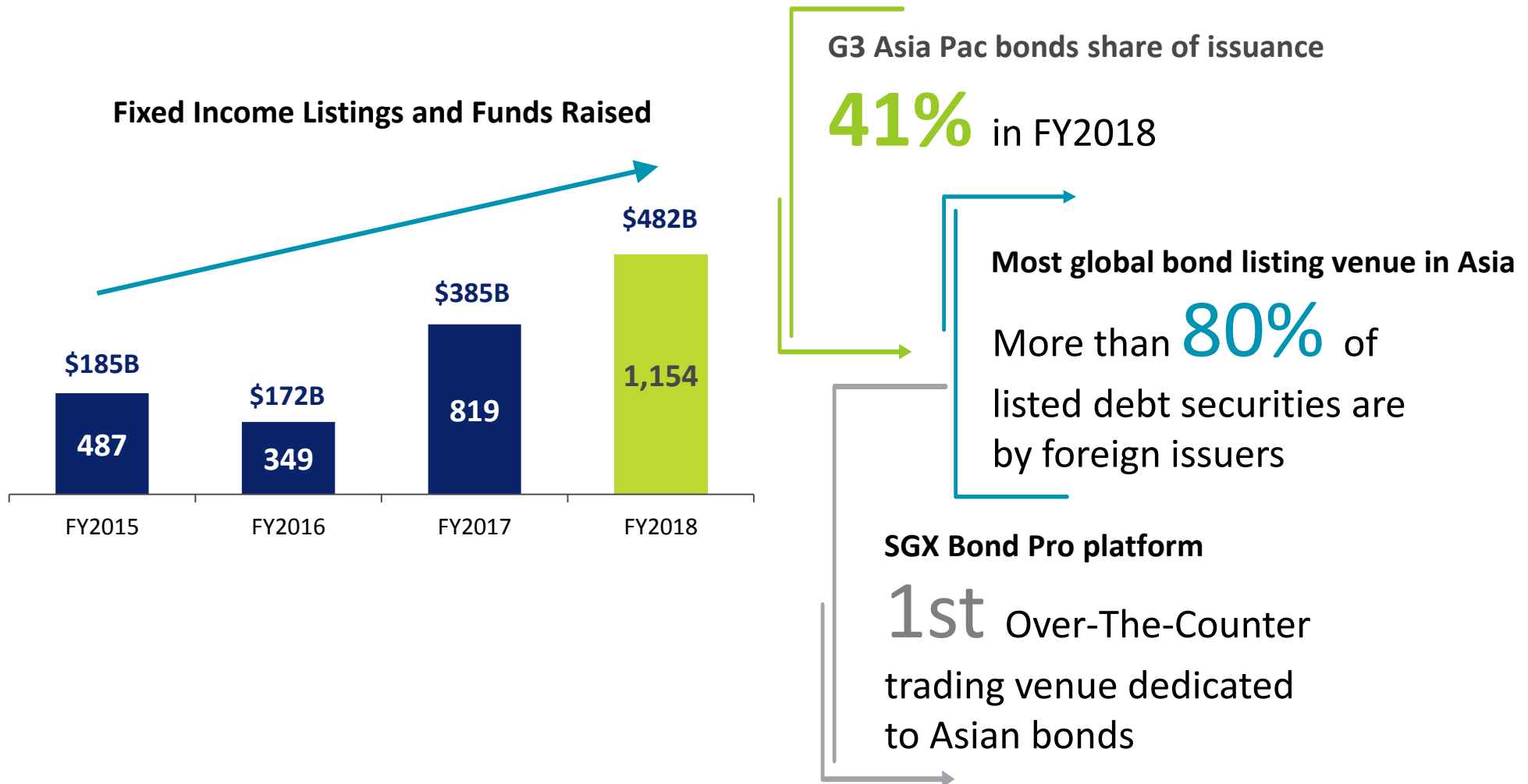
Connecting ~40 listed companies with ~200 investors every quarter



