



nairobi securities exchange

Discover Opportunity

The Exchange Bulletin

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Welcome to the first edition of the 2017 exchange bulletin



Welcome to this year's first edition of the quarterly Exchange Bulletin, which aims to update you on the developments at the Exchange.

2016 was an overall dampened year in terms of the performance of the Exchange. The market was generally bearish which affected our financial performance. We are cognizant that 2017 comes with its own macro-economic dynamics including an unprecedented drought, economic effects of the interest rate capping and the general elections to be held in August. In light of this the Exchange will adopt a strategic emphasis on cost management and delivery of new product and revenue lines.

In Q1 of this year, we launched the Exchange Traded Fund Segment and listed the first Gold ETF on the bourse. We will continue to create awareness on this segment, in the course of the year to ensure all players appreciate and understand how these instruments are structured and traded.

We are also happy to announce the launch of the M-Akiba Retail Bond, through a Special Limited Offer. The Exchange

was appointed by the National Treasury to spearhead this project and we believe it will revolutionize the capital markets by giving all Kenyans access to the market through their mobile phones and also through the reduction of the minimum investment of a government bond to Kshs. 3,000. Kenya is the first country in the world to offer a Government bond traded exclusively through a mobile phone platform.

The Exchange continues to be innovative whilst providing a world class trading platform.

I would like to thank all employees of the Exchange for their zealous hard work which continues to be evidenced as we stand out as one of the best African Stock Exchanges. We also appreciate our other stakeholders and partners for their continued support over the years to bring us to the space we are at.

We look forward to a fruitful year ahead.

Geoffrey O. Odundo
Chief Executive

Launch of the 2017 NSE Investment Challenge



(From Left) Martin Kiilu, NSE Investment Challenge alumni; Julie Gichuru, Founder Arimus Media; Geoffrey Oundo, CEO NSE and Hannah Wambui, NSE Investment Challenge alumni, having a panel discussion during the 2017 NSE Investment Challenge Launch.

NSE launched the 2017 NSE Investment Challenge at a ceremony held at the NSE Trading Floor on 31 January 2017. In celebration of the Challenge's tenth anniversary, the Exchange opened up access of the competition to the general public (though on a non-competitive basis) by launching a mobile application. The NSE Investment Challenge App is available on all android smart phones.

The NSE Investment Challenge is an edutainment initiative which was started by the Exchange in 2008, in partnership with Smart Youth Investments Ltd to promote financial literacy and give the public hands-on experience of trading on the bourse.

NSE Rings the Bell for Gender Equality to mark the 2017 International Women's Day

For the second year running, on 7 March 2017, NSE celebrated International Women's Day (IWD) in Nairobi, by joining 43 other exchanges around the globe to *Ring the Bell for Gender Equality* and raise awareness on the importance of Gender Equality in the Capital Markets.

This year, the celebrations to mark the IWD were preceded by a one day training for senior female executives of listed companies in Kenya on 6 March 2017. The training targeted senior executives who have the skill, competence and professional experience to join a corporate board. The training was organized in partnership by NSE, the International Finance Corporation (IFC), UN Women and the Global Compact Network Kenya.

The theme for this year's IWD was *Be Bold for Change*, and at the Ringing the Bell event, there was a vibrant panel discussion on *'Strategies for Success – Improving Gender Diversity & Inclusion in the Kenyan Capital Market'*.

Geoffrey Odundo, CEO NSE; Flora Mutahi, Chairperson, KAM; Banu Khan, Representative, UN Women; Bob Karina, Vice Chairman, NSE; Rose Lumumba, International Finance Corporation and Paul Muthaura, CEO Capital Markets Authority, 'Ringing the Bell for Gender Equality'.



Geoffrey Odundo, CEO NSE; Flora Mutahi, Chairperson, KAM; Banu Khan, Representative, UN Women; Millicent Onyonyi, Managing Director BOC and Paul Muthaura, CEO Capital Markets Authority at a panel discussion.

