

Financial Year Ended 30 June 2013 (FY2013) Singapore Exchange Reports \$336 Million Net Profit

- Revenue: \$715 million (\$648 million in FY2012)
- Operating Profit: \$414 million (\$364 million) and Net Profit: \$336 million (\$292 million)
- Earnings per share: 31.4 cents (27.3 cents)
- FY2013 Proposed Final Dividend of 16 cents (15 cents) and Total Dividend of 28 cents (27 cents)

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

SGX recorded revenue of \$715.1 million (\$647.9 million) and a net profit of \$335.9 million (\$291.8 million) in FY2013. Earnings per share (EPS) was 31.4 cents (27.3 cents) and return on equity (ROE) was 39% (35%).

SGX's underlying profit was \$350.9 million (\$303.9 million) excluding an impairment charge of \$15.0 million (\$11.0 million) on our investment in the Bombay Stock Exchange (BSE).

The Board of Directors has proposed a final dividend of 16 cents (15 cents) per share, bringing total dividend to 28 cents per share (27 cents). This represents an 89% (99%) pay-out of the reported net profit in FY2013.

Mr Magnus Böcker, SGX CEO, said, "We are pleased to report a net profit of \$336 million and underlying profit of \$351 million, both up 15% over the previous year. This is our best performance since FY2008. Our continuing investments in new products and wider distribution enabled us to benefit from increased market activities. Securities total traded value increased 10% to \$363 billion. Our Derivatives market continued to deliver growth with a number of records including total traded volumes of 101 million contracts, up 32% year-on-year."

Business Highlights

- **Securities:** Total stock market capitalisation was \$954 billion at the end of June, an increase of 13% from \$842 billion a year ago. Improved market activities during the second half raised the Securities daily average value (SDAV) by 11% to \$1.5 billion (\$1.3 billion) and total turnover by 10% to \$363.4 billion (\$331.2 billion). During the year, we launched the ASEAN Link with Bursa Malaysia and the Stock Exchange of Thailand, offering customers connectivity to Malaysia and Thailand.
- **Derivatives:** We had a record year for our Derivatives business, with total traded volumes up 32% to a record 100.6 million contracts (76.0 million). Average month-end open interest for the year grew 86% from 1.4 million contracts to a record 2.6 million contracts. Iron Ore swaps volumes grew 198% to 370,240 contracts (124,193 contracts), accounting for more than 90% of global exchange-cleared volumes. In the first quarter, we acquired 49% of the Energy Market Company of Singapore, marking SGX's entry into the electricity market.
- **Issuer Services:** Total equity funds of \$13.5 billion were raised, up 120% from \$6.1 billion a year ago. Primary equity funds of \$8.1 billion (\$1.0 billion) were raised from 30 (24) new listings. Secondary equity funds of \$5.4 billion were raised, comparable to the \$5.2 billion raised a year

earlier. The number of new bond listings grew 41% to 424 (300), raising \$196 billion, up 21% from \$161 billion a year ago.

Market Development, Risk Management & Regulations

SGX maintains a robust risk management framework aligned with the highest international standards. This past year, we adopted the new CPSS¹-IOSCO² Principles for Financial Market Infrastructures (PFMI) published in April 2012, one of the first clearing houses in the world to do so.

A number of key regulatory enhancements were implemented in adopting the Principles. One such enhancement was the introduction of a margin framework for securities cleared through the Central Depository (CDP).

In meeting the new PFMI standards, Singapore Exchange Derivatives Clearing (SGX-DC) became a Qualifying Counterparty under the Basel III framework. This allows our bank clearing members to benefit from lower capital requirements.

This past year, we also raised Mainboard admission requirements and introduced new rules requiring investors to mark their short sell orders. Together, these initiatives reinforced SGX's standing as an international stock exchange meeting the highest regulatory standards.

We have provided our two clearing houses, namely CDP and SGX-DC, with adequate capital to meet emerging global regulatory standards. As a group, SGX has ample capital to provide for future growth, and a strong debt-free balance sheet.

The CDP clearing fund remained largely unchanged at \$101.5 million at the end of FY2013. The SGX-DC clearing fund stood at \$562.9 million. This was an increase by our clearing members of \$121.0 million from 3Q FY2013, of which \$49.0 million was attributable to increased volatility and higher open interest, and \$72.0 million to comply with the new PFMI standards.

Amid international regulatory changes in the US and Europe, SGX-DC's application to be registered as a Derivatives Clearing Organisation in the US was recently submitted to the US Commodity Futures Trading Commission. SGX is also in the process of applying for recognition under the European Market Infrastructure Regulation (EMIR).

Outlook

Improved sentiments across global capital markets in the second half of FY2013 led to increased trading and clearing volumes for both our Securities and Derivatives markets. Looking forward, the need for capital raising and risk management remains robust in Asia despite uncertain global economic conditions. We will continue to develop new products and services, and strengthen our regulatory and risk management capabilities. Operating expenses for FY2014 are expected to be between \$320 million and \$330 million. Technology-related capital expenditure is expected to be between \$35 million to \$40 million. The Board plans to retain the current base dividend of four cents per share per quarter.

