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NAIROBI SECURITIES EXCHANGE
2015 Annual Results Announcement
24 March 2016

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Chief Executive

Contents

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Economic Environment

2015 Global Economic Review

Global growth in 2015, slowed to 2.4% from 2.6% in 2014 due to:

- U.S. monetary policy tightening. Federal Reserve Committee raised the target range for the federal funds rate to 0.25% to 0.5%;
- Weakening commodity prices, global trade, and capital flows;
- Gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services; and
- Fragile liquidity conditions.

2015 Regional Economic Review

GDP 5.5% 63 Listed Companies

Market Capitalization: USD 26.4 Billion

GDP 5.0% 16 Listed Companies

Market Capitalization: USD 2.4 Billion

GDP 6.9% 17 Listed Companies

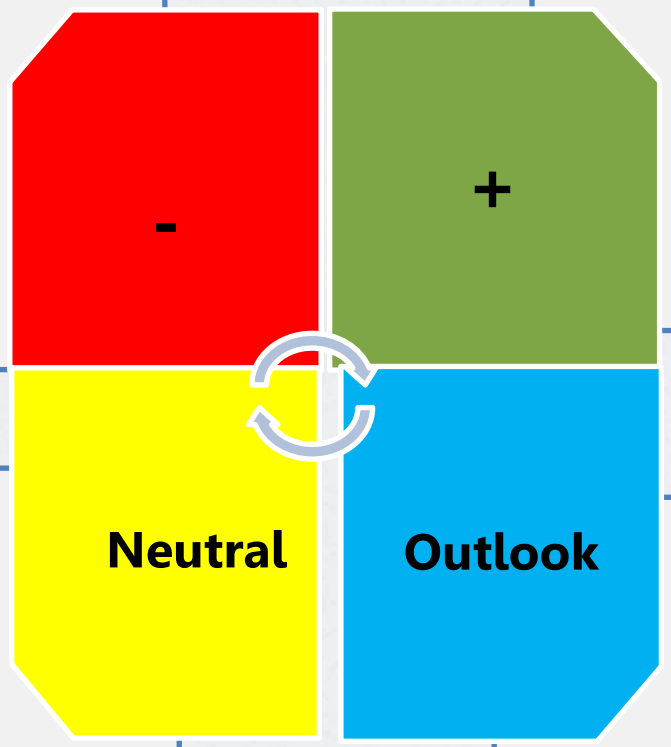
Market Capitalization: USD 11.4 Billion

GDP 7.5% 7 Listed Companies

Market Capitalization: USD 3.8 Billion

Kenya Macro Economic Environment in 2015

- Benchmark interest rate was raised by 300 basis points to 11.5% in mid-2015)
- Inflation rose to 8% above CBK upper limit of 7.5%
- Weakening Currency
- 13% depreciation in exchange rate (USD/KES)



- Firm GDP growth at 5.5%

- CBR rate at 11.50%

- Continued money market liquidity tightness.
- Most listed companies predicted to report stunted earnings growth

