



JOHANNESBURG STOCK EXCHANGE

# RESULTS PRESENTATION

Year ending 31 December 2012





JOHANNESBURG STOCK EXCHANGE

# OPERATING ENVIRONMENT

Humphrey Borkum, Chairman



# Challenging environment

## » Challenging environment

- ▶ Slow domestic and global economies

## » Global Regulatory change

- ▶ Premium placed on well regulated exchange type services
- ▶ Continued collaboration between the JSE, clients, policy makers and regulators

## » Lower volume environment for exchanges world-wide

## » Increasing client cost pressures

## » Early signs of promise

- ▶ National Development Plan
- ▶ Business engagement

# Strategic successes

- » Achieved CPSS-IOSCO compliance for JSE derivatives clearing house, Safcom
  - Maximum Basel III relief when clearing exchange traded derivatives through Safcom
- » Implemented MillenniumIT trading system for equity market
  - On time and within budget
- » Upgraded Commodity and Financial Derivatives Market technology
- » Successfully integrated Post-Trade Services business
- » Found way forward on securities transaction tax
  - With National Treasury and market participants





JOHANNESBURG STOCK EXCHANGE

# THE YEAR IN REVIEW

Nicky Newton-King, CEO



# Steady results



Revenue

up 1.1%

to

R1.38bn

(2011: R1.37bn)



EBIT

up 6.7%

to

R405.6m

(2011: R380.1m)



ROE

to 16.6%

(2011: 19.2%)

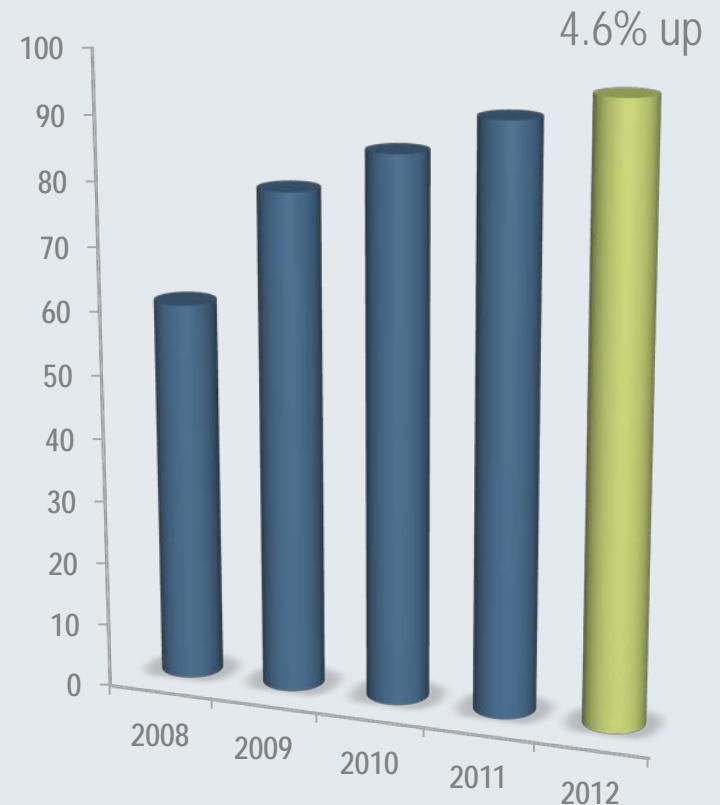
Total operating expenses slightly down at R1.03bn (2011: R1.04bn)

Dividend maintained at 250c

*All percentages in document calculated on unrounded numbers*

# Issuer Regulation

- » Revenue up 4.6% to R95.8m (2011: R91.6m)
- » Diverse new listing activity
  - New company listings declined to 12 (2011:16)
  - 16 ETFs, ETNs listings (2011: 14)
  - 1 452 bond listings at year-end (2011: 1 171)
    - R1.6tr in issue at year-end (2011:1.3tr)
- » Replaced Sens solution
- » Changes to Listings Requirements
  - Take into account regulatory environment
  - Companies Act
- » Focus in 2013
  - Continue to develop Listings Requirements to enable new product development



Revenue (R'm)

