

2018 INTERIM RESULTS

2 August 2018



Operating environment for H1 2018



Globally



Sell-off in emerging markets impacting currencies and cash equities



Trade policy of US President takes its toll on confidence levels around the world. Fed hiked rates by the expected 0.25% and two additional rate hikes expected this year



ECB announced plans to wind down its R31tn quantitative easing programme by year end maintained rates at current levels



UK continues to feel strain of unresolved Brexit negotiations



IN SA



Political landscape dominated by President Ramaphosa appointment and subsequent cabinet reshuffle as well as uncertainty on land expropriation



VAT increase to 15% effective from 1 April 2018 and interest rates lowered by 25 bps at the end of March



Attention on JSE regulatory framework given noise around Steinhoff and other prominent issues

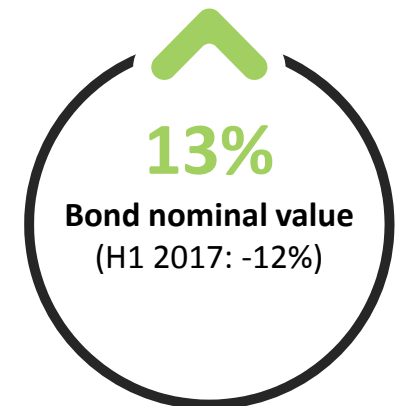
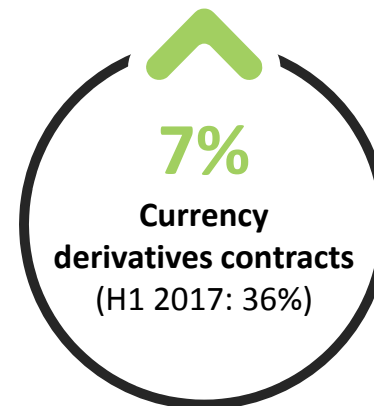
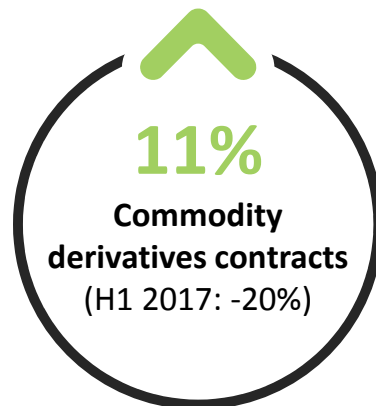
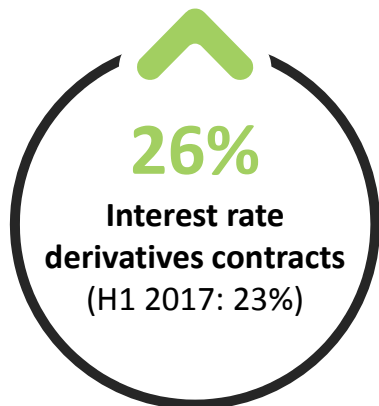
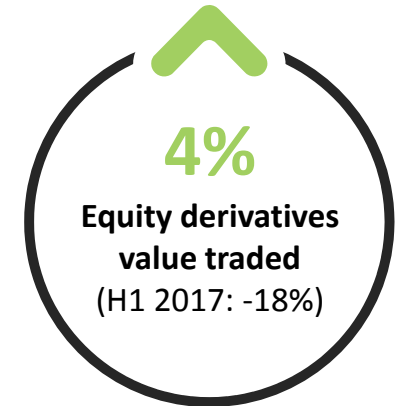
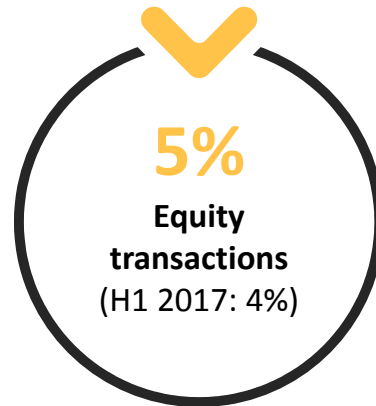
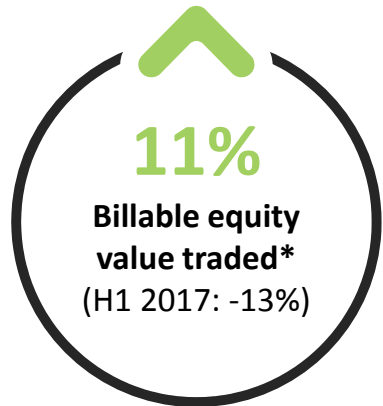


SA's first quarter GDP shrinks by 2.2% - biggest negative contributors to growth were agriculture, mining and manufacturing industries



