

NAIROBI SECURITIES EXCHANGE PLC

2020 AGM QUESTIONS FROM SHAREHOLDERS

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| 2020 AGM QUESTIONS FROM SHAREHOLDERS | | | |
| | NAMES OF SHAREHOLDERS WITH A SIMILAR QUERY/QUESTION | SHAREHOLDERS QUERY: DIRECTORS UP FOR RE-ELECTION | ANSWER |
| 1. | <p>Onyango, Willis Omondi</p> <p>Rukwaro, Isaac Wanjohi</p> <p>Muriuki, Stephen Maina</p> <p>Wachira, Charles Kamau</p> <p>Ngaine, Stanley</p> | <ul style="list-style-type: none"> Which directors are up for re-election in 2020? To avoid directors representing Trading Participants overstaying on the board of NSE by offering themselves for re-election upon rotation thereby denying other players opportunity to serve and contribute to the market, it is proposed that the board consider changing the ARTICLES OF ASSOCIATION such that a director representing the Trading Participants serves on the board of NSE for a maximum of two terms of two years each and the Council of Kenya Association of Stockbrokers & Investment Banks (KASIB) will have the final say as to who joins the board of NSE. This proposal has the support of Sterling Capital Ltd. | <ul style="list-style-type: none"> Mr. Samuel Kimani- Chairman Mr. Bob Karina- Vice Chairman Mr. Michael Turner All Directors of the NSE are up for re-election every three years with a maximum term limit of nine years (3 terms). As a critical stakeholder, the Kenya Association of Stockbrokers & Investment Banks (KASIB) continues to engage in the process of proposing persons who can represent the Trading Participants on the NSE Board on. |
| 2. | NAMES OF SHAREHOLDERS WITH A SIMILAR QUESTION/QUERY | SHAREHOLDERS QUERY: DIVIDEND RATE AND PAYMENT DATE | ANSWER |
| | <p>Kinyutu, Godfrey Gichuki</p> <p>Mungereti, Joseph Mwangi</p> <p>Gitau, Irene Wanjiru</p> <p>Wainaina, Simon Mburu</p> | <ul style="list-style-type: none"> What is the dividend rate and the payment date? | <ul style="list-style-type: none"> The NSE will pay a dividend of Kshs. 0.08 per share in relation to the financial year ended December 31, 2019. Dividends will be paid on or before August 31, 2020. |