# Equity Market

## » Revenue down 9.4% to R319.1m (2011: R352.2m)

- Number of trades flat (2012: 26.9m; 2011: 26.5m)
  - Respectable in global terms
- Prices reduced by 20% from Jan 2012
- Ave number of shares per trade down (2012: 2 296; 2011: 2 696)
- Total value traded increased by 4.4% (2012: R3.4 tr ; 2011: R3.3 tr)

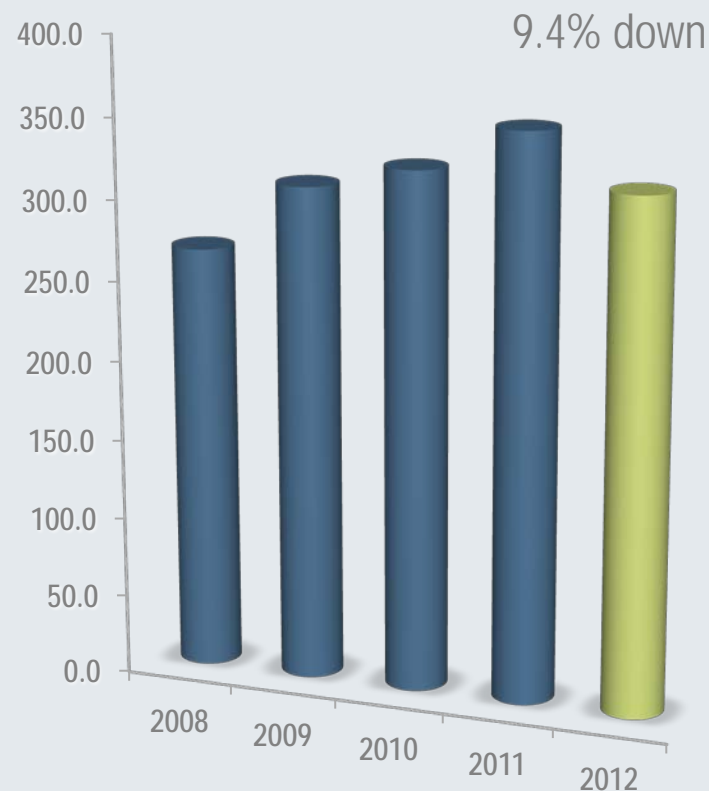
## » Implemented new MillenniumIT trading system

## » Product expansion continues

- DRs, ETFs, ETNs, exotic warrants

## » Focus in 2013

- Finalise way forward in Equity Market Business Model
- Revisiting cost of conducting business

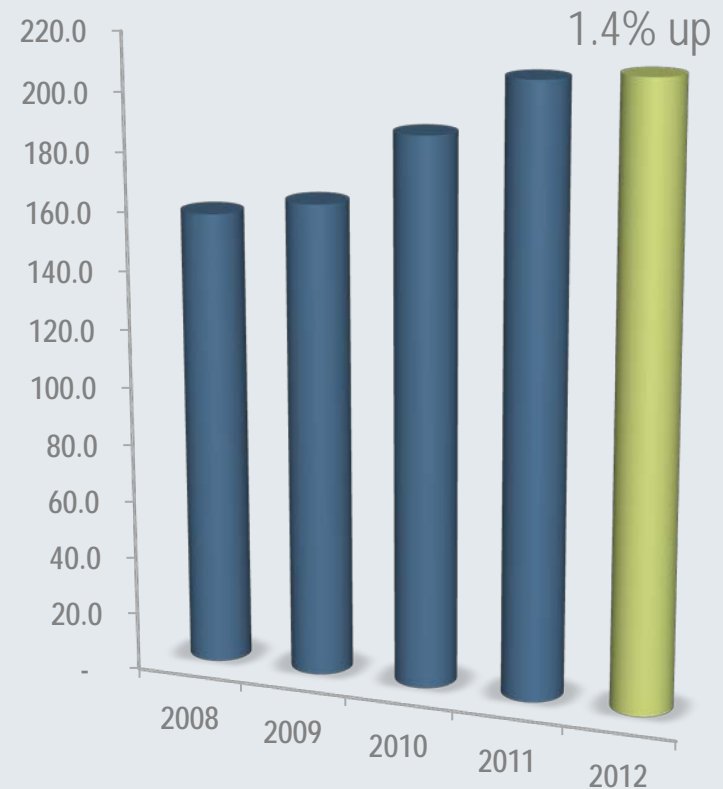


Revenue (R'm)



