

# NAIROBI SECURITIES EXCHANGE PLC

## ANNOUNCEMENT OF UNAUDITED GROUP RESULTS

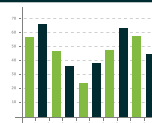
### FOR THE SIX MONTHS ENDED 30 JUNE 2023



PROFIT AFTER TAX INCREASED BY **72%**



DATA INCOME INCREASED BY **31%**



EQUITY TURNOVER INCREASED BY **9%**

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income For the	6 months ended 30.06.2023	6 months ended 30.06.2022	12 months ended 31.12.2022
	Unaudited Kshs '000	Unaudited Kshs '000	Audited Kshs '000
Transaction levy - Equity	141,639	129,806	225,838
Transaction levy - Bond	30,991	47,427	79,380
Data income	65,866	50,302	93,548
Annual, initial and additional listing fees	34,769	35,253	71,175
Interest income	55,188	58,311	104,376
Broker back office subscriptions	13,886	14,241	29,656
Other income	34,945	25,525	38,791
<b>Total income</b>	<b>377,284</b>	<b>360,865</b>	<b>642,764</b>
Staff costs	103,762	112,154	208,834
Systems maintenance costs	31,215	24,727	56,001
Depreciation and amortisation	20,298	25,823	48,512
Revaluation loss on property	-	-	17,222
Other operating expenses	131,847	112,355	220,420
<b>Total expenses</b>	<b>287,122</b>	<b>275,059</b>	<b>550,989</b>
<b>Operating profit before ECL and fair value movements</b>	<b>90,162</b>	<b>85,806</b>	<b>91,775</b>
Provision for expected credit losses and bond mark to market valuation	3,286	(17,930)	(7,432)
Share of loss of associate	(1,316)	(8,185)	(46,544)
<b>Profit before tax</b>	<b>92,132</b>	<b>59,691</b>	<b>37,799</b>
Tax expense	(22,750)	(19,453)	(24,075)
<b>Profit after tax</b>	<b>69,382</b>	<b>40,238</b>	<b>13,724</b>
Other comprehensive income	20,451	44,808	29,563
<b>Total comprehensive income</b>	<b>89,833</b>	<b>85,046</b>	<b>43,287</b>
<b>Earnings Per Share (EPS)* - Basic and diluted (Kshs)</b>	<b>0.27</b>	<b>0.15</b>	<b>0.05</b>
Weighted average number of shares in issue	260,391,721	260,391,721	260,391,721

\* EPS is calculated by dividing the profit after tax before other comprehensive income by the weighted average number of shares in issue during the period.

Summary Consolidated Statement of Financial Position	30.06.2023	30.06.2022	31.12.2022
As at	Unaudited Kshs '000	Unaudited Kshs '000	Audited Kshs '000
<b>Assets</b>			
Property and equipment	438,915	476,162	447,628
Intangible assets	105,937	116,200	108,360
Investment in associate	186,959	228,567	188,275
Financial assets at fair value through other comprehensive income - Quoted equity instruments	127,280	120,141	106,829
Government securities at amortised cost	202,402	201,910	202,615
Financial assets at fair value through profit or loss - Government securities	196,756	378,911	256,375
Cash and bank balances and bank deposits	531,530	484,993	382,231
Other assets	362,554	336,857	341,376
<b>Total assets</b>	<b>2,152,333</b>	<b>2,343,741</b>	<b>2,033,689</b>
<b>Equity and liabilities</b>			
Share capital	1,041,567	1,041,567	1,041,567
Share premium	279,459	279,459	279,459
Revenue reserves	543,955	552,506	526,654
Non controlling interest	17,369	17,492	17,366
Other reserves	52,447	47,777	31,996
Non current liabilities	13,965	13,966	13,965
Other liabilities	203,571	390,974	122,682
<b>Total shareholders' funds and liabilities</b>	<b>2,152,333</b>	<b>2,343,741</b>	<b>2,033,689</b>