More than 30 articles published per quarter



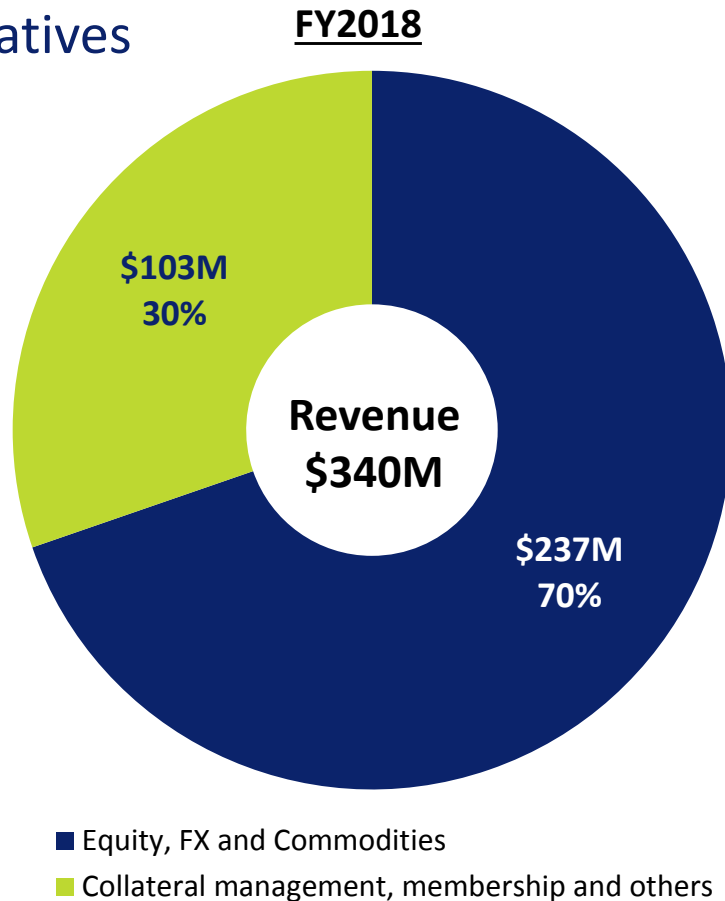
# Increase In Fixed Income Listings And Market Share



# Derivatives Business

# Overview

## Derivatives



Equity, FX and Commodities revenue

**\$237M**, up 8% y-o-y

Collateral management, license and membership fees revenue

**\$103M**, up 24% y-o-y

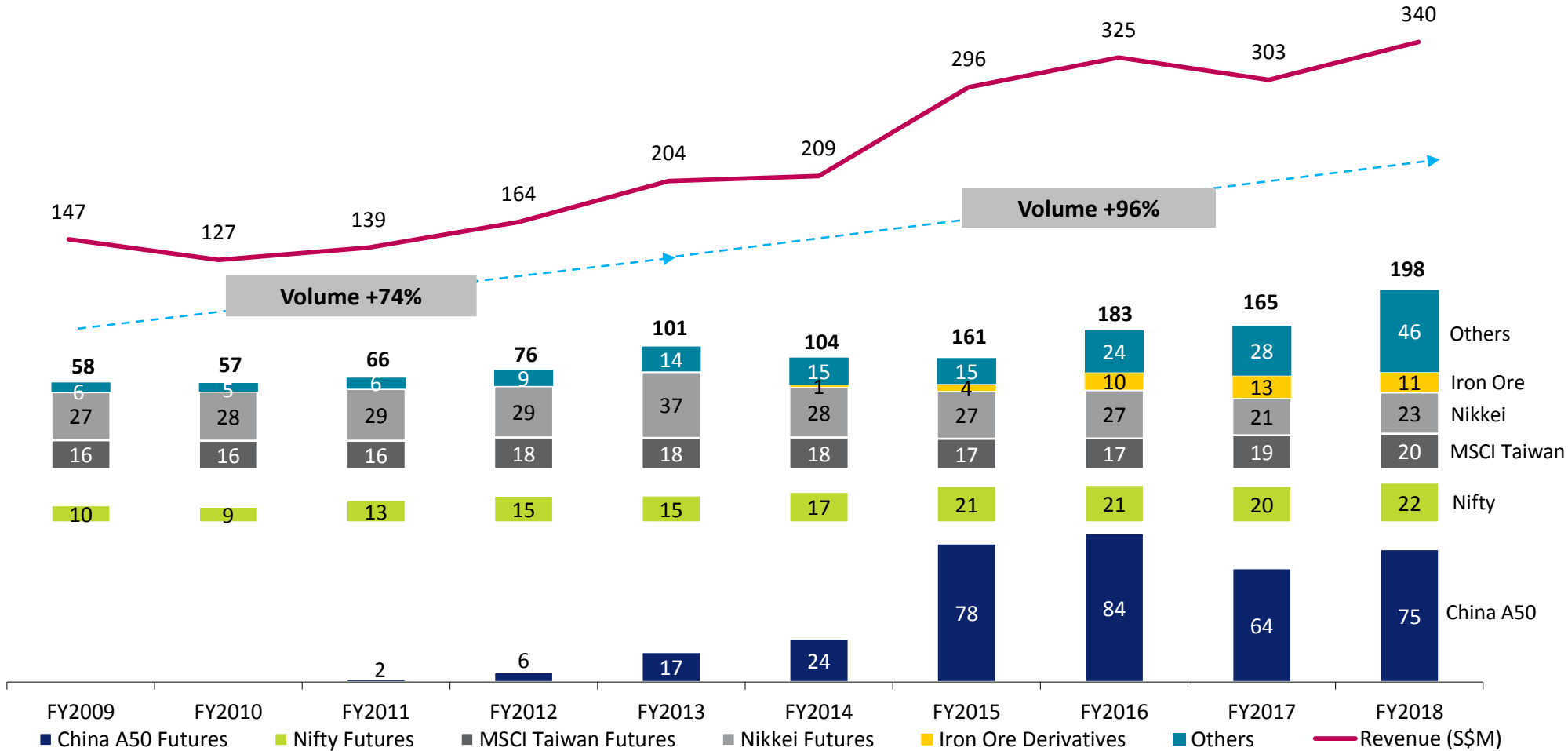


- Exchange of the Year – Derivatives: FOW Asia Capital Markets Awards 2018
- Asia-Pacific Derivatives Exchange of the Year: GlobalCapital 2018

Note: Numbers may be subject to rounding.

