



Dealing and Internalisation

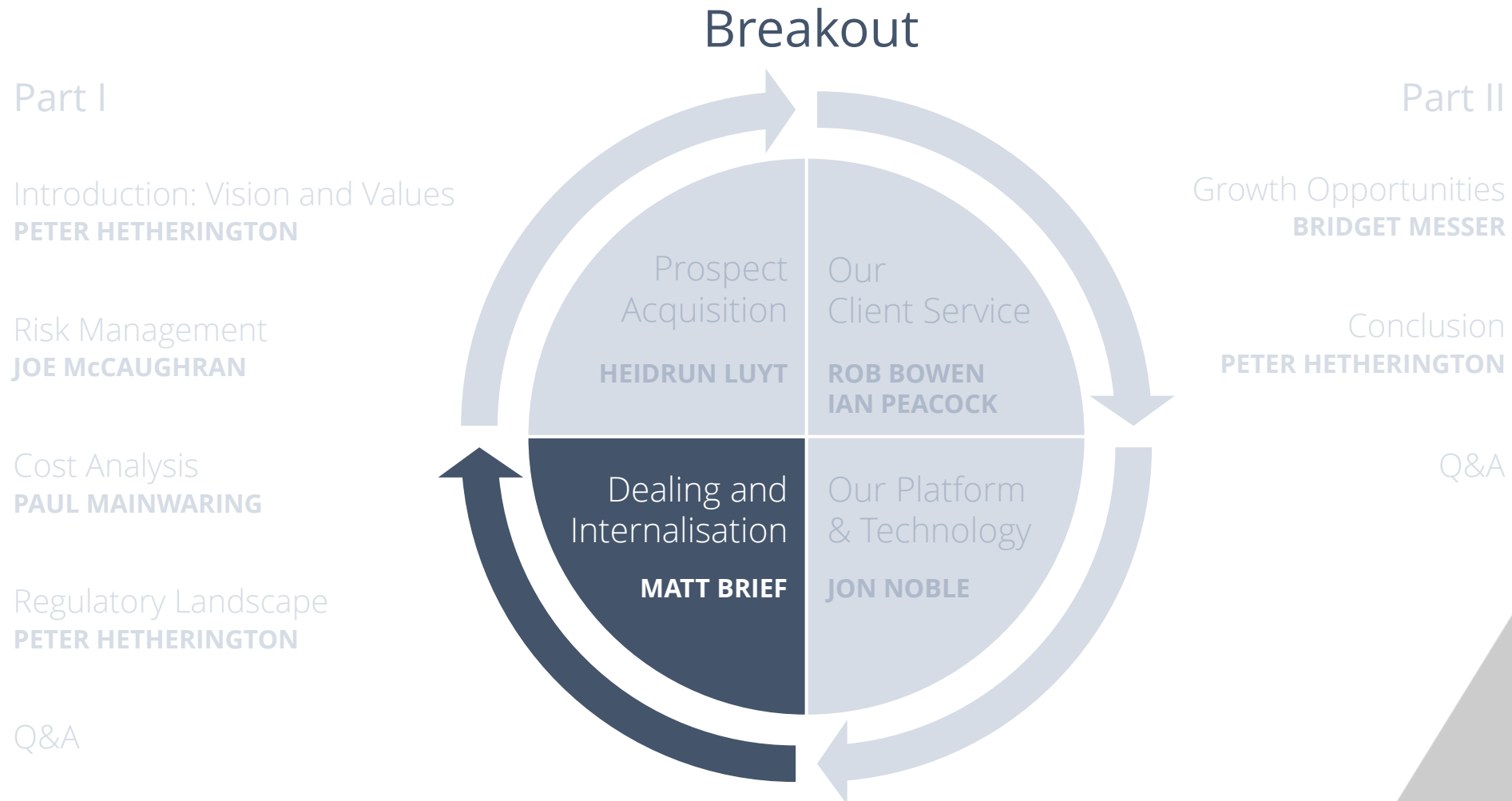
Capital Markets Day

May 2018



Breakout

Dealing and Internalisation



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Our Products

- We offer over 15,000 markets on tight spreads
- 100% automated execution on client trades
- Open from 4am Saturday morning to 10pm Friday night
- On an average day IG will take the other side to over 350,000 trades from 30,000 clients

