



ASX

MARKET ANNOUNCEMENT

2014 ANNUAL GENERAL MEETING

ADDRESSES BY THE CHAIRMAN AND THE MANAGING DIRECTOR AND CEO

23 September 2014



ADDRESS BY CHAIRMAN – RICK HOLLIDAY-SMITH

Today, it is my pleasure to address you for the third time as your Chairman.

As you walked in you will have noticed the displays showcasing some of the products and services ASX offers investors. We thought this would interest you to show how we give investors the broadest possible range of investment options through their brokers and advisers. To learn more, our executives will be available after the meeting to discuss our services with you.

As in previous years, in 2014 we experienced considerable change in the way financial markets operate. Increasingly, these changes originate outside Australia. New regulations introduced in

Europe and the United States are impacting our financial markets and those in our region. ASX, its customers and regulators, must consider how best to position themselves in a world that is rapidly globalising.

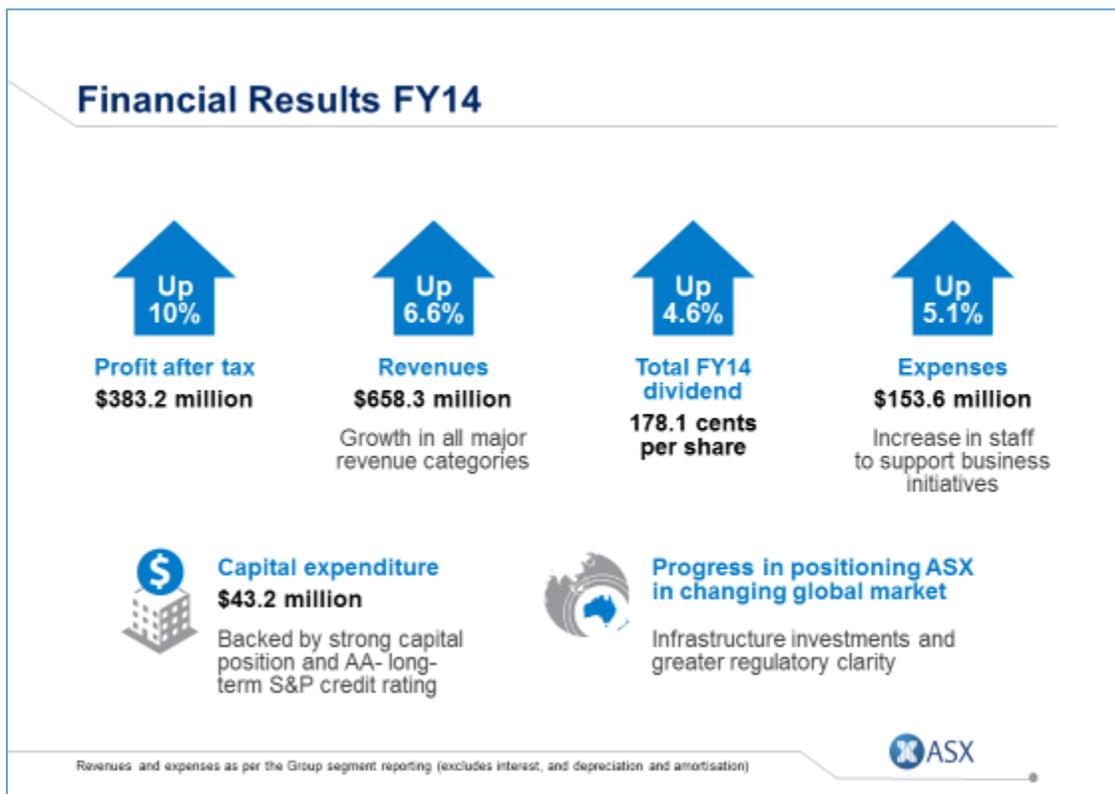
In this environment, ASX performed well. We produced positive results and strengthened our position as a leading exchange group in the region.

Core to ASX's success is our emphasis on serving the needs of real companies, real (long-term) investors and the real economy. Despite the temptations offered by technology and new market structures, ASX has not lost sight of why it exists: to help fund businesses to grow, to transfer and manage risk in financial markets, and to facilitate long-term wealth creation for investors.

The infrastructure ASX provides sits at the centre of Australia's financial markets. It is critical to our nation's economic wellbeing. We are determined to keep that infrastructure relevant to our customers and to ensure we are globally competitive.

Many of our shareholders are also our clients. We thank you for supporting our strong determination to strengthen and grow Australia's financial markets.