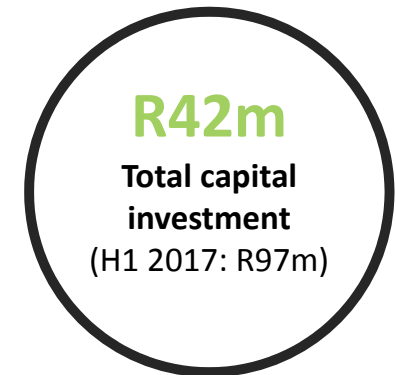
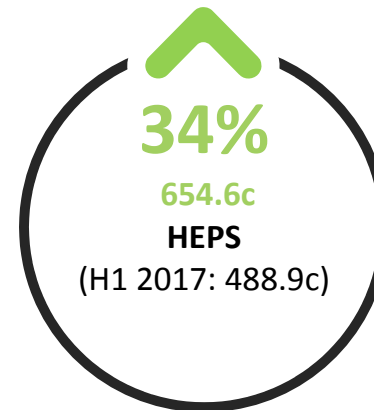
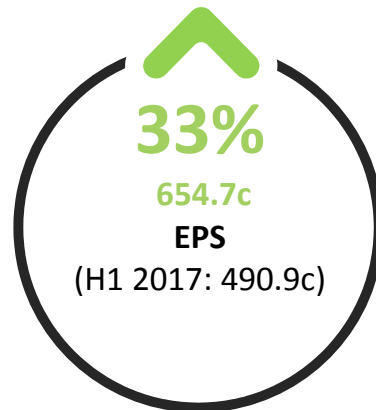
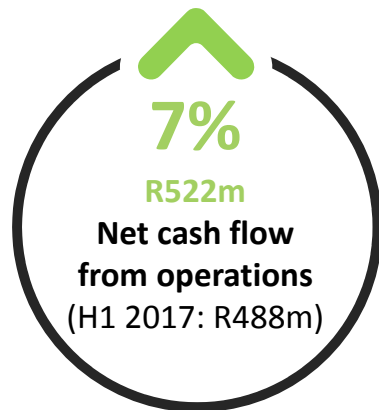
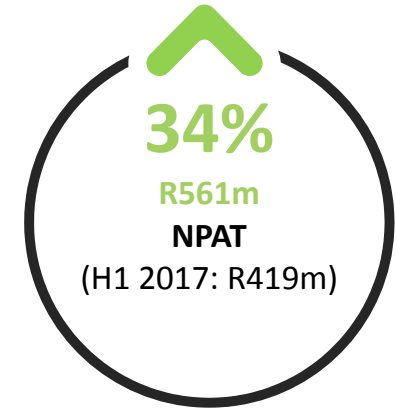
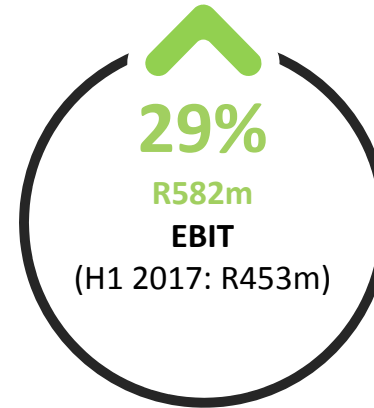
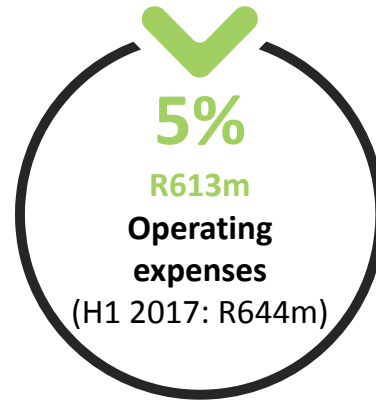
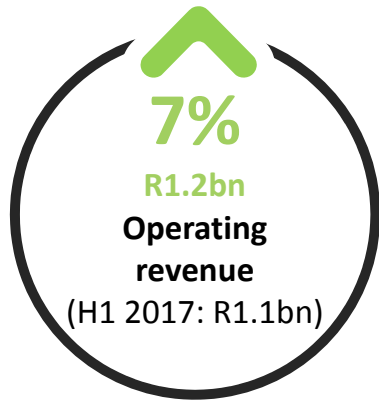
Net sales of SA bonds by foreigners

H1 2018 market activity



* Central order book published statistics ↑ 12%, H1 ADV ↑ 10% to R28bn per day (H1 2017: R26bn per day)

How this translated in our business



Financial performance



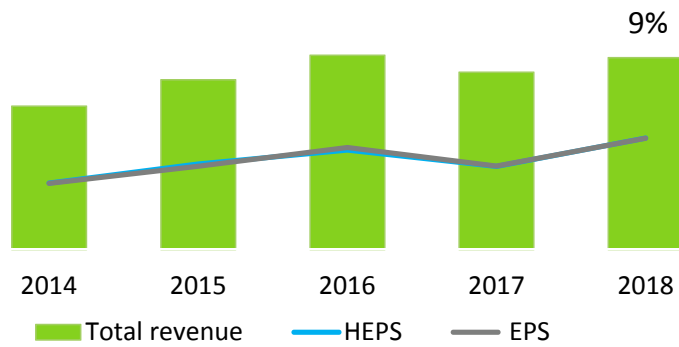
| (Rm) | H1 2018 | H1 2017 |
|--|---------|---------|
| Revenue | 1 153 | 1 083* |
| Other income | 42 | 14* |
| Total revenue | 1 195 | 1 097 |
| Personnel expenses | (202) | (245) |
| Other expenses | (411) | (399) |
| Total expenses | (613) | (644) |
| EBIT | 582 | 453 |
| EBIT % | 49% | 41% |
| Net finance income | 122 | 111 |
| Share of profit from associate (net of income tax) | 28** | 21 |
| Profit before income tax | 732 | 585 |
| Income tax expense | (171) | (165) |
| NPAT | 561 | 419 |
| NPAT % | 47% | 38% |
| EPS (cents) | 654.7 | 490.9 |
| HEPS (cents) | 654.6 | 488.9 |

*Restated Company services from other income to revenue

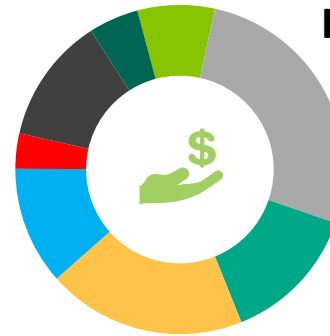
** Rounded down

Trends

H1 total revenue

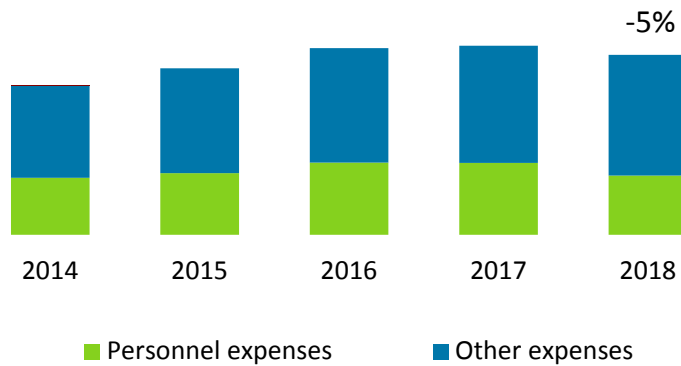


H1 2018 revenue as a % total

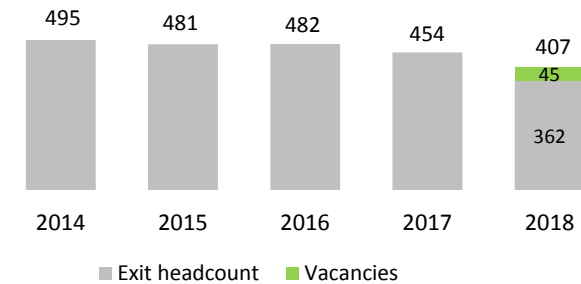


- Primary Markets: 8% (2017: 8%)
- Equity Market: 27% (2017: 25%)
- Back-Office Services (BDA): 14% (2017: 15%)
- Equity Clearing and Settlement: 19% (2017: 18%)
- Bonds and Financial Derivatives: 12% (2017: 14%)
- Commodity Derivatives: 3% (2017: 3%)
- Information Services: 12% (2017: 12%)
- Funds under management: 5% (2017: 4%)

