ANNOUNCEMENT OF UNAUDITED GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

nairobi securities exchange
Discover Opportunity

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income For the	6 Months Ended 30.06.2021 Unaudited Kshs '000	6 Months Ended 30.06.2020 Unaudited Kshs '000	12 Months Ended 31.12.2020 Audited Kshs '000
Revenue	276,513	292,383	548,257
Interest income	46,865	36,715	85,138
Other income	42,790	35,968	36,544
Total income	**366,168**	**365,066**	**669,939**
Administrative expenses	(258,800)	(236,122)	(467,212)
Share of profit of associate	601	13,819	16,187
Profit before taxation	**107,969**	**142,763**	**218,914**
Taxation charge	(30,576)	(32,106)	(50,996)
Profit for the period	**77,393**	**110,657**	**167,918**
Other comprehensive profit/(loss)	23,159	(166)	(5,865)
Total comprehensive income for the period	**100,552**	**110,491**	**162,053**
Earnings Per Share* - Basic and diluted (Kshs)	**0.29**	**0.43**	**0.65**
*EPS based on no. of shares	259,500,791	259,500,791	259,500,791

Summary Consolidated Statement of Financial Position As at	30.06.2021 Unaudited Kshs '000	30.06.2020 Unaudited Kshs '000	31.12.2020 Audited Kshs '000
Assets			
Non current assets	1,123,275	1,215,359	1,170,421
Current assets	1,318,919	1,095,209	1,142,725
Total assets	**2,442,194**	**2,310,568**	**2,313,146**
Equity and liabilities			
Share capital	1,040,017	1,038,003	1,038,003
Share premium	278,579	277,185	277,185
Revenue reserves	820,749	840,334	883,258
Non controlling interest	17,876	18,094	15,509
Other reserves	(593)	(18,259)	(23,752)
Non current liabilities	14,983	37,079	38,483
Current liabilities	270,583	118,132	84,460
Total shareholders' funds and liabilities	**2,442,194**	**2,310,568**	**2,313,146**

Summary Consolidated Statement of Cash Flows For The	6 Months Ended 30.06.2021 Unaudited Kshs '000	6 Months Ended 30.06.2020 Unaudited Kshs '000	12 Months Ended 31.12.2020 Audited Kshs '000
Cash flows from operating activities			
Cash generated from operations	25,037	70,622	190,607
Tax paid	(58,780)	(10,801)	(19,982)
Net cash (used in)/generated from operating activities	(33,743)	59,821	170,625
Net cash generated from/(used in) investing activities	118,153	99,699	(91,149)
Net cash used in financing activities	-	(2,265)	(19,801)
Increase in cash and cash equivalents	**84,410**	**157,255**	**59,675**
Cash and cash equivalents at the beginning of the period	402,748	343,073	343,073
Cash and cash equivalents at the end of the period	**487,158**	**500,328**	**402,748**

Summary Consolidated Statement of Changes in Equity For the Six Months Ended	Share capital Kshs '000	Share premium Kshs '000	Revaluation & Other reserves Kshs '000	Retained earnings Kshs '000	Non controlling interest Kshs '000	Total Kshs '000
At 1 January 2020	**1,038,003**	**277,185**	**(18,093)**	**732,992**	**56,113**	**2,086,200**
Profit for the period	-	-	-	109,733	924	110,657
Other comprehensive income, net of tax	-	-	(166)	-	-	(166)
Reduction of NCI on increase in shareholding in subsidiary	-	-	-	-	(38,943)	(38,943)
Dividend declared by subsidiary	-	-	-	(2,391)	-	(2,391)
At 30 June 2020	**1,038,003**	**277,185**	**(18,259)**	**840,334**	**18,094**	**2,155,357**
Profit for the period	-	-	-	58,068	(807)	57,261
Other comprehensive income, net of tax	-	-	(5,699)	-	-	(5,699)
Reduction of NCI on increase in shareholding in subsidiary	-	-	206	5,616	(1,778)	4,044
2019 dividend declared in the year	-	-	-	(20,760)	-	(20,760)
At 31 December 2020	**1,038,003**	**277,185**	**(23,752)**	**883,258**	**15,509**	**2,190,203**
Profit for the period	-	-	-	75,026	2,367	77,393
Other comprehensive income	-	-	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
At 30 June 2021	**1,040,017**	**278,579**	**(593)**	**820,749**	**17,876**	**2,156,628**

Explanatory Notes

The accounting policies used in preparing these financial statements are consistent with those used for the group's 2020 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 27 August 2021.