Positive financial performance in FY14



In 2014 ASX produced record revenues and earnings. The market environment was more positive than the previous year and volatility continued to be low. Operating revenue was \$658 million, up 6.6%, and net profit was \$383 million, up 10%.

All main business lines grew, with new listings and capital raising activity particularly strong.

ASX declared a final dividend of 89.9 cents per share fully franked – to be paid tomorrow, Wednesday 24 September. This takes full-year dividends to 178.1 cents per share, a rise of 4.6%. Earnings per share and dividends per share were impacted by the capital raising last year, which increased the number of shares on issue.

We have maintained ASX's policy to pay-out 90% of earnings as dividends. It is important to manage the company in a way that allows us to make important investments in our business and, at the same time, maintain attractive returns to shareholders.

Our size and business mix as a fully integrated exchange group allow us to make investments to meet the highest global standards. This supports market quality and investor confidence.

Elmer will provide more detail on the company's performance shortly.

Maintaining global relevance and competitiveness



I would like to touch on some of the key achievements of the last 12 months. Particularly those that underscore ASX's commitment to Australia's relevance and global competitiveness.

New global regulations are continually being introduced to reduce the risk in financial markets. An example is the commitment by regulators to adopt common capital standards and other regulations for clearing houses that manage the risk of derivatives markets.

In Australia, the Financial Stability Standards have been updated to meet the new international requirements. This puts new and higher standards on ASX.

The impact of these new global regulations is significant because they change the behaviour of market participants such as investment banks, and can affect the competitiveness of entire financial markets. There will be winners and losers – not just within each country, but between regions. There are strong competitive dynamics at play in our financial markets, even where ASX is the sole domestic provider.

The good news is that ASX is in a solid position to be competitive. Our business model, size and profitability allow us to meet the highest regulatory standards and invest in the infrastructure needed to manage risk and provide services to banks and investors.

In June and July last year, ASX raised \$553 million in new equity to ensure we meet the higher global capital standards. Since then, we have received regulatory relief from both the European and US regulators. This allows us to better service the investment banks that operate in Australia but are headquartered overseas. These banks are large customers of ASX and play an important role in our financial markets. I would like to thank shareholders for the strong backing you gave our equity raising.

Following the raising, ASX received a long-term credit rating of AA- from Standard & Poor's. This confirms our position as one of the highest rated exchange groups in the world.

Changes in the global regulatory environment are creating new business opportunities, particularly in post-trade services such as clearing and risk management. One of the services we launched during the past year was a clearing solution for over-the-counter (OTC) interest rate swaps.

The service helps Australia meet its G20 commitment to centrally clear these OTC products. It also gives investors access to a high quality domestic service that manages their risk and their collateral under Australian law and regulatory oversight.

We will continue to support those who set policy and effectively design our financial system. Australia must competitively meet global standards and integrate internationally, and yet remain firmly in control of its economy when the next crisis unfolds – however unlikely that may seem.

Important role played by Australian regulators

Our regulators understand the challenges arising from changes in the way global markets operate, the impact of technology, the commercial drivers for global market service providers, and the expectations of investors. They are doing a good job navigating through a new and more complex landscape.

Domestically, our equity market regulations are amongst the best in the world. As a result, ASX currently has no significant concerns about the impact that newer forms of trading, such as high frequency trading and dark pools, have on our market. ASIC has prioritised the interests of end investors and, in so doing, the more aggressive trading strategies that we observe overseas are not attractive under Australia's regime.

In relation to the global regulations that affect ASX, we again made good progress in 2014. The Council of Financial Regulators issued guidance on the location requirements for critical financial market infrastructure. This guidance is particularly important for our largest markets - equities and

interest rate derivatives - and restricts how much of these markets may be managed from an offshore location. They have made clear their preference for the risk of these markets to be managed in Australia.

This guidance provides a more certain investment environment for ASX and other operators. For investors, it provides confidence that Australia's regulators are in control.

ASX strongly believes in the future of Australia's financial markets and in the companies and investors who rely on them. We will continue to advocate policies that support investors and promote market quality. We will also continue to invest in the infrastructure on which these markets rely.

In 2014 we contributed to the Financial System Inquiry led by David Murray and his strong team of experts. The Inquiry comes at an important time, allowing policymakers to make positive choices about the future of our financial services industry. Given the changing global dynamics, ASX is urging policymakers to focus less on the settings *within* Australia (which are generally sound) and more on the competitiveness *of* Australia in a global marketplace.

