Introduction

The JSE delivered a strong financial performance for 2014, driven by strong revenue growth in core areas of our business.

Our 2014 performance was delivered against the backdrop of a declining economy, wobbly national morale, and dramatically increased regulatory demands.

Against this background, we work on being a centre of excellence on which our clients can rely.

This report reviews the Group's corporate performance during 2014, assessing this against what we set out to achieve during the year. Our strategic vision, which appears on page 11 of the report and is discussed in more detail on page 12 to 14, sets the long-term vision and focuses on strengthening the foundational elements of our business (people, technology and regulation), diversifying revenues (particularly in the Market Data and Post-Trade Services areas), and driving enhanced capital and cost efficiencies.

Progressing the move of the Equity Market to a three-day settlement cycle (T+3) and to the integration of our trading and clearing platforms (ITaC) are our top priorities in 2015 and a substantial portion of our corporate energy will be dedicated to progressing these according to their respective project plans. The T+3 project will move the Exchange from the current T+5 settlement cycle to a three-day settlement cycle. ITaC is part of our strategic journey to migrate all our markets to a single trading and clearing platform as a fundamental strategy to provide all our markets with high capability trading and clearing venues.

Each year, we measure ourselves against a corporate scorecard that reflects a number of key performance indicators (KPIs) across four pillars, approved by the Board. The four KPI pillars are:

- Financial performance;
- Strategy and new business;
- Technology; and
- Stakeholder focus.

Cumulatively, the KPI deliverables in the corporate scorecard are intended to ensure that we will achieve our strategic vision.

Financial review

Strong financial performance

Group earnings after tax for 2014 increased by 25% to R634 million (2013: R507 million), with operating revenue growing by 13% (2013: 12%) to R1.8 billion (2013: R1.6 billion). This is underpinned particularly by strong growth in annuity revenue from listed companies (with 24 new listings in 2014 – the highest since 2008) and products as well as notable cost management. The following areas also made healthy contributions to revenue:

- Equity Market, where billable value traded grew by 7% year-on-year resulting in an 11% increase in revenue to R426 million (2013: R385 million);
- Post-Trade Services, where a combination of billable value traded growth and rebates given in the prior year resulted in growth of 20% to R299 million (2013: R249 million);
- Market Data where revenue grew 15% to R203 million (2013: R177 million) as a result of the growth in the number of data terminals and increased passive tracking; and
- In addition, new revenue lines in colocation and issuer services generated R9 million and R2 million respectively.

Group earnings before interest and tax (EBIT) increased by 22% (2013: 42%) to R704 million (2013: R578 million). The earnings per share (EPS) and headline earnings per share (HEPS) statistics are also pleasing at 742.4 cents (up 25%) and 735.0 cents (up 14%) respectively.

This performance has enabled us to declare a total dividend of R417 million (2013: R348 million) or 480 cents per share (2013: 400 cents), a record high dividend payout.

Sound cost control

We continue to demonstrate sound cost control, with total operating expenses up by 5.5% to R1.14 billion (2013: R1.08 billion).

Personnel, technology and technology related costs (depreciation) continue to be the principal components of our largely fixed cost base. These account for 68% of our cost base.

While we had a slightly lower headcount of 485 (2013: 497), personnel costs increased by 9.4% to R467 million (2013: R427 million). Normalised gross remuneration paid to employees increased by 6%. This is after accounting for one-off items that fall outside basic salaries (in both years), including restructure costs in 2014 of R6 million and a decline in the proportion of remuneration expensed rather than capitalised to internally developed software solution assets of R10 million (2013: 13 million). In addition, the discretionary bonuses linked to Group earnings grew by R15 million.

Other expenses grew by 3% to R669 million (2013: R650 million). Lower growth in non-technology expenses offset the high inflation rate on technology spend of 18% yoy to R202 million (2013: R171 million). Software maintenance, software licenses and labour brokers grew by 18% or R18 million, largely because of an increase in external services for work on the ITaC project, where no capitalisation on human resources cost has yet taken place. Other third party services, mainly related to IT infrastructure licenses, increased 32% yoy or R11 million. There was an increase of 27% or R3 million in server support and maintenance related to the colocation implementation. IT infrastructure connectivity costs also increased by 25% yoy to R2 million. In addition, the R48 million impairment expense in the 2013 base number was not repeated in 2014.

Keeping the cost base under control demands ongoing attention. Over the past four years, the compound annual growth rate of other expenses is 7% (excluding impairments), a positive reflection of these efforts.

