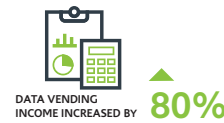


# ANNOUNCEMENT OF UNAUDITED GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022



## OPERATING ENVIRONMENT AND MARKET PERFORMANCE – FIRST HALF OF 2022

According to the International Monetary Fund (IMF), global economic growth for year 2022 has been projected at 3.2% down from the 6.1% growth recorded in 2021. This is as a result of fundamental macro-economic developments in the first half of the year such as the geo-political tensions in Eastern Europe caused by the ongoing Russia-Ukraine war that continues to impact on global economic trade especially the supply of food and energy. The war has affected supply chains leading to increased global inflation as well as the tightening of the monetary environment globally.

Inflation was revised upwards to 6.6% in advanced economies and 9.5% in emerging and developing economies, an upward revision of 0.9% and 0.8% respectively. Kenya's GDP growth based on the grant economic outlook is projected to decrease to 6% compared to 7.6% in 2021.

During the first half of this year, overall inflation has risen to 7.9% in June 2022 mainly due to rising basic food prices and fuel.

The Central Bank Rate was retained at 7.5% due to positive impact seen from tightening monetary policy, easing fiscal policy on certain commodities and provision of subsidies to ease inflationary pressures during the period. The Kenyan Shilling averaged Kshs.115 against the US Dollar in H1 2022.

The aforementioned factors coupled with the general election weighed heavily on domestic and institutional investors affecting trading activity as well as the prices of listed securities on the NSE.

The Government raised approximately Kshs. 406.13 Billion in Treasury Bonds through the issuance of fixed rate and infrastructure bonds. The bonds were oversubscribed in most offers depicting high level of interest in the fixed income market.

## MARKET PERFORMANCE

At the close of H1 2022, equity turnover decreased by 22.41% to stand at Kshs. 54 Billion compared to Kshs. 69.7 Billion recorded in H1 2021. The decline in equity turnover was attributable to a reduction in trading activity mainly from international and domestic institutional investors. This was as a result of international institutional investors reallocating capital to global fixed income assets, whilst domestic institutional activity declined owing to reallocation of capital to domestic fixed income assets.

Bonds market turnover declined by 17.85% in the first half of 2022 compared to a similar period in 2021. As at June 30 2022, total bonds turnover stood at Kshs. 387 Billion compared to Kshs. 471 Billion recorded over a similar period in 2021.

Equity market capitalization stood at Kshs. 1.94 Trillion compared to Kshs. 2.7 Trillion recorded over a similar period in 2021. The total value of outstanding bonds stood at Kshs.3.59 Trillion.

The NSE 20 Share Index declined by 15% to stand at 1,612.89 points at the close of the review period compared to 1,902.57 recorded over a similar period in 2021.

The equity market continued to witness increased corporate actions which saw companies strengthen their shareholder capital. These included TPS Serena which issued a debt swap that saw USD 14.5 Million debt converted to shares. Bank of Kigali (BK) issued a Dividend Re-Investment Plan that saw investors re-invest their net dividend into ordinary shares of BK at a 5% discount to the share price. Car & General also issued a bonus issue in the ratio of 1 new share for every 1 share owned.

The bond market attracted one additional listing bringing the total number of outstanding corporate bonds to 6 with the Kenya Mortgage Refinance Company which raised Kshs. 1.4 Billion against offers received of Kshs. 8.1 Billion. We continue to witness demand for fixed income securities on the Exchange. The Exchange remains an attractive venue for raising medium to long term capital.

The Derivatives market recorded a turnover of Kshs. 72 Million with 2,189 contracts traded. During the period, we also introduced four new contracts namely Co-operative Bank, Standard Chartered Bank, I & M Bank and NCBA Bank. The market now has a total of 12 contracts available to trade. As global and local markets continue to experience weakening sentiment, we see an opportunity for investors to trade derivatives.