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| <p>Mbugua, Jesse Ndiki</p> <p>Mbaya, Jennifer Naitore</p> <p>Karagu, Daniel Githaka</p> <p>Njagi, Isaiah Njeru</p> <p>Mathenji, Beatrice Wanjiru</p> <p>Mbiti, Shadrack Musau</p> <p>Thuku, Elizabeth Wanjiku</p> <p>Mwangi, Catherine Muthoni</p> <p>Balos, Nicholas Kipketer</p> <p>Nyaoke, Vincent Wilson Owour</p> <p>Rutere, Purity Wamuyu</p> <p>Bett, Dorcas Cheruto</p> <p>Kairu, Francis Njogu</p> <p>Balos, Nicholas Kipketer</p> <p>Wanyoike, Joseph Nganga</p> <p>Ado, Adan Ume</p> <p>Wainaina, Esther Wanjeri</p> <p>Nderitu, Mathew Njeru</p> <p>Mwangi, Catherine Muthoni</p> | <ul style="list-style-type: none"> • The 2019 Dividend per share is proposed at 8 cents compared with 49, 30 and 30 cents for years 2018, 2017 & 2016 respectively. The huge drop in 2019 dividend per share when total revenue was not materially different from previous years could discourage retail investors from participating in the securities exchange. What assurances can the directors give that control of costs will be given top priority? • 2019 Dividend per share is proposed at 8 cents compared with 49, 30 and 30 cents for years 2018, 2017 & 2016 respectively. The huge drop in 2019 dividend per share when TOTAL REVENUE was not materially different from previous years could discourage retail investors from participating in the securities exchange. What assurances can the directors give that control of costs will be given top priority? | <ul style="list-style-type: none"> • The increase in directors' fees was based off an industry wide market survey that indicated that the NSE was paying directors fees well below the market average. The dividend paid out is based on our dividend policy which states that the company pays out a maximum dividend of 40% of Profit After Tax (PAT). The directors are cognizant of the company and industry wide challenges and have put in place a raft of cost cutting and revenue generating measures including strategies to boost listings like the lbuka program and continued engagement with the Government for more privatizations and also reducing its stake in some listed State Owned Enterprises while actively seeking out listings on our other asset classes. • Total turnover was materially different from 2018. Total NSE revenue in 2019 declined by Kshs 76m from 2018 mainly impacted by the decline in equity turnover fees by Kshs 52m. Interest income in the review period decreased by 27m over 2018 due to utilization of cash deposits on acquisition of strategic investments. The one off staff restructuring cost of Kshs. 52 Million in 2019 and the capitalisation of the new systems as indicated above also affected the performance of the |
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| <p>Tungu, Gloria Malia</p> <p>Mutiga, Jasonmurimi</p> <p>Kiarie, Paul Gichuhi</p> <p>Kilumbu, Amos Muthui</p> <p>Kasera, Samuel Ochieng</p> <p>Agnes, Kirinya Kamba</p> <p>Stanley M. Ngaine</p> <p>Mucuca, Gabriel Gitau</p> <p>Kogi, Hellen Wanja</p> <p>Kinyutu, Godfrey Gichuki</p> <p>Wanyama, Dalmus Josephat Ojuang</p> <p>Koko, Evans Otieno</p> <p>Mathenji, Beatrice Wanjiru</p> <p>Githu, Margaret Wanjiru</p> <p>Nyaga, Janet Wambeti</p> <p>Liveha, Saladin Musoma</p> <p>Nang'ame, Frank</p> <p>Osodhi, John Sirro</p> <p>Wambua, Immaculate Katumbi</p> | | <p>NSE resulting in a decline in profit after tax by Kshs 122m or 67%.</p> <p>Dividend payout is guided by the company's dividend policy at a maximum of 40% of Profit After Tax (PAT), meaning the company's performance directly impacts the dividend paid out to shareholders. That said, the Board and Management is actively working on growing new business lines to boost revenue generation, this includes data and training revenue. To grow the data and training business lines, we have reviewed our offering, expanding the portfolio of data and training products and will be partnering with institutions of higher learning to offer data and training services. As mentioned above we are also working tirelessly to attain a cost income ratio of 65%.</p> <p>Do note that the 2019 dividend paid out of Kshs 0.49 included an ordinary dividend of Kshs 0.29 per share and a special dividend of Kshs 0.20 per share.</p> |
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| | <p>George, Joseph Otieno</p> <p>Kahu, Margaret Wambui</p> <p>Esther Wangithi Wamaitha</p> <p>Mutai, Joran Kiptoo</p> <p>Mwatu, Geoffrey Kavoi</p> <p>Manono, Herbert Amugune</p> <p>Kariuki, Peter Mwangi</p> <p>Liveha, Saladin Musoma</p> <p>Kusina, Benson Eshikuta</p> <p>Mutugi, Evelyn Kathuure</p> <p>Kiraguri, James Muruthi</p> <p>Kabage, Paul Maina</p> <p>Wanjiru, Elizabeth Wambui</p> | | |
| 3. | NAMES OF SHAREHOLDERS WITH A SIMILAR QUESTION/QUERY | SHAREHOLDERS QUERY: PAYMENT OF DIVIDENDS THROUGH M-PESA | ANSWER |
| | <p>Wanyama, Dalmus Josephat Ojuang</p> <p>Kinyutu, Godfrey Gichuki</p> <p>Mburu, John Allan Mwaura</p> | <p>How can I receive my dividends through M-Pesa?</p> | <p>To receive dividends through M-Pesa, Kindly fill in the Mpesa opt in form available on the NSE website www.nse.co.ke under the Investor Relations tab, attach ID and KRA Pin and send it to info@nse.co.ke</p> |