ASX understands that it has an obligation to deliver efficient services to the Australian market place and engage with its clients on its investment priorities. For many of our markets, ASX now operates customer forums that allow a broad group of stakeholders to give input to ASX management.

The benefit of this model can be observed in relation to ASX's clearing and settlement services for the Australian equity market. ASX is today the only provider of these services and in 2013 we implemented a Code of Practice that sets out how we will manage our infrastructure for the benefit of the wider market.

Under the Code, a forum of senior industry leaders was created to discuss the performance of ASX's platforms and investment priorities. A tangible outcome of this process was a decision in June 2014 to move the Australian market from a T+3 to a T+2 settlement cycle in 2016. This change will reduce costs for ASX's clients and mean lower risk and faster settlement for investors.

The Government is likely to conduct a further review of the market structure for equities clearing and settlement in 2015. ASX believes that the current structure has proven successful and shows how industry-led regulation can deliver benefits to investors.

The leadership team

ASX continues to be well-served by Elmer and his team. On behalf of the Board, I thank all ASX employees for their hard work during the year.

You will note in today's agenda (Item 5) that the Board is asking shareholders to consider and vote on a grant of performance rights to Elmer under ASX's long-term incentive plan.

There is no listing rule requirement to obtain shareholder approval in these circumstances. However, we believe it good practice from a transparency point of view.

The non-executive directors consider that Elmer's remuneration package is appropriate, given the strong performance of the company over the last 12 months. It's worth noting that Elmer's remuneration package remains the same as it was when he joined three years ago.

I think we are fair and competitive in our approach to remuneration, while at the same time recognising the overall market environment. Over the next 12 months we will engage with shareholders as part of a broad review of ASX's executive remuneration framework.

Board renewal

I am pleased to say I believe we have a well-functioning and effective Board. I thank my colleagues for their contribution to ASX's performance over the last 12 months.

Board renewal is ongoing and important. Over the last two years we welcomed Heather Ridout and Ken Henry to the Board, and the renewal process continues today with Dominic Stevens and Damian Roche seeking your support for election. Both Dominic and Damian will address the meeting a little later. We are very pleased that they have agreed to join us. They offer your Board deep financial markets expertise.

Peter Warne will also stand for re-election to the Board. Peter is an experienced and active participant on the main Board, and on many ASX subsidiary boards. His contributions are substantial, especially in the areas of risk and financial markets. His re-election is supported by all directors.

ASX maintains its strong commitment to gender diversity, including at Board level. We are transparent about our diversity targets and set them out in the Annual Report.

ASX currently has 25% female representation among non-executive directors. Our target for FY16 is 33%, or a third of the Board. We are confident that we will meet this target and maintain the right mix of skills to guide the company.

Before handing to Elmer, let me thank you, our shareholders, once more for your support. ASX is in good shape and we are confident about its future.

I now invite Elmer to address the meeting.



ADDRESS BY MANAGING DIRECTOR AND CEO – ELMER FUNKE KUPPER

Thank you Rick and good morning fellow shareholders.

Like Rick, this is my third AGM. It is a good time to reflect on the progress we have made and to look forward to the priorities that will shape the company in coming years.

ASX has performed well over the last three years - we are getting closer to our customers, we have delivered important new infrastructure for Australia's financial markets, and we are making ASX a better place to work for our staff. As a result, the company is in a stronger position today.

This is important if we are to succeed in a more complex and global financial market environment. In his address, Rick explained the challenges and opportunities that flow from new global regulations. He emphasised that ASX will continue to advocate for policies and regulations that support end investors, including retail investors, fund managers and superannuation funds.

At the same time, many of our business initiatives aim to deliver greater choice, improved efficiency and better services to intermediaries and investors.

We have set five priorities. These build on ASX's position as a top 10 global exchange group and recognise the role we play in Australia's financial markets.