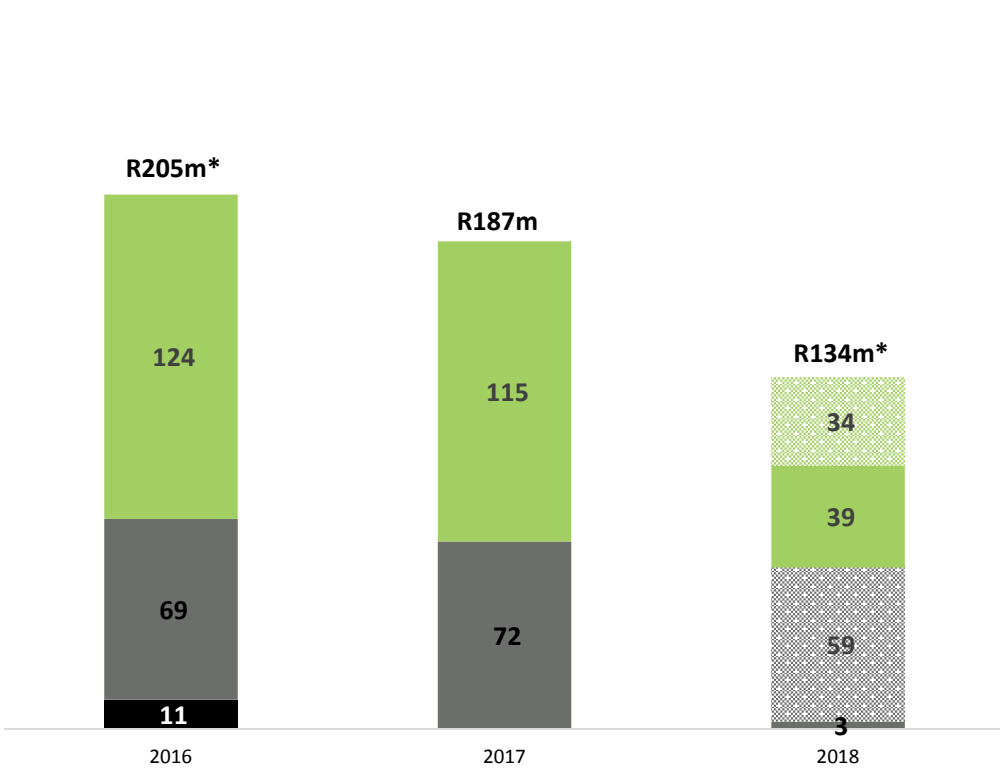
H1 expenses



June exit headcount



External and internal capital expenditure



- Regulatory
- Maintain the business
- ▨ H2 forecast - maintain the business
- Grow the business
- ▨ H2 forecast - grow the business



Grow the business

- Integrated Trading and Clearing project 1 - 2016, 2017, 2018
- ETP for government bonds – 2016, 2017, 2018
- Colocation - 2018



Maintain the business

- Business as usual – 2016, 2017, 2018
- HR system – 2017, 2018
- Customer relationship management system - 2016

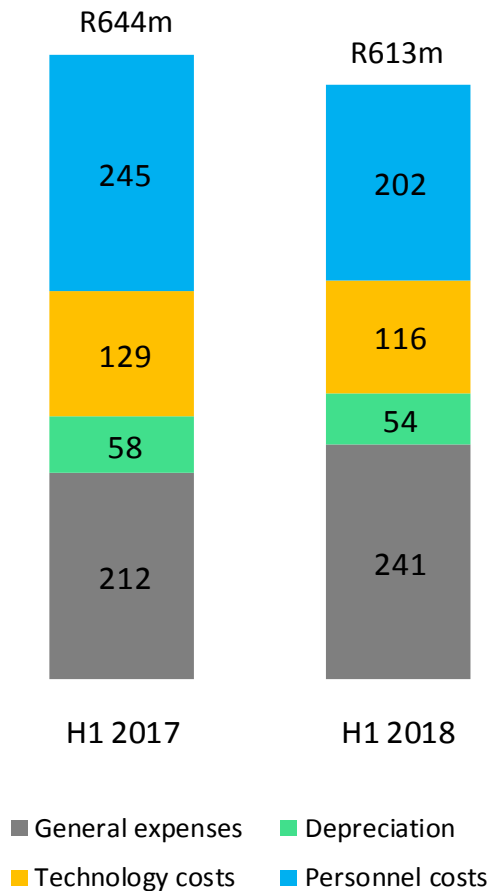


Regulatory

- T+3 Phase 3 - 2016

*Rounding difference

Operating expenditure



Total operating expenses down 5% to R613m (2017: R644m)



Personnel costs ↓ 17% or R43m (2017: ↓ R1m or 0.2%) to R202m (2017: R245m)

- Gross remuneration ↓ 19% or R29m as a result of average headcount ↓ 22%. Headcount at June ↓ 20% to 362* (2017: 454). Contributes -12 percentage points
- The long-term incentive scheme charges ↓ R16m to R10m (2017: R26m) owing to timing differences in vesting (-R9m) and a higher proportion of LTIS vesting in the prior year (-R7m). This contributed -6 percentage points



Technology costs down ↓ 10% or R13m to R116m (2017: R129m) primarily due to cost optimisation initiatives



Depreciation ↓ 7% or R4m to R54m (2017: R58m), largely owing to the net effect of fully depreciated assets



General expenses ↑ 14% or R29m to R241m (2017: R212m) largely owing to:

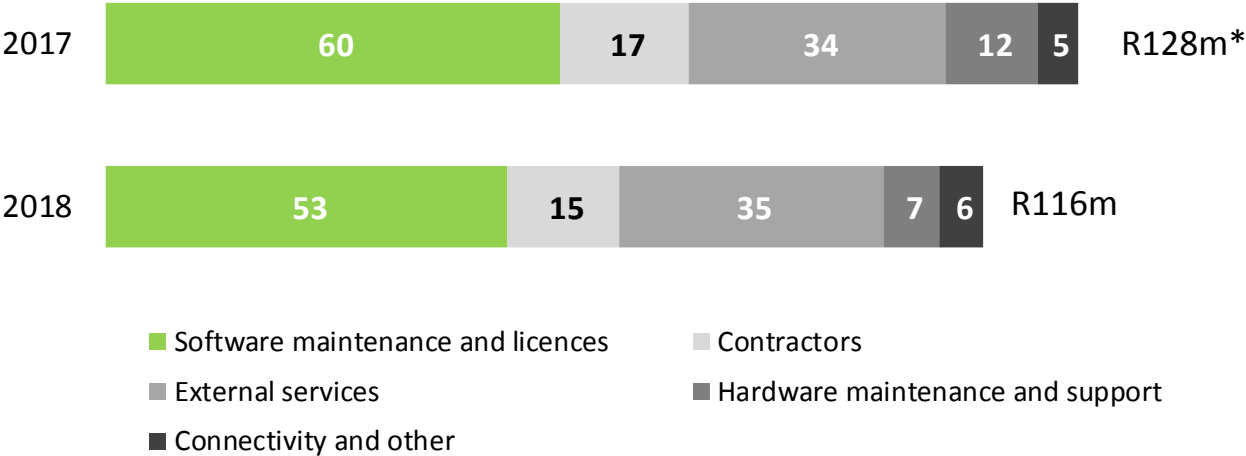
- Growth in expenses of R8m mostly related to Strate ad valorem which is fully offset by revenue
- Increased Internal audit and compliance spend of R7m as part of an enhanced co-sourced engagement model

Technology cost composition



Technology costs ↓ 10% to R116m

Cost saving initiatives resulted in significant reductions in software and hardware maintenance support spend

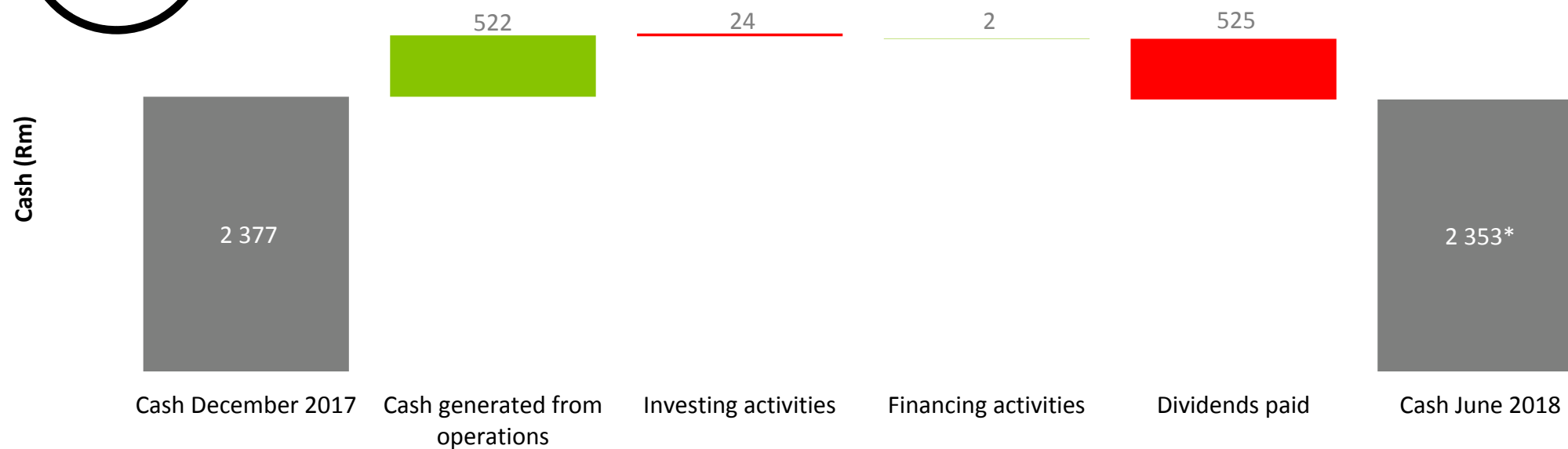


*Contains rounding difference

Cashflow view



Strong cashflow and no debt



Capex external spend

Capital intensity policy applied from 2018



| PROJECT / INITIATIVE | H1 2018 | H2 2018 | FY 2018 | FY 2017 |
|--|-----------|-----------|------------|------------|
| Integrated Trading and Integrated Clearing project | 29 | 20 | 49 | 100 |
| ETP for government bonds | 1 | - | 1 | 1 |
| HR system | 1 | - | 1 | 4 |
| Colocation | 3 | 1 | 4 | - |
| ECS | 2 | - | 2 | - |
| Project capex | 36 | 21 | 57 | 105 |
| Business as usual | 3 | 65 | 68 | 67 |
| Total external capex spend | 39 | 86 | 125 | 172 |

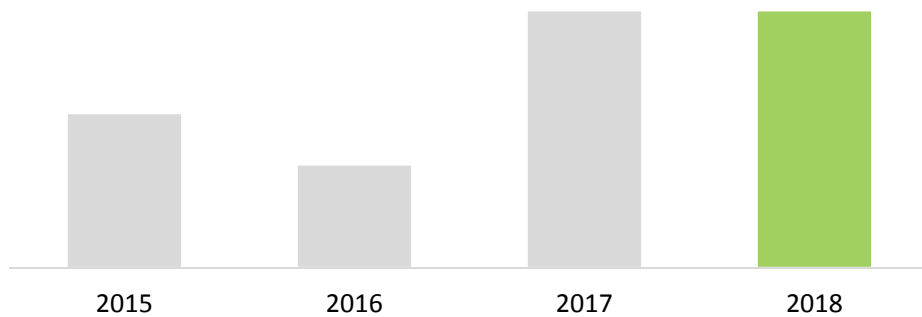
Total spend on the Integrated Trading and Clearing project 1 is expected to be in the order of R400m by end 2018