# Post-Trade Services

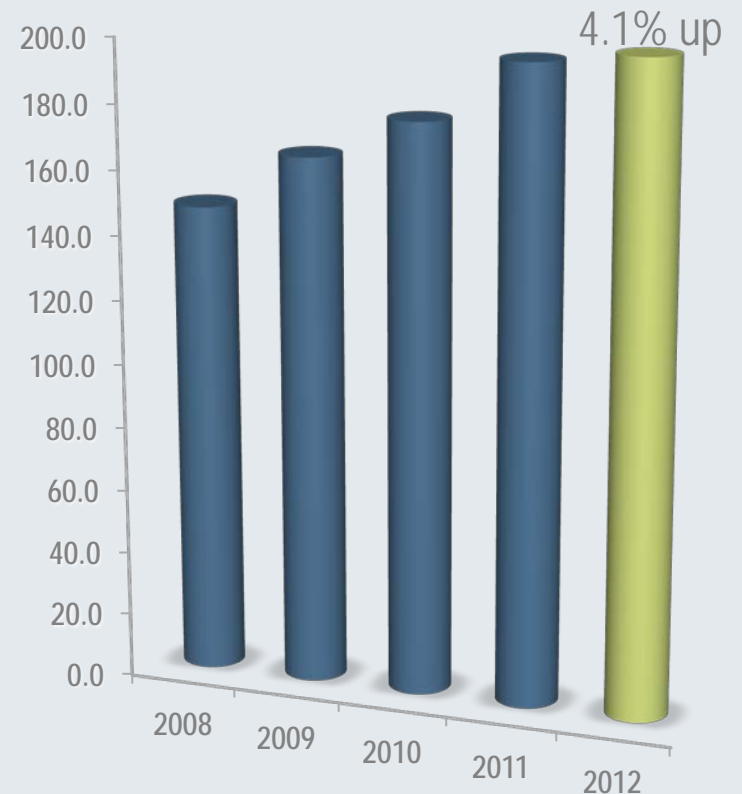
- » Revenue up 1.4% to R211.9m (2011: R209.0m)
  - Reflects only Equity Market Risk Management fees
- » Revenues somewhat linked to number of equity transactions on cash equity market
- » Achieved CPSS-IOSCO compliance status for Safcom
  - R100m committed to new default fund established as part of CPSS-IOSCO compliance process
  - Creates future revenue opportunities
- » Integrated Post-Trade Services business
  
- » **Focus in 2013**
  - Possible OTC clearing services
  - Strengthen on-exchange clearing business



Revenue (R'm)

# Back-Office Services (BDA)

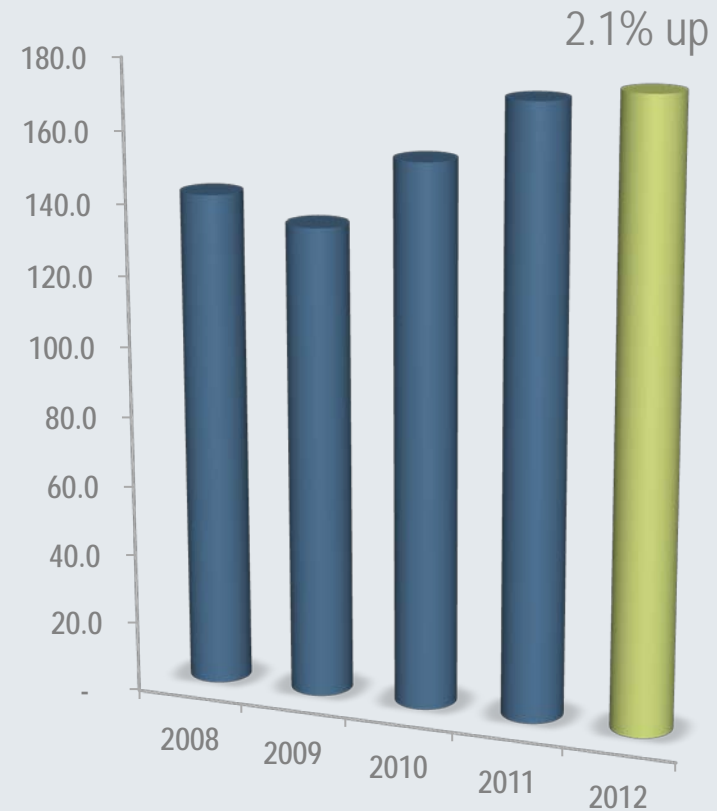
- » Revenue up 4.1% to R204.9m (2011: R196.8m)
  - ▶ Linked to Equity Market transaction volumes
- » World-class surveillance and risk management capabilities
  - ▶ Equity members mandated to use system
- » JSE to retain BDA until at least December 2015
  