Financial strength and cash generating ability

We end the year in a strong cash position, with R1.6 billion in cash (2013: R1.4 billion) and almost no debt.

Ongoing investment in the business remains crucial. We continue to apply cash to strategic investment projects for the year in accordance with our project capex rollout plan. Our planned third party capex spend for 2015 is R211 million (2014: R116 million).

Dividend

The Board and management remain confident in the underlying strength of our operations and our Group's continued strong cash flows. All currently planned investments and capital requirements for 2015 can be funded from our own resources. Accordingly, the Board has decided to declare an ordinary and special dividend for the year ended 31 December 2014 of 400 cents and 80 cents per ordinary share, respectively. This represents an increase of 20% yoy.

The Board has noted the increased global attention on the capitalisation of key financial market infrastructures, such as exchanges and clearing houses. The Board believes that the JSE is appropriately capitalised, given the nature of the risks we currently face and given the uncertain nature of future regulatory capital requirements.

Strategy and new business

Exchange-traded platform for government bonds

Our work with National Treasury and market participants to implement an electronic trading platform (ETP) for government bonds continues. We have requested four suppliers to participate in a formal request for proposal (RFP) to supply the necessary technology. In parallel, discussions are continuing with Strate, the SARB, the NT and market participants to finalise the regulatory, settlement and credit risk models.

Africa strategy

The JSE is an African exchange. Therefore we will continue to engage with African financial markets and companies to see how we can best leverage our deep and liquid capital markets, global connectivity and long-established capabilities in operating an exchange to be part of the solution in linking top African issuers with investors who are excited by the African story.

In 2014, we hosted our third Building African Financial Markets (BAFM) event. Delegates from 20 African countries joined us to workshop what it takes to build robust financial markets. We also hosted the Board of the Nigerian Stock Exchange in April.

The Kenyan and Nigerian exchanges both achieved significant milestones. The Nigerian Stock Exchange was admitted as a full member of the World Federation of Stock Exchanges (WFE) and the Nairobi Securities Exchange (NSE) succeeded in demutualising and successfully listing in the middle of the year. The JSE continues to explore areas of mutual benefit with both exchanges.

We attracted one African listing and listed three ZAR settled African currency pairs (Nigerian naira: ZAR; Zambian kwacha: ZAR; Kenyan shilling: ZAR). Additionally, together with the Lusaka Stock Exchange (LuSE) and the Zambian Commodity Exchange (ZAMACE), we announced in December 2014 that we are now able to progress the launch of derivatives contracts on Zambian agricultural products after the Zambian government's signing of an executive order enabling this to proceed.

JSE brand positioning

During the evolution from chalkboard trading and paper share certificates to high-frequency trading, the JSE has transitioned into a world-class exchange well recognised by our stakeholders. However, brands need to be continually refreshed and revitalised and we changed our visual identity by redesigning our logo and colour palette, giving our website a makeover to ensure easy navigation and better accessibility, and retiring noted brand names such as the Bond Exchange of South Africa (BESA) and The South African Futures Exchange (Safex).

The JSE's derivatives clearing house, Safcom, is now known as JSE Clear. We have retained the name of our hedge fund platform management business, Nautilus, which is a differentiated business within our Group.

Clearing over the counter (OTC) products

Definitive market support for a local clearing solution remains elusive. While we very much believe that it is important that there is a local OTC clearing house, our perspective remains that, without a clear regulatory imperative and stakeholder support, the JSE cannot justify implementing a local OTC solution on its own. We continue to engage with the various stakeholders in this regard.

Technology

Although we experienced a number of disappointing IT challenges during 2014, we are pleased to report we are achieving increasing levels of IT system uptime. This requires continuous attention.

T+3

The JSE's move to a T+3 settlement cycle will further align the South African market with global best practice and improve its efficiency and credibility. Apart from mitigating both systemic and settlement risk, the move to T+3 has numerous benefits for the market, including attracting foreign investors by harmonising settlement with international standards and boosting liquidity, as assets are released from the settlement process more quickly. We successfully implemented phase 2 the project in October 2014. Much of our effort in 2015 will be devoted to the third and final phase.

Colocation

The JSE successfully launched its colocation centre in May 2014.

The colocation centre allows our clients to place their trading equipment in our data centre, thus providing them with the lowest latency connectivity for trading and real time data. Demand for colocation has come from JSE members, their clients, data vendors, managed service providers and shared infrastructure providers, both locally and internationally. Most international demand comes from firms based in the UK. Value traded and the number of trades from our colocation facility accounted for 18.8% and 19.2% of the respective total by year-end December.