# World's most liquid offshore market for Asian Derivatives

Growth of Derivatives (volumes and revenue in millions)



# The only liquid offshore access to China and India

Complementary products, margin netting efficiencies

| China                                |   |
|--------------------------------------|---|
| Equity Index Futures                 | SGX FTSE China A50                          |
| Equity Index Futures and Options     | MSCI China                                  |
| FX futures                           | USD/CNH, CNY/USD, CNY/SGD, EUR/CNH, SGD/CNH |
| Commodities, Futures, Swaps, Options | Iron Ore                                    |

| India                          |   |
|--------------------------------|---|
| Equity Index Futures & Options | SGX Nifty 50<br>SGX Nifty IT<br>SGX Nifty CPSE<br>SGX Nifty Bank<br>SGX Nifty Midcap 50 |
| Equity Index Futures           | SGX MSCI India  |
| FX futures, options, forwards  | INR/USD   |
| Single Stock Futures           | SSFs on 50 Indian stocks  |

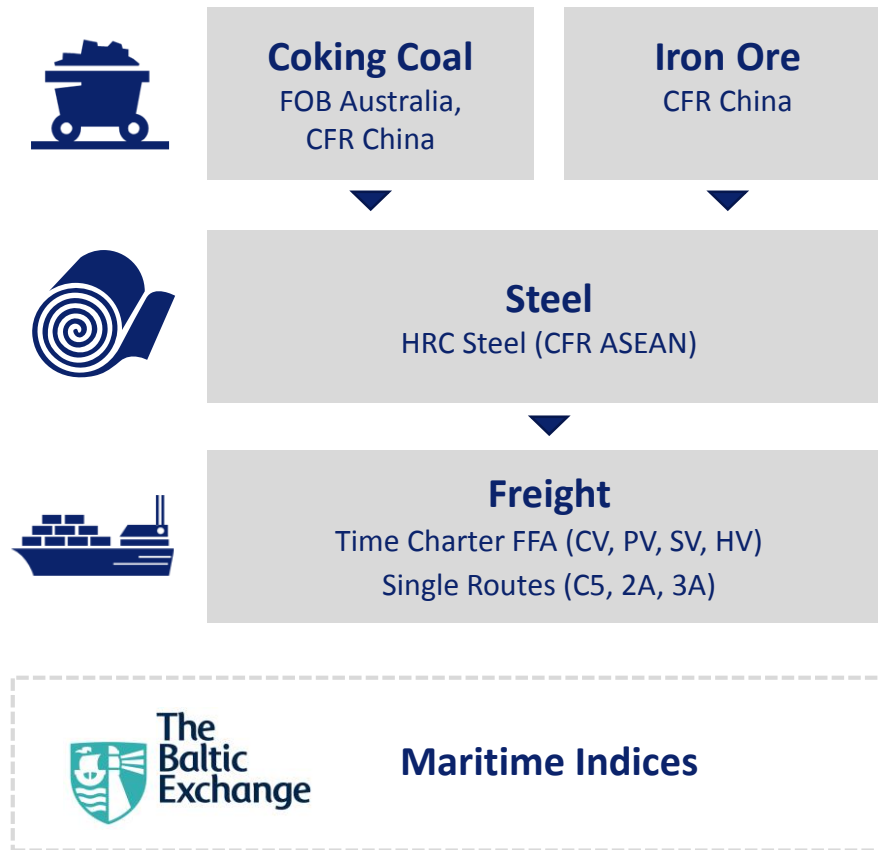
## Our Platform

- An integrated Trading and Clearing System offering low-latency high-throughput and enhanced risk controls and system safeguards
- Round-the-clock trading
- Delivering Asia's broadest range of listed derivatives across China, Japan, India, Taiwan and ASEAN
- Efficient client connectivity by putting together an ecosystem of users trading and clearing on-exchange or OTC
- Capital efficiency through the netting of margins