GDP GROWTH AT 6%

BONDS TURNOVER INCREASED BY 60%

INTEREST INCOME INCREASED BY 28%

TOTAL ASSETS INCREASED BY 6%

OPERATING ENVIRONMENT AND MARKET PERFOMANCE - FIRST HALF OF 2021

During the first half of the year, the global economy experienced recovery with the IMF projecting GDP growth at 6% in 2021. Similar trends are expected in Sub-Saharan Africa with growth projections at 3.4% and 4.1% in 2021 and 2022 respectively. These growth prospects are in response to increased vaccinations and the easing of containment measures in the developed countries.

Kenya's GDP forecast for 2021 was adjusted higher to 6.6% from 6.4%, mainly as a result of lower base in 2020 on the back of improved rainfall and recovery in key sectors that were greatly impacted by the COVID-19 pandemic. The Central Bank Rate was retained at 7% during H1 2021 as part of the stimulus efforts to support post Covid economic recovery.

Inflation rose by 12.5% for the period between December 2020 and June 2021 from 5.62% to 6.32% triggered by increased food prices, higher electricity bills and fuel prices. The Kenyan shilling strengthened against the US dollar by 1.2% from 109.17 to 107.95 in H1 2021.

This notwithstanding, the local capital markets showed levels of recovery albeit below projections owing to the low level of vaccination rates, the slow recovery of some key sectors such as tourism and slow re-opening of the general economy due to the continued health containment measures.

MARKET PERFOMANCE

By close of H1 2021, confirmed Covid-19 cases globally were approximately 182.6 Million and deaths at 3.96 Million. The case load in Kenya has increased rapidly since the first case was reported mid-March 2020. The total number of reported cases as at the close of June 2021 stood at 184,161 with the total mortality standing at 3,634 cases.

The impact of COVID-19 continues to be experienced in the market with equity turnover decreasing by 16.2% in H1 2021 compared to H1 2020, from Kshs. 63.7 Billion to Kshs. 83.2 Billion. This was as a result of attrition from the market by international investors into their domestic markets owing to the increased volatility in our equity market; as well as a shift by local investors to fixed income securities owing to the prevailing high yields in this asset class

Bonds turnover increased by 60% in H1 2021 when compared to similar position in H1 2020, with total turnover increasing from Kshs. 293 Billion in June 2020 to Kshs. 471 Billion in June 2021. During the period, the Government of Kenya issued a total of Ksh 260 Billion in new bond issuances.

Market capitalization rose by 15.6% to Kshs. 2.702 Trillion in 2021 from Kshs. 2.336 Trillion in 2020.

During the period, we recorded additional secondary offers with Crown Paints raising a total of Kshs. 711 Million through the issuance of 71.81 Million additional shares. This represented an oversubscription rate of 13.74%. The shares were listed and started trading at the NSE on 15th July 2021.

Our corporate debt market recorded improved performance with listing of the Centum Real Estate bond valued at Kshs. 3 Billion and the Family Bank Medium Term Note which raised a total of Kshs. 4 Billion in its first tranche. These two issuances have had a positive impact on the corporate debt market and should provide impetus for further issuances.

We also listed two additional REITs, the Acorn Holdings Income and Development REITs which raised a total of Kshs. 2.5 Billion. The REITs were listed on the Unquoted Securities Platform (USP) which to date has recorded a total turnover of Kshs. 20 Million.