This year, the listed Exchange Traded Fund (ETF) witnessed an increase in demand with H1 2022 turnover of Kshs. 372 Million which was a 576% growth over last year. The demand for the New Gold ETF was driven by the defensive nature of the asset class that continues to appreciate during this volatile period.

The Unquoted Securities Platform (USP) was launched in 2021 with Acorn Holdings listing two Real Estate Investment Trusts (REITs). The REITs have traded Kshs. 408 Million in H1 2022, with a cumulative trading volume of Kshs. 795 Million since launch in July 2021 and Kshs. 3 Billion raised on the platform.

## FINANCIAL HIGHLIGHTS

- The Group reported a profit before fair value movements of Kshs. 85.8 Million in H1 2022 compared to Kshs. 112.2 Million in H1 2021, representing a decline of 24%. Profit after Tax stood at Kshs. 40.2 Million in H1 2022 from Kshs. 77.3 Million in H1 2021, a decline of 48%.
- Equity turnover stood at Kshs. 54 Billion in H1 2022, compared to Kshs. 69.7 Billion in the same period in 2021 due to lower than expected trading activity especially from the international and domestic institutional investors. This led to a reduction in equity trading levies by 22.4% from

Summary Consolidated Statement of Profit or Loss and	6 Months Ended		12 Months Ended
	30.06.2022	30.06.2021	31.12.2021
Other Comprehensive Income For the	Unaudited	Unaudited	Audited
	Kshs '000	Kshs '000	Kshs '000
Transactions levy - Equity	129,806	167,335	329,777
Transactions levy - Bonds	47,427	32,943	66,988
Data vending income	50,302	27,994	52,452
Annual, initial and additional listing fees	35,253	36,563	72,041
Interest income	58,311	48,346	105,752
Capital gain on trading book	-	21,184	28,451
Unquoted securities platform fees	4,530	1,010	5,958
Dividend from equity investment	6,047	6,459	6,500
Other income	29,189	26,988	46,348
<b>Total income</b>	<b>360,865</b>	<b>368,822</b>	<b>714,267</b>
Staff costs	95,934	95,320	171,841
Systems maintenance costs	24,727	28,423	54,636
Depreciation and amortisation	25,821	30,122	54,915
Building and office costs	32,558	30,715	52,802
Directors' emoluments	23,607	23,388	43,605
Other operating expenses	72,412	48,675	110,033
<b>Total expenses</b>	<b>275,059</b>	<b>256,643</b>	<b>487,832</b>
<b>Profit before fair value movements</b>	<b>85,806</b>	<b>112,179</b>	<b>226,435</b>
Provision for expected credit losses and bond mark to market valuation	(17,930)	(4,811)	(12,178)
Share of (loss)/profit of associate	(8,185)	601	(3,389)
<b>Profit before taxation</b>	<b>59,691</b>	<b>107,969</b>	<b>210,868</b>
Taxation charge	(19,453)	(30,576)	(78,334)
<b>Profit for the year</b>	<b>40,238</b>	<b>77,393</b>	<b>132,534</b>
Other comprehensive profit	44,808	23,159	26,721
<b>Total comprehensive income for the year</b>	<b>85,046</b>	<b>100,552</b>	<b>159,255</b>

Earnings Per Share* - Basic and diluted (Kshs)	0.15	0.30	0.51
*EPS based on no. of shares	260,391,401	260,004,000	259,501,000

Summary Consolidated Statement of Financial Position As At	30.06.2022		31.12.2021
	Unaudited	Unaudited	Audited
	Kshs '000	Kshs '000	Kshs '000
<b>Assets</b>			
Non current assets	1,290,924	1,123,275	1,067,117
Current assets	1,052,817	1,318,919	1,147,275
<b>Total assets</b>	<b>2,343,741</b>	<b>2,442,194</b>	<b>2,214,392</b>
<b>Equity and liabilities</b>			
Share capital	1,041,567	1,040,017	1,040,017
Share premium	279,459	278,579	278,579
Revenue reserves	552,506	820,749	746,246
Non controlling interest	17,492	17,876	17,518
Other reserves	47,777	(593)	2,969
Non current liabilities	13,966	14,983	15,103
Current liabilities	390,974	270,583	113,960
<b>Total shareholders' funds and liabilities</b>	<b>2,343,741</b>	<b>2,442,194</b>	<b>2,214,392</b>