Priorities as a Leading Multi-Asset Class Exchange



Global leader
in AS and NZ\$
markets



World-class,
globally
connected
infrastructure



Outstanding
customer
experience



Regulations
that support
investors
and growth



Employer
of choice in
financial
markets

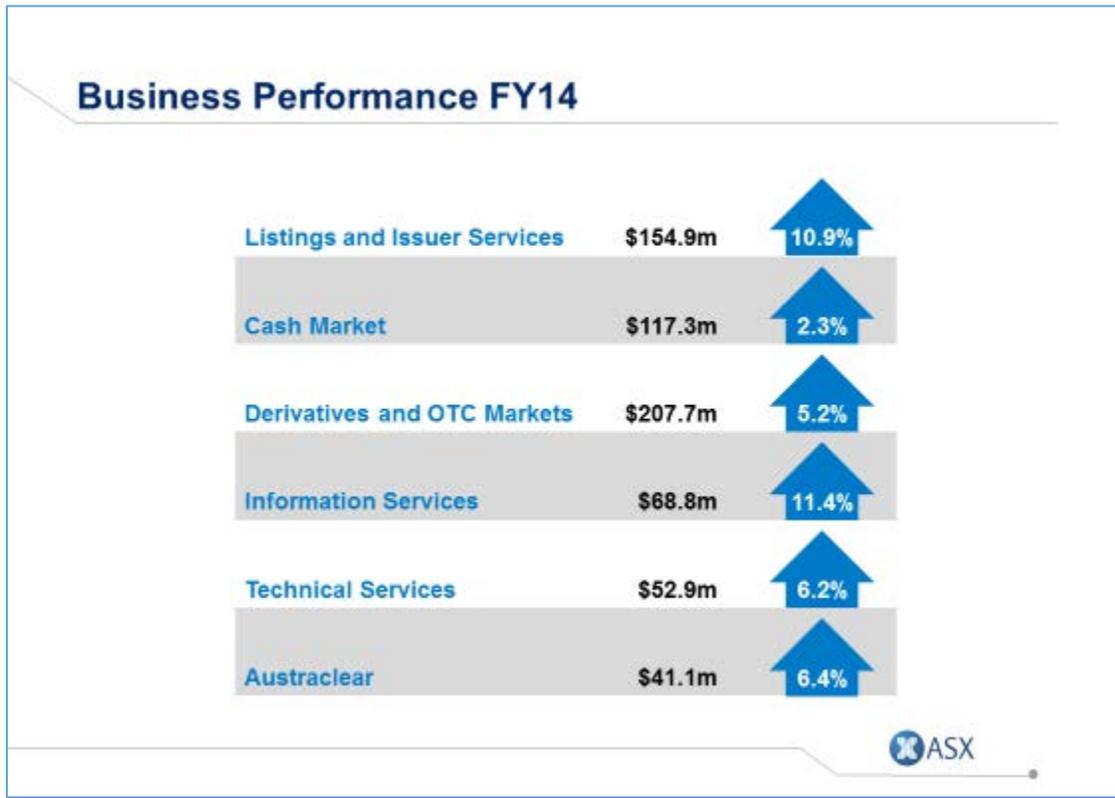


The priorities are to:

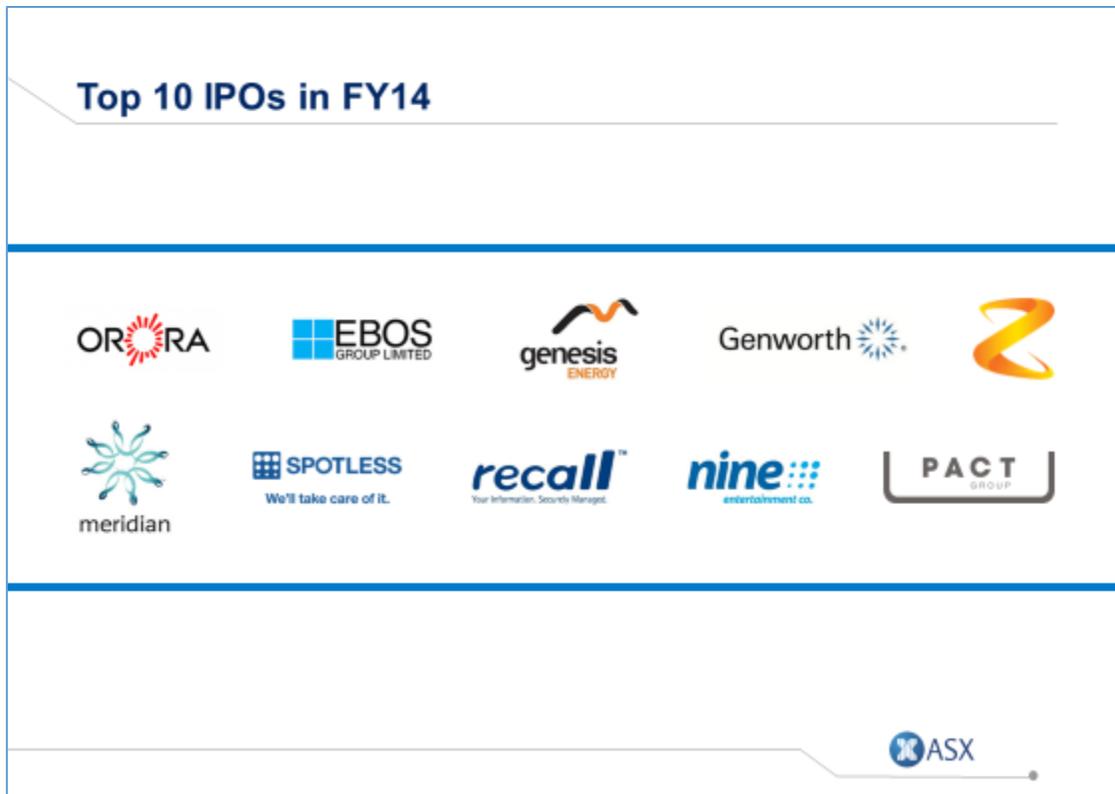
- Be a global leader in Australian dollar and New Zealand dollar financial markets
- Provide world-class financial infrastructure that is connected to other financial centres;
- Deliver an outstanding customer experience 24 hours a day;
- Advocate regulatory settings that support investors and growth in Australia's financial markets; and
- Be an employer of choice in financial markets.