- » Focus in 2013
  - ▶ Enhancements to enable T+3 for Equity Market



Revenue (R'm)

# Bonds and Financial Derivatives

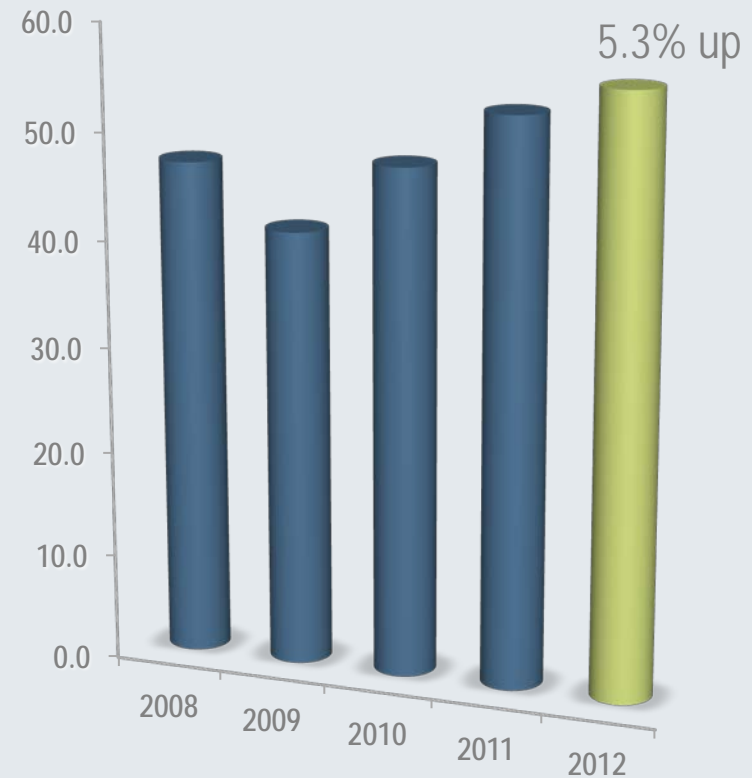
- » Revenue up 2.1% to R175.7m (2011: R172.1m)
  - » Financial Derivatives revenue slips 3.6% to R112.6m (2011: R116.8m). Contracts down by 7.9% to 137.1m
  - » Currency Derivatives revenue up 5.5% to R17.5m (2011: R16.6m). Contracts up by 29% to 18.9m
  - » Interest Rate revenue up by 17.7% to R45.7m (2011: R38.8m).
    - » Cash bond nominal value grow by 10% to R23tr
    - » Derivative contracts traded rise by 92.3% to 2.5m
- » Changed pricing mix in interest rate and currency markets to encourage market participation
- » Upgraded derivatives market technology to handle increased trading volumes
- » **Focus in 2013**
  - » New equity derivatives trading engine for 2014/2015
  - » Exchange traded platform for Government bonds



Revenue (R'm)