Integrated trading and clearing (ITaC)

We need to leverage our technology investments in order to provide all our markets with robust technology that can handle the growth we expect.

We have therefore decided to migrate all trading on our derivatives markets, commencing with equity derivatives, to the Millennium IT Exchange technology, which we successfully deployed for equities trading during 2013. We expect this transition, which is complex, to take a number of years.

The decision to migrate to a single trading platform for all our markets also necessitates implementing a new clearing solution and we will therefore be implementing the Cinnober solution to provide clearing services for all our derivatives markets.

The IT project involves two global IT suppliers and a large amount of internal IT development.

Stakeholder focus

There has been good improvement in our business relationships with key stakeholders over the past two years. This area requires constant attention, since the JSE exists to provide a service that its clients value.

We also remain in close contact with our regulatory bodies and the government. We maintain strong relationships with senior leadership at our regulator, the Financial Services Board (FSB), and with the National Treasury and the South African Reserve Bank.

Regulation

It would not be overstressing the point to note that our industry has been in the eye of a storm of new regulations for a number of years now. While in South Africa, many of these regulatory moves are still in draft form and are thus being discussed with the industry. The impact of the draft regulations, whether in relation to capital, twin peaks or OTC trading and clearing systems is potentially far reaching. We remain closely engaged with these regulatory developments since it is important that the regulatory kudos that South Africa has earned, even as we evolve our financial markets landscape.

Prospects

The JSE is a largely fixed-cost business. Costs are tightly controlled and the necessary capital investments are made in areas that will enhance the Group's sustainability. Our revenues are variable and largely driven by activity on the various markets that we operate. For this reason, the Board makes no projections regarding the Group's financial performance in 2015.

Notwithstanding the difficult economic environment that the Chairman describes out in her letter and in which we will be operating, we are clear about our 2015 priorities and hence the issues that we need to tackle in order to achieve our strategy. This sets us up for a demanding number of years of investment and delivery which, while impacting our income statement in the short term, are necessary to ensure our long-term sustainability.

Appreciation

This 2014 has been a year of restructuring our operating model to better integrate our business and to enable us to respond both faster and more cost efficiently to the competitive threats and opportunities we anticipate. These will, I believe, be critical elements in establishing long-term sustainability.

I would like to thank all our stakeholders for their frank engagement with me and the JSE team. We have worked hard to build a more collaborative relationship and I look forward to continuing our work in this regard in 2015.

As we tackle this year, I would like to thank all my colleagues at the JSE, and particularly the members of Exco, for their willingness to help chart our new path. It is such a pleasure to work alongside this team.

Nicky Newton-King
Chief Executive Officer

Operations

Capital Markets

The Capital Markets division was created in 2014 following the restructuring of the JSE's operating model to better leverage the JSE's multi-product nature to more effectively serve its clients.

It comprises the:

- Primary Market: attracting new and retaining existing listings to the Equity and Interest Rate Markets; and the
- Secondary Market: providing markets to trade Equity; Bonds and Financial Derivatives; and Commodity Derivatives.

Division responsibilities

The JSE's Primary Market sources issuers to list on the JSE's Equity and Interest Rate Markets. The team also focuses on retaining existing listed products.

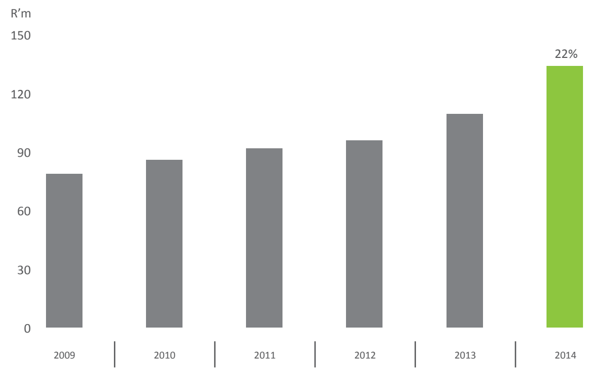
In the Secondary Market, the Equity Market's main focus is on providing trading in Equities, including Primary and Dual Listed Ordinary Shares, Preference Shares, Depository Receipts, property entities like Real Estate Investment Trusts (REITS), Special Purpose Acquisition Companies (SPACs), Warrants, Structured Products and exchange traded products (ETFs and ETNs). It also provides many ancillary trading services and customer support services.

