



Welcome to the inaugural edition of the quarterly Exchange Bulletin which aims to provide insight on the activities going on at the Exchange.

Over the years the Exchange has grown in leaps and bounds achieving major milestones in line with its vision to be a leading securities exchange in Africa, with a global reach.

The Exchange is currently among the top five leading Exchanges in Africa, with leading trading technology and an exceptional track record in product innovation.

The Exchange remains focal in the development of the Kenyan economy, providing corporates and the government with a unique opportunity of raising capital for their projects.

The year 2016 is pivotal for the Exchange as we look to diversifying our product offering by introducing innovative products such as; the Derivatives Market, Exchange Traded Funds and the M-Akiba Bond. We will also be engaged in increasing issuer listings on our newer markets i.e. The Real Estate Investment Trusts (REITS) and the Growth Enterprise Market Segment (GEMS)

We ask you to join us in our journey of discovering opportunities.

Geoffrey O. Odundo
Chief Executive

News Board

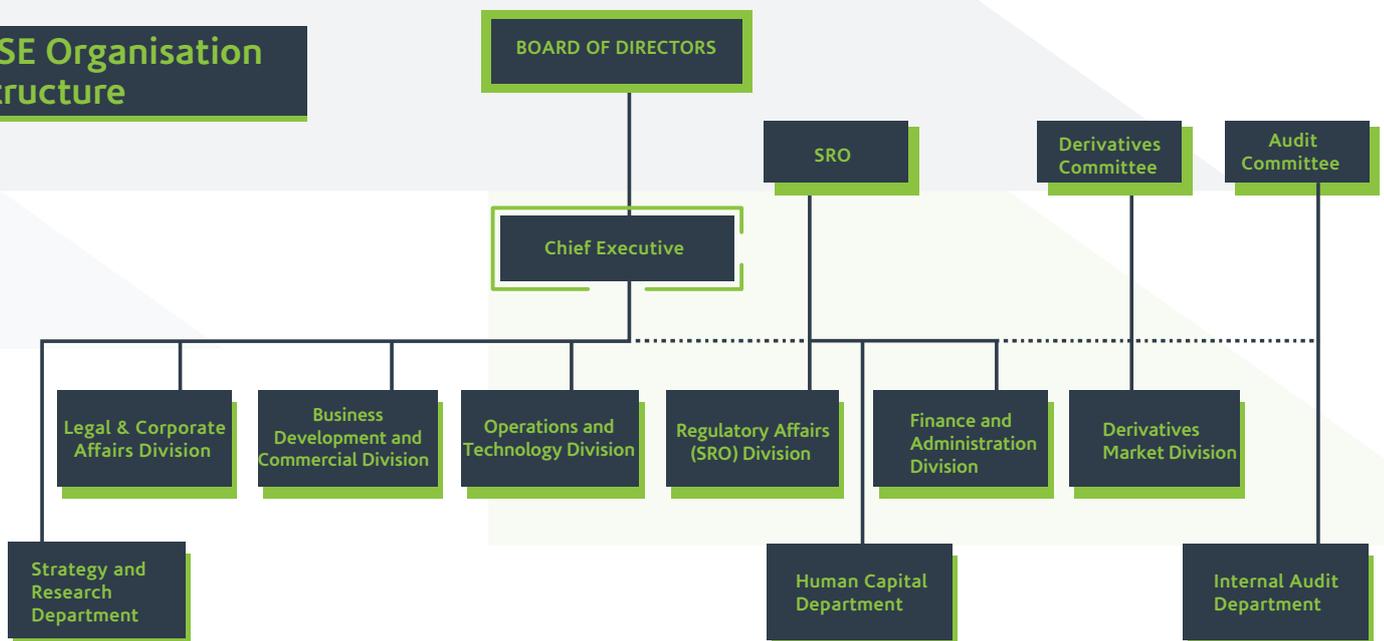
In line with the 2014-2019 strategy, the Exchange undertook a comprehensive review of its organizational structure in 2015 with the aim of strengthening its organizational capacity, governance, and value proposition. *“It is vital that we attract and retain top talent in our industry as we aim to further accelerate growth of the Exchange”* says Mr. Odundo

A reputable human resource and organizational consultancy was contracted to facilitate the review which included evaluating all positions with a view to proposing a new structure that would drive the strategy. The consultant undertook a job evaluation, recommending a competitive benefits structure that would ensure that the NSE enhances

its organizational effectiveness and maintains remuneration approaches that match industry best practice.

