



# The JSE Ltd – a story of adaptive evolution

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163 ↑ 87/70 ↓ 102 ↑ 4/6. 563 ↑ 87/70 ↓

Yield-x ALT singlestockfutures SATRIX SAFEX TALX INFOWIZ SRI INDEX SENS JSE SETS INFOMAX FTSE/JSE





## The ice age to the information age

Founded in **1887**

In **1995**:

- Open outcry floor trading
- Settlement 7 days later or more
- Physical delivery of share certificates
- Equities only

**1995**: Deregulation of the JSE

**1996**: Introduction of order-driven, centralised, automated trading system - JET

**1997**: Introduction of real-time news service for dissemination of price sensitive information - SENS



## The ice age to the information age

**1999:** Formation of STRATE

**2001:** Acquisition of SAFEX

**2002:** Move to guaranteed, contractual T+5 settlement of equity trades – zero failed trades

**2002:** Replacement of JET with JSE SETS (LSE trading platform)

**2003:** Launch of AltX

**2004:** Introduction of SRI Index

**2005:** Launch of Yield-X

**2006:** Listing of JSE on Main Board



## Our current state of evolution

### ➤ 5 Markets

- Equities – listing, trading & regulation of shares, ETFs and warrants
- Equity Derivatives – SSF, index derivatives, can-do options
- Agricultural Products – maize, wheat, soya and sunflowers
- AltX
- Yield-X