As we run through each of our businesses you will see these themes being translated into initiatives. The Annual Report provides further detail.

FY14 business review



For the first time since 2008, all main business lines increased revenue with growth rates between 2.3% and 11.4%. Market activity continued to be the main driver, with more than 70% of our revenues directly linked to economic conditions and investor sentiment.



Listings and Issuer Services revenue rose 10.9% to \$154.9 million. In dollar terms, it was the largest contributor to growth, reflecting a strong IPO market. 107 new companies joined our market, the most since FY11.

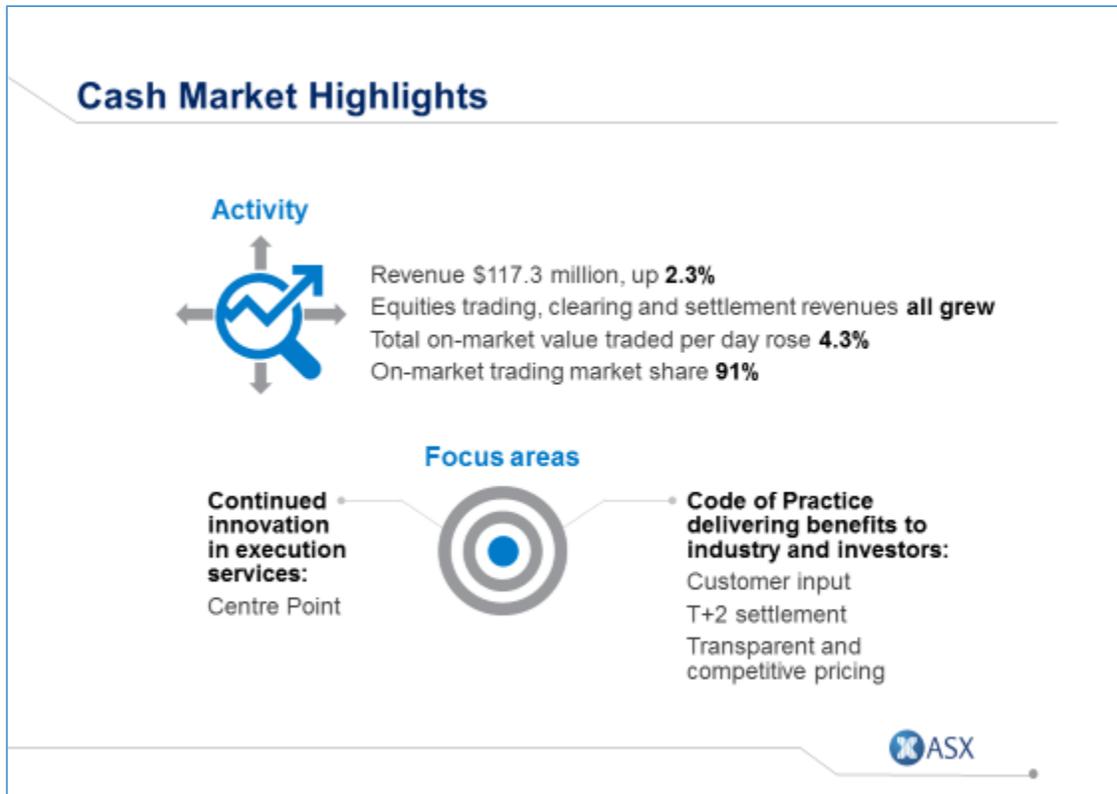
This slide depicts the 10 largest floats in FY14. Collectively, they accounted for 54% of the almost \$28 billion in IPO capital raised.