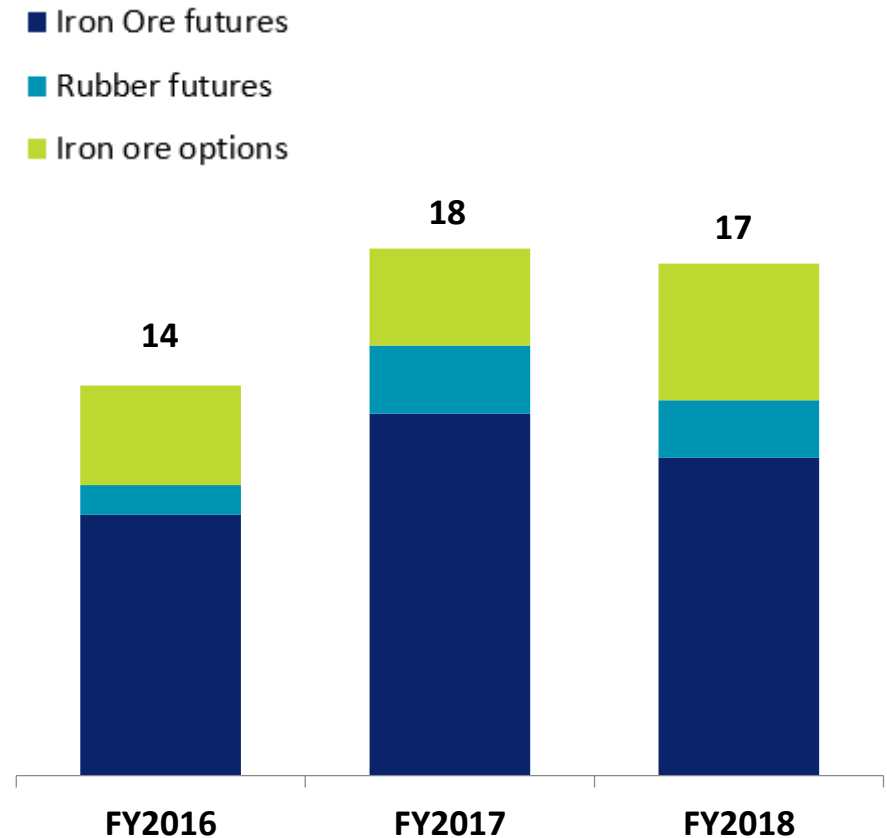
# Extensive Suite Of Commodities Products

Complements Singapore's commodities hub status

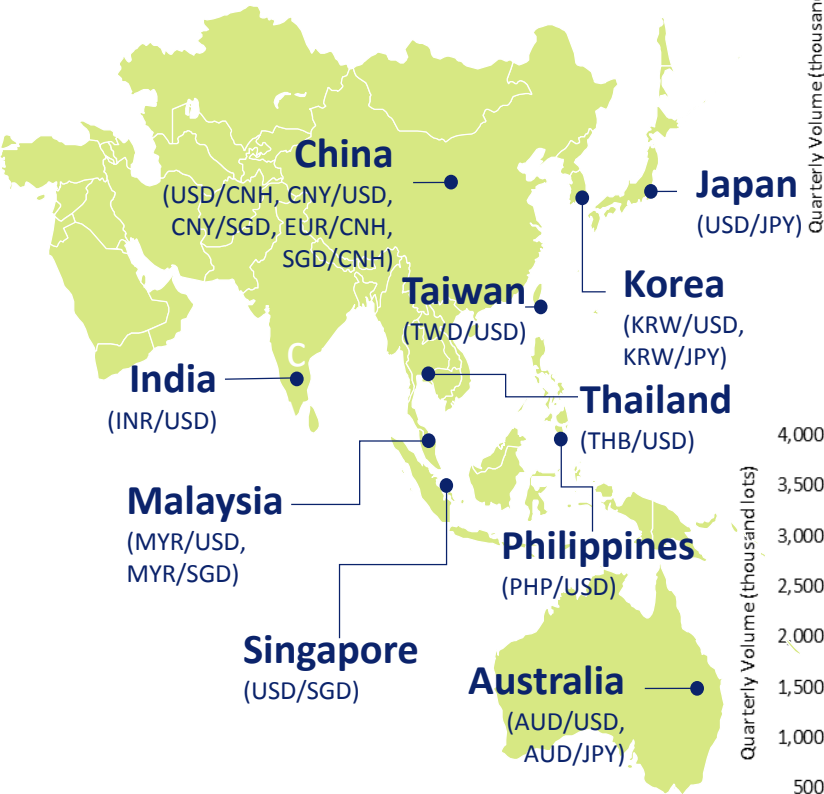
## Price-Discovery Centre For The Steel Value Chain



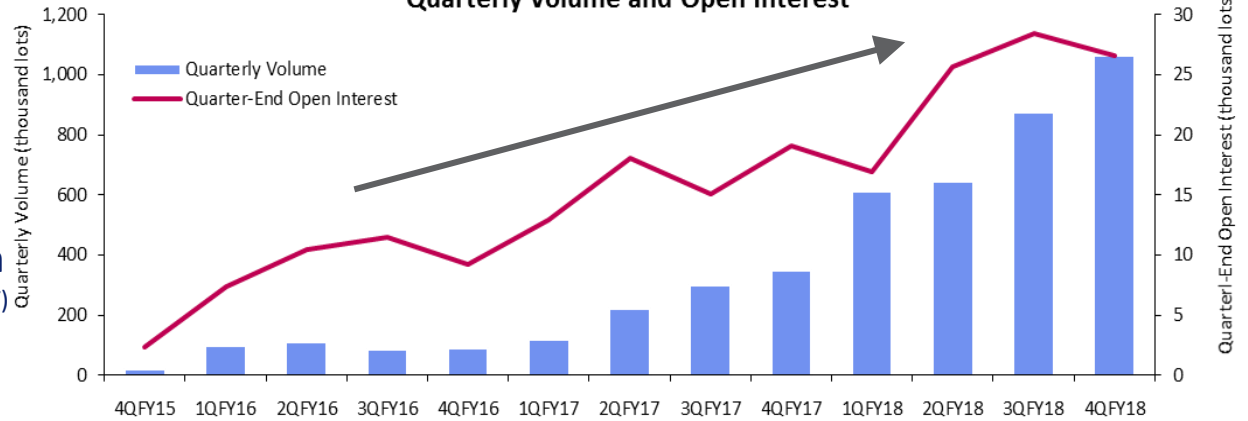
## Total Volume of Contracts Traded (M)