### ➤ Equities and derivatives clearing

### ➤ Settlement

- Own just under 45% of STRATE
- Guarantee of equity trades

### ➤ Information product sales

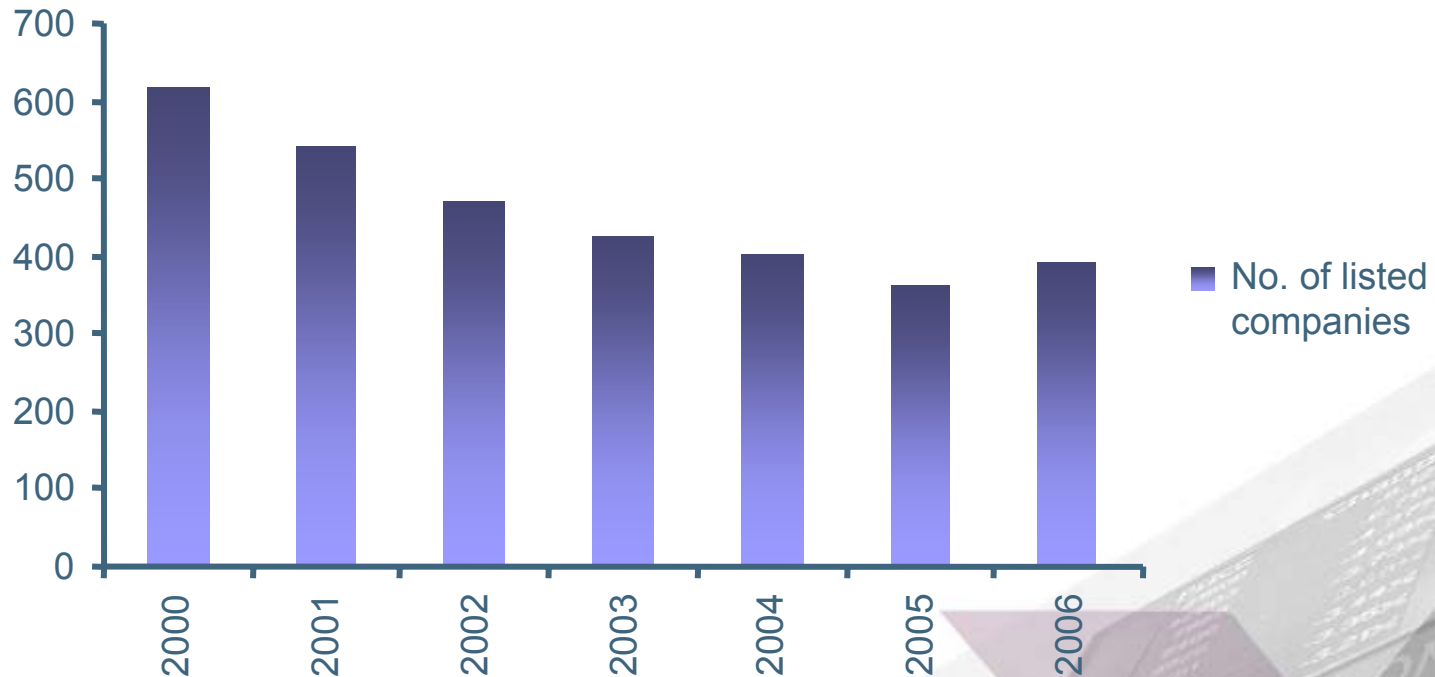
### ➤ Technology services



## The consequences of adaptation: Equities

### ➤ Primary markets again an attractive proposition

- New listings have overtaken de-listings for first time since 1998
- Growth in foreign listings