The Bonds and Financial Derivatives Markets provide Secondary Market access to Financial Derivatives and to Debt Instruments.

- The Financial Derivatives Market provides a secure and efficient on-exchange market for trading Derivatives on financial assets in South Africa. The market provides professional traders and private investors with a platform for trading Index and Single Stock Futures and Options, Can-Do Futures and Options, Exchange Traded Contracts for Difference (CFDs) and other sophisticated Derivative Instruments in a liquid and transparent environment.
- The Financial Derivatives Market spans a number of product groups across the equities, currencies and interest rate asset classes. Clients can trade through a transparent central order book or simply report trades to the JSE.
- This market also provides access to Cash Debt Markets, trading the full spectrum of Cash Instruments listed on the JSE Debt Board. This includes Bonds, Floating Rate Notes, Commercial Paper and Hybrid Instruments.

The Commodity Derivatives Market remains the preferred platform for price risk management and price discovery for the physically-settled agricultural grain market in South Africa. It offers investors a range of cash-settled rand denominated derivatives on various international benchmark commodities, including softs, energy and various metals, under license from the CME Group.

Primary Market



How money is made

Revenue is earned through fees for new issuances, annual listings fees for all existing issuers, as well as documentation fees for dealing with specific corporate actions undertaken by companies during the year. In previous years, this revenue was disclosed under Issuer Regulation.

2014 in review

Revenue rose by 22% to

R134 million

(2013: R110 milllion) because of a rise in capital raising and new listing activity.

Percentage of total operating revenue (excluding Strate ad valorem fees): 8%.

Ended 2014 with 24 new company listings, compared with 13 last year. Listed seven new Exchange Traded Funds (ETFs), five Exchange Traded Notes (EFNs), 248 Warrants and 83 Structured Products.

837 new bonds issued during the year (2013: 815). The total nominal listed bond value by year-end December 2014 was R2.0 trillion (2013: R1.8 trillion), with 1 695 listings in total by year-end December 2014 (2013: 1 539).

AltX: Celebrated the 11th birthday of the AltX Board for small and medium-sized companies (SMEs). Since inception, AltX has supported the listing of more than 100 SMEs, resulting in 29 migrations to the Main Board. There were six new listings in 2014. AltX will remain relevant to the real economy of SA by affording SMEs an opportunity to raise capital and migrate to the Main Board.

Commodity Derivative products added: Diesel Hedge and new Can Do contracts

Launched new African Currency Derivatives

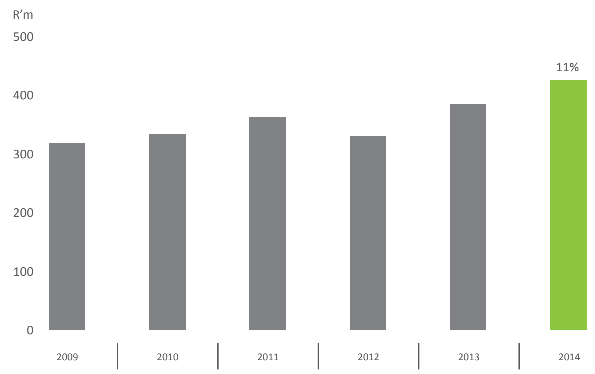
Looking ahead to 2015

The JSE will continue to encourage listings by promoting inward and fast track listings across asset classes as well as alternative risk structures using AltX's flexible listing requirements.

It also focuses on attracting meaningful African cross-listings and other new products that enable participation in the African growth story.

The team will continue to pursue new ETNs, ETFs, indices and cross-listings.

Secondary Market
Equity Market



How money is made

Revenue is earned mainly from equity transactions, charged on the value of each transaction leg with a 0.0053% value based charge with a maximum fee per transaction of R300. The value based model has been in place for the whole of 2014. The model discounts the highest value trades through the trade cap. The dynamic of fewer large reported trades, the increase in the number of trades, and the smaller average trade sizes resulted in revenue growth despite a modest increase in value traded.

In addition to this, colocation volumes and value traded accelerated in the second half of the year.

The Equity Market remains the JSE's biggest revenue generator.

2014 in review

Revenue rose by 11% to

R426 million

(2013: R385 million).

- Percentage of total revenue (excluding Strate ad valorem fees): 25%.
- The number of transactions year-on-year rose 19% to 46 million (2013: 39 million).
- Value traded increased marginally, by 2%.
- Average size per trade continued to decline (2014: 1 333; 2013: 1 640; 2012: 2 296).
- R345 billion in value was traded for December. This was the highest turnover for the month of December ever recorded.
- An all-time high in daily value traded was reached on 18 December, with value traded at R53.7 billion.
- There was a net inflow of R13.4 billion from foreigners in 2014 (compared with a R165.0 million net outflow in 2013).
- The colocation facility went live in the second quarter of 2014.