“The new structure was approved by the Board in August 2015 and has been successfully implemented with a few positions pending recruitment and will be filled on a need basis” says Lucy Kamar, the Head of Human Capital.

NSE Organisation Structure



NSE participates in East Africa's first Islamic Finance Conference

The NSE recently partnered with East Africa Business Network to host East Africa's first Islamic conference which looked at opportunities of project finance through Sukuks. "As East Africa continues to grow there is need to enhance its infrastructure through various infrastructure projects with blended financing arrangements such as Islamic finance," says Mr. Odundo.

Over the past 8 years, Kenya has witnessed considerable growth in Shariah compliant banking (with 2 fully fledged Islamic Banks and 6 Islamic Windows in the conventional banks) plus the establishment of the first Takaful Company.

The Exchange is committed to the development of Islamic finance in Kenya. However a lot of investor education needs to be done for the issuers and retail and institutional investors to

embrace and use Islamic financial instruments as an investment tool that can meet their investment objectives and help investors widen their portfolios.



Nairobi Securities Exchange CEO addressing the audience at the East Africa Islamic



MR. Henry Rotich, Cabinet Secretary for National Treasury (Sitting in the middle), NSE Chief Executive. Mr. Odundo (Standing in the middle) and other local and international delegates at East Africa Islamic Summit on 17th February 2016 at Villa Rosa Kempinski, Nairobi

NSE Rings the bell for Gender Equality and signs the Women Empowerment Principles

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The Exchange joined 34 stock exchanges globally to 'Ring the Bell for Gender Equality' commemorating International Women's Day whilst raising awareness on the importance of gender equality in the capital markets.

The event by the 35 exchanges was spearheaded by a global partnership between the Sustainable Stock Exchanges (SSE) Initiative, UN Global Compact, IFC, UN Women, Women in ETFs and the World Federation of Exchanges.



Ms. Zebib Kavuma, Country Director, UN Women Kenya, Mr. Geoffrey Odundo (Center) and NSE Chairman Mr. Eddy Njoroge upon NSE signing the Women Empowerment Principles (WEPs) document

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NSE, as a partner in the SSE initiative, joined this global collaboration to highlight the business case for women's economic empowerment, as well as opportunities for the private sector to advance gender equality and sustainable development.

NSE was the first Exchange to Ring the Bell for Gender Equality with the series concluding on 11 March 2016, at Bursa, Malaysia.

As part of its commitment to the Sustainable Development Goals (SDGs) the Exchange also signed the Women Empowerment Principles (WEPs) calling for the implementation of the Principles amongst listed companies in Kenya.



Gender Equality for Business Success moderated Ms. by Nuru Mugambi (Far left). Panellists: Mr. Geoffrey Odundo, NSE CE, Ms. Wambui Kosgei, Group Legal Director, EABL, Ms. Sarah Richson, Global Director - HR at Techno Brain, Mr. Jeremy Awori MD, Barclays and Ms. Josephine Mungai, IFC World Bank (Far right)



Mr. Eddy Njoroge Chairman, NSE and Ms. Zebib Kavuma, Country Director, UN Women Kenya ring the Bell for Gender Equality flanked by other dignitaries.

NSE announces its 2015 Full Year results



NSE continued to deliver substantial shareholder value in the midst of the volatile macro- economic environment, impacted by the introduction of the Capital Gains Tax (CGT), rise in interest rates and volatility of the currency in 2015.

Shareholders of the Exchange will receive a payout of Kshs. 0.49 per ordinary share for the year 2015, an increase of 29% from the dividend paid in 2014 of Kshs. 0.38. For the first time since its listing, the Exchange will make a bonus issue of one new ordinary share for every three fully paid up ordinary shares accentuating the company's long term growth strategy.

