



WHY THE NAIROBI STOCK EXCHANGE?

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Summary



- Why this Forum?
- Brief Overview of the Exchange
- Performance of the Market
- Future outlook of the Exchange

Why this Forum?

Why this Forum?

- Key hindrances for ambitious companies in Kenya include;
 - a. Ability to raise substantial initial and ongoing capital
 - b. Access to strategy and advice to enable the organization grow exponentially
- The decision to take your company public is one of the most significant steps you may take.
- This Forum brings together in-depth knowledge and insight from some of the key advisers experienced in guiding companies to listings.
- Their perspectives will inform you about the principal issues that can arise during the process of joining the NSE, as well as the ongoing responsibilities and opportunities that arise once on market.

Brief History of the Exchange

VISION

- ***“To be a leading securities exchange in Africa, with a global reach.”***

MISSION

- ***“To provide a world class securities trading facility.”***
- We are the largest stock exchange in East and Central Africa by no. of companies listed and value of their shares;
- Offers a unique choice of markets to suit different stages of a company’s lifecycle - through both Equity and Debt Instruments
- We have 18 active members/owners – stock brokers and investment banks



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Brief History of the NSE

- 1920s Dealing in shares commenced but on a gentleman's agreement. No formal market, rules and regulations to govern stock market activities – (Informal)
- 1954 NSE constituted as a voluntary Association of Stock Brokers - (Formal)
- 1988 The first privatization through NSE - 20% government stake in Kenya Commercial Bank;
- 1991 NSE registered under the Companies Act (Cap 486), phased out" Call Over Trading System" in favour of the "floor based Open Outcry System";
- 1994 NSE was rated by the IFC - as the best performing stock market in the world with a return of 179% in dollar terms;
- 2004 The automated Central Depository and Settlement (CDS) system becomes operational;

Brief History of the NSE



- 2006 Launch of live trading in equities on the Automated Trading System (ATS);
- 2007 Wide Area Network (WAN) for remote trading by member firms;
- 2008 Number of trading hours increased to six (6) hours (09:00 hrs – 15:00 hrs); we start trading when it is 3.00pm in Tokyo and close when it is 7.00 am in New York.
- 2008 The year's largest IPO in Sub Saharan Africa (just before the onset of the global financial crisis) Safaricom Limited for Kshs. 40 Billion
- 2009 Launch of automated trading in bonds via the ATS



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Performance of the Market



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Performance of the Markets

Year 2009

- Global financial crisis precipitated a sustained downturn in the market, resulting in a notable shift from equity to the relative safety of fixed income securities.
- Equity turnover fell 60.87% from 2008's record of Kshs. 97.52billion to Kshs. 38.16billion
- Value of transactions by domestic investors was Kshs. 15.04 billion; 39.42% of annual turnover against Kshs 58.37 billion accounting 59.86% in 2008.
- Foreign investors' contribution resulted in a net outflow of Kshs. 8.19billion (US\$0.11billion).
- The year however showed the potential of our debt securities markets. The secondary bond market activity surpassed that of 2008 by 16.16% to reach Kshs. 110.176 billion.

Capital raising activity (Year - 2010)



- Market Activity during the year

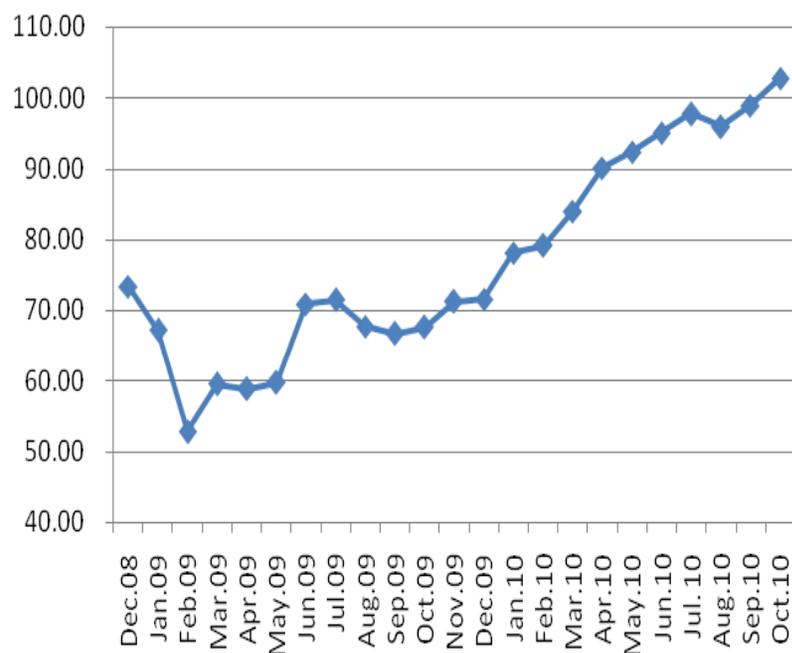
	Capital Market Activity	No.	Amounts/Shares Raised
1.	Fixed Income Listings	2	IFC – Kshs 3 Billion HFCK – Kshs 10 Billion
2.	Equity Issues – Rights Issues	3	KCB – Kshs 12 Billion StanChart – Kshs 2.5 Billion TPS – Kshs 1.1 Billion
3.	Equity Issues – Bonus Issues (Number of Shares)	5	NBK – 80 mio Jubilee – 4.5 mio NMG – 14.5 mio TPS – 17.7 mio NIC Bank – 32.6 mio
4.	New Capitalization Issues	2	Scangroup – 13.9 mio Total – 2.05 mio