Approximately 65% of the JSE's Equity Market value traded can be attributed to computer based electronic trading, which includes algorithmic trading activity. During 2014, the average number of trades stood at 185 936 *per day*, compared with 120 000 *per month* in 1996 when the JSE implemented its first electronic trading system. The largest number of trades for 2014 occurred during October, when daily trade volumes reached almost 395 969 transactions – a significant increase compared with the previous record of just fewer than 300 000 trades.

Since go-live, there has been a steady increase in the average number of order messages and trade executions from the JSE's colocation venue. For year-end December 2014, colocation trade executions made up 19% of the overall market (October 2014: 21%; July 2014: 17%; May 2014: 10%).

Colocation introduced R9.2 million in revenue in 2014 and this new revenue line forms part of the JSE's strategic focus on innovative services.

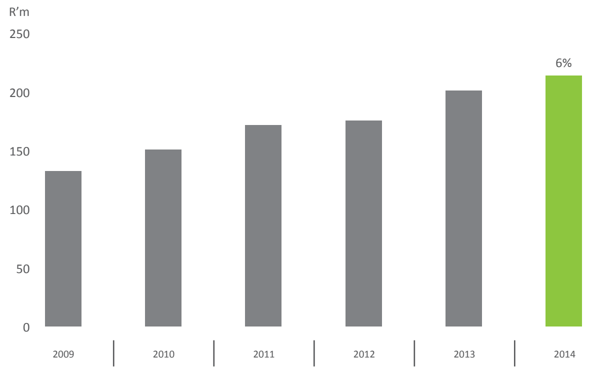
Looking ahead to 2015

On-screen Equity Market trading remains a central component to the JSE's trading revenue. Key business development areas include focusing on the improvement of liquidity and market efficiency and extracting synergies between its Equity and Equity Derivatives Markets.

The local and international markets' adoption of the JSE's colocation facility continues to be a strong potential growth area. Increased engagement with policymakers will remain an important action item, with the aim of breaking down barriers to foreign exposure in the domestic space.

The focus will remain on new clients and new products in 2015.

Bonds and Financial Derivatives Markets



How money is made

Revenue is earned by making use of a range of fee models, either based on the contracts traded or on the market value of transactions. In order to promote on-screen trading, the fee associated with on-screen trading is always lower than that for reported trades. Certain markets have value-based incentives in the fee model. For markets that require the support of market-makers, the fee model may also include specific incentives for this activity.

2014 in review

Total divisional revenue rose by 6% to

R214 million

(2013: R202 million).

- Percentage of total revenue (excluding Strate ad valorem fees): 13%.

Equity Derivatives Market

Equity Derivatives revenue rose by 12% to

R147 million

(2013: R132 million).

- Value traded rose to R6.0 trillion (2013: R5.1 trillion), an 18% increase.
- The number of contracts rose by 16% to 252.4 million (2013: 217.5 million).
- Equity Derivative Futures performed strongly, with a 23% increase in value traded for December.
- Index Futures and Single Stock Futures underscore gains in value traded, which grew by 18% in 2014.
- Foreign participation in Index Futures increased 19% year-on-year to 37%; increased participation contributed to increased liquidity.
- The weakening rand also contributed to a bigger appetite for the JSE's international derivative (IDX) product range (resulting in 47% growth in IDX value traded), as investors are interested in investing offshore.
- An all-time high in daily value traded was achieved on 17 June, recording a value traded of R157 billion.

Currency Derivatives Market

Currency Derivatives revenue declined by 2% to

R23 million

(2013: R24 million).

The number of contracts traded increased by 30% year-on-year to 44.6 million (2013: 34.3 million).

Open interest as at 31 December 2014 also increased by 94% to 3.5 million contracts (2013: 1.8 million contracts).

Launched new African Currency Derivatives. The US Dollar/ Rand Contract contributed to the larger volumes traded in the market.

Interest Rate Market

Interest Rate Cash Market revenue declined by 6% to

R43 million

(2013: R46 million).

Bond Market volumes declined by 4% to a nominal value of R18.8 trillion in 2014 (2013: R19.5 trillion).

The number of Interest Rate Derivatives contracts traded rose by 37% to 5.0 million (2013: 3.7 million).