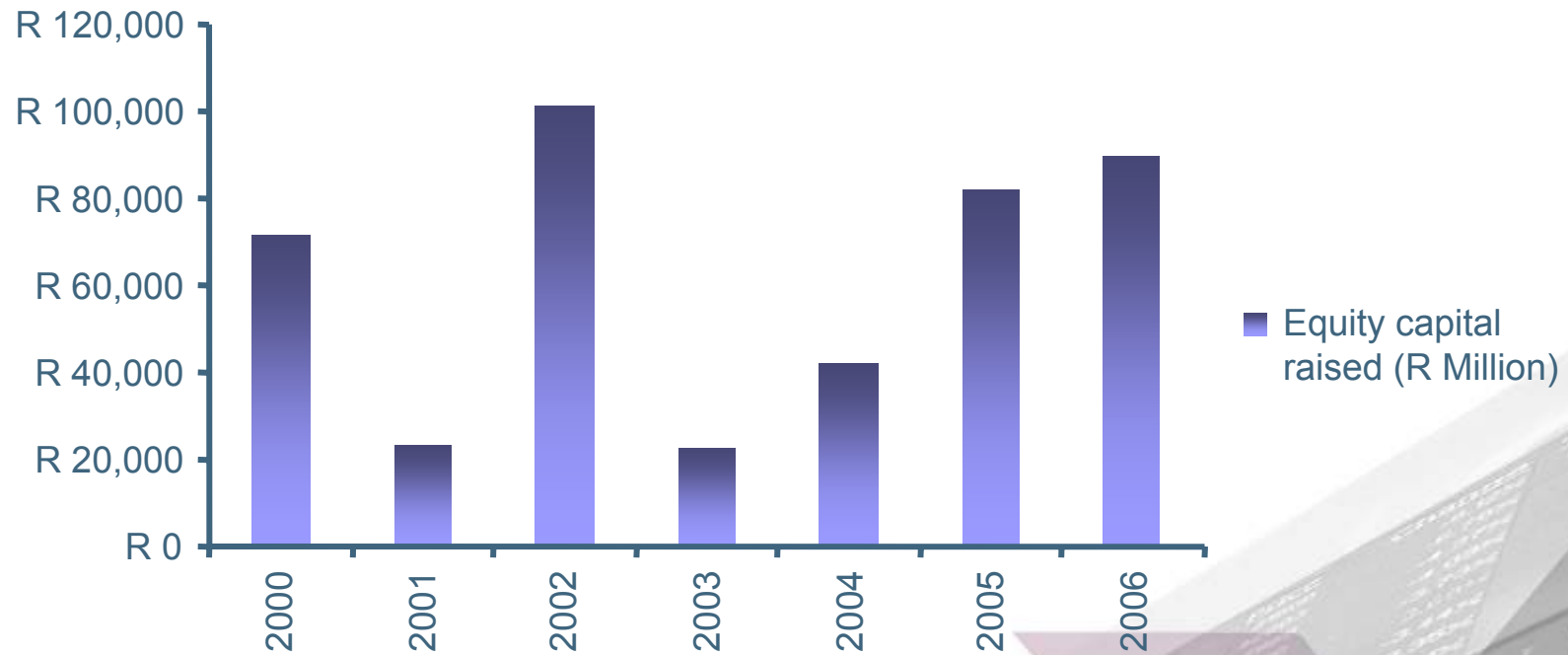


\*2006 figures are as at end December 2006



## The consequences of adaptation: Equities

- Capital raising opportunities suggest value for both issuers and investors

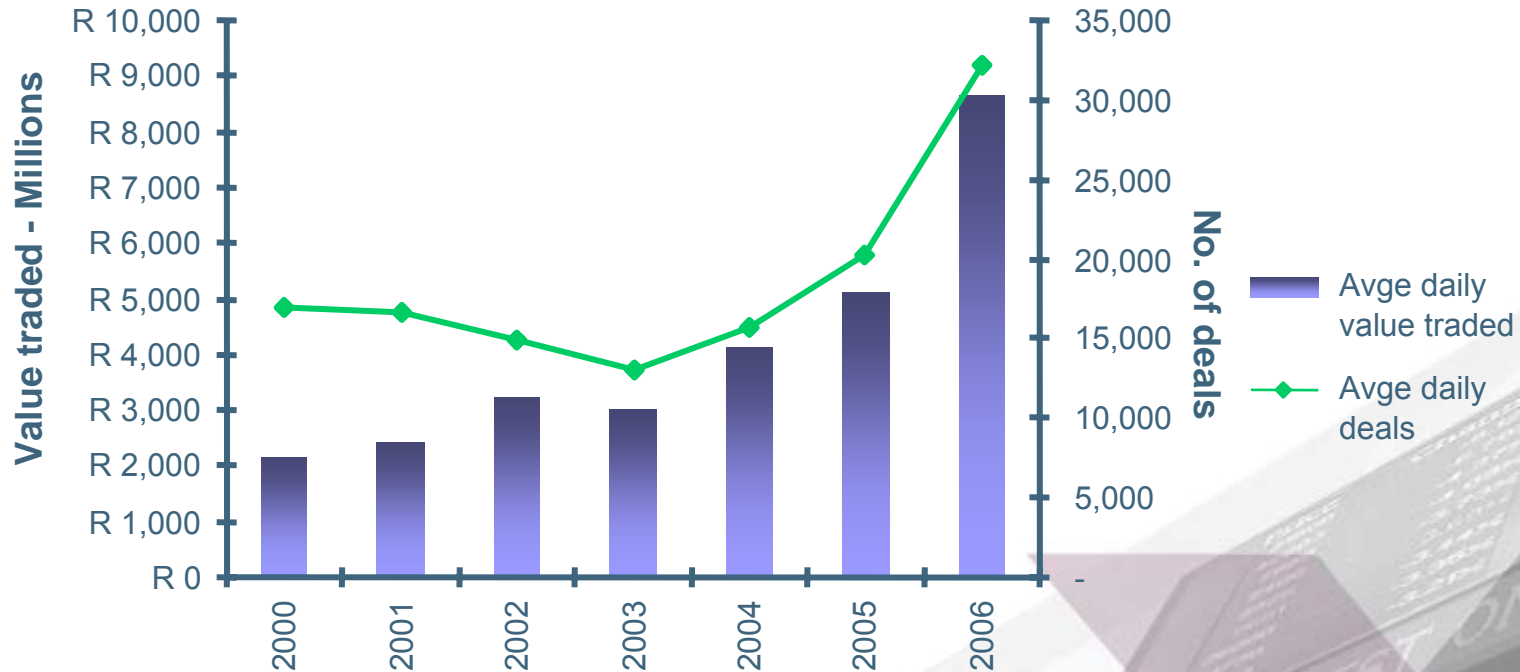


\*2006 figures are as at end December 2006



## The consequences of adaptation: Equities

- Continued strong performance in the secondary markets:
  - Average daily value traded up 68% (on 2005)
  - Average daily number of deals up 58% (on 2005)
  - Net foreign investment at all time high – over R73 billion