# Commodity Derivatives

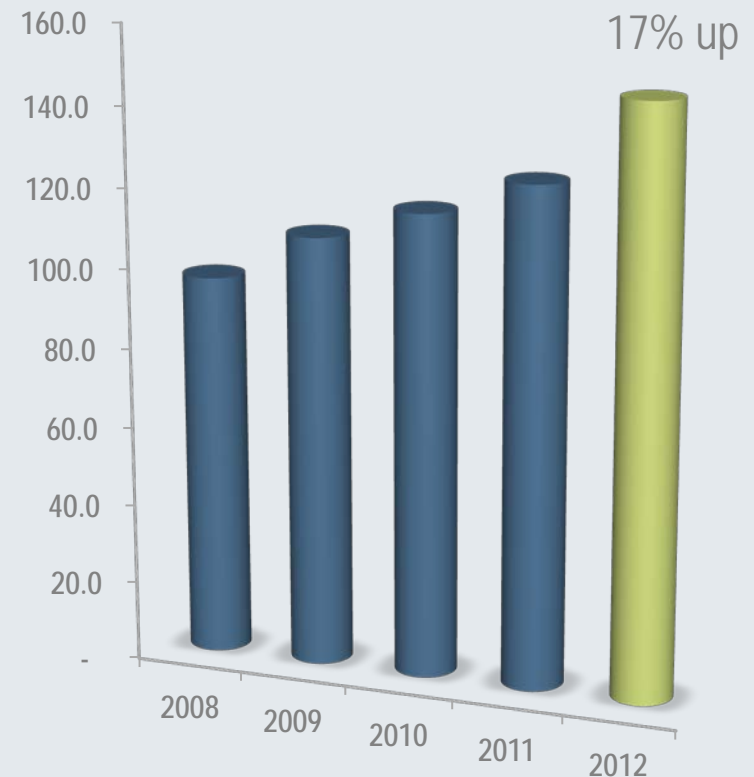
- » Revenue up 5.3% to R55.9m (2011: R53.1m)
  - Increase in number of physical deliveries processed
  - Improved activity in cash settled commodities
  - Product diversification
  - Expanded licensing agreements
- » Record 3m derivative contracts traded during 2012
  - 15.3% increase on 2011
- » Launched platform to trade silo receipts
- » Gained approval for Zambian grain contracts
  - To be traded and settled in US Dollars
- » Focus in 2013
  - Continued product diversification
  - Physical settlement of new commodity products



Revenue (R'm)

# Market Data

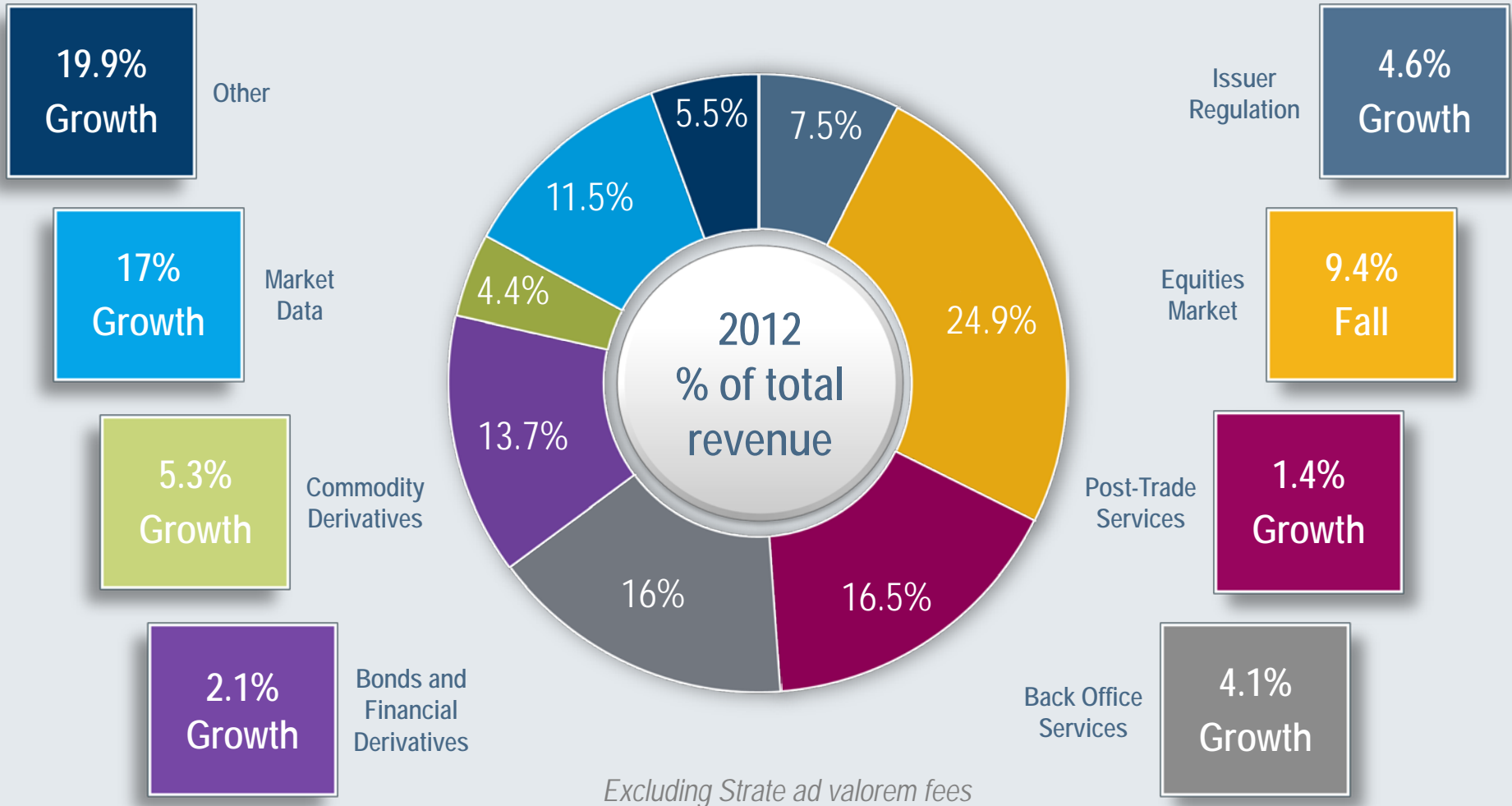
- » Revenue up 17% to R146.8m (2011: R125.5m)
- » Terminals up 7%
  - Focus outside of SA
- » Implementation of UK point of presence
- » Low-latency market data feed for Equity clients
  