Nairobi Securities Exchange signs a Memorandum of Understanding (MoU) with the Qatar Stock Exchange (QSE)

On 12 March 2017, NSE and QSE, signed an MoU to enhance co-operation between the two Exchanges. The MoU which was signed during an official visit by a delegation from the Kenya Capital Markets (comprising the NSE and the Capital Markets Authority) and the Kenya Private Sector Association (KEPSA) to QSE, is geared towards co-operation in the areas of exchange of information, knowledge and expertise in relation to the development of capital markets, market infrastructure, products and services.

The MoU's objectives also include collaboration on legislative and regulatory matters, the processes and procedures of listing, trading, depository operations, clearing, settlement as well as supporting, promoting and facilitating investments in each other's market.



Geoffrey Odundo CEO, NSE with his counterpart Rashid Ali Al Mansoori, CEO, QSE after the signing of the Memorandum of Understanding between the two Exchanges in Doha, Qatar.



NSE announces its 2016 Full Year Financial Results

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	2016 Kshs '000	2015 Kshs '000
Revenue	527,164	663,903
Interest income	94,766	101,010
Other income	95,255	43,344
Total income	717,185	808,257
Administrative expenses	(487,291)	(448,323)
Share of profit of associate company	3,221	21,560
Profit before taxation	233,115	381,494
Taxation charge	(49,159)	(75,902)
Profit for the year	183,956	305,592
Other comprehensive income	(202)	61
Total comprehensive income for the year	183,754	305,653
Earnings Per Share* - Basic and diluted (Kshs)	0.71	1.18
*No. of shares adjusted for bonus issue in the year	259,500791	259,500791

The NSE announced its 2016 financial results on 24 March 2017. The highlights of the results were:

- Total income decreased by 11.3% from Kshs. 808.3 million in 2015 to Kshs. 717.2 million in 2016. This was due to a 30% decrease in equity turnover from Kshs. 419 billion in 2015 to Kshs. 294 billion in 2016. Equity trading volumes which contribute 50% to the Group's total revenue, decreased by 15% from Kshs. 6.8 billion in 2015 to 5.8 billion in 2016. The decline in equity turnover impacted the Profit before income tax and after tax which decreased by 39% mainly due to the decline in equity turnover.
- Other income increased by 120% from Kshs. 43 million to Kshs. 95 million mainly driven by a gain of Kshs. 27 million from the sale of investment in shares and higher market access fees on the admission of a new member.
- Interest income declined by 6% from Kshs. 101 million to Kshs. 95 million due to prevailing lower interest rates on deposits held in the year compared to 2015.
- Administrative expenses increased marginally by 9% from Kshs. 448.3 million to Kshs. 487.3 million owing to cost management measures undertaken.
- Total assets increased nominally by 5% from Kshs. 1,918 million in 2015 to Kshs. 2,014 million in 2016.

The NSE remains committed to ensuring shareholder value through continuous product innovation and technology enhancements. In the course of the year, we will broaden our product offerings through introduction of products geared towards matching the needs of our investors.

Launch of (a Special Limited Offer) M-Akiba Bond

Kenya entered the history books as the first country in the world to offer a mobile traded government bond. The bond which debuted in the capital markets as a special limited offer on 23 March 2017 had a target of raising Kshs. 150 Million in three weeks, which it did.

The tax free bond which is a three year infrastructure bond will attract a 10% coupon, paid biannually. The M-Akiba bond retailed at a minimum of Kshs. 3,000 per transaction for a maximum of Kshs. 140,000 a day. Among the key features of the bond is the low entry level of Kshs.3,000 as compared to the current entry point of Kshs.50,000 to trade in any government security. The favorable entry point is aimed at ensuring that many Kenyans get to participate in this initiative.

The M-Akiba mobile traded bond is a collaborative initiative spearheaded by the NSE in partnership with the National Treasury, the Central Bank of Kenya, the Capital Markets Authority, Mobile Network Operators (Safaricom and Airtel) and Central Depository and Settlement Corporation.