NSE Strategic Plan 2015-2019

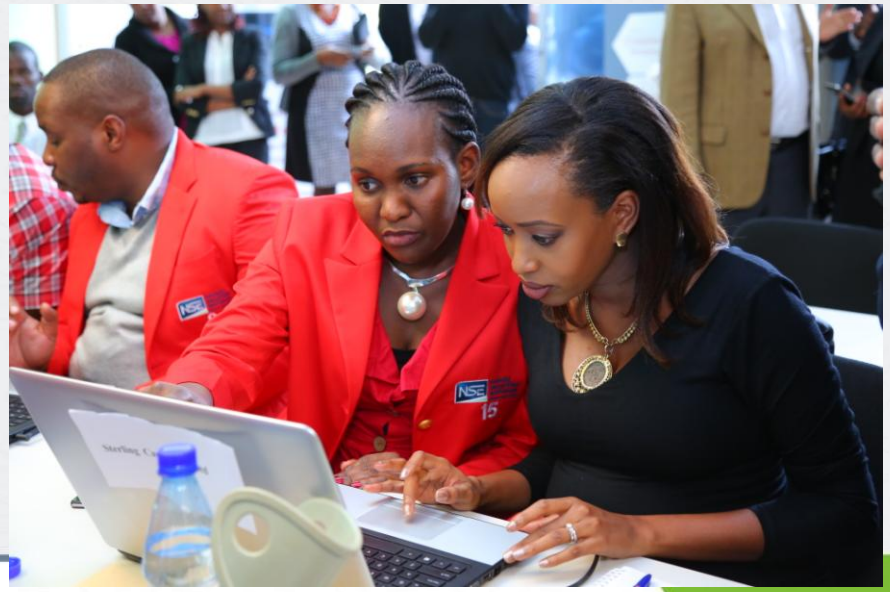
Market Performance 2015-2014 Comparison

Key Performance Indicators

Market Indicator	Jan- Dec 2014	Jan-Dec-2015	%Change
NSE 20 Share Index	5,113	4,040	**(20.99)**
NSE All Share Index (NASI)	170	145	**(14.71)**
Market P/E Ratio	15	14	**2.50**
Market Capitalization (Kshs. billions)	25,668	26,482	**3.17**
No. of Issued Shares (billions)	980	997	**1.77**
No. of Shares Traded (millions)	8,134	6,812	**(16.25)**
No. of Equity Transactions	548,991	406,632	**(25.93)**
Equity Turnover (Kshs. millions) - ET	215,725	209,380	**(2.94)**
% Foreign Participation to ET	51.38	61.63	**10.25**
Bond Turnover (Kshs.billions)	508	302	**(40.58)**
No. of Bond Deals	6,696	4,411	**(34.13)**
Kes/US Dollar Currency exchange as at year end	90.5978	102.3114	**11.81**
No. of Trading Days	252	253	**0.40**

2015 Achievements

- Launched the Real Estate Investment Trust (REITs);
- Commenced the upgrade of the NSE Automated Trading System (ATS);
- Concluded the NSE organizational restructure;
- Joined the UN Sustainable Stock Exchanges Initiative (UN SSE); and
- Held the inaugural NSE Charity Trading Day.