In 2014 we have taken further steps to ensure that Australia remains one of the most attractive places in the world to list and raise capital. We have reduced the timetable for rights issues from 26 days to 19 days. This improves the efficiency of the capital raising process and reduces risk. And we launched ASX Evolve, a new program to improve the information available on listed companies through our website.

For investors, ASX is developing an 'investment supermarket' that provides them with the broadest range of investment options. These include domestic equities, government bonds, corporate bonds, exchange-traded funds and managed funds.

In 2014, ASX launched mFund, a service that allows retail investors to apply for and redeem unlisted managed funds through their broker platform. It is a game changer for the funds management industry: no more paperwork, stamps or cheques. You can apply for units with the touch of a button in much the same way you buy shares. We currently have 61 funds, 19 fund managers and seven brokers connected to the platform, and we expect others to join. Please check with your broker to see if they are connected to mFund.

After the meeting, you can learn more about some of our initiatives upstairs. We also have information about ASX's investor education services. We provide a range of free tools and resources to help investors understand the risks and rewards of investing.



ASX's **Cash Market** business experienced revenue growth of 2.3% to \$117.3 million. This was supported by modest improvement in overall equity market activity and good momentum in new execution services offered by ASX.

The best performing execution service was Centre Point. Centre Point is ASX's anonymous mid-point matching service that gives investors access to liquidity and greater control over the way their orders are executed in a fragmented market. By executing at the mid-point between the bid and offer price, Centre Point automatically gives investors a better price.

ASX's execution services are open to all investors on the same terms. Your broker can access our markets, including Centre Point, on your behalf.

Business Performance FY14



Derivatives and OTC Markets is ASX's largest business, accounting for almost 32% of group revenues in FY14. Revenue rose 5.2% to \$207.7 million.

The derivatives business is where most of the new global regulations have impact. This tightens the requirements that regulators place on the risk management practices of exchanges and changes the economics of many of our clients who have global operations.

ASX has made significant investments to ensure that it is a leader in the Australian dollar derivatives markets. This involves four key elements.



First is the regulatory environment. Since ASX serves banks who are headquartered overseas it has to comply with regulations imposed by regulators in Europe and the US. ASX has made very good progress in meeting the higher requirements and is grateful for the support it has received from the RBA and ASIC. Our regulators have been pro-active and practical, ensuring that the impact from global regulations in our market is manageable.

Second is our balance sheet. In 2013 ASX raised \$553 million in new equity with most of the funds going to strengthen our clearing operations. As a result ASX now meets the highest global capital standards in its derivatives clearing house. ASX was able to raise the capital because of the strength of its business model, its scale and profitability. This means we can continue to have world-class infrastructure available to investors in Australia. We are grateful to our shareholders for their support of the capital raising.

Third is the infrastructure itself. In 2014 ASX launched a range of new post-trade services that allow our customers and Australia to meet the new global standards in an efficient way. The services include a clearing service for over-the-counter (OTC) derivatives and a client clearing solution that provides important new protections to investors who use Australia's derivatives markets.

The final component is the relationship and alignment with our customers. From 1 July ASX lowered its fees for electricity futures and from 1 October ASX will implement a new fee schedule for interest rate derivatives and OTC clearing.

The fee changes complement other changes we have made in the way we interact with our customers. Over the last two years, ASX has created customer forums and advisory committees for most of its businesses. These enable our customers to tell us where they would like us to invest and help us prioritise our development programs.

ASX Offer to Invest in Yieldbroker

ASX logo | **49%** | **\$65 million** | Yieldbroker logo

ASX proposal to acquire **49% shareholding** in Yieldbroker for **\$65 million**
Non-controlling stake, Yieldbroker to remain **independently managed**,
ASX to have **two board seats**

Partnership brings together **exchange-traded** and **OTC debt and interest rate derivatives markets**

New services and efficiencies for customers

Deliver **next generation** of Australia's financial market trading infrastructure

ASX logo

Last week, 18 September, ASX announced that it has entered into partnership discussions with Yieldbroker. Yieldbroker operates an electronic market for some 800 Australian and New Zealand debt securities and interest rate derivatives. More than 100 banks and other financial institutions are connected to the Yieldbroker platform, trading around \$130 billion each month.

Yieldbroker is a leader in electronic trading in the over-the-counter debt market, while ASX is a leader in exchange-traded financial markets. A partnership will allow the companies to work together to bring new services and efficiencies to the Australian market. Yieldbroker has a strong track record in being innovative and highly responsive to its clients. This makes them a good partner for the ASX we are building.