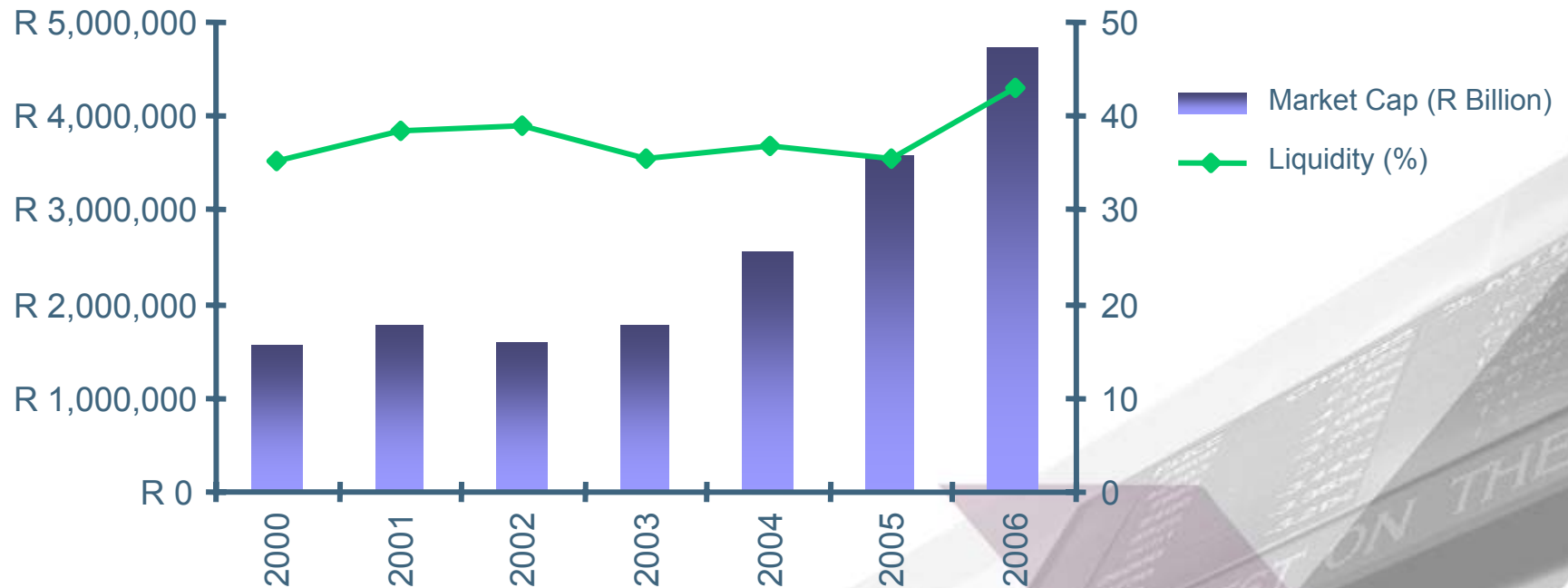
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## The consequences of adaptation: Equities

### ➤ Significant value received by investors:

- Market capitalisation at over R5 trillion – JSE remains in top 20 exchanges
- Solid improvement in liquidity to 41%
- FTSE/JSE All Share Index up 38% (from Dec '05)



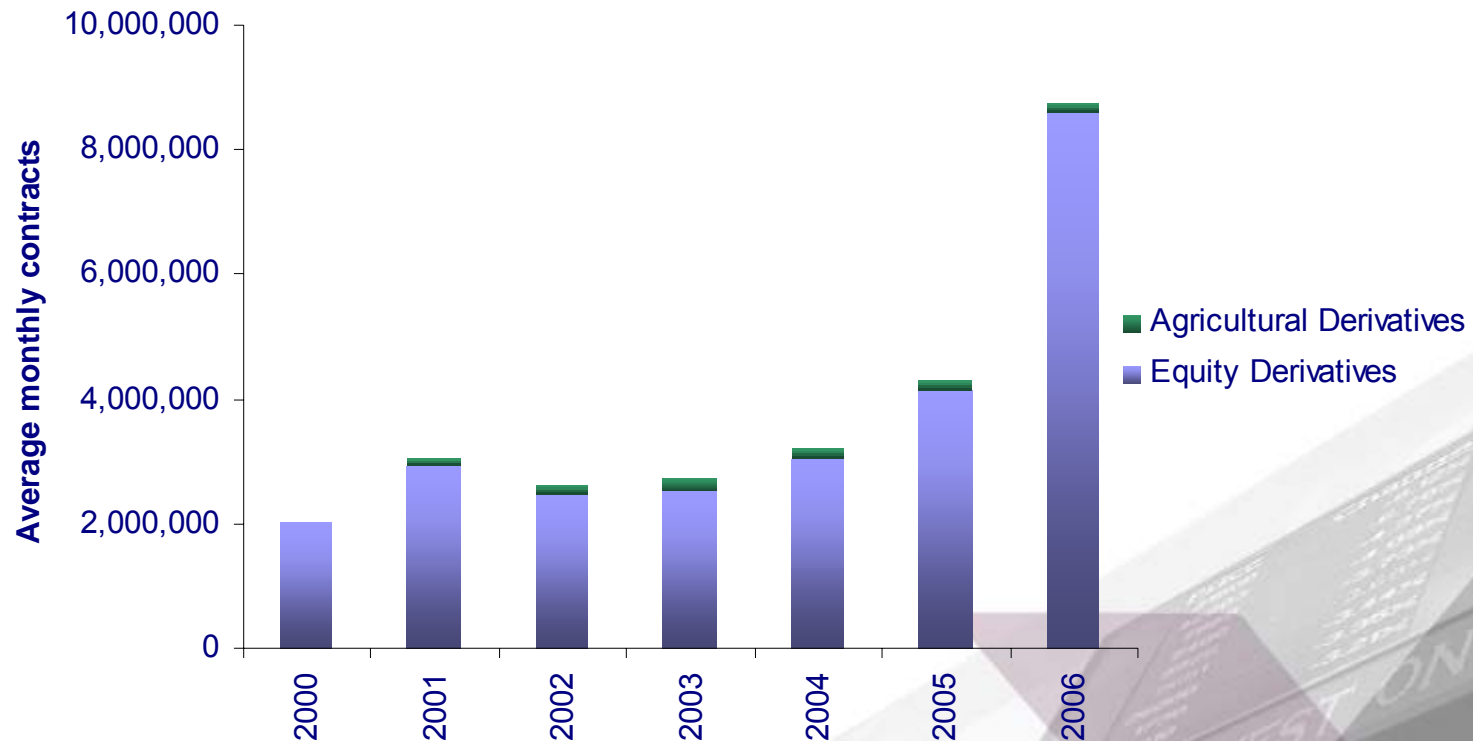
\*2006 figures are as at end December 2006