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| | <p>Hache, Solomon Ali</p> <p>Njuguna, Wilson Njoroge</p> <p>Kagwai, Ann Nyandia</p> <p>Ndumia, Samuel Kamiri</p> <p>Kilonzi, Everline Mali</p> <p>Kabuga, Daniel Wachira</p> <p>Maina, Mary Nyambura</p> <p>ngatia, lucy wanjiru</p> <p>songole, jayne cindy kavuha</p> | | |
| 4. | NAMES OF SHAREHOLDERS WITH A SIMILAR QUESTION/QUERY | SHAREHOLDERS QUERY: DIVIDENDS NOT RECEIVED/ CHALLENGES WITH ACCOUNT NUMBERS/ACCOUNT STATEMENTS | ANSWER |
| | <p>Ndege, Beatrice Wakabu</p> <p>Dass, Georgia Tina</p> <p>Mugambi, Tony Murithi</p> <p>Wachira, Janet Kirigo</p> <p>Nyaga, Janet Wambeti</p> | <ul style="list-style-type: none"> How can I receive dividends from previous years? How can I get my account statement? | <ul style="list-style-type: none"> Investor to get in touch with the NSE Registrars, the Central Depository and Settlement Corporation through helpdesk@cdskenya.com for the replacement of the pending dividend cheques. Investor to get in touch with the NSE Registrars, Central Depository and Settlement Corporation through helpdesk@cdskenya.com to receive their CDS accounts statements. |

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| Muthoni, Jackline | | |
| Mungai, Serah N | | |
| Kariuki, Jecinta Wangui | | |
| Karienyee, Joseph Macharia | | |
| Gitata, Hellen Wangari | | |
| Mwangi, Joyce Wanjiru | | |
| Kimani, Paul Kinyanjui | | |
| Saidi, Alfred Nathan | | |
| Moyi, Judith Maikuba | | |
| Kimani, Elizabeth Wamaitha | | |
| Njoroge Njoroge, Daniel | | |
| Njoroge, Daniel | | |
| Njero, Clarice Miriam Ng'ondi | | |
| Ngava, Edward Muimi | | |
| Ouko, Jane Nyabageni | | |
| Mwangi, Salome Wairimu | | |
| Ngugi, Mark Mbugua | | |

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| | <p>Karienyee, Joseph Macharia</p> <p>Nduati, Teresa Wambui</p> <p>Karanja, Mary Muthoni</p> <p>Kirigu, Esther Nyokabi</p> <p>Mbuthia, Erustus Kamonji</p> <p>Njehia, Charles Mburu</p> | | |
| 5. | NAMES OF SHAREHOLDERS WITH A SIMILAR QUESTION/QUERY | SHAREHOLDERS QUERY: FINANCIAL STATEMENTS | ANSWER |
| | <p>Kahama, Alex Mugo</p> <p>Kasera, Samuel Ochieng</p> <p>Manyuru, Richard Heri</p> <p>Mungereti, Joseph Mwangi</p> <p>Ngaine, Stanley</p> | <ul style="list-style-type: none"> How can one access the NSE 2019 Integrated Report and Financial Statements? Total income for years 2019, 2018, 2017 and 2016 were Kshs 716, 782, 753 and 717 million while net profit was 80, 191, 219 184 million respectively which is a clear indication that directors failed to control costs in 2019 and hence much lower net profit after tax that contributed to the very low dividends in 2019 | <ul style="list-style-type: none"> Investors can access the 2019 Integrated Report and Financial Statements on the NSE website www.nse.co.ke under the Investor Relations tab. <p>Alternatively, a copy to be shared with them on email by making the request to the NSE on info@nse.co.ke</p> <ul style="list-style-type: none"> The operating environment in 2019, both globally and locally was very challenging and quite unique. The net income in 2019 was lower due to a 9% decrease in revenues mainly as a result of a decline in equity trading turnover which declined by Kshs 525m or 12% |

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| | | <p>compared with years 2018, 2017 and 2016. What measures has the Board of NSE put in place to control costs going forward?</p> | <p>from Kshs.351 Billion in 2018 to Kshs.307 Billion in 2019.</p> <p>Administrative expenses also increased by 12% from Kshs. 560 Million in 2018 to Kshs. 625 Million in 2019 mainly arising from: a one off staff restructuring cost of Kshs. 52 Million in 2019. This is not expected to recur in 2020. In addition, the ATS system upgrade and the derivatives market were launched in the year. Both ATS and derivatives systems were capitalized in 2019 resulting in an increase in amortization and depreciation expenses by Kshs. 11.7 Million.</p> <p>The Board has put in place a comprehensive cost cutting and revenue generating strategy as part of our 2020 - 2024 corporate wide strategy. The company will focus on cost management as one of its key deliverables this year. This will be achieved through increased automation and leveraging on the new trading infrastructure. Through these and other innovative initiatives the company is keen on creating a cost efficient organization to attain a cost income ratio of 65%</p> |
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