This market implemented a reduced billing model in July 2014.

Open interest in the Interest Rate Derivatives Market as at 31 December 2014 rose by 19% from 380 365 contracts in 2013 to 453 330 contracts in 2014.

Progress is being made with the migration of the Equity Derivatives and Currency Markets to the same trading engine as the JSE's Equity Market and to a new clearing engine. This will leverage the JSE's investment in advanced trading technology. This decision forms part of the JSE's commitment to an integrated trading and clearing vision. (See *CEO's review – ItaC*, on page 19).

Work with the National Treasury and industry participants to implement an electronic trading platform (ETP) for the South African Government Bond market continues. For progress on this platform, see the *CEO's review – exchange traded platform for government bonds*, on page 19.

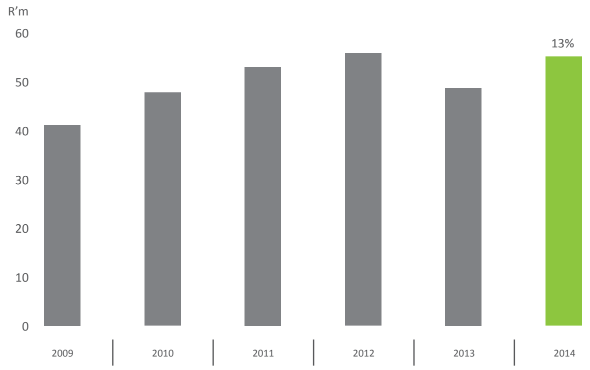
Looking ahead to 2015

Product innovation remains a driver for growth in all of the Financial Derivatives Markets.

The JSE will continue to progress its multi-asset-class integrated trading requirements. The team will close out on sourcing technology for an ETP for government bonds. There will also be a focus on simplifying billing models and market maker incentive programmes to enhance onscreen liquidity. The JSE sees important opportunities related to the real economy, debt cap raising in the local currency, and refinancing renewable energy transactions.

The Currency Market team will continue to roll out more African Currency Futures.

Commodity Derivatives Market



How money is made

Revenue is earned by charging a fee per contract traded, based on the underlying instrument. In addition to this revenue, a fee per ton of grain physically delivered is collected. To grow trade of the foreign commodities exposed to the US dollar exchange rate, the Market introduced Quanto Futures fixing the daily dollar-rand exchange rate on a one-to-one basis. In the most liquid of the physically-settled Grain Derivatives contracts, the underlying crop is traded 14 times over.

2014 in review

Revenue rose 13% to

R55 million

(2013: R49 million).

Percentage of total revenue (excluding Strate ad valorem fees): 3%.

Introduced the Diesel Hedge contract. Open interest continues to grow and is currently at 13 million litres.

Expanded the number of commodity Can Do contracts listed – 30 840 contracts traded by December 2014.

Secured the support of the Ministry of Agriculture and Livestock in Zambia in issuing the statutory instrument to progress with the issuing of warehouse receipts.
That will allow the division to proceed to list a range of Grain Derivatives products with specific delivery points in Zambia.

The basis premium platform is more widely adopted by the market. The combined record premiums paid this past year were just short of R8 million. Over half a million metric tonnes were traded through the platform, totalling this premium.

Looking ahead to 2015

The team will focus on introducing a commodity index, which is based on a number of Quanto Futures contracts that are already listed, including a minimum of five commodities. This index could be used by financial players in the market looking to diversify their exposure and include a commodity component.

The JSE will continue with its education programme to expand participants' knowledge of the commodity products available and how these can be referenced, either for hedging or for investment purposes. These initiatives all form part of the JSE's strategic focus on innovative product development. Through the reintroduction of a Mini-Maize Contract (equivalent of 10 tonnes) with the support of a market maker, the JSE remains committed to providing smaller market participants, including emerging grain producers, with access to an efficient hedging platform.

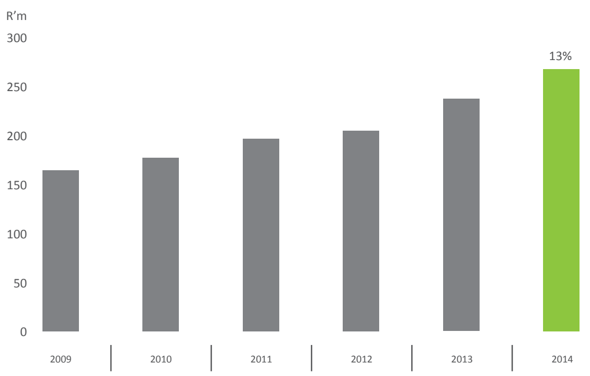
In February 2015, Euronext and the JSE signed a license agreement that will provide the JSE with the right to list the flagship Milling Wheat contract currently traded on Euronext.