NSE – Latest Achievements (2010)

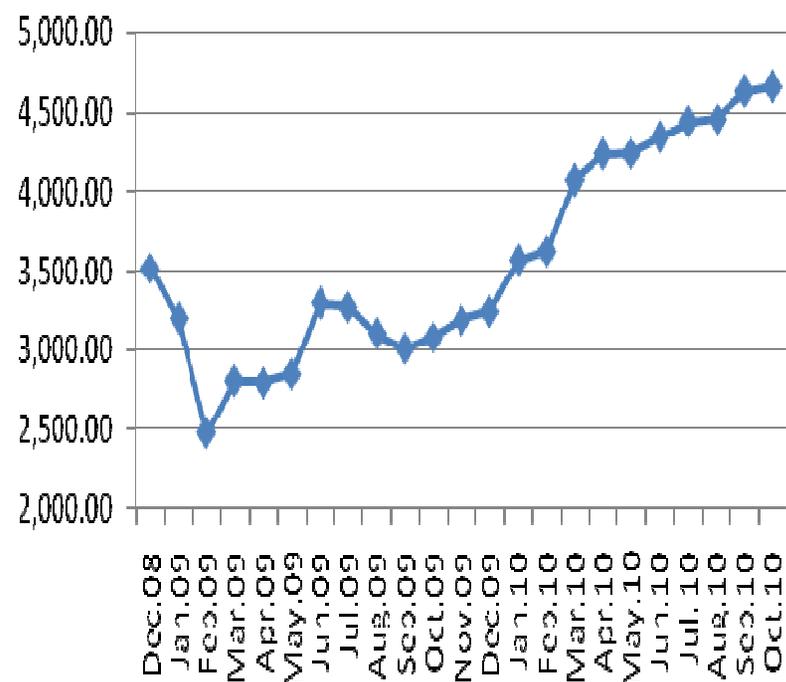
- Index Performance as compared with the Regional Markets

Market	Name of Index	Jan.10	As at Nov 8th	%change
Egyptian Exchange	EGX 30 Index	6,756.14	6,841.6	10.19
Johannesburg SE	FTSE/JSE All Share	26,675.95	31,389.0	13.46
Mauritius SE	SEMDEX	1,740.97	1,871.1	12.65
NSE	NSE 20 Share Index	3,572	4,668.0	43.74
USE	All Share	807	1,197.6	63.49
DSE	All Share	1,190	1.173	-1.63
The Nigeria Stock Exchange	All Share	22,539.8	24,728.1	18.73

Index Performance (as at end of Oct - 2010)

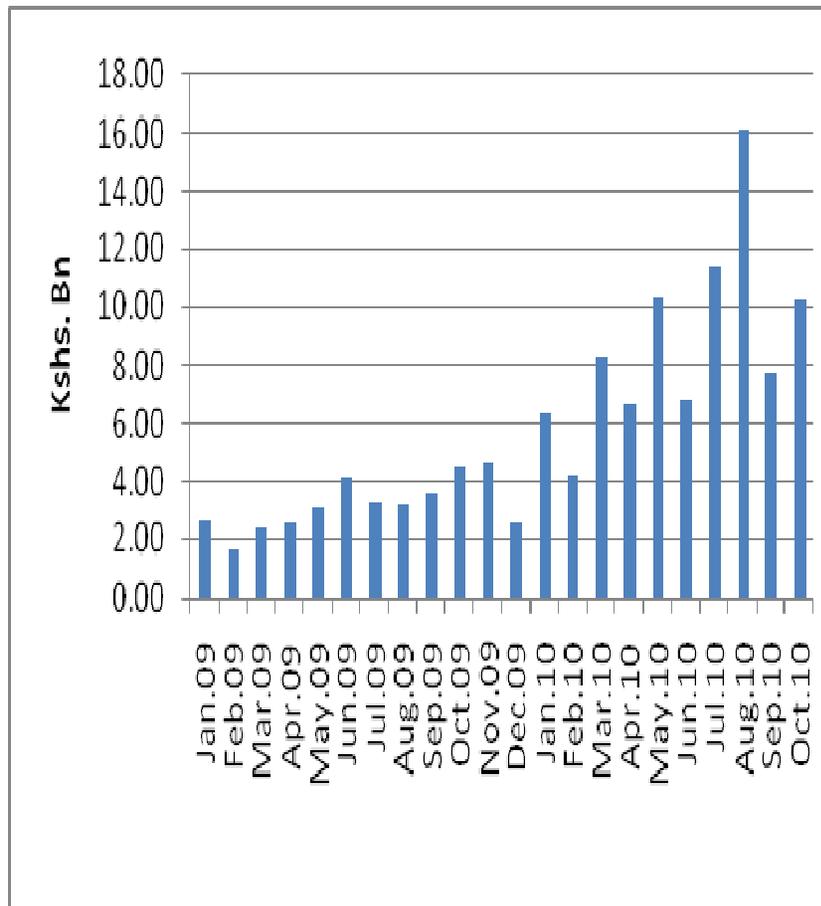


NASI All Share Index



NSE 20 Share Index

Equity Turnover (Jan 09 - October 2010)