Sustainable Stock Exchanges Initiative

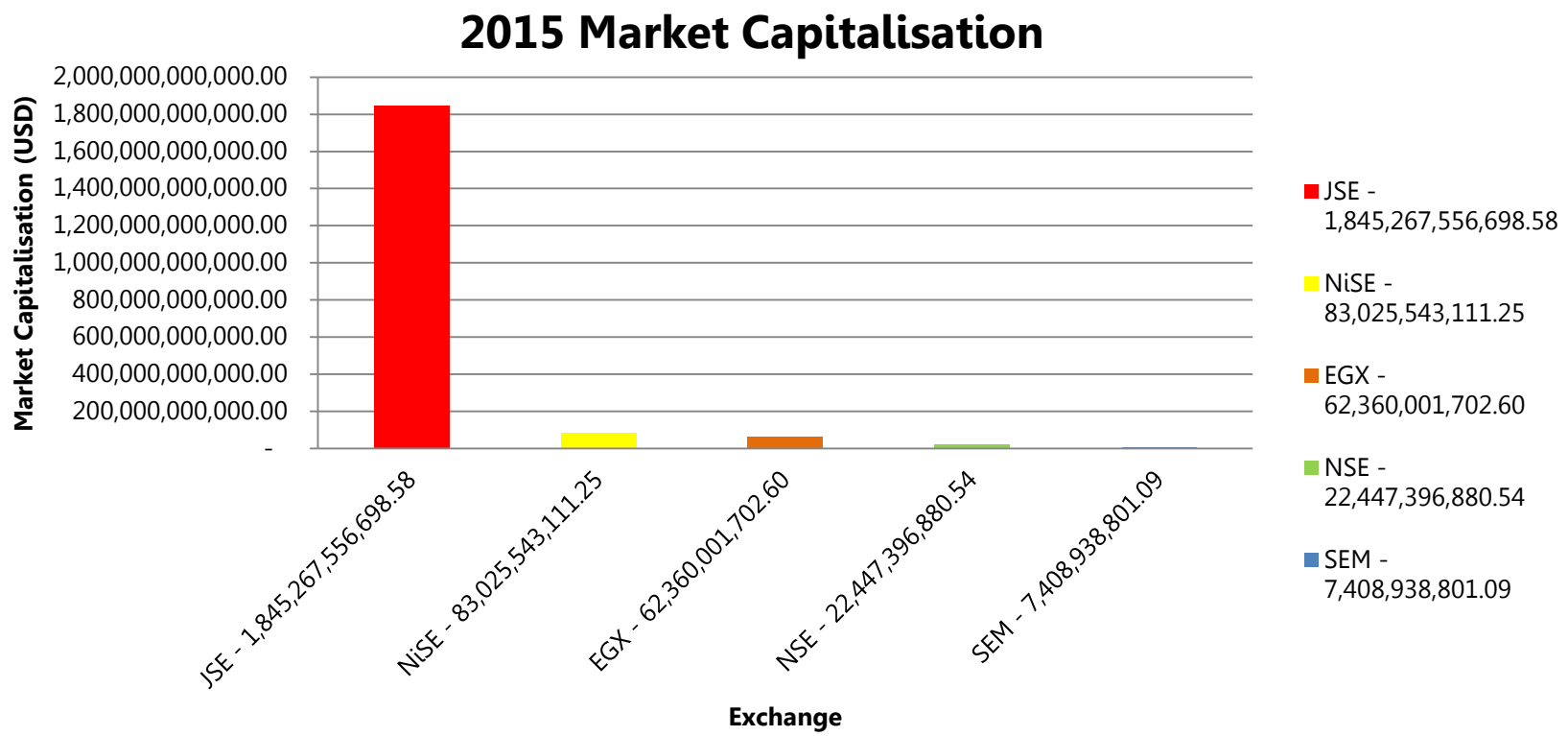
Market Performance

2015 Capital Raise Statistics

CAPITAL RAISE TYPE	AMOUNT (KES Millions)	AMOUNT (USD Millions)
IPO	0	0
REITs	3,620.00	34.81
Corporate Debt	21,576.00	207.21
Government Debt	167,654.00	1,605.77
Total Raised	**192,850.00**	**1,847.79**

Market Performance

Top Five African Stock Markets (Market Capitalization in USD)



Market Performance

African Markets Performance

Exchanges	1 Year Index Movement %	3 Years Index Movement %	5 Years Index Movement %	YTD Index Movement %
Namibian Stock Exchange	8.1	19.9	66.7	19.2
Johannesborg Stock Exchange	-9.9	-3.4	6.7	6.8
Dar-es-Salaam Stock Exchange	-15.4	31.3	57.7	4.73
BRVM	4.2	88.1	78.8	3.32
Nairobi Securities Exchange	**-15.9**	**45.3**	**25.3**	**1.18**
Stock Exchange of Mauritius	-17.4	0	3.6	0.82
Uganda Securities Exchange	-19	25.2	16.1	-0.44
Rwanda Stock Exchange	-21.7	N/A	N/A	-0.62
Ghana Stock Exchange	-14.6	9.2	N/A	-1.19
Lusaka Stock Exchange	-23.9	-0.5	29.8	-2.88
Malawi Stock Exchange	2.4	58.3		-3.88
Botswana Stock Exchange	3.1	13.6	-0.1	-4.04
Nigerian Stock Exchange	-41.8	5.7	-11	-8.98
Zimbabwe Stock Exchange	-22.7	9.4	11	-13.25