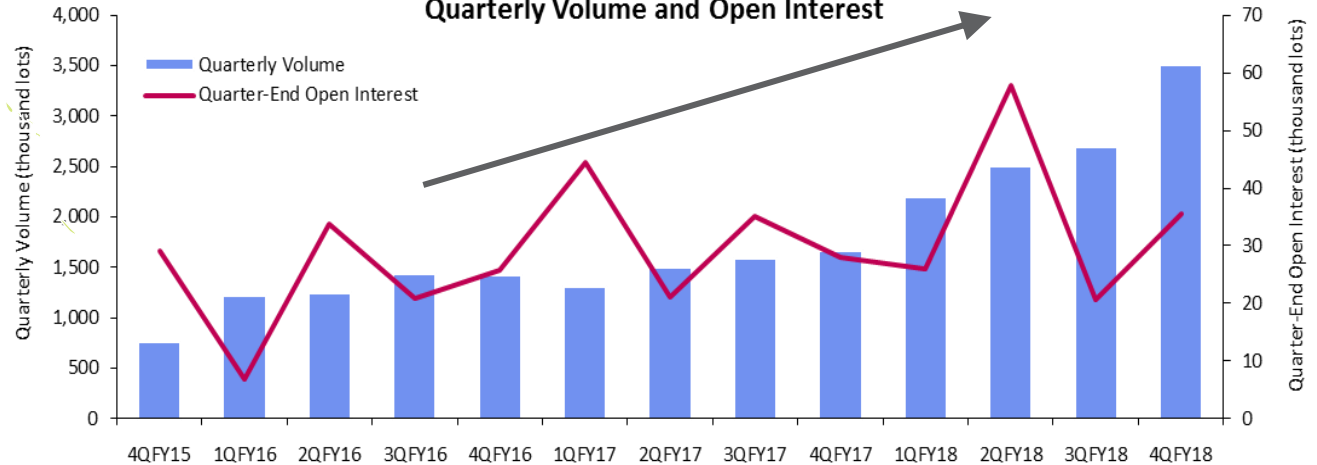
# Liquid Currency Futures



**SGX USD/CNH Futures**  
Quarterly Volume and Open Interest



**SGX INR/USD Futures**  
Quarterly Volume and Open Interest



■ Asia's Best FX Exchange & Clearing House – by FX Week (2018)

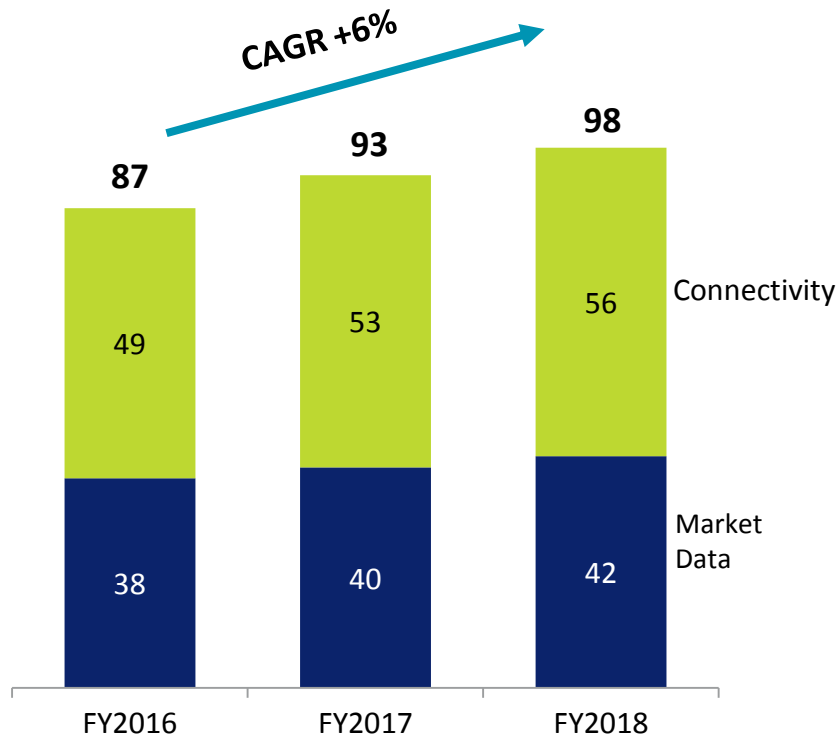
Note: Data as at 30 June 2018



# Market Data & Connectivity Business

# Overview

## Market Data And Connectivity



- Market infrastructure business driven by increased use of technology in trading
- Supports Securities and Derivatives Trading:

**Data:** Price data, Company Announcements, Financial Indices

**Connectivity:** Trading system connections, Network linkages and Data center co-location

Note: Numbers may be subject to rounding.