BUSINESS REVIEW

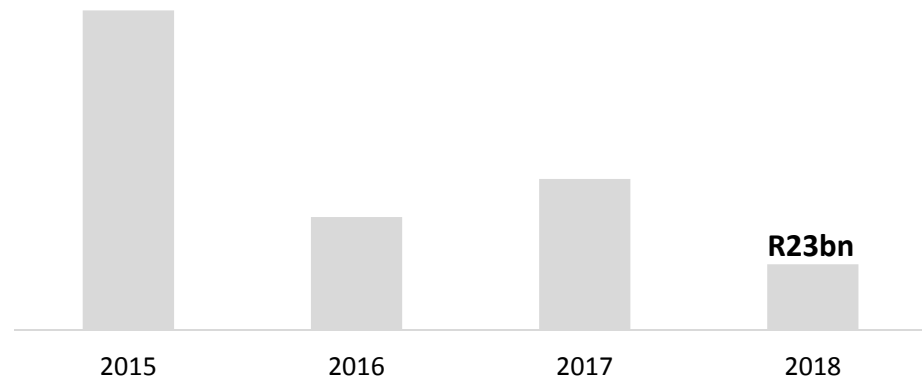


Capital Markets: Primary Market

Revenue



Additional equity capital raised



8% of total revenue in H1 2018

Revenue flat at R82m (2017: R82m)

Main Board

- 10 company listings (2017: 8)
- 11 ETFs (2017: 4)
- 116 warrants and structured products (2017: 121)
- 12 delistings (2017: 10)
- 1 REITs (2017: 1)
- 1 fast-track listing (2017: 0)

AltX

- 1 listing (2017: 4)

Bonds

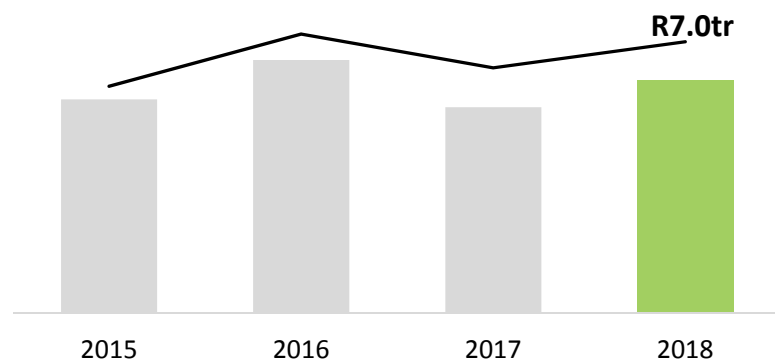
- 243 listed bonds (2017: 294)
- Total nominal value of listed bonds: R2.7tn (2017: R2.5tn)
- Listed project bonds launched 1 March 2018
- Growthpoint Green Bond

Strategic focus for H2

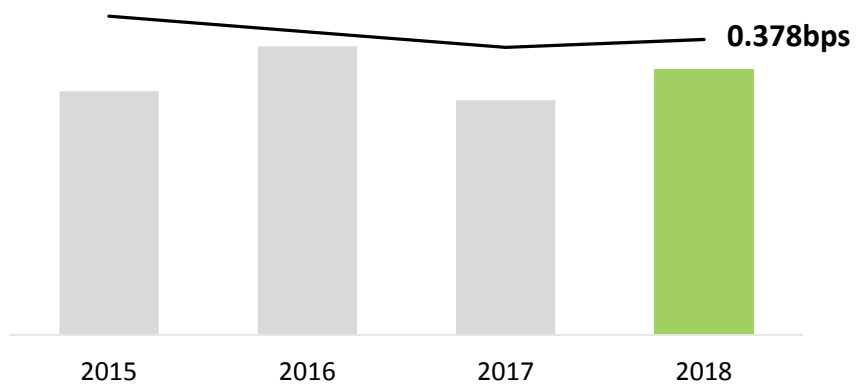
- Finalise the professional debt market segment
- Equity trading rules for restricted trading segment

Capital Markets: Equity Market

Billable value traded



Trading effective rate



27% of total revenue H1 2018

Revenue ↑ 12% to R277m (2017: R247m)

Billable value traded ↑ 11%

Transactions ↓ 5%

Colocation

28 racks (2017:23 racks)
2 new racks added in July 2018

Tiered billing model

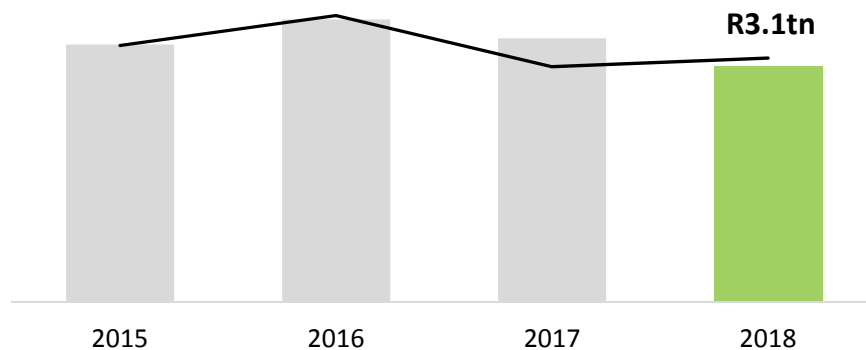
Effective 30 July 2018
Includes complex order suite

Strategic focus for H2

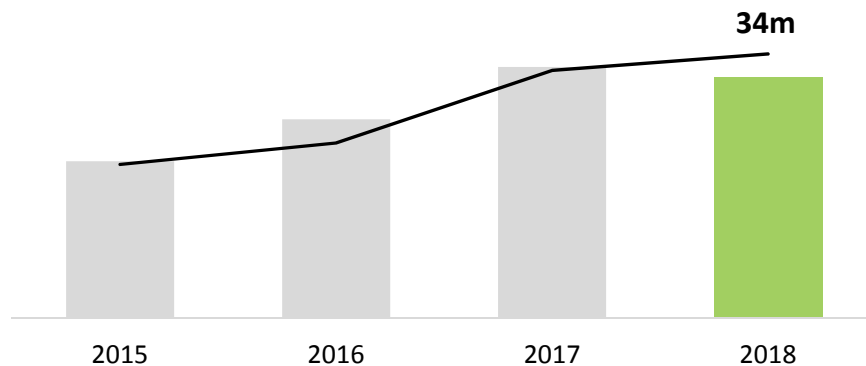
- Expand Colocation offering

Capital Markets: Bonds and Financial Derivatives

Equity derivatives value traded



Currency derivatives contracts traded



12% of total revenue H1 2018



Revenue ↓ 5% to R125m (2017: R132m)