ASX expects to become a 49% shareholder in Yieldbroker, joining 12 existing shareholders, including the major domestic and international banks. ASX's investment is subject to a number of formal approval processes that the parties are currently working through.

Business Performance FY14



In addition to operating markets, ASX provides a range of data and technical services that give investors and traders the tools they need to conduct their businesses.

The **Information Services** business performed well in FY14. Revenue was \$68.8 million, up 11.4%. ASX processes and distributes a wide range of information to institutional and retail investors around the world.

Technical Services revenue rose 6.2% to \$52.9 million. The primary driver of the revenue increase was the growth in the financial markets community within ASX's main data centre – the Australian Liquidity Centre (ALC). The number of customers within the ALC increased from 74 to 89 in FY14.

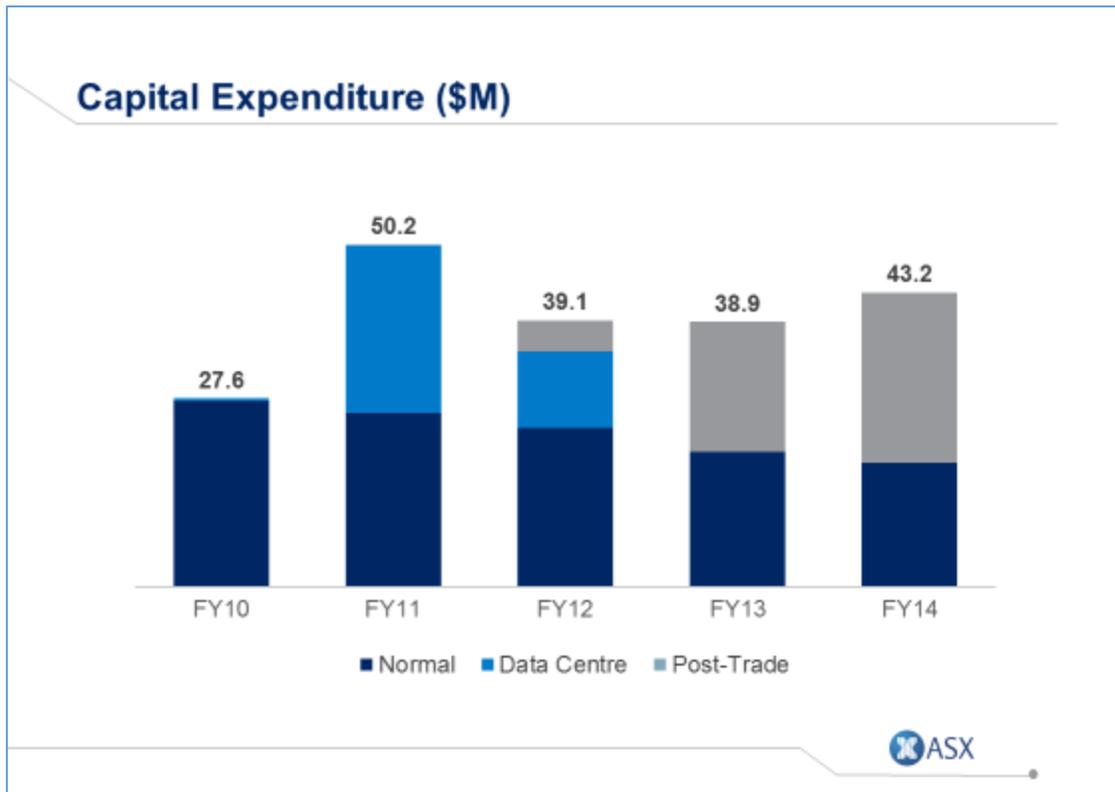
The ALC offers customers a range of communication, execution and information services in a fair and transparent way. ASX also connects its data network to other markets, including Singapore, Chicago and London.

The ALC will play a more important role in ASX's commitment to improve the customer experience. In FY15 we will open a 'Customer Command Centre' in the ALC, which will bring together ASX's operations and technology expertise in a single location, 24 hours a day.

The final business to mention is **Austraclear**. It provides settlement, depository and registry services for Australian dollar debt securities, including government and corporate bonds. In FY14, revenue rose 6.4% to \$41.1 million.

There were two major initiatives within this business last year. First, ASX launched a new collateral management service that provides attractive cost savings to ASX clients by allowing them to use fixed income securities held in Austraclear as collateral rather than cash.