Secondary trading of the bond will take place from 11 April 2017.



Save Money, Make Money, Build Kenya



THE TRADING BELL TV SHOW

With an aim of creating awareness in the capital markets, NSE in partnership with Kenya Broadcasting Corporation (KBC) continues to record and produce a premier business show, the *Trading Bell*.

The show promotes NSE listed companies and market players while analyzing weekly market performance in the bourse. As at the end of March 2017, NSE has aired 16 in-depth interviews with CEOs of listed companies, since the onset of the show in December 2016.

The show airs every Thursday at 9.30 pm on KBC.

Barclays launches first Exchange Traded Fund (ETF) in the Kenyan market



Jeremy Awori, CEO Barclays Bank, Dr. Kamau Thugge, Principal Secretary at the National Treasury and Geoffrey Odundo, CEO NSE

Kenyans now have an opportunity to trade in ETFs following the launch and listing of the Barclays NewGold ETF on the NSE. The NewGold ETF which is also listed on the Johannesburg Stock Exchange (JSE) amongst select African exchanges, enables investors to invest in an instrument which tracks the price of Gold Bullion. ETFs are based on the real time value of the underlying asset they track.

The Barclays NewGold ETF will trade in the same manner as a normal equity security and will be subject to similar tax treatment and will be Kenya Shillings denominated (The NewGold ETF's price will be based on the KES equivalent of the prevailing international market price of gold (in USD).

Speaking at the launch, the Chief Executive of NSE, Mr. Geoffrey Odundo said *"ETFs are a significant and highly successful product of financial innovation that are found in more developed financial markets. We are happy to add another new segment for investors to benefit from. ETFs allow investors to spread their risk, diversify their portfolio and have ease of purchase and exit"*, adding that *"The Exchange will continue to support the growth of the ETF market through our dedicated Business Development and Public Education programs to see more investors participate in the market."*

Private Banking and Wealth Management Forum

The NSE CEO Mr. Geoffrey Odundo participated in the inaugural Think Business Private Banking and Wealth Management Forum in Nairobi on 21 March 2017. This event was aimed at initiating the conversations around wealth management, the steady year on year increase in number of High Net Worth Individuals (HNWIs) and its impact on a growing wealth management industry.

Over the past decade, African economies have experienced exponential economic growth not only of the middle class demographic in Africa, but also spurring a silent and steady growth of HNWIs. These are individuals with at least USD 100 million in net worth and in 2015 the number of HNWIs in Africa stood at 145,000 with a combined wealth portfolio of USD 1.392 trillion. The Chief Executive spoke on the Challenges of Enriching Wealth Management in Africa.



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Geneva
20-21 March 2017

The NSE Director of Legal and Corporate Affairs, Mr. Kuria Waithaka attended the Fifth edition African CEO Forum in Geneva, Switzerland on 20-21 April 2017. The Africa CEO Forum is a unique platform for discussion and debate around the economic and industrial challenges facing the African continent. Organized by the Group Jeune Afrique in partnership with the African Development Bank, the forum has become the foremost international event dedicated to the development of the private sector in Africa.

The two day networking event attracted over 1200 participants including African Government ministers, business leaders, development finance organizations and investors within and outside the continent. Under the theme '*Rethinking Africa's Business Model*', the event featured various insightful panel discussions on FinTech in retail banking and telecoms, private equity, gender diversity in business leadership, African leadership of the future, digital transformation, local sourcing, extractive industries and how they interact with African business and economic growth.

The Green Bond Launch



Mark Napier, FSD Africa Director; Habil Olaka, CEO, Kenya Bankers Association and Geoffrey Odundo, NSE CEO signing of the Memorandum of Understanding

The Kenya Bankers Association (KBA), Nairobi Securities Exchange (NSE), Climate Bonds Initiative (CBI) and Financial Sector Deepening Africa (FSD Africa) in conjunction with the FMO – Dutch Development Bank and the International Finance Corporation (IFC) launched Kenya's Green Bond programme on 31 March 2017 in Nairobi. The initiative which is coordinated by KBA under its Sustainable Finance Initiative (SFI), is endorsed by the Central Bank of Kenya, the CMA and the National Treasury.