Equity derivatives revenue ↓ 10% to R75m (2017: R84m)

- Contracts traded ↓ 61% to 71.1m (2017: 181.4m)
- Value traded ↑ 4% to R3.1tn (2017: R2.9tn)

Currency derivatives revenue ↓ 2% to R23m (2017: R24m)

- Contracts traded ↑ 7% to 34m (2017: 32m)
- Value traded ↑ 17% to R507bn (2017: R433bn)

Bonds and Interest Rate Market revenue ↑ 11% to R27m (2017: 24m)

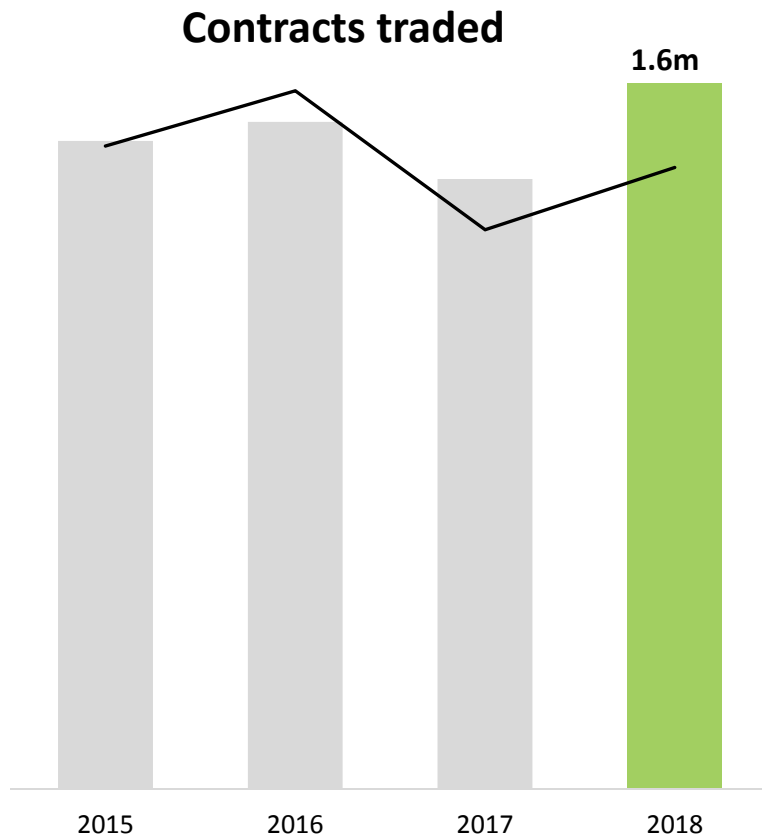
- Bond Market nominal value traded up ↑ 13% to R15.07tn (2017: R13.3tn)
- Interest rate derivatives contracts traded ↑ 26% to 6.7m (2017: 5.3m)

ETP launched 18 July 2018

Strategic focus for H2

- ITaC targeted go-live Q4 2018

Capital Markets: Commodity Derivatives



3% of total revenue H1 2018



Revenue ↑ 18% to R37m (2017: R32m)

Value traded ↑ 10% to R311bn (2017: R284bn)

Contracts traded ↑ 11% to 2m (2017: 1m)

Open interest ↓ 2%

Post-Trade Services: Back-Office Services (BDA)

14% of total revenue H1 2018

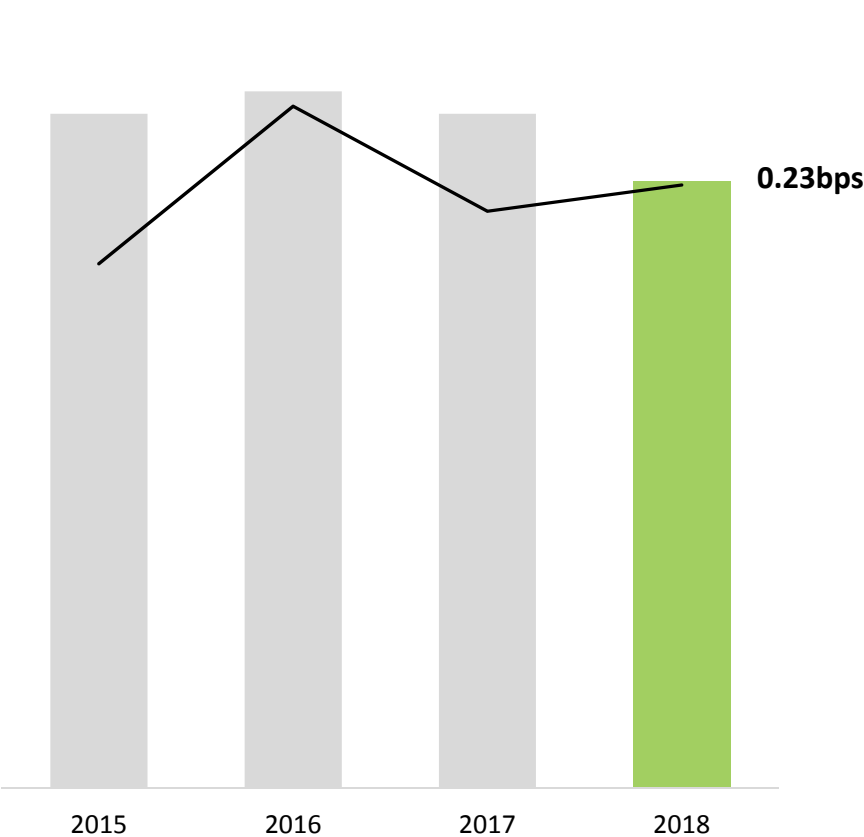
Revenue ↓ 2% to R147m (2017: R150m)