Summary Consolidated Statement of Cash Flows For The	6 Months Ended		12 Months Ended
	30.06.2022	30.06.2021	31.12.2021
	Unaudited	Unaudited	Audited
	Kshs '000	Kshs '000	Kshs '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	60,712	25,037	140,624
Tax paid	(57,535)	(58,780)	(85,391)
Net cash generated from/(used in) operating activities	3,177	(33,743)	55,233
Net cash (used in)/generated from investing activities	(186,006)	118,153	172,469
Net cash used in financing activities	(21,304)	-	(256,033)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(204,133)</b>	<b>84,410</b>	<b>(28,331)</b>
Cash and cash equivalents at the beginning of the period	374,417	402,748	402,748
<b>Cash and cash equivalents at the end of the period</b>	<b>170,284</b>	<b>487,158</b>	<b>374,417</b>

Summary Consolidated Statement of Changes in Equity For the Six Months Ended	Share Capital	Share Premium	Revaluation & Other Reserves	Retained Earnings	Non Controlling Interest	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
<b>At 1 January 2021</b>	<b>1,038,003</b>	<b>277,185</b>	<b>(23,752)</b>	<b>883,258</b>	<b>15,509</b>	<b>2,190,203</b>
Profit for the period	-	-	-	75,026	2,367	77,393
Other comprehensive income, net of tax	-	-	23,159	-	-	23,159
2020 dividend declared in the year	-	-	-	(137,535)	-	(137,535)
Issue of shares to employee share ownership plan	2,014	1,394	-	-	-	3,408
<b>At 30 June 2021 (Unaudited)</b>	<b>1,040,017</b>	<b>278,579</b>	<b>(593)</b>	<b>820,749</b>	<b>17,876</b>	<b>2,156,628</b>
Profit for the period	-	-	-	55,499	(358)	55,141
Other comprehensive income, net of tax	-	-	3,562	-	-	3,562
2021 special dividend declared in the year	-	-	-	(130,002)	-	(130,002)
<b>At 31 December 2021 (Audited)</b>	<b>1,040,017</b>	<b>278,579</b>	<b>2,969</b>	<b>746,246</b>	<b>17,518</b>	<b>2,085,329</b>
Profit for the period	-	-	-	40,264	(26)	40,238
Other comprehensive income	-	-	44,808	-	-	44,808
2021 second special dividend declared in the year	-	-	-	(130,002)	-	(130,002)
2021 final dividend declared in the year	-	-	-	(104,002)	-	(104,002)
Issue of shares to employee share ownership plan	1,550	880	-	-	-	2,430
<b>At 30 June 2022 (Unaudited)</b>	<b>1,041,567</b>	<b>279,459</b>	<b>47,777</b>	<b>552,506</b>	<b>17,492</b>	<b>1,938,801</b>

## Explanatory Notes

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 2021 annual financial statements. These unaudited financial statements are extracts from the books of accounts of the Group and were approved by the Board of Directors on 26 August 2022.

Kshs. 167.3 Million for H1 2021 to Kshs. 129.8 Million in H1 2022.

- Bond trading levies also decreased by 17.8% from Kshs. 32.9 Million in H1 2021 to Kshs. 27.1 Million in H1 2022 on reduced secondary trading activity as a result of increased market yields offered in the primary market. This decrease was reduced by Kshs. 20 Million transaction bond levies recognised as income in H1 2022, which was previously earned by CDSC now ceded to the NSE. This is based on bond levies earned by CDSC at 33% for the year 2021 and 50% for the year 2022.

- Our data business recorded a strong performance increasing from Kshs. 27.9 Million in H1 2021 to Kshs. 50.3 Million in H1 2022 owing to an enhanced institutional sales strategy.