The team will also present contract specifications for a cash settled beef contract and is in discussions with market participants to reintroduce a product for the beef industry to manage their price risk. In addition to this, it is researching the potential for Weather Derivative products as well as preparing its platform for the trading and clearing of carbon credits as the government progresses the implementation of a carbon tax.

The team continues to explore a range of new commodity products to provide the premier platform for price discovery and price risk management. By improving access to the market, the JSE performs a pivotal role in aiding the sustainability of this sector.

Trading and Market Services

Back-Office Services (BDA)



This division includes the JSE's Back-Office Services (BDA).

Division responsibilities

Back-Office Services (called the Broker Deal Accounting (BDA) system) gives the Exchange world class surveillance capabilities, allowing the JSE to see certain transactions to client level in real time. Equity members are mandated to use the system. The system keeps the securities records and books of individual broking firms and of their clients. It also enables the Exchange to provide settlement assurance for central order book equity transactions.

How money is made

Revenues for Back-Office Services are somewhat linked to the number of equity transactions that take place on the cash Equity Market. BDA fees are mostly charged on a per BDA transaction basis, with connectivity, subscription and dissemination fees being charged differently.

2014 in review:

Revenue rose by 13% to

R268 million

(2013: R238 million).

Percentage of total revenue (excluding Strate ad valorem fees): 16%.

The JSE also paid R5 million in rebates to equity members as a result of the growth in the number of transactions being significantly out of line with the growth in value traded.

Looking ahead to 2015

The division will be revising the existing BDA billing model and consultation on this issue will take place during 2015.

In line with the National Treasury's initiative to encourage a savings-driven society, the JSE will enable a low-cost client account in BDA. The JSE is collaborating with member firms and other stakeholders in this regard.

The division will continue to do ongoing maintenance to BDA in addition to making significant changes required to accommodate T+3, improve functionality, deliver on clients' requirements and meet increasing regulatory demands.

Post-trade and Information Services (PTIS)

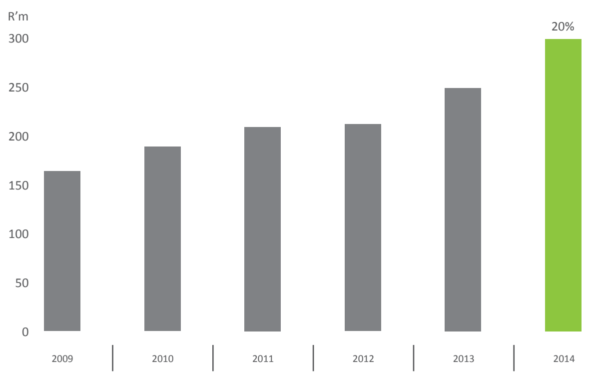
These services include Equity Risk Management and Market Data.

Division responsibilities

PTIS includes Market Data, Group Economics, Public Policy, Indices, Business Intelligence Analytics, and Valuations and Risk Management, and is also responsible for clearing and guaranteeing the settlement of central order book equity transactions and managing the Group's derivatives clearing business.

Market Data provides financial market participants with fast, reliable and accurate information as well as investable index solutions. The division promotes and sells live, statistical, historical and end-of-day data for all JSE markets. It is also responsible for the licensing of all JSE indices as well as the promotion and sale of colocation services.

Risk management



How money is made

Currently, Risk Management revenue reflects only the Equity Market clearing and settlement fees, which involves the Exchange charging a value-based clearing and settlement fee implemented at the end of June. The JSE implemented a billing model change on 30 June 2014, when the existing hybrid model was replaced with a 0.0034 value based charge and a maximum fee per transaction leg of R130. A value based billing model was in place for the second half of the year and a trade based model for the first half. The market dynamic has been changing over time and smaller trades have been occurring. This change in behaviour has resulted in an overall drop in the average size of the trade, even though the number of trades has been increasing. There has been a drop in large reported trades, which historically increased value traded, but did not bring large revenue because of the trade cap. Larger trades are therefore effectively less expensive.

Though Risk Management revenues are linked to the number of Equity transactions that take place on the Equity Market, the increase in clearing and settlement revenues did not track Equity trading activity exactly, because of the different pricing points between Equity trading and clearing (both of which are value based, but at different pricing points).