Join IG, the world's No.1 spread betting and CFD provider

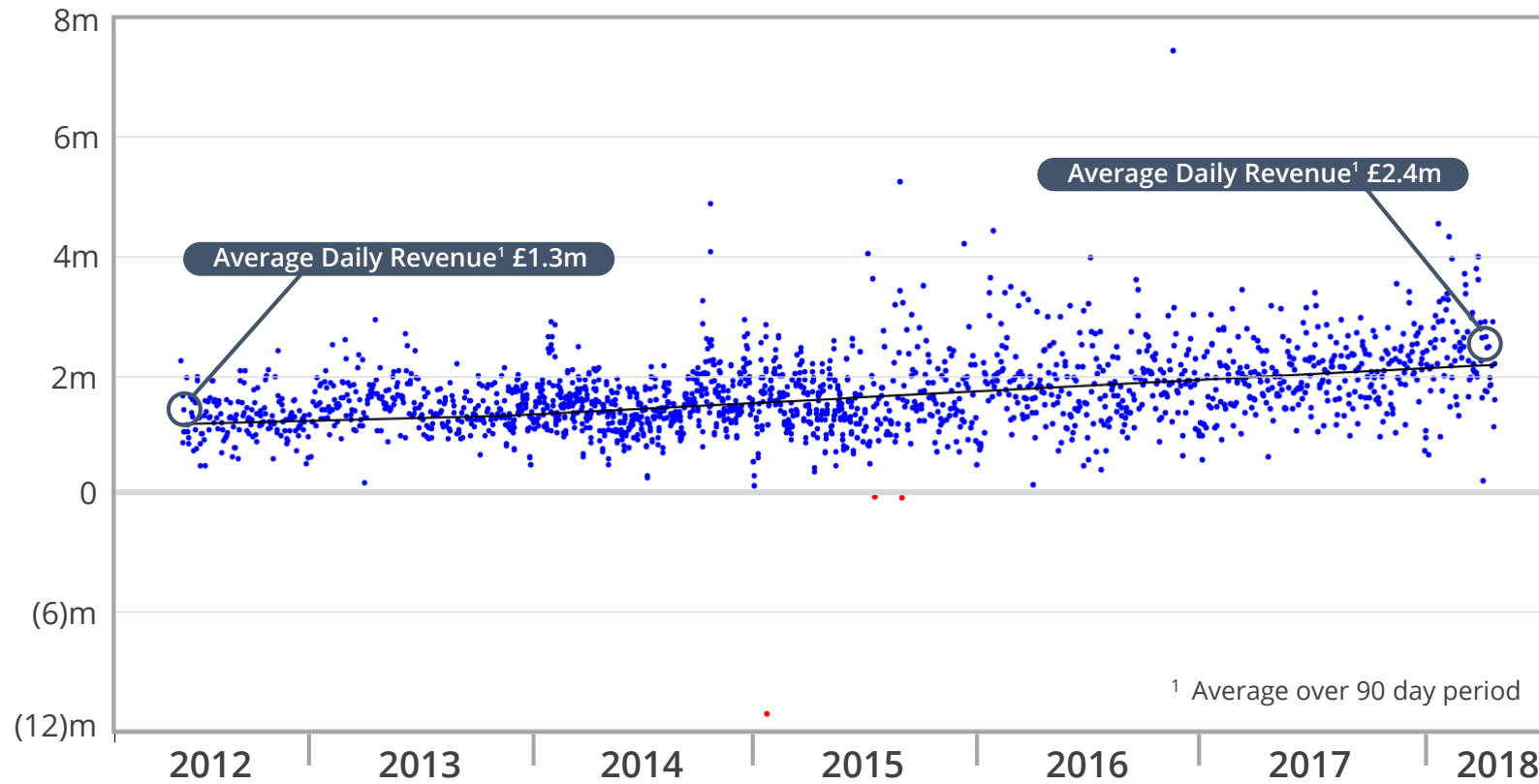
Start spread betting and trading CFDs on over 15,000 global markets, including forex, shares and indices - and six cryptocurrencies including bitcoin.

Trade now



Volatility of earnings is very low

Last loss making day was 24th Aug 2015



How do we do this?