- Interest income increased by 20% from Kshs. 48.3 Million in H1 2021 to Kshs. 58.3 Million in H1 2022 due to our active treasury management.

- Total expenses increased by 7% from Kshs 256.6 Million in H1 2021 to Kshs. 275.1 Million in H1 2022 mainly on increased market lobbying and advocacy expenses.

- Provision for expected credit losses and bond mark to market valuation expense increased by Kshs.13 Million in H1 2022 over H1 2021 on unrealized loss on mark to market valuation on the treasury bonds portfolio held as at the end of H1 2022.

- Share of profit of associate declined to a loss of Kshs. 8.1 Million in H1 2022 from a profit of Kshs. 0.6 Million in H1 2021 owing to reduced business performance.

- Other comprehensive profit resulted from the positive movement of our equity investment which amounted to Kshs. 44.8 Million.

- Total assets decreased marginally by 4% from Kshs. 2.44 Billion in H1 2021 to Kshs. 2.34 Billion as at H1 2022 as a result of a write down of our fixed assets and payment in 2021 of a total Kshs 267 Million on the 2020 final dividend and 2021 special dividend.

- Non-current liabilities as at both periods (2022 and 2021) include Kshs. 11.75 Million contribution received from a clearing member in 2019 towards the NSE Derivatives Settlement Guarantee Fund.

- Current liabilities stood at Kshs. 391 Million at the close of H1 2022 and includes a second special and final dividend payable for the year 2021 of Kshs. 234 Million.

- Share capital increased by Kshs. 1.5 Million due to shares issued to staff through the employee share ownership plan.

- Return on assets and return on equity reduced from 6.1% and 7.0% respectively in the six months ended 30 June 2021 to 3.4% and 4.2% respectively in the same period in 2022.

## OUTLOOK – SECOND HALF OF 2022

Management is hopeful that trading will regularize in the second half of the year after the election process, which affected investor sentiments and trading activity, is completed. The Exchange will continue to engage prospective issuers to consider capital markets financial solutions to fund their business growth and development.

With the increase of issuances in the corporate bond market, we will continue to interest companies to use this product to complement their funding needs. The NSE is an attractive avenue for the listing of bonds and we will ensure full availability of our infrastructure to deepen the trading of Government bonds.

The Unquoted Securities Platform (USP) has enabled the Exchange to explore the untapped opportunities that exists in the ever growing private over the counter markets space in Kenya. The Platform offers a very prominent value proposition through increased transparency, better turnaround time in closure of trades and an avenue for capital raising for entities that are not yet ready for the main market. The platform has raised over Kshs. 3 Billion for the issuers on the platform. We expect to see additional listings and capital raising activity for private companies, SACCOS and existing OTC registers.

Other asset classes at the NSE which include the Exchange Traded Funds (ETFs) and Real Estate Investment Trusts have also reported good performance in H1 2022. ETFs have seen material and heightened demand by investors who opted to buy the underlying asset, gold, in a bid to hedge against price volatility in equity markets. We continue to support issuers and investors who are interested in these asset classes.

The NSE will continue to focus on targeted investor and issuer forums to articulate the case for the capital markets. We will continue to hold targeted forums to sensitize potential clients on the benefits of NSE products.

The NSE launched the Environmental, Social and Governance (ESG) Disclosures Guidance Manual to provide a framework for ESG reporting in Kenya in November 2021. With the growing interest in sustainable finance, the NSE will continue to promote sustainability reporting as well as uptake of sustainable finance products through promoting them to clients engaged in developing climate friendly assets. The NSE is in the process of establishing a carbon trading platform to facilitate the trading of carbon credits.

We remain optimistic of a better second half of the year 2022.

## DIVIDENDS

The Board of Directors does not recommend an interim dividend for the first half of the year 2022.

## By Order of the Board



**Geoffrey O. Odundo**  
Chief Executive  
Nairobi  
26 August 2022