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2015 Financial Highlights

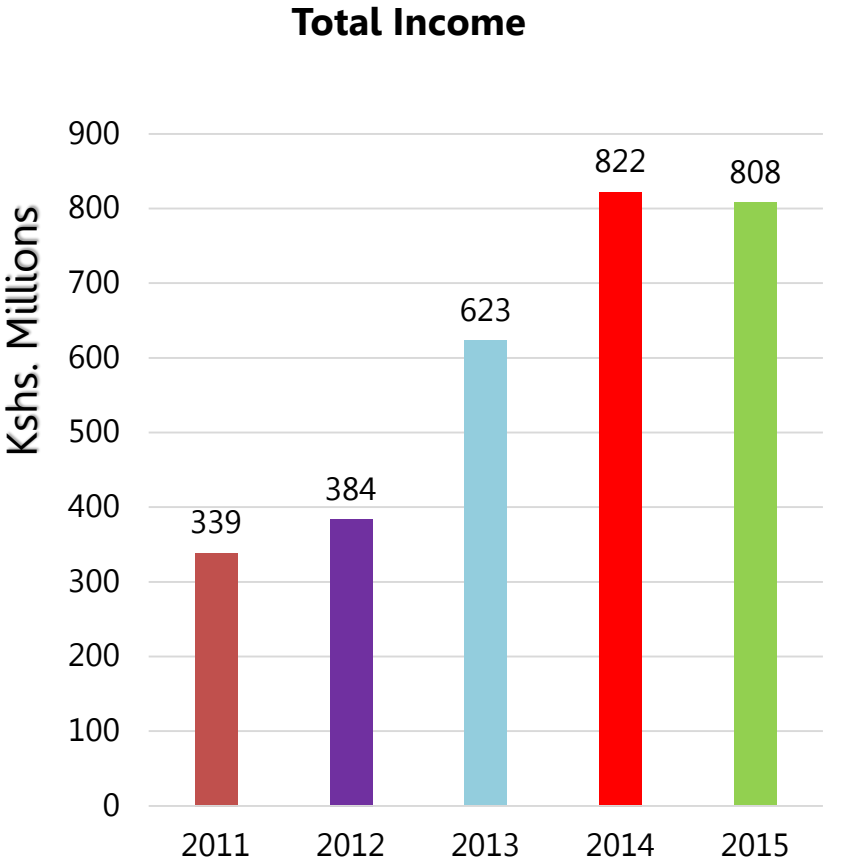
Financial Highlights

Revenue Analysis

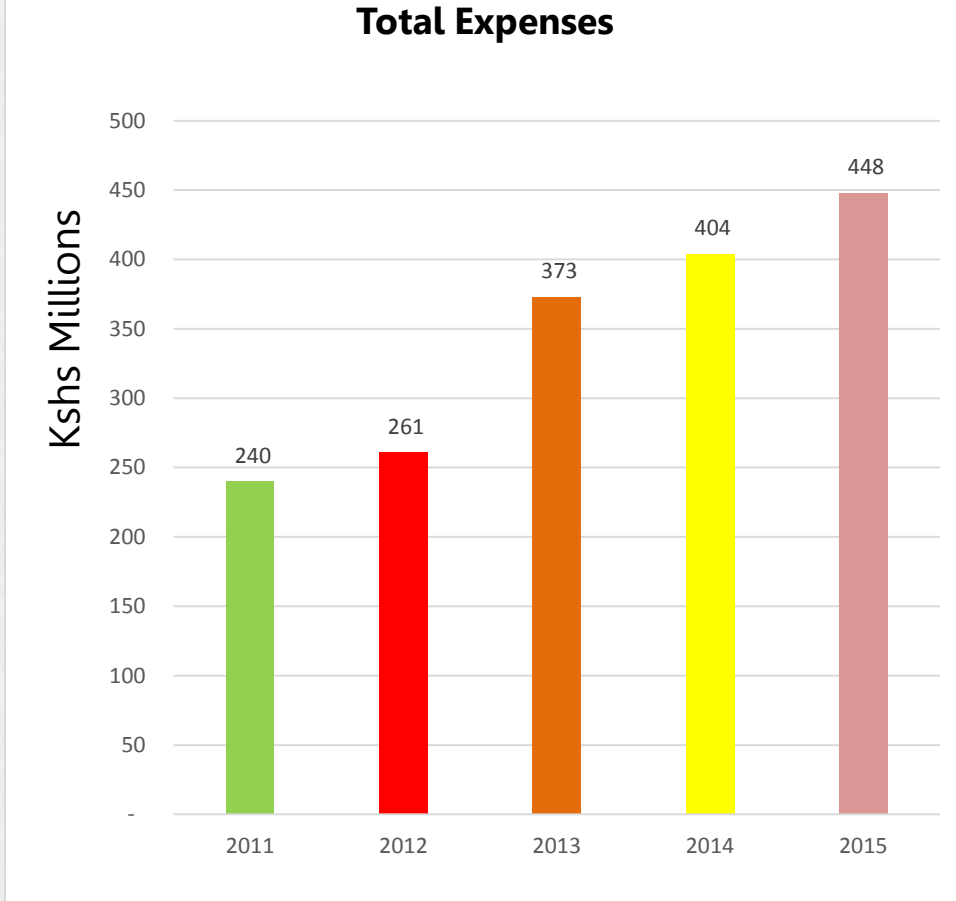
	31-Dec-15	31-Dec-14	Change
	Kshs (Millions)	Kshs (Millions)	
Transactions levy	524	553	-5%
Annual Listing Fees	81	78	4%
Initial Listing Fees	10	8	23%
Application and additional listing fee	1	2	-35%
Data	27	22	23%
Interest income	101	40	153%
Other Income	63	119	-47%
TOTAL	**808**	**822**	**-2%**