Correlated to Equity Market transaction volumes

Strategic focus for H2

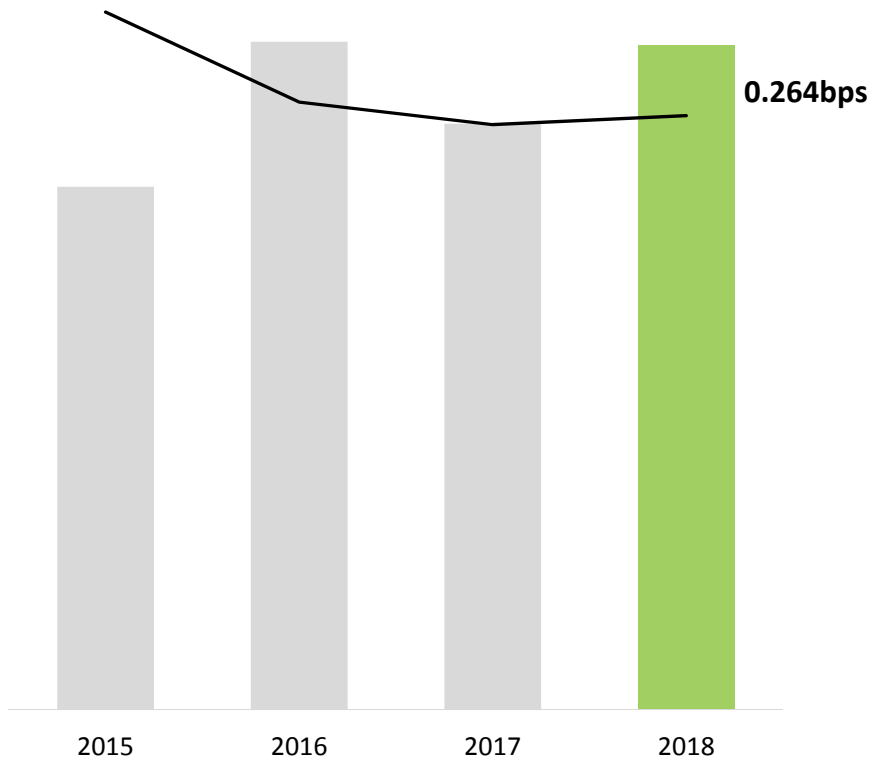
- Maintain BDA for foreseeable future
- Design of Equity CCP risk and operating model and define implications for BDA

Effective rate



Post-Trade Services: **Equity Clearing and Settlement**

Effective rate



19% of total revenue H1 2018



Revenue ↑ 13% to R211m (2017: R186m)

Correlated to Equity Market value traded

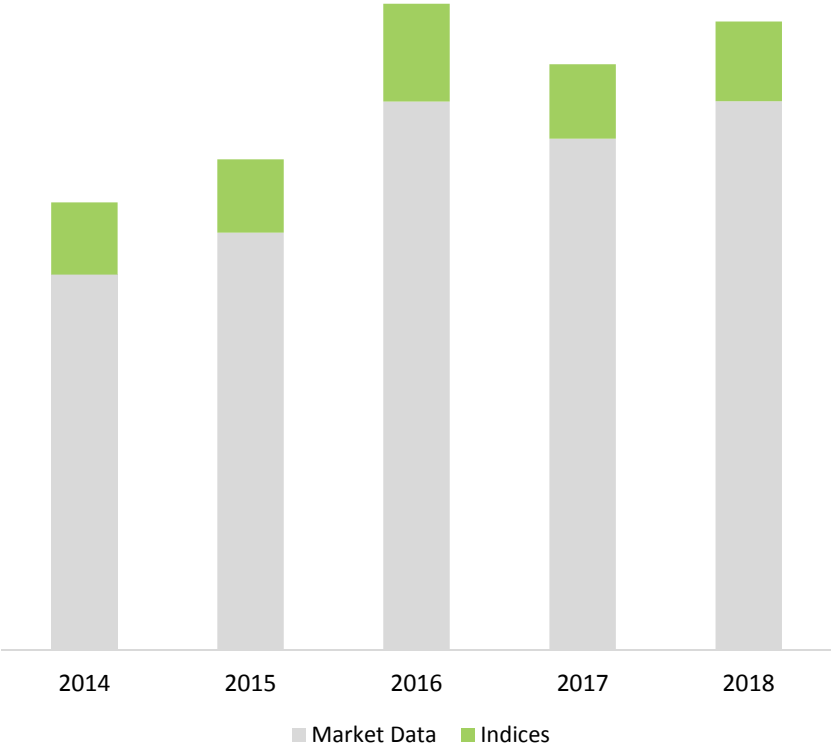
Reflects only Equity Market clearing and settlement fees

Strategic focus for H2

- ITaC targeted go-live Q4 2018
- Further progress on enhanced operational resilience

Information Services: Includes Market Data

Revenue breakdown



12% of total revenue H1 2018



Revenue ↑ 7% to R134m (2017: R125m*)

Market Data

9 new clients (2017: 13)
3 local clients and 6 international clients

Indices

AUM ↑ 9% to R559bn (2017: R512bn)
New director of IS appointed

Strategic focus for H2

- Transition existing JSE fixed income index series to FTSE Russell
- Review of equity benchmark indices

* Adjusted as Colocation Services moved to Capital Markets and London Point of Presence included

LOOKING AHEAD



H2 2018 strategic priorities



Complete ITaC
to drive growth



Driving IS
strategy



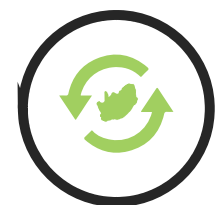
Maintain
strong cost
controls and
deliver the
relevant
portion of the
committed cost
savings