## The consequences of adaptation: Derivatives

- 10% increase in average monthly Agricultural derivative contracts (on 2005)
- Strong performance in Equity derivatives: Average monthly number of contracts up 108% (on 2005)



\*2006 figures are as at end December 2006



## The consequences of adaptation: Information Product Sales

- **Increase in number of equity live data terminals – 21% overall (on Dec '05)**
  - 25% increase in international terminals
  - 16% increase in South Africa terminals
  
- **Increase in number of indices live data terminals – 13% overall (on Dec '05)**
  - 14% increase in international terminals
  - 11% increase in South African terminals
  
- **58% of equity live data terminals and 50% of indices live data terminals are international**



## The consequences of adaptation: 30 June 2006

- **Strong financial performance:** Revenue R313 025 000 (up 67% on June 2005)
- **Expenses:** R261 442 000 (up 47% on June 2005)
  - Employee Scheme, Broad-Based BEE Initiative; STRATE Ad Valorem charge
- **Basic Earnings per share:** 110.4c (up 95% on June 2005)
- **Headline earnings per share:** 104.0c (up 98% on June 2005)
- **Net asset value per share:** R9.47 (up 30% on June 2005)
- **Margins and collateral managed by JSE Group:** R8.4bn (up 61% on June 2005)
- **JSE Trustees funds managed by JSE Group at period end:** R15.5bn (up 74% up on June 2005)
- **Maiden dividend:** 13.6c per share awarded June 2006

All figures post share subdivision

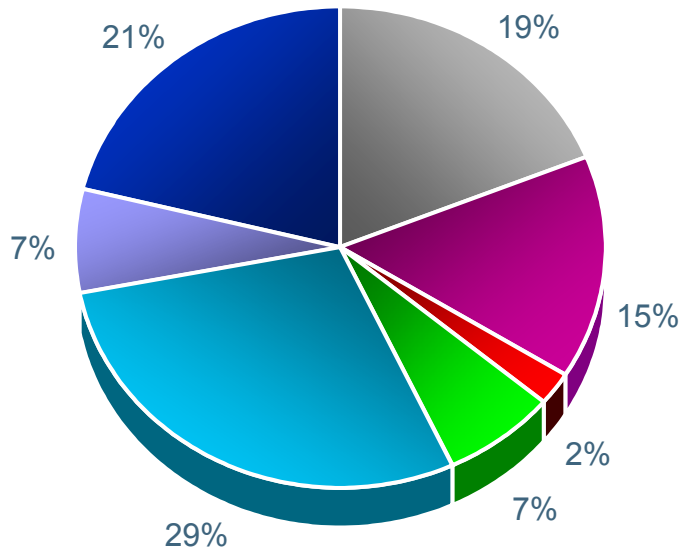
Note: NAV/share calculation excludes shares issued for JEF.