# SGX Index Edge

- Index business established to take advantage of global shift to index-based investing
- Global Exchange Traded Products (index-based) have AUM of > US\$4tn
- Index funds (unlisted) has grown >230% to > US\$ 6tn since 2007



## Index Calculation Service

- Calculating for leading investment banks and asset managers
- Flexible index engine for calculating and disseminating wide variety of indices
- Strong governance framework to meet regulatory requirements



## SGX Proprietary Indices

- **Domestic Indices**
  - SGX Thematic indices e.g. S-REIT 20
  - SGX Sustainability index
- **Regional Indices**
  - SGX Developed Asia Quality Dividend Index
  - SGX APAC Dividend REIT



SGX Index Edge – Best Index Provider at Structured Retail Products Asia-Pacific Awards (2018)

# Appendix

# Cross Margining Efficiencies

- Correlated products, margin netting efficiencies

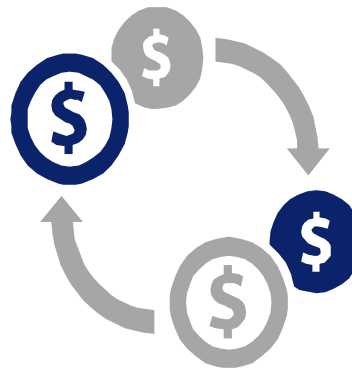
Note:

+ correlation      Long – Short spread  
 - correlation      Long – Long spread

USD/CNH  
FX futures

45%  
Margin  
offset

FTSE China A50  
Index Futures



MSCI  
Taiwan  
Index Futures

65%  
Margin  
offset

Mini Nikkei 225  
Index Futures

USD/CNH  
FX futures

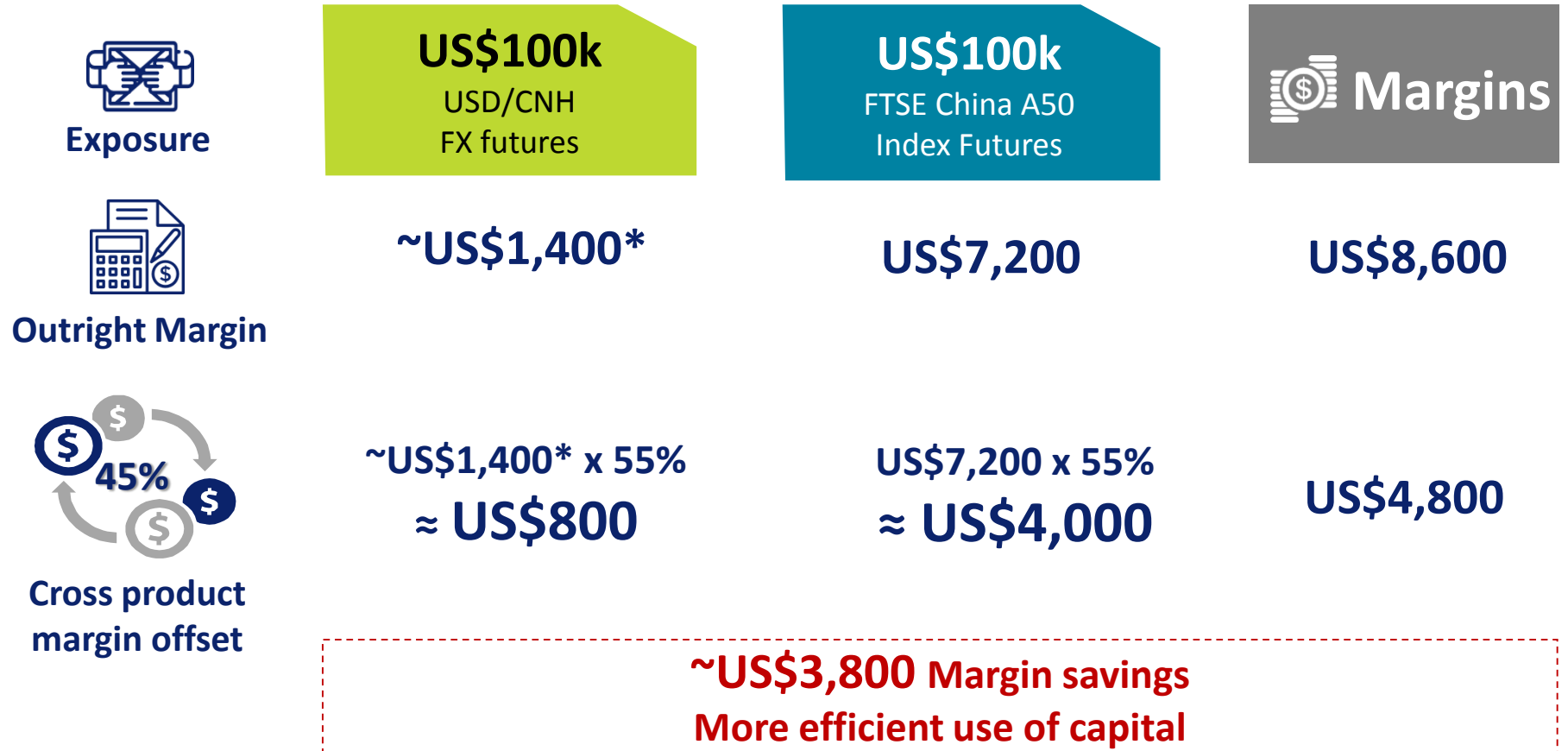
30%  
Margin  
offset

Iron Ore  
Swaps

Note: Based on Margin Schedule as of 7 September, full schedule available on SGX website

# Cross Margining Example

- More exposure with the same amount of margins



Note: Based on FX rate as of 21 September

Based on Margin Schedule as of 7 September, full schedule available on SGX website

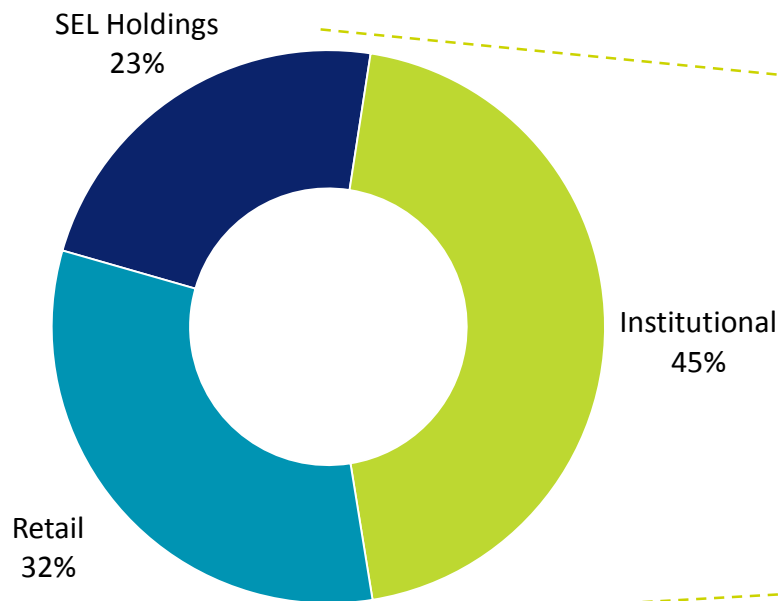
## High operating margin business

| Operating Income Margin Trends |        |        |        |
|--------------------------------|--------|--------|--------|
| Segment                        | FY2016 | FY2017 | FY2018 |
| Equities and Fixed Income      | 55.6%  | 56.0%  | 55.1%  |
| Derivatives                    | 42.5%  | 39.7%  | 43.7%  |
| Market Data and Connectivity   | 52.0%  | 58.9%  | 53.3%  |

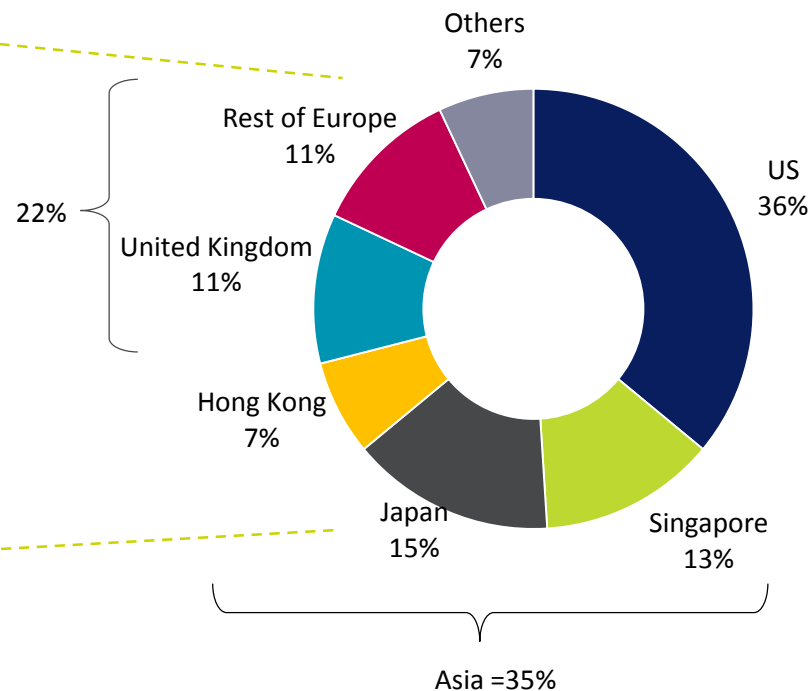
# SGX Shareholders' Profile

Broad shareholding base with domestic retail shareholders, as well as domestic and international institutions