Financial Highlights – Income Statement

Growth in Total Income

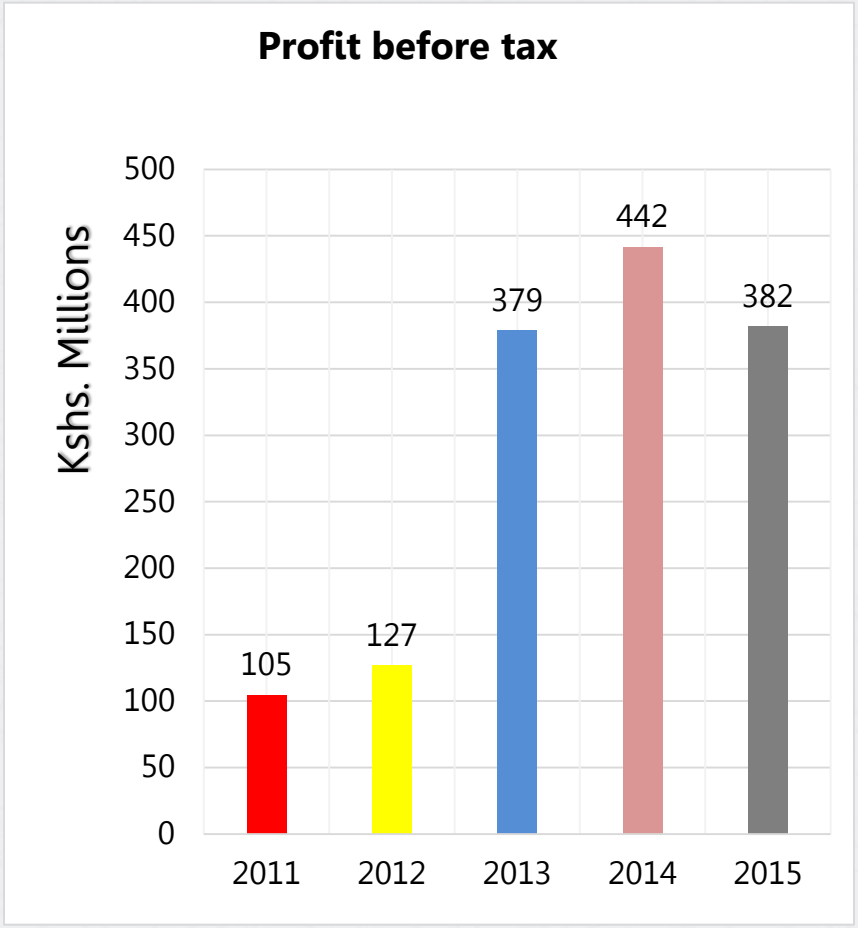


Total Expenses

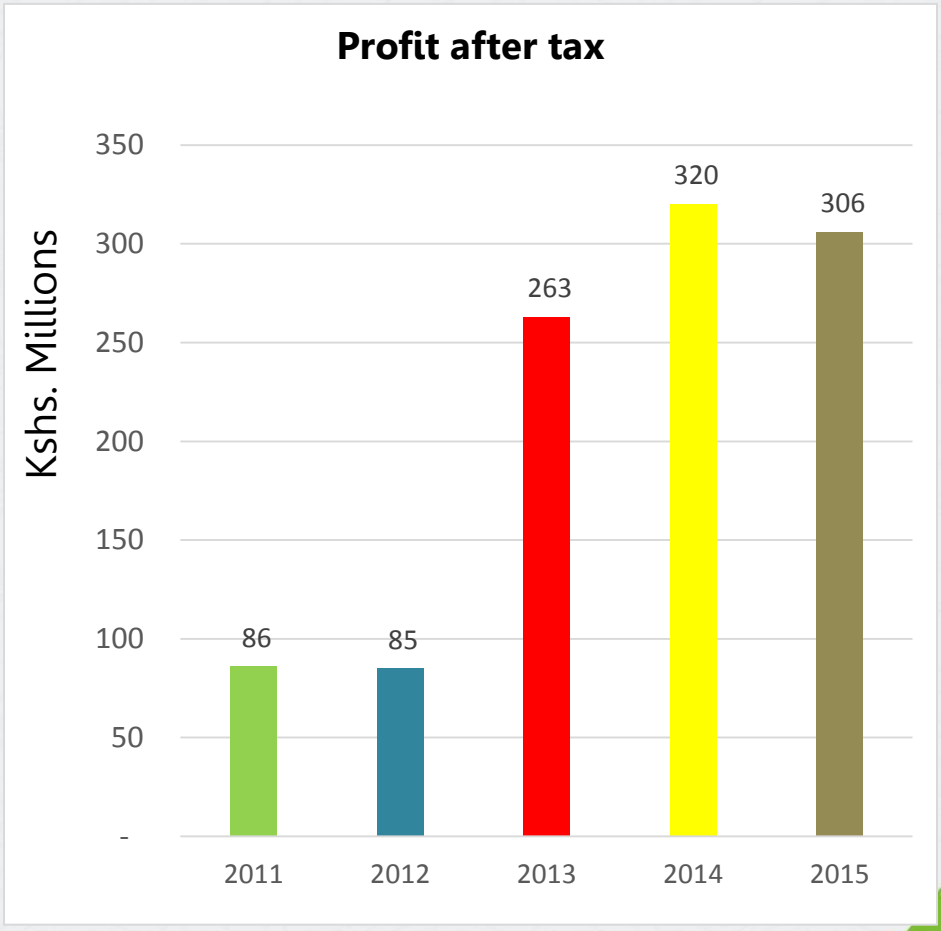