Overall, the NSE realized a marginal decrease of Kshs 13.6 million (1.7%) in total income of Kshs. 808.3 million compared to Kshs. 821.9 million the previous year. Profit After Tax stood at Kshs. 305.6 million, a 4.5% decrease in net earnings of Kshs. 320 million recorded in 2014. Equity turnover dropped by 2.78% to Kshs 419 billion from Kshs 431 billion and fixed income market performance declined by 39.7% from Kshs 1,012 billion in 2014 to Kshs 610 billion in 2015.

In spite of the decline in profit, we are optimistic of better performance in 2016 championed by new products innovation such as; Derivatives and Exchange Traded Funds (ETFs). We are also aggressively seeking new listings in our existing product lines. The Exchange is also upgrading its Automated Trading System (ATS) to support its new product and service offerings.

NSE participates in the SME FEST 2016

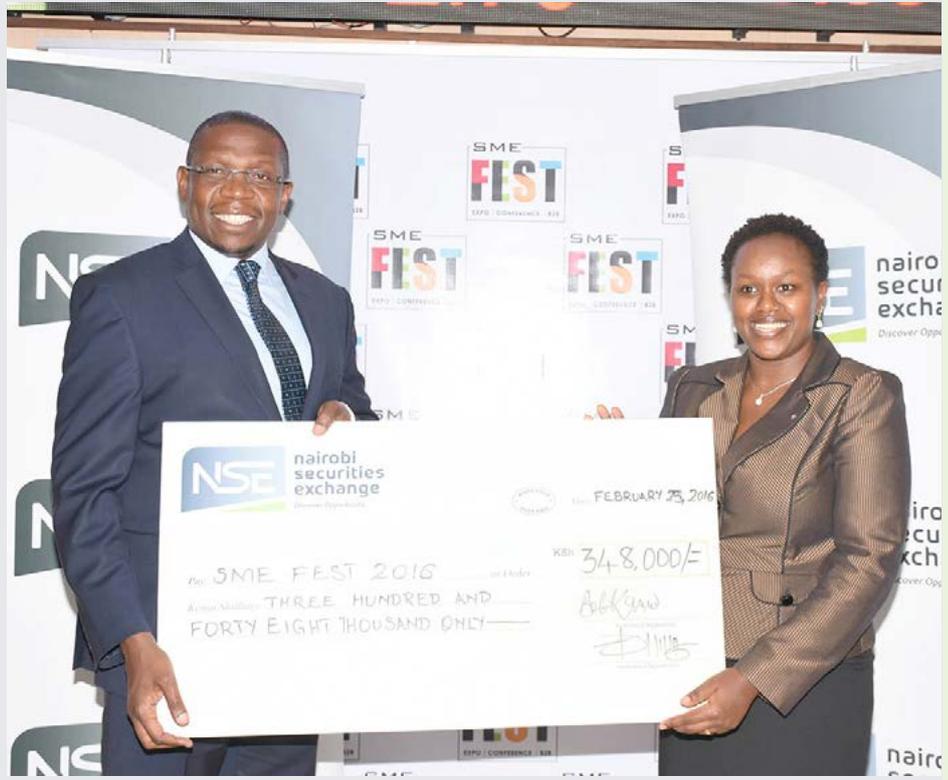
Small and Medium enterprises (SMEs), contribute about 45 per cent of Kenya's GDP, offering employment to the largest percentage of the Kenyan population.

Through its Growth Enterprise Market Segment (GEMS), NSE gave a sponsorship of Kshs 300,000 towards the inaugural SME FEST 2016. Growth Capital session, a forum organized with the aim of promoting the growth of SME's in the country.

The SME FEST held on April 2016 provided SMEs with a unique opportunity to learn global best practices and for businesses to network and develop relationships with prospective partners, further enhancing their growth potential.

Commenting on the event Mr. Odundo noted, "Our sponsorship of the "Growth Capital" Session during the SME FEST 2016 enabled entrepreneurs to understand the

benefits of listing on GEMS providing SMEs with a unique opportunity to bolster their capital base, facilitating their development strategies and in turn promoting our Country's economic growth."



Mr. Geoffrey Odundo NSE Chief Executive, handing over a sponsorship cheque to Ms. Dorcas Muthoni CEO, Openworld Limited for the SME FEST.