¹ Committee on Payment and Settlement Systems

² International Organisation of Securities Commissions

Financial Performance

Operating profit increased 14% to \$414.2 million (\$363.9 million), with net profit up 15% to \$335.9 million (\$291.8 million). EPS was 31.4 cents (27.3 cents) and ROE was 39% (35%).

Underlying profit was \$350.9 million (\$303.9 million) excluding the \$15.0 million (\$11.0 million) impairment charge on our BSE investment. The impairment charge was due to a decline in the fair value of BSE and depreciation of the Indian rupee over FY2013. The carrying value of our BSE investment decreased from \$66.0 million to \$51.0 million after the impairment charge.

Revenue was 10% higher at \$715.1 million (\$647.9 million), primarily due to a 23% increase in Derivatives revenue to \$200.8 million (\$163.2 million) and a 9% increase in Securities revenue to \$269.6 million (\$248.5 million).

Expenses were 6% higher at \$300.9 million (\$284.0 million) primarily due to increases in variable staff costs and other expenses.

Staff costs were higher at \$122.5 million (\$105.9 million) mainly due to increases in variable compensation costs made up of variable bonuses of \$39.7 million (\$32.5 million) and share-based payment expenses of \$9.4 million (\$2.7 million). The increase in variable bonuses and share-based payment expenses was due to improved performance in FY2013 and write-backs in FY2012.

Base staff costs were up 4% to \$73.4 million (\$70.7 million). Headcount was 590 (592) as of 30 June 2013.

Other expenses were higher at \$18.3 million (\$15.7 million) mainly due to increased marketing expenses. Marketing expenses were higher at \$6.6 million (\$5.3 million), in line with increased client coverage.

Technology expenses declined 3% to \$101.5 million (\$104.4 million), primarily due to lower system support and maintenance costs.

Cashflow generated from operations was \$418.8 million (\$345.3 million). The unrestricted³ cash reserves were \$613.0 million (\$547.7 million), from which the FY2013 final dividend of \$171.1 million (\$160.2 million) will be paid on 4 October 2013.

Capital expenditure was \$31.8 million (\$40.8 million).

Total equity was \$888.6 million (\$833.0 million) as of 30 June 2013.

³ Excludes cash set aside for SGX-DC clearing fund contributions

Performance Review

Securities, 38% (38%) of SGX revenue

General improvement in market activities, especially in the second half of the financial year, led to a full-year SDAV of \$1.46 billion (\$1.32 billion), an increase of 11% year-on-year. Securities revenue increased 9% to \$269.6 million (\$248.5 million). The average clearing fee was 2.9 basis points, unchanged from a year ago.

Table 1: Key Metrics for Securities Market

	FY2013	FY2012	Change
Securities total traded value (\$ billion)	363.4	331.2	+10%
• Primary-listed	342.9	312.4	+10%
• Secondary-listed	14.2	10.3	+38%
• Exchange-traded funds, GlobalQuote and others	6.3	8.5	-27%
Period-end total market capitalisation (\$ billion)	953.8	842.0	+13%
• Primary-listed	661.8	590.9	+12%
• Secondary-listed	292.0	251.1	+16%
Turnover velocity (primary-listed)	52%	53%	-1%pt
SDAV (\$ billion)	1.46	1.32	+11%
• % of trades at and above \$1.5 million	58%	58%	-
• % of trades below \$1.5 million	42%	42%	-

Derivatives, 28% (25%) of SGX revenue

FY2013 was a record year for our Derivatives business with revenue growing 23% to \$200.8 million (\$163.2 million). Futures, options and over-the-counter clearing revenue increased 27% to \$143.6 million (\$113.4 million). Total traded volumes for futures and options increased 32% from 76.0 million contracts to a record 100.6 million contracts. AsiaClear cleared volumes increased 95% to a new record of 485,499 contracts (248,837 contracts).

Futures and options DDAV increased 34% to a record 412,558 contracts (308,312 contracts) for the year. Individual DDAV records were set for both the Japan Nikkei 225 futures and options contracts, and for the China A50 futures and MSCI Indonesia futures contracts. Average yield per contract was \$1.29 (\$1.42) primarily due to changes in our product mix.

Table 2: Futures and Options DDAV by Contracts

DDAV (contracts)	FY2013	FY2012	Change
Japan Nikkei 225 futures	151,184	116,849	+29%
MSCI Taiwan futures	71,900	71,817	-
China A50 futures	70,456	23,212	+204%
India Nifty futures	62,055	60,865	+2%
MSCI Singapore futures	16,078	17,544	-8%
Rubber futures	1,177	1,036	+14%
MSCI Indonesia futures	778	574	+36%
Japan Nikkei 225 options	31,705	11,889	+167%
India Nifty options	2,290	-	-
Others	4,935	4,526	+9%
Total	412,558	308,312	+34%