FINANCIAL HIGHLIGHTS

- The Group reported a Profit after Tax of Kshs.77.4 Million. This represents a 30% reduction in Profit after Tax for the six months ended 30 June 2021 compared to a similar period in 2020.
- Revenue decreased by 5% from Kshs. 292.4 Million in the six months ended 2020 to Kshs. 276.5 Million in the similar period in 2021. This was mainly driven by a 16% drop in equity turnover which declined from Kshs. 83 Billion for the six months ended 30 June 2020 to Kshs. 70 Billion for the similar period in 2021. This in turn led to a reduction in equity trading levies by 16% from Kshs. 199.8 Million for the six months ended 30 June 2020 to Kshs. 167.3 Million for same period in 2021.
- The decline in the equity turnover was as a result of increased allocation of capital towards the fixed income asset class during the period. Bonds turnover however increased up 60% to settle at Kshs. 470 Billion for the six months ended 30 June 2021 as compared to the same period in 2020.
- Interest income increased by 28% from Kshs. 36.7 Million in 2020 to Kshs. 46.9 Million for a similar period in 2021 due to active management of investable funds.
- Administrative expenses increased by 9.6% from Kshs. 236.1 Million to Kshs. 258.8 Million in the period under review. This was mainly driven by additional costs on system enhancements to enhance cyber resilience of the business occasioned by the virtualization of our trading infrastructure and a 9.6% increase in administrative costs.
- Share of profit of associate decreased by 96% to Kshs. 0.6 Million in 2021 from Kshs. 13.8 Million in 2020 as a result of decline in trading activity in the equity market.
- Other comprehensive profit resulted from the fair value movement of our quoted investment acquired in 2019 which is passed through Other Reserves.
- Total assets increased marginally by 6% from Kshs. 2.31 Billion as at 30 June 2020 to Kshs. 2.44 Billion as at 30 June 2021 owing to an increase in retained earnings resulting from the Group's improved performance in 2020 as well as Kshs. 50 Million dividend receivable from investments.
- Non-current liabilities as at 30 June 2021 includes Kshs. 11.75 Million received from a Clearing Member in 2019 towards the NSE Derivatives Settlement Guarantee Fund.
- Current liabilities stood at Kshs. 270.6 Million as at 30 June 2021 and includes Kshs. 169.6 Million dividend payable and Kshs. 23.5 Million contribution refundable to a Clearing Member.
- Net cash from operating activities decreased in the six months ended 30 June 2021 as compared to June 2020 as a result of the reduced performance in the period. Cash and cash equivalents however increased in H1 2021 as compared to the full year ended 31 December 2020.
- Return on assets and return on equity reduced from 9.6% and 10.3% respectively in the six months ended 30 June 2020 to 6.1% and 7.0% respectively in the same period 2021.

OUTLOOK – SECOND HALF OF 2021

The economy is currently experiencing some level of recovery supported by improved performance of key sectors including financial services and telecommunications. This is expected to have a positive impact on our macroeconomic performance; and as a result see improved uptake of our existing equity and debt products as well as increased interest in our new products. With the recent launch of our Lipa na Bonga points initiative with Safaricom Plc, we are now well positioned to increase retail investor activity in the market.

As part of our key strategic imperative, the Exchange continues to engage with prospective issuers to tap into the capital markets to fund their businesses. Our engagements with various corporates indicates a growing demand for capital and opportunities available in the capital markets post a pandemic recovery. This is evidenced by the capital raising events highlighted in the market performance segment. The Exchange will continue to engage with the Government for the potential listing of state owned enterprises. It is our view that the capital markets provides a good value proposition for the Government of Kenya to achieve its capital raise and wealth distribution objectives. We will continue to lay focus on the corporate debt market which provides an ideal opportunity for companies to raise medium term funding.

We will continue to support the Government of Kenya domestic debt program during the upcoming period. The successful debt raised in H1 2021 is a testament of the growing demand for this asset class.

The NSE will also build on our advocacy for good corporate governance through our various programs including encouraging adoption of ESG standards which are currently under consideration.

DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the first half of the year 2021.

By Order of the Board

Geoffrey O. Odundo
Chief Executive

Nairobi
27 August 2021