Although the division risk manages the clearing of Derivative transactions, the JSE does not bill separately for this service. Derivative transactions are billed using a per contract fee, which is accounted for in the Bonds and Financial Derivatives division.

2014 in review

Revenue rose by 20% to

R299 million

(2013: R249 million).

Percentage of total revenue (excluding Strate ad valorem fees): 18%.

Implemented phase 2 of the T+3 settlement model for the Equity Market.

In the Derivatives Markets, structural improvements were made to risk management, including the introduction of a new mutualised default fund and new liquidity lines to enhance settlement assurance.

The team started working towards achieving compliance with the European Securities and Markets Authority (ESMA) requirements to enable multinational clearing bank members to comply with European extra-territoriality requirements.

The JSE's top priority project to reduce the settlement cycle from five days to three is progressing well. Phase 2 of the T+3 project was successfully implemented in October and phase 3 is currently under way. The move to T+3 is a major step in aligning the JSE with global best practice, and fulfils obligations stipulated by its regulator, the Financial Services Board. This move will improve the efficiency and credibility of local markets, which have long lagged their foreign counterparts in terms of settlement cycle length. Benefits associated with a shorter settlement cycle range from a reduction in the value of unsettled trades to improved liquidity and numerous operational efficiencies.

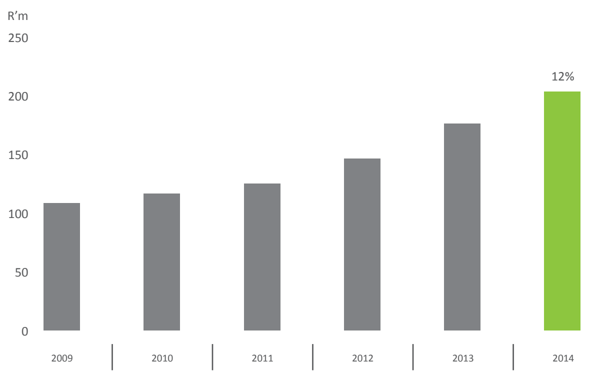
Looking ahead to 2015

Phase 3 of the T+3 project will be implemented in 2016.

A new integrated clearing solution for all markets will be implemented over the next four years. This solution will introduce real-time clearing and will enable a central point of risk management across markets. Benefits from this technology include margin offset and cross-collateralisation. There will be a continued focus on various initiatives to strengthen the on-exchange clearing business, including the revision of the equity risk model and risk enhancements to the central counterparty (CCP) revised valuation services.

The division continues to make enhancements to the sophistication of post-trade risk and capital management in all markets. In addition, the JSE Group capital requirements are being reviewed, given the recent regulatory guidance. All of these initiatives are in line with our strategic focus on integrated clearing and settlement.

Market Data



How money is made

Revenue is earned by providing licences for the use of data or indices and by charging a fee per user or terminal.

2014 in review

Revenue rose by 15 % to

R203 million

(2012: R177 million), which is attributed to a growth in terminals, increased licensing of passive tracking funds and a growth in the number of international clients.

Percentage of total revenue (excluding Strate ad valorem fees): 12%.

Revised and implemented a new commercial policy and methodology for non-display usage. Revised the commercial policy for passive tracking licensing, for implementation in 2015.

35 new clients have signed up for Market Data products (20 local clients and 15 international clients).

Continued to grow products tracking JSE indices.

The growth in assets under management increased by 12% (2014: R559 billion compared with 2013: R499 billion).

The number of passive tracking products linked to JSE indices increased by 12 in 2014. The number of terminals accessing JSE data has increased by 6%, compared with global industry growth of 1.5%.

The number of international and local client terminals by year-end were 17 322 and 22 000 respectively (2013: 17 035; 20 116).

Successfully completed the implementation of phase 2 of automation to further enhance performance and delivery.

Launched key investment index.

Looking ahead to 2015

To grow revenue, the team will continue to focus on expanding the JSE's international client base and will launch new indices products and services, as well as exploring other market data products across all markets. A total of 49% of Market Data's revenue is generated outside of South Africa, with the largest revenue growth coming from the US.

The team will also focus on standardising indices contracts across all markets and reviewing commercial policies for specific market data product lines.

During 2015, Market Data will focus on completing the final phase of the automation, driving the initiative to facilitate the delivery of derivatives data internationally to expand derivatives data sales. It will also focus on product development across all markets to create a pipeline of new products for future growth.