NSE participates in the East Africa Property Investment Summit

The East Africa Property Investment Summit held on April 2016 is a conference that focused on bringing together key stakeholders in the property industry with an aim of discussing opportunities created by the nascent real estate growth and structural changes witnessed in the East African region over the past decade. The summit brought together real estate stakeholders from across the East African region. NSE participated in this summit to promote the Real Estate Investment Trusts (REITs) segment.



NSE Chief Executive, Mr. Geoffrey Odundo (centre) participates in a panel discussion during the East Africa Property Investment Summit

Up Close & Personal with Caleb Kivuva Director Operations and Technology at NSE



- **Who is Caleb Musau and what do you do for the Exchange?**

Caleb is someone who is still striving to discover himself. To his family he is husband, father, mentor; To his community; he is an employer and contributor for social good and to his employer he is a faithful servant.

At the Exchange, I am privileged to lead a team of about 12 talented individuals in Information Technology as well as Operations. This is the team that ensures that the Securities Exchange Market is functional, available and orderly for investors to acquire or dispose financial assets in the form of shares, bonds and the soon to be derivatives.

- **What is your typical working day?**

My typical working day is a 12+ hour day that begins at 6 a.m. I am not a morning person, I'm an evening person who has no choice but to rise early since I find myself having better command of my day when I begin early rather than when I have to catch up when the day has already begun.

My typical working day, involves leading, advising, reviewing, evaluating, strategizing, mentoring, and coordinating.

- **What is the most challenging thing you have encountered while working at NSE?**

NSE is a consistently challenging environment that fully engages your every faculty eliminating boredom.

I handle a division that I would refer to as ambidextrous, because on one hand we have to focus on effectively managing the operations of the securities market on a day to day basis (Market Operations) while on the other (Information Technology) we have to gaze forward, explore and prepare for innovations that will define the future of trading at the Exchange. That in itself is challenging enough...a good challenge.

The real (bad) challenge comes around the day you decide to go slow and commence your day at 9 a.m. and then you get an update that "...there is a hitch with the trading systems"...and we have communicated with MIT..."

with the rest of the update passing you in a daze. Now that's a real challenge because besides worrying about resolving the issue in a timely manner to enable trading, you have to worry about your investors and Regulators. This just exerts a different type of pressure that is not easy to get used to. Thankfully we have managed to minimize such incidents, priding ourselves with an availability of 99.5% in the year 2015, (now you begin to appreciate why I'd rather my day begins at 6 a.m.)

- **Something people do not know about you? Share something interesting about yourself**

In my next life, I want to be a Chef. Oh Yes. I'm good with my hands and really find pleasure creating things with my hands. I wonder whether this means that I am hands on?

I'm the type that quickly looks up a recipe and goes on to try it.

I also have a short concentration span and get bored easily. Hence I can't watch a movie from beginning to end.

- **What talent do you wish you had?**

Comedy, drawing laughter out of people naturally and with least effort. I admire people who can do so.

I also wish that I was an avid reader.

- **What inspired you to do what you do?**

I perceived working for NSE as offering an opportunity to apply knowledge I had acquired in 13+ years or working in diverse environments and projects. I must also appreciate that it's been a tremendous learning ground for me especially considering the metamorphosis that NSE has been going through in the last 3 years.

- **If you were to change jobs, what profession would you get into? Why?**

Teaching and mentoring

- **What would you do if you were a president for a day?**

Well, I believe it takes longer than a day to be effective in any domain.

But if I was President for a day, I would love to indulge the ordinary citizen and tell them that there is hope and that their vote and the type of leaders they elect make a huge difference in the way the country turns out.

- **What's your favourite book?**

Being the avid reader that I am not, my most favourite book is one I began but have not completed - the **Power of Habit** by Charles Duhigg

- **Parting shot/ word of wisdom?**

There is a reason you go through what you go through in life be it in your working life or social space. Do not take your experiences (or challenges) for granted for they could be preparing you for the great future that lies ahead of you. Sooner rather than later, you may find that your experiences were orchestrated to facilitate your entry into a future that required someone like you.



NSE, we see the bigger picture



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