Table 3: Derivative Contracts Market Share

Market Share ⁴	By Traded Volume			By Open Interest		
	FY2013	FY2012	Change	FY2013	FY2012	Change
Japan Nikkei 225 futures	26%	29%	-3%pts	21%	21%	-
MSCI Taiwan futures	26%	23%	+3%pts	60%	57%	+3%pts
China A50 futures	1%	1%	-	12%	11%	+1%pt
India Nifty futures	34%	21%	+13%pts	60%	50%	+10%pts
MSCI Singapore futures	100%	100%	-	100%	100%	-
Rubber futures	11%	10%	+1%pt	39%	39%	-
MSCI Indonesia futures	100%	100%	-	100%	100%	-
Japan Nikkei 225 options	6%	3%	+3%pts	17%	10%	+7%pts
India Nifty options	-	-	-	2%	-	+2%pts
Iron Ore swaps	96%	95%	+1%pts	87%	91%	-4%pts

Collateral management, license and other revenue increased 15% to \$57.2 million (\$49.8 million), mainly due to increases in interest income on margin deposits and licensing revenue in line with DDAV growth.

Market Data, 5% (5%) of SGX revenue

Market Data revenue was \$33.9 million, down 3% from \$35.0 million a year ago. The number of market data terminals for both our Securities and Derivatives markets decreased year-on-year due to consolidation amongst institutional clients. The average numbers of Securities and Derivatives terminals were 39,447 (43,677) and 21,913 (24,734) respectively. Decrease in revenue from terminal distribution was partially offset by new clients and migration of clients to premium services.

The number of derivatives data vendors increased 12% to 91 (81). The number of securities data vendors remained largely unchanged at 140 (145).

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

Member Services and Connectivity revenue increased 2% from a year ago, to \$47.8 million (\$47.1 million). Membership revenue decreased 6% to \$7.4 million (\$7.9 million). Connectivity revenue increased 3% to \$40.4 million (\$39.2 million).

SGX continued to expand its international distribution over the past 12 months. We welcomed three (11) new trading and five (one) clearing members to our exchange, including the first Taiwanese trading and clearing member in Singapore. We also established data connectivity with ASX and Eurex, offering our members enhanced and cost-effective access into both markets.

Depository Services, 13% (14%) of SGX revenue

Depository Services revenue increased 3% to \$94.3 million (\$91.3 million) with securities settlement revenue up 2% to \$68.8 million (\$67.5 million), contract processing revenue up 8% to \$19.2 million (\$17.9 million) and depository management revenue up 6% to \$6.3 million (\$5.9 million).

⁴ Market share information from Bloomberg

The increase in Depository Services revenue was in line with improved Securities market activities over the past year, as both the number of institutional settlements and processed contracts increased.

SGX's new Securities post-trade infrastructure was launched in the first quarter, providing CDP with enhanced stability, performance and security. In the fourth quarter, we launched depository services for Renminbi-denominated bonds, the first exchange outside of Greater China to offer this service.

Issuer Services, 9% (9%) of SGX revenue

Issuer Services revenue increased 6% to \$65.3 million (\$61.5 million). Listings revenue increased 8% to \$37.9 million (\$35.0 million) while Corporate actions revenue increased 3% to \$27.4 million (\$26.5 million).

Total equity funds raised were \$13.5 billion, up 120% from \$6.1 billion a year ago. Primary equity funds of \$8.1 billion were raised from 30 new listings compared to a year ago when \$1.0 billion was raised from 24 listings. Secondary equity funds of \$5.4 billion were raised, up slightly from \$5.2 billion a year earlier.

Our bond listing platform continued to attract strong interest from debt issuers over the past 12 months. There were 424 new bond listings, raising \$196 billion, up from 300 bond listings raising \$161 billion a year ago.

Appendix: FY2013 Financial Highlights

\$ Million	FY2013	FY2012	Change
Income Statement			
Revenue	715.1	647.9	10%
Expenses	300.9	284.0	6%
Earnings before interest, tax, depreciation and amortisation	454.6	404.4	12%
Reported Net Profit attributable to equity holders	335.9	291.8	15%
Add:			
- Impairment loss on investment in joint venture	-	1.1	NM
- Impairment loss on available-for-sale financial assets	15.0	11.0	36%
Underlying Net Profit	350.9	303.9	15%
Statement of Financial Position			
Cash and cash equivalents (excluding restricted reserves)	613.0	547.7	12%
Capital expenditure	31.8	40.8	(22%)
Total equity	888.6	833.0	7%
Financial Indicators			
(a) Based on Reported Net Profit attributable to equity holders			
Net profit margin	46.6%	44.6%	2.0%pts
Return on equity	39.0%	35.2%	3.8%pts
Basic earnings per share (cents)	31.4	27.3	4.1
Operating cash flow per share (cents)	39.2	32.3	6.9
(b) Based on Underlying Net Profit			
Net profit margin	48.7%	46.5%	2.2%pts
Return on equity	40.8%	36.7%	4.1%pts
Basic earnings per share (cents)	32.8	28.5	4.3
Dividend per share (cents)			
Interim dividend paid	12.0	12.0	-
Proposed final dividend	16.0	15.0	1.0
Total dividend	28.0	27.0	1.0

NM = Not meaningful

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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