The Exchange is committed to developing a vibrant green market in the region; with the aim of creating an environment that will allow the market to prosper in a secure and transparent way. Through the NSE, issuers and investors will have a platform where they can come together and fulfil their green objectives. The Kenya Green Bond Program is an innovative tool that will promote economic and climate resiliency for our country. Green bonds listed at the bourse will ensure appropriate transparency which is an important factor in persuading investors to buy.

At the event, the various stakeholders signed an MoU setting out their commitment and objectives with regard to the initiative.

Up Close & Personal with **Lilian Kimeu,** Information Systems Auditor



1

Lilian, what did you aspire to be when you were a child?

As a child, I enjoyed experiencing what childhood had to offer, which would then guide what I wanted to become in future. Joining Alliance Girls for Form 1 exposed me to a lot of careers. I had super ambitious classmates who wanted to be things I had never heard of, let alone dreamed about, ranging from president to neurosurgeons to lawyers. I enjoyed the humanities and business so a career in audit was a natural fit.

2

The NSE is very dependent on information and trading systems. In your current role, how do you support this success?

Auditing the automated and soon mobile trading systems to provide assurance that transactions are complete end to end and secure, defines my role at NSE. Any missing or fraudulent transactions at the bourse would not only lead to financial loss for investors but also reputational risk. Nobody would buy or sell shares or government securities online or via a mobile phone platform if their trades disappeared.

3

Before working at NSE, what was the most unusual or interesting job you've ever had?

I previously worked at Zain Group as Group IT auditor. I was initially recruited for Zain Africa to audit Zain operations across all the 17 African Operations. It was quite challenging.

I found myself in Gabon for 2 months for the Zain Gabon audit and even though I love food, I lost weight! The only thing I knew to order in French was chicken and bread. Needless to say chicken and bread for breakfast, lunch and dinner for 2 months became boring and I lost weight.

Upon the sale of the Zain African operations to Airtel, the entire audit team was asked to relocate to Zain Group Headquarters in Kuwait and whilst based there, handle the Middle East operations i.e. Kuwait, Bahrain, Jordan, Lebanon, Iraq, Morocco, Sudan and Saudi Arabia.

Doing the Zain Iraq audit in Baghdad, when ISIS was gaining momentum, was the most harrowing experience ever. The audit itself was the toughest I had ever done as the staff

could not believe that a person of colour could be an auditor much less a woman. When I issued my audit report for discussion, one of the local men left the room noting that I was just too much! Unfortunately, half my house was bombed the next day and I left Baghdad never to return again.

4

If you could switch your job with anyone else within NSE, whose job would you want?

Sammy Mutua, the Surveillance Manager. With my data analytic skills I would find surveillance of trades interesting to analyse.

5

Tell us a little about your personality. What three words describe you?

Strong-willed, meticulous and forthright.

6

What is on your wish list for the next 5 years with NSE?

My first wish was for the M-Akiba bond to be successful and audit it at some point. The Bond has already successfully launched. I am excited to have been at NSE as this happened. I can't wait to see a TED Talk on Kenya's first in the world FinTech innovation, M-Akiba. The second would be for mobile trading of equities to happen.

7

What has surprised you most about working with NSE?

Having worked at Old Mutual I thought NSE would be like other financial services companies: fairly formal and stiff. I was pleasantly surprised to find a warm and supportive environment.

8

What might we be surprised to know about you?

I love to cook. And have the weight to prove it!

9

What do you do when you aren't working?

I love to read; everything from Chimamanda Ngozi Adichie to Malcolm Gladwell. In Kuwait and Bahrain, my time outside the office was spent at the Virgin Bookstores.

To boost my fitness, I joined a running club, Urban Swaras and run all over Nairobi and environs. I'm still at beginner level but it is a work in progress.

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What else can you tell us about yourself?

I think I have said too much already.



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