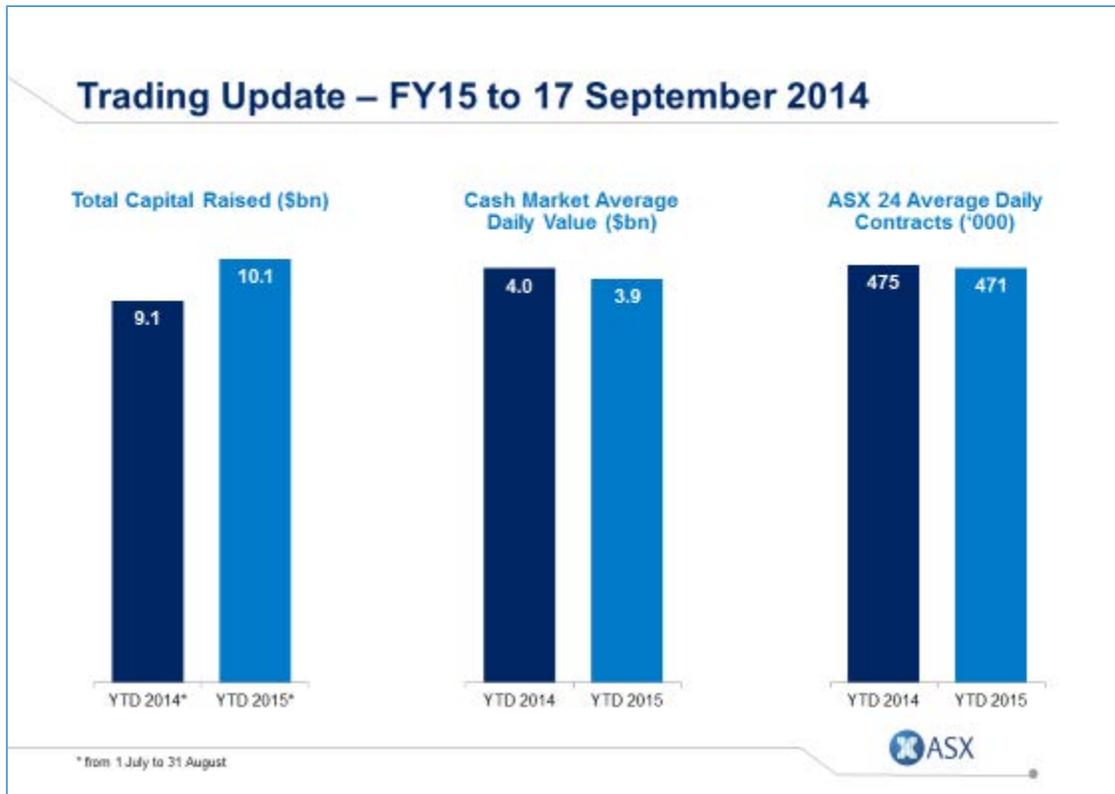
And second, ASX launched a settlement service for transactions in Renminbi. This allows Australian companies to take or make payments in the Chinese currency in near real-time, thus reducing their risk and cost of doing international business.



The overview of our businesses shows how much ASX is doing to build a stronger and more competitive exchange. At the same time, we need to tightly manage our costs and capital expenditure program. In 2014 our operating expenses and capital expenditure came in within the market guidance we gave at the beginning of the year. This allowed ASX to maintain a 90% dividend payout ratio. It is our aim to invest in our long-term future and at the same time deliver attractive returns to shareholders.

Early FY15 activity levels

Let me now briefly comment on trading activity in the first quarter of this new financial year.



Following a strong FY14, activity levels in the early part of FY15 have been softer, driven by low and stable interest rates and very low levels of volatility.

- The total amount of capital raised was \$10.1 billion, which is up 11% on the same period last year. There were 23 IPOs in the first two months of FY15, up from 12 last year;
- Total cash market average daily value traded was \$3.9 billion, in line with last year; and
- ASX 24 market average daily derivatives contracts traded were 471,000 contracts, a marginal decline of 0.8%.

In conclusion



I hope you found this overview of our businesses and plans helpful. Our job is to make sure that ASX finishes each year stronger and better positioned than it started. In FY14 we achieved this.

We believe that ASX has a positive role to play in building a financial market that can support a growing economy and Australia's ambitions in the region. We look forward to working with our clients, regulators, policymakers and investors to make this real.

I thank Rick and the Board for their guidance and oversight, and my ASX colleagues for their dedication throughout the year.

And thank you, our shareholders, for your continued commitment to ASX.

I will now hand back to our Chairman.