Progress our
operational
resilience



Embed the agile,
client-led culture
embodied in the
JSE Way



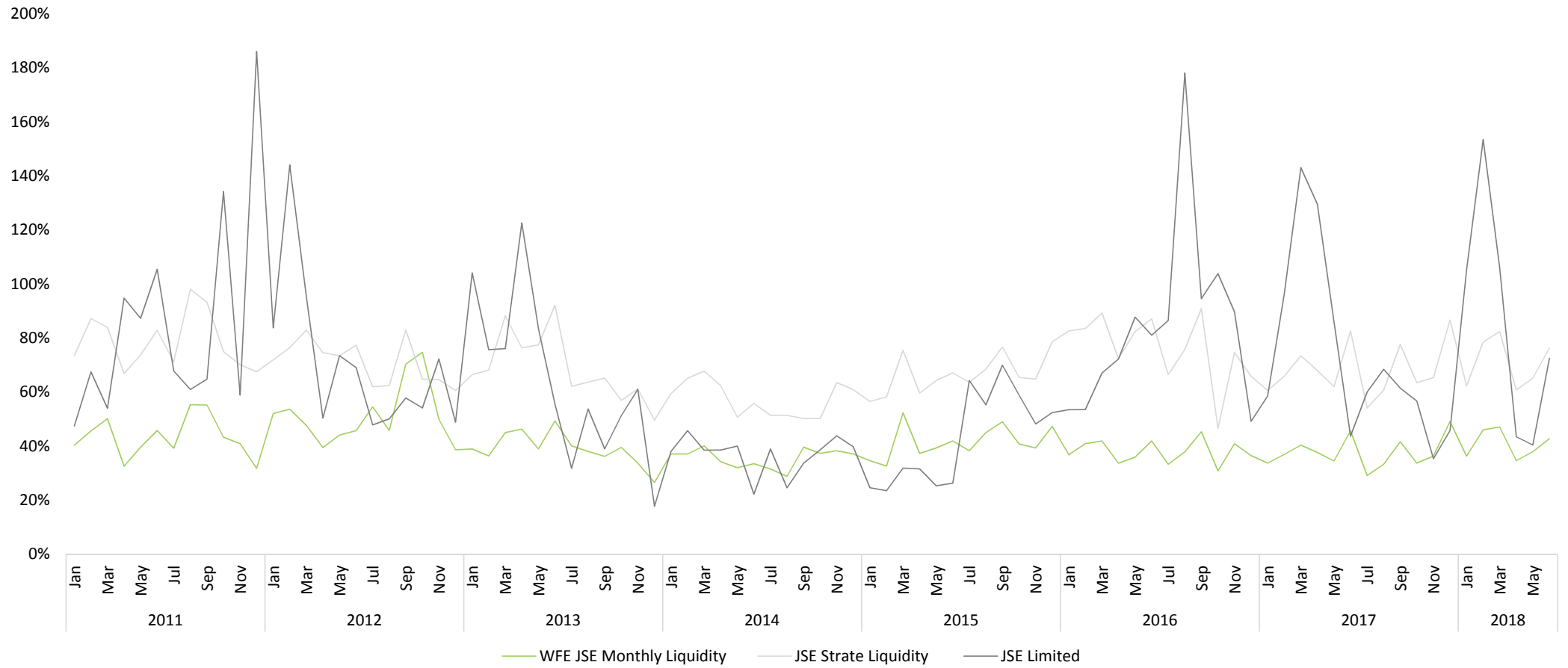
Lead by
example on the
national agenda
by
demonstrating a
visible
commitment to
transformation

QUESTIONS

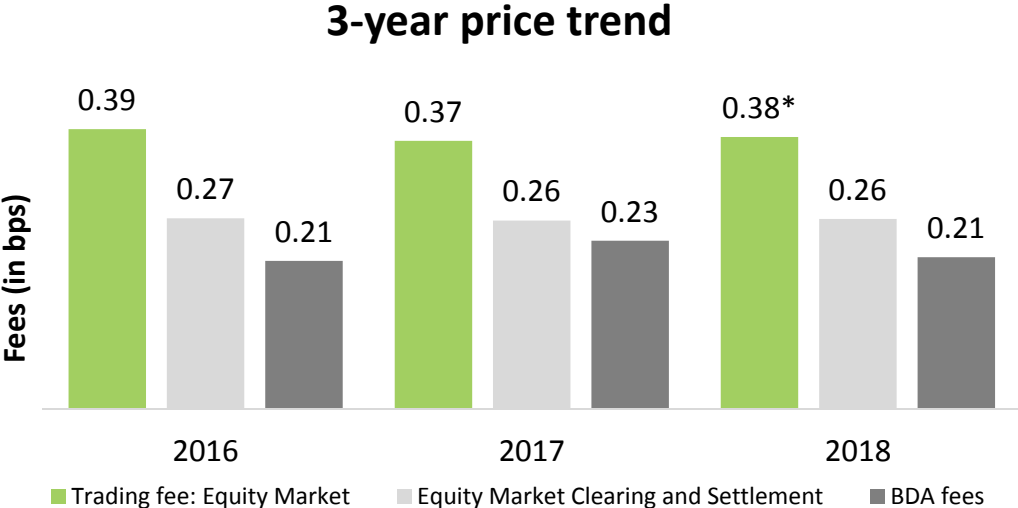



JSE Liquidity


Monthly liquidity: 2011 to 2018




Equity Market: JSE effective pricing trend



 2016 BDA fee reduced by 20%

 2016 Option Delta(OD) fee reduced to zero

 2017 BDA fee reduced by 8%, 2018 BDA fee remained unchanged

*Accounts for increase of 6% on trading fee cap from R355 to R375 on 1 January 2018

Financial metrics



| Ratios | H1 2018 | H1 2017 | H1 2016 | H1 2015 | H1 2014 |
|------------------|--------------|---------|---------|---------|---------|
| Operating margin | 49% | 41% | 47% | 46% | 43% |
| EPS | 654.7 | 490.9 | 599.7 | 503.9 | 389.4 |
| HEPS | 654.6 | 488.9 | 585.1 | 490.3 | 391.2 |
| EBITDA | 636 | 511 | 614 | 535 | 428 |

Personnel expenses – Note 9.1



| (R'm) | H1 2018 | H1 2017 |
|---|----------------|----------------|
| Profit before taxation comprises: | | |
| Personnel expenses | | |
| Remuneration paid to employees | 175 895 | 201 339 |
| Fixed-term contractors | 4 312 | 6 750 |
| Contribution to defined contribution plans | 7 004 | 8 221 |
| Directors emoluments | 10 654 | 10 177 |
| Executive directors | 6 135 | 5 981 |
| Non-executive directors | 4 519 | 4 196 |
| Long-term incentive scheme | 10 108 | 25 906 |
| JSE LTIS 2010* | 10 108 | 25 906 |
| Gross personnel expenses | 207 973 | 252 393 |
| Less: Capitalised to intangible assets | (5 977) | (7 725) |
| Total | 201 996 | 244 668 |

* Includes Critical skills cash scheme and bonus shares.

JSE

Thank You

2 August 2018