How we manage exposure

We run very little market risk

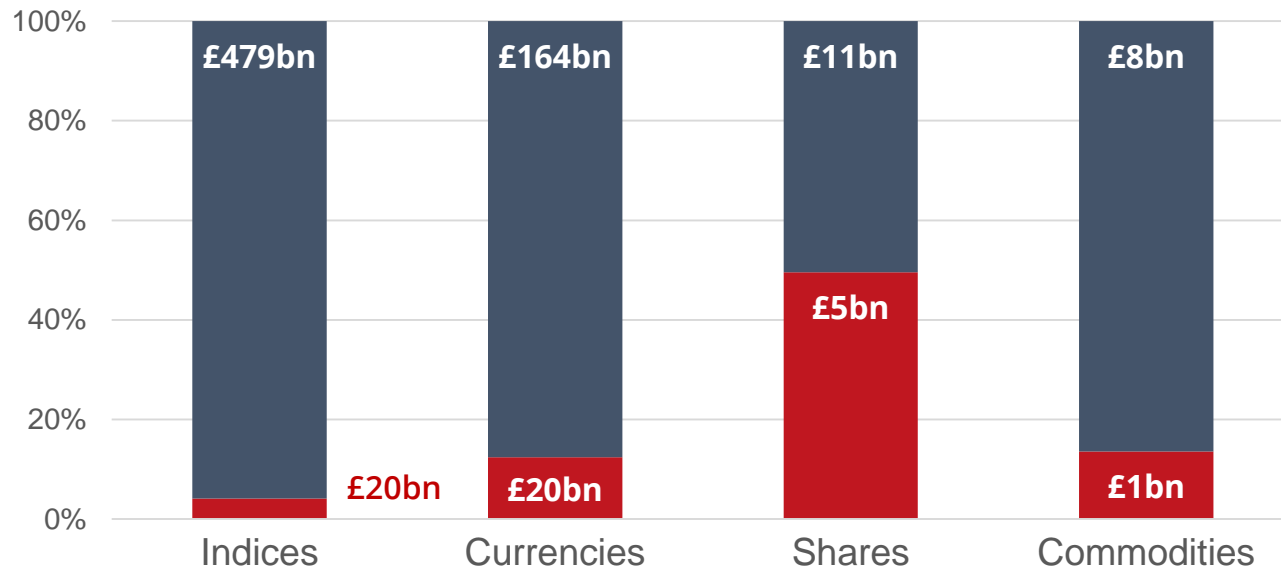
- £21bn daily client volume on equity indices, yet we limit IG aggregated exposure to £50m
- The small amount of market risk we take facilitates automated execution, allows IG to both internalise, and to give the client a better price
- We take no view on market direction
- Vast majority of our hedging is automated. We work passive orders when bars are yellow, and hedge aggressively when bars are red
- **So do we externally hedge the majority of our client volumes?**

ExpCheck: ON	DynLimit: ON	Global: No Override	P1	MMNS: ON	Balancing: ON	H/E Futs A 138m
E	Thu	STKIND	STKIND	5,358	2257	A
E	Thu	EURIND	EURIND	4,700	499	A
E	Thu	FTSE	FTSE	4,877	206	A
E	Thu	DAX	DAX30	4,700	142	A
E	Thu	CAC	MATCAC40	2,193	115	A
E	Thu	MIB	MSEMIB	253	66	A
E	Thu	IBEX	MEFIBEX	598	19	A
E	Thu	USIND	USIND	1,184	639	A
E	Thu	-122	DOWIND	2,520	DOW	A
E	Thu	S&P 500	SANDP	22,854	6002	A
E	Thu	USIND OOH	USINDOOH	419,862	971	A
E	Thu	SANDP OOH	SANDPOOH	3,808,538	9011	A
E	Thu	SINGAPORE	SIGIND	1,217	1171	A
E	Thu	-52	SAFIND	78	SAF	A
E	Thu	-9	HONGKONG	133	HONG KONG	A