- » Focus in 2013
  - Continued focus on international markets
  - Automation of client interaction for greater revenue potential
  - Product diversification



Revenue (R'm)



# Strength of diversifying revenue base



# Financial highlights

- » Revenue steady despite challenging environment (2012: R1.38bn; 2011: R1.37bn )
  - Equity Market revenue fall offset by growth in Interest Rate, Market Data
- » Total operating expenses slightly down (2012: R1.03bn; 2011: R1.04bn)
  - Personnel expenses up by 18% to R353.9 m (2011: R299.2 m)
    - Owing to the full-year impact of resources appointed during 2011
    - Headcount now 495 (2011: 504)
  - Other expenses declined by 8.8% to R672.3m (2011: R737.5m)
    - Reflects efforts to keep cost base under control
- » EBIT up 6.7% to R405.6m (R380.1m)
  - EBIT margin up 1 percentage point to 29% (2011: 28%)
- » NPAT down 12% (2012: R302.1; 2011: R341.8m)
  - Mainly owing to tax issues around SRP impairment
- » Solid launch pad for 2013

# Dividend maintained

- » Dividend maintained at 250c per share
- » Improvement in dividend cover to 1.56x
  - ▶ 2011: 2.19x
- » Cover within 2.5x – 1.5x range stipulated in dividend policy



< Lat. innovare, to make  
+ novare, to make  
-in'no·va'tion (fr  
thing new. 2. Sor  
adj.  
in·no·va'tive



JOHANNESBURG STOCK EXCHANGE

# LOOKING AHEAD



# Focused capital expenditure

- » R45m – projected spend on business as usual
- » R200m – projected third party spend on 2013 investments
  - ▶ Under consideration by Management and Board
- » Post year-end the Group committed R100m to new default fund
  - ▶ Established as part of CPSS-IOSCO compliance process
  - ▶ JSE earns interest on its cash committed to the fund



# Business to survive the test of time

## 2013 priorities

### » Investing to grow

- Clearing
- Market data
- Co-location

### » Strengthening existing business

- Derivatives trading engine
- T+3
- Review of cost of transacting on our markets
- Way forward with Equity Market Business Model
- Comprehensive technology roadmap



JOHANNESBURG STOCK EXCHANGE

THANK YOU