JSE Guarantee Fund Trust and the JSE Derivatives Fidelity Fund Trust are legally separate from the JSE, neither the JSE nor its shareholders have any right to the net assets of such Trusts.



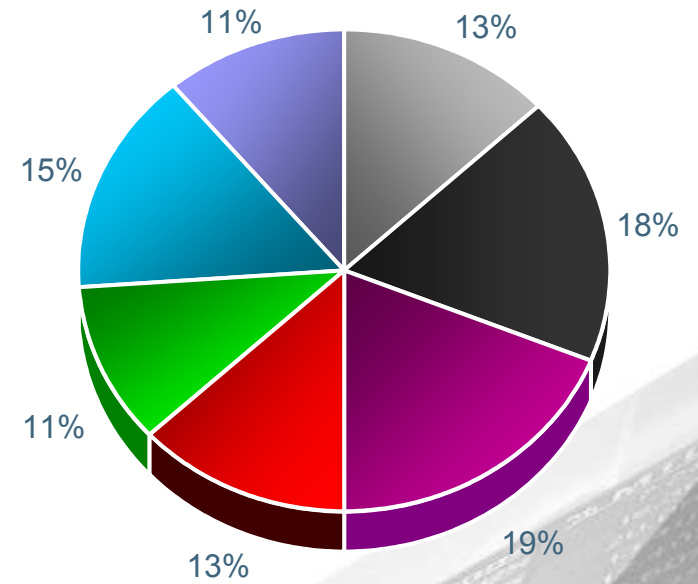
# Revenue diversification

### JSE Revenue Components - 2000



- Issuer services
- Derivative trading and clearing
- Equities trading
- Equities risk management, clearing and settlement
- Information product sales
- Technology
- Other operating income
- General Administration Levy

### JSE Revenue Components - 2005





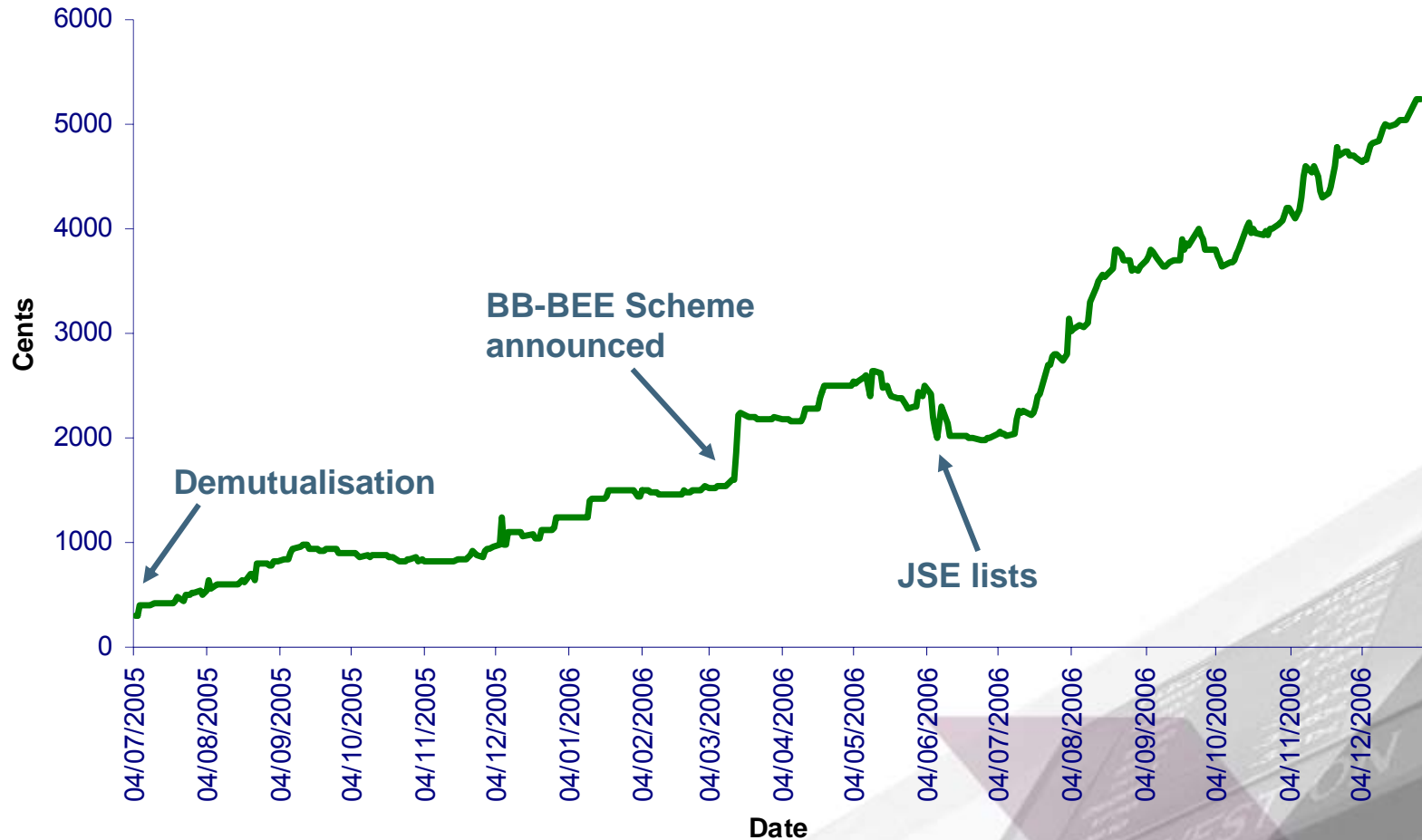
# JSE Group Income Statement: 30 June 2006