External hedging remains a small proportion of client volumes

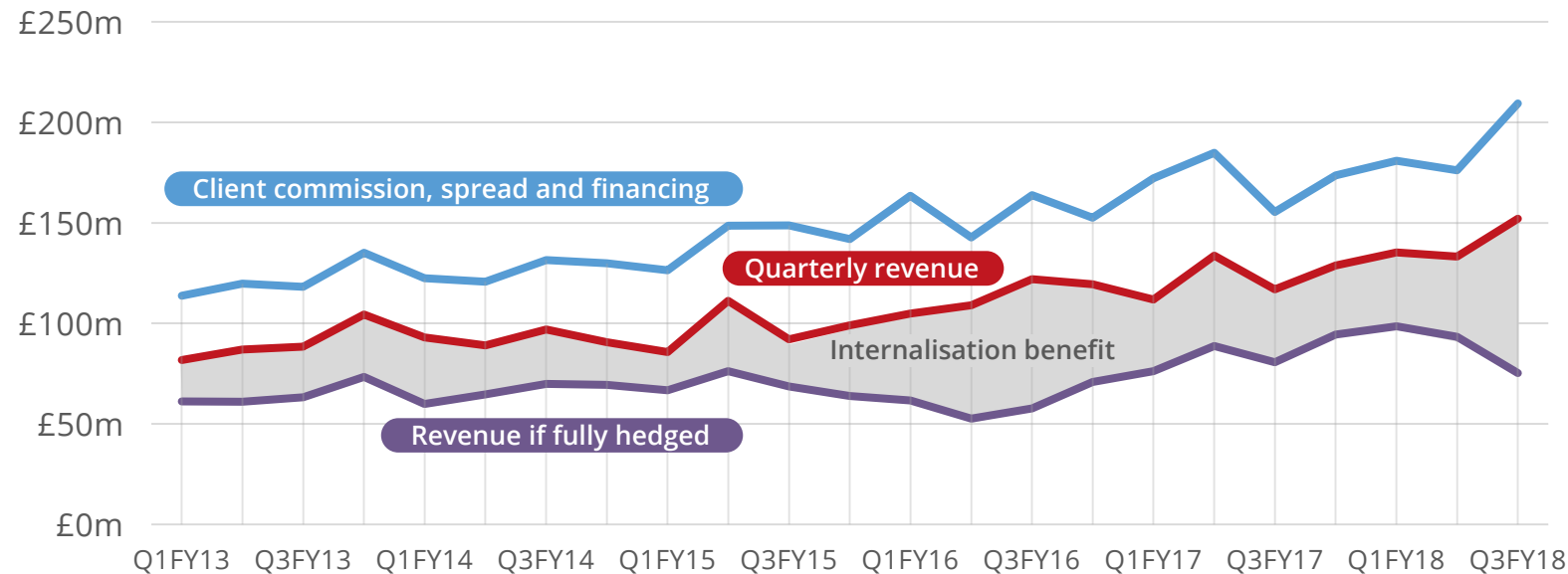
- Internal hedging - netting client trades off is key to IG's profit margin
- Our range of markets, and size helps
- We often see buyers of equities offset sellers of equity indices

HEDGE VOLUME AS A % OF CLIENT VOLUME Feb 2018



Macro benefit of internalisation

- As we grow we expect greater internalisation, greater efficiency
- The resource we have put into automated hedging is improving our efficiency – both on a day-to-day basis, and also over black swan events
- We aim to get the red line closer to the blue line – but we don't want the gap to close completely – why?



Best execution for our clients

- We put our clients first
- We prioritise the price we give clients, and do everything we can to accept their trades
 - even if this is at a short term cost to IG
- We prioritise the long term relationship
- Monthly Best-Execution Committee
 - run by dealing
 - members from the Executive Committee, risk and compliance
 - review all aspects of client trading to ensure we provide the very best execution
- This focus on execution is difficult to convey to prospects, but existing clients get it. It's one of the key drivers of low client attrition and strong client relationships

It's about the long term relationship

- We run little market risk, prioritise client execution and focus on the long term revenue opportunity
- This has enabled IG to foster a culture of employees wanting to assist clients with all aspects of their trading, developing long term relationships
- Any firm that does not hedge, generates trading revenue only if their clients lose money
 - this makes it difficult to focus on the long term client relationship
 - drives focus on short term revenue maximisation

Conclusion

- We offer our clients an extensive range of products 24 hours a day, with our key markets tradable for over twice as long as they are tradeable in the underlying market
- While we are counter-party to all our clients trades, we internally, or externally, hedge almost all market risk, meaning our revenue consistently tracks client volumes not client losses
- Our investment in automated hedging has improved our efficiency, and reduced volatility of revenue further
- Our scale maximises the internalisation benefit and is key to our profit margins
- Our clients value both the execution they receive from us, and that we want them to trade profitably

Questions?