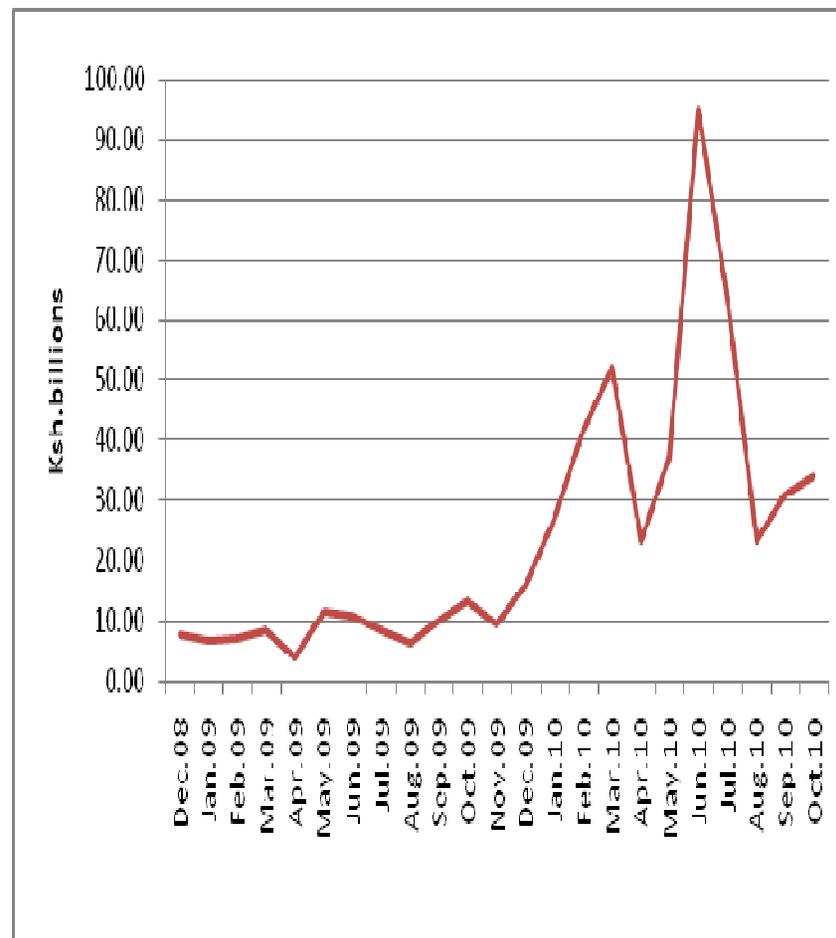


- Lowest turnovers in Dec 2009 at Kshs 2.6 billion
- Highest turnovers of Kshs 16.2 billion in Aug 2010
- We note there has been increased foreign participation in the market – In Oct 2010 it stood at 64.83%

Bond Market Performance (as at end of Oct - 2010)



- Bond turnover for 2010 (Jan-Oct) at Ksh 426 billion compared to 2009 annual turnover of Kshs 110 billion representing an increase of 285%.
- A high of Kshs. 95 billion in June 2010 and low of Kshs 9.2 billion in Nov 2009



Future outlook of the Exchange



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Future Outlook

- The five (5) strategic objectives for the period 2010 – 2014, to achieve the mission of the NSE have been identified as follows:-
 1. To transform from a mutual to corporate (M2C) entity.
 - Through demutualization - will culminate with the listing of the Exchange (within 3 years), to allow the public to own a stake.
 2. To grow the existing business.
 - Grow the equity and bond listings of local firms and regional cross listings.
 3. To diversify revenue streams
 - Evolve into a full service securities exchange.
 - Key focus is introduction of a SME Market Segment and Exchange Traded Funds



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The Future Outlook of the NSE

- The five (5) strategic objectives for the period 2010 – 2014, to achieve the mission of the NSE have been identified as follows:-
 4. To grow the brand - make the brand the most valuable in the EAC securities industry.
 - Admission as a full member of the World Federation of Exchanges (WFE)
 - The NSE Brand is associated with integrity and inspires confidence in the domestic market.
 - Develop and co-brand with International Data Providers new equity and bond indices
 5. To build the capacity of the organization – human capital and systems.



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The Future Outlook of the NSE

- We are committed to maintaining and extending our attractiveness to issuers and investors .
- Our objective is to ensure we continue to deliver a distinctive offering to your growing businesses which will be the regional multinationals of tomorrow.
- If you are an ambitious and growing company – whatever your business, wherever you are based and whatever your sphere of activity – then the Exchange is an attractive route to a public listing .
- I hope you find this Forum useful, and wish you every success in the future development of your business.



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Thank You