### SGX Shareholder Composition<sup>1</sup>



### Institutional Shareholding by Geography



Note: Numbers may be subject to rounding.  
<sup>1</sup>As at 30 June 2018

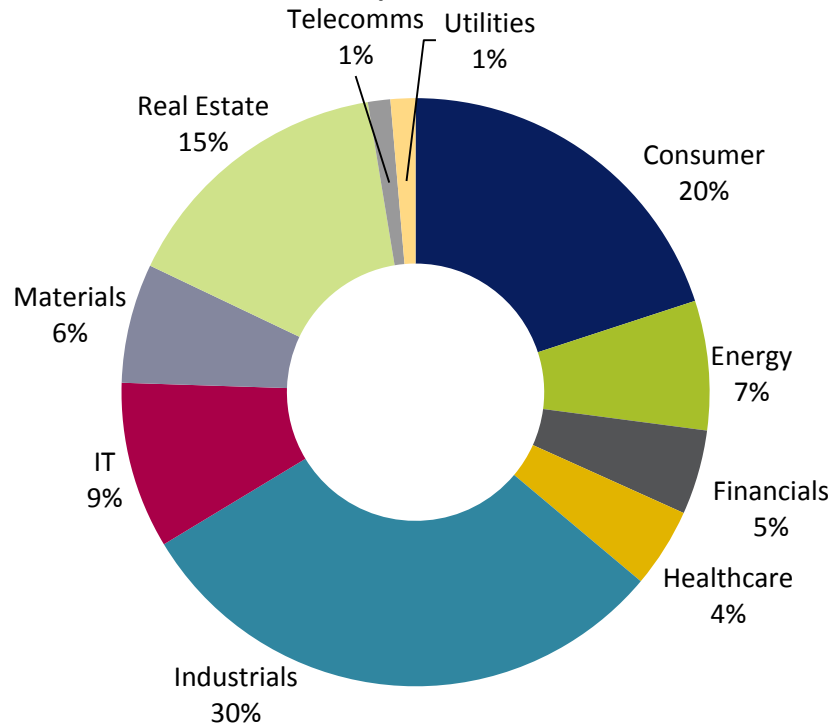


# Diversity of Industries on SGX

SGX is the listing venue of choice for companies from varying sectors

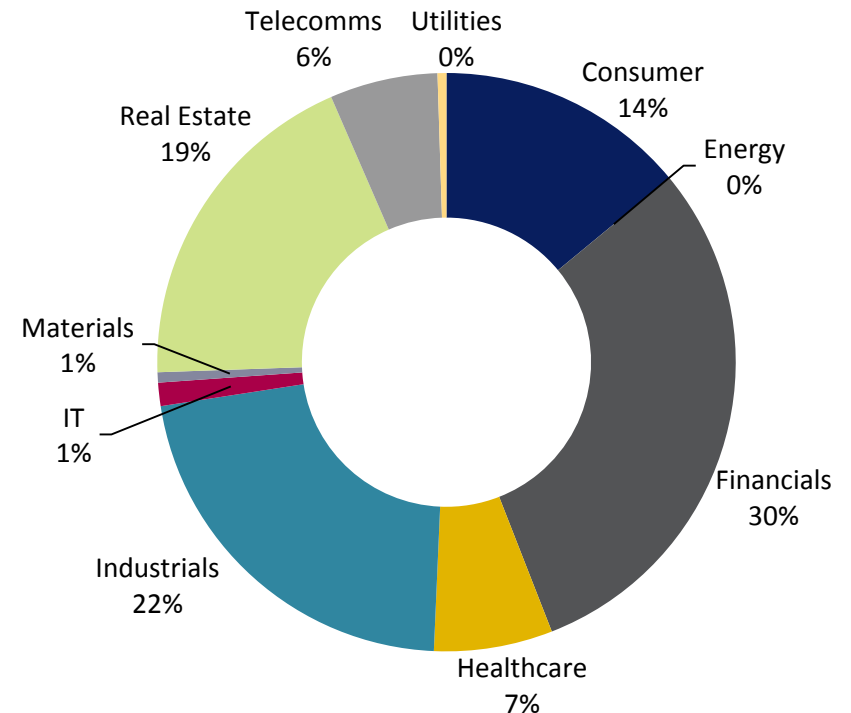
## Breakdown by Number of Companies

745 companies in total



## Breakdown by Market Capitalisation

US\$706 billion in total



Note: Companies without GICs Sector Classification not included  
Source: Singapore Exchange & Bloomberg (Aug 2018)

# Thank You

## SGX Investor Relations Contact:

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Tel: (65) 6236 5395, Email: dominic.lim@sgx.com

Joyce Koh, Associate Director, Investor Relations  
Tel: (65) 6236 8356, Email: joyce.koh@sgx.com

## Singapore Exchange

Beijing ▪ Chicago ▪ Hong Kong ▪ London ▪ Mumbai ▪ Shanghai ▪ Singapore ▪ Tokyo

[sgx.com](http://sgx.com)

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