Summary Consolidated Statement of Cash Flows For The	6 months ended 30.06.2023	6 months ended 30.06.2022	12 months ended 31.12.2022
	Unaudited Kshs '000	Unaudited Kshs '000	Audited Kshs '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	59,377	60,712	66,974
Tax paid	(20,422)	(57,535)	(97,362)
Net cash generated from/(used in) operating activities	38,955	3,177	(30,388)
Net cash generated from/(used in) investing activities	66,044	(186,006)	(88,455)
Net cash used in financing activities	-	(21,304)	(243,965)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>104,999</b>	<b>(204,133)</b>	<b>(362,808)</b>
Cash and cash equivalents at 1 January	251,674	374,417	613,095
Effect of foreign exchange rate changes	6,680	-	1,387
<b>Cash and cash equivalents at period end</b>	<b>363,353</b>	<b>170,284</b>	<b>251,674</b>

Summary Consolidated Statement Of Changes in Equity	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 2022</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 year	-	-	-	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</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>
Profit for the year	-	-	(15,781)	(26,388)	(126)	(42,295)
Other comprehensive income	-	-	-	536	-	536
<b>At 31 December 2022</b>	<b>1,041,567</b>	<b>279,459</b>	<b>31,996</b>	<b>526,654</b>	<b>17,366</b>	<b>1,897,042</b>
Profit for the year	-	-	-	69,379	3	69,382
Other comprehensive income	-	-	20,451	-	-	20,451
2022 first and final dividend declared in the year	-	-	-	(52,078)	-	(52,078)
<b>At 30 June 2023</b>	<b>1,041,567</b>	<b>279,459</b>	<b>52,447</b>	<b>543,955</b>	<b>17,369</b>	<b>1,934,797</b>

#### OPERATING ENVIRONMENT IN 2023

Global economic growth in the first half of 2023 remained low as heightened financial risks occasioned by tightening financial conditions, geo-political tensions, higher debt levels in emerging and developing economies hampered growth. According to the World Bank, world economic growth is expected to decelerate from 3.1% in 2022 to 2.8% in 2023.

Locally, the Kenyan economy continued to depict signs of recovery amidst various domestic and global shocks. Economic growth expanded by 5.3% in the first quarter of 2023, buoyed by improved performance in the agricultural sector as favorable weather conditions accelerated a reversal in contractions experienced by the sector over the last two years. The World Bank estimates that the economy will expand by 5% in 2023.

Inflation remained elevated and above the Central Bank of Kenya's target range averaging 8.51% for the six months ended 30 June 2023, compared to 6.18% recorded over a similar period in 2022. The inflation was mainly driven by an upsurge in food and fuel prices, especially in the first quarter of the year.

In late June, the Central Bank's Monetary Policy Committee raised the base lending rate from 9.5% to 10.50% to address the runaway inflation. The Kenyan Shilling continued to weaken against the US dollar to trade at an average of Kshs. 133/- in the first half of the year 2023 as demand for the dollar surged against a lower supply.

#### MARKET PERFORMANCE

The performance of listed securities over the review period remained subdued across major frontier markets as increasing interest rates in developed markets led to capital reallocation by investors who increased allocation to near cash assets.

As a result, the equity market saw a decline in performance evidenced by the downward trend seen in the NSE benchmark indices. The NSE 20 Share Index and the All Share Index decreased by 2.35% and 14% to settle at 1,574 points and 107 points respectively.

In the six months ended 30 June 2023, equity turnover increased by 9% to settle at Kshs. 59 billion from Kshs. 54 billion recorded over a similar period in 2022.

Bond turnover declined by 19% from Kshs. 386 billion in the first half of 2022 to Kshs. 309 billion in a similar period in 2023 as purchases of new Government offerings negatively affected secondary trading. Investors also opted to hold on to trading positions given the prevailing high interest rates.

Total equity market capitalization stood at Kshs. 1.67 trillion in H1 2023 compared to Kshs. 1.97 trillion recorded over a similar period in 2022.

The Derivatives market witnessed a reduction in performance with the market turnover declining to Kshs. 36 million for the first half of 2023 with a total of 1,509 contracts traded compared to Kshs. 74 million and 2,241 contracts traded over the same period in 2022.