	six months ended 30 June 2006 (unaudited)	2005 (reviewed)*	year ended 31 December 2005 (audited)
	R'000	R'000	R'000
<b>Revenue</b>	<b>313 025</b>	187 460	407 999
Other operating income	41 745	6 987	25 307
Personnel expenses	( 60 311)	( 51 725)	( 117 414)
Other operating expenses	( 201 131)	( 126 073)	( 276 820)
<b>Operating profit before financing costs</b>	<b>93 328</b>	16 649	39 072
Interest received	254 521	184 191	409 085
Interest paid	( 231 999)	( 165 579)	( 370 246)
<b>Net financing income</b>	<b>22 522</b>	18 612	38 839
Share of profit from associated companies	18 966	11 881	23 966
<b>Profit before taxation</b>	<b>134 816</b>	47 142	101 877
Taxation	( 42 591)	0	5 120
<b>Profit for the period</b>	<b>92 225</b>	47 142	106 997
Basic earnings per share (cents)	110.4	56.5	128.3



# Market response

## JSE share performance since demutualisation





## Ownership overview

- JSE member ownership down to just over 40% of total holding
- Significant interest from international buyers - shareholding increased to just under 19% (from 1.6% at end July)
- Black shareholding (excluding empowerment fund and incentive scheme) relatively stable at about 9%



## Changing environment suggests continued need for adaptation

- Increased corporate activity between exchanges
- Increased focus from users on range of services provided by exchanges and pricing
  - Issuers: cost of capital, fair regulation, ease of access to investors
  - Investors: liquidity, sophisticated ability to execute, top quality IT systems, low costs
- Focus from shareholders on levels of return and sustainability of margins
- Wild-cards with potential global repercussions: MiFID and Sarbanes-Oxley





And so it continues...

## Equities

- Foreign companies, ETFs, African listings, listed company forums
- Settlement needs to move from T+5 to T+3 together with a reduction in costs
- Broad-based investor education initiatives to continue with strategic partners

## Equity Derivatives

- Currency derivatives, continued SSF growth and over-the-counter market
- Trading platform to be upgraded through Project Orion

## Agricultural Products

- Auction facility for physical deliveries – followed in longer term by spot market
- Move to settlement by electronic silo receipts
- Trading platform to be upgraded through Project Orion



...And continues

## AltX

- New listings in pipeline

## Yield-X

- List Corporate Bonds
- Target retail issuers

## Information Products

- Leverage data available through flexibility Project Orion will offer
- Fundamental data strategy development

## Technology Services

- Complete implementation of Project Orion
- Implementation of new JSE SETS system
- Introduction of managed network
- Multi-product trading platform is long-term objective



# Questions?



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