During the period under review, the NSE listed its second Real Estate Investment Trust (REIT) on the main market, the Laptrust Imara I-REIT, at an event graced by His Excellency Hon. Dr. William Samoei Ruto C.G.H., PhD. at the NSE. The listing brings the total number of REITs in Kenya to four with two listed on the main market and two quoted on the Unquoted Securities Platform.

#### FINANCIAL HIGHLIGHTS

Despite the equity market remaining subdued within the period, the Group reported a profit before expected credit losses and fair value movements of Kshs. 90.2 million in H1 2023 compared to Kshs. 85.8 million in H1 2022. Profit after tax improved by 72% to Kshs. 69.4 million in H1 2023 from Kshs. 40.2 million in H1 2022.

Equity turnover increased to Kshs. 59 billion in H1 2023 compared to Kshs. 54 billion in the same period in 2022 due to a block transaction of Kshs. 22 billion in March 2023. Normal market activity however remained low especially from the international investor segment. The increased turnover resulted in an increase in equity levy income by 9% from Kshs. 129.8 million in H1 2022 to Kshs. 141.6 million in H1 2023.

Bond trading levy decreased by 35% from Kshs. 47.4 million in H1 2022 to Kshs. 31 million in H1 2023 on reduced secondary trading activity in Government bonds as a result of rising yields that have led to lower valuations.

The data business continued to record growth with revenue increasing to Kshs. 65.9 million from Kshs. 50.3 million recorded in H1 2022 owing to improved product uptake, introduction of new data sets and our partnership with an international data consultant.

Total expenses increased marginally by 4% from Kshs. 275.1 million in H1 2022 to Kshs. 287.1 million in the period under review.

The share of loss of associate (Central Depository and Settlement Corporation) improved from a loss of Kshs. 8.2 million in H1 2022 to a loss of Kshs. 1.3 million in H1 2023 on the associate's improved performance in 2023.

Other comprehensive income in H1 2023 relates to the fair value gain of Kshs. 20.4 million on share price appreciation in our equity investment in the Dar-es-Salaam Stock Exchange.

Total assets decreased marginally by 8% from Kshs. 2.34 billion in H1 2022 to Kshs. 2.15 billion as at H1 2023.

The return on assets and return on equity improved from 3.4% and 4.2% respectively in the six months ended 30 June 2022 to 6.4% and 7.2% respectively in the same period in 2023.

#### OUTLOOK - SECOND HALF OF 2023

In the second half of the year, the NSE will continue implementing its revenue diversification strategy through promoting the growth of non-trading income from alternative sources such as data and information sales as well as training and consulting services.

This period equally presents a good opportunity for the NSE to enhance the uptake of its products in the equity and bond markets. To this end, the NSE will continue to engage with prospective issuers in the private and public sectors. We expect to onboard one company on our main market as well as list one Exchange Traded Fund (ETF) in the second half of the year. Given the increased interest by issuers and investors in liquid, diversified products, the NSE will also continue to encourage the growth of alternative equity investment products such as REITs and ETFs.

The NSE is leveraging on technology and innovation to accelerate market growth. In the second half of the year, the NSE will launch NSE Connect, an innovative online platform that will link financiers and companies seeking capital. The platform will enable us to tap into the SME financing market which continues to grow rapidly in Kenya. The NSE has also adopted *Dosikaa* - a mobile phone platform that enables direct securities trading by retail investors. We envisage this will increase liquidity and accelerate market growth through democratizing access of listed securities to all Kenyans. The NSE will also continue participating in various online platforms to enhance investor knowledge of market opportunities.

Guided by our commitment to enhance sustainability, we have continued to enhance market capacity on reporting various Environmental, Social and Governance (ESG) standards. As a market, we are keen to encourage and help prepare companies to adhere to sustainability factors that will be critical in influencing investment decisions. To this end, we have developed various partnerships in the areas of ESG capacity building and ESG ratings. We are delighted with the response by listed companies to this key business imperative and will continue building the interest in this area.

#### DIVIDENDS

The Board of Directors does not recommend an interim dividend for the first half of the year 2023.

#### By Order of the Board



**Geoffrey O. Odundo**  
Chief Executive

Nairobi  
30 August 2023