Financial Highlights – Income Statement

Growth in profit before tax



Growth in profit after tax



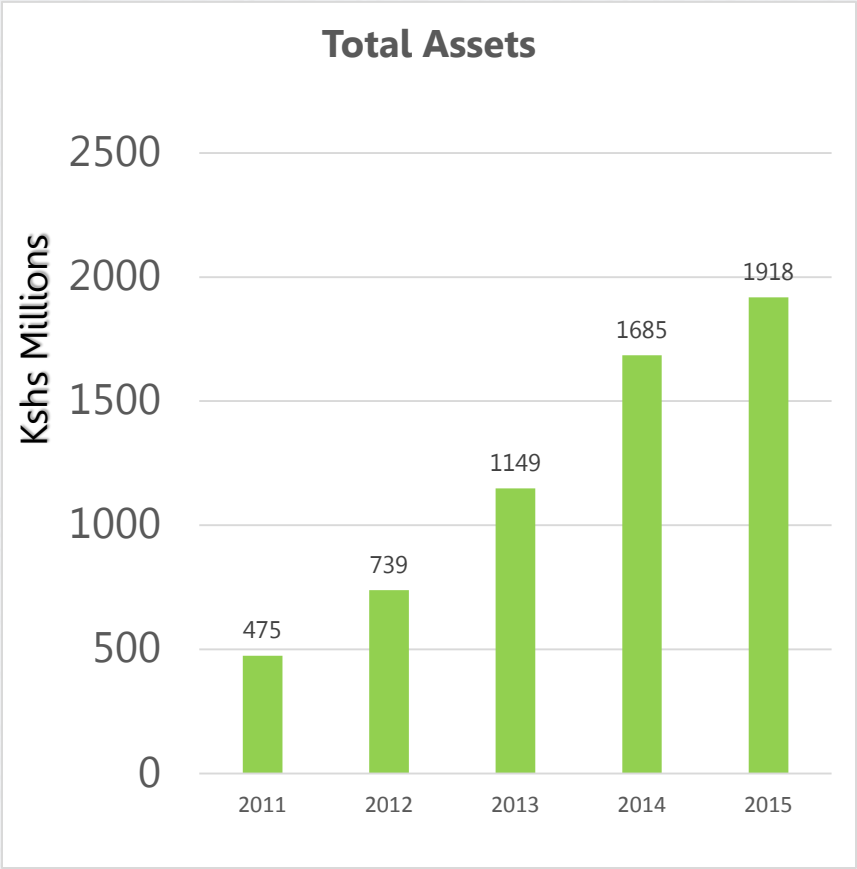
Financial Highlights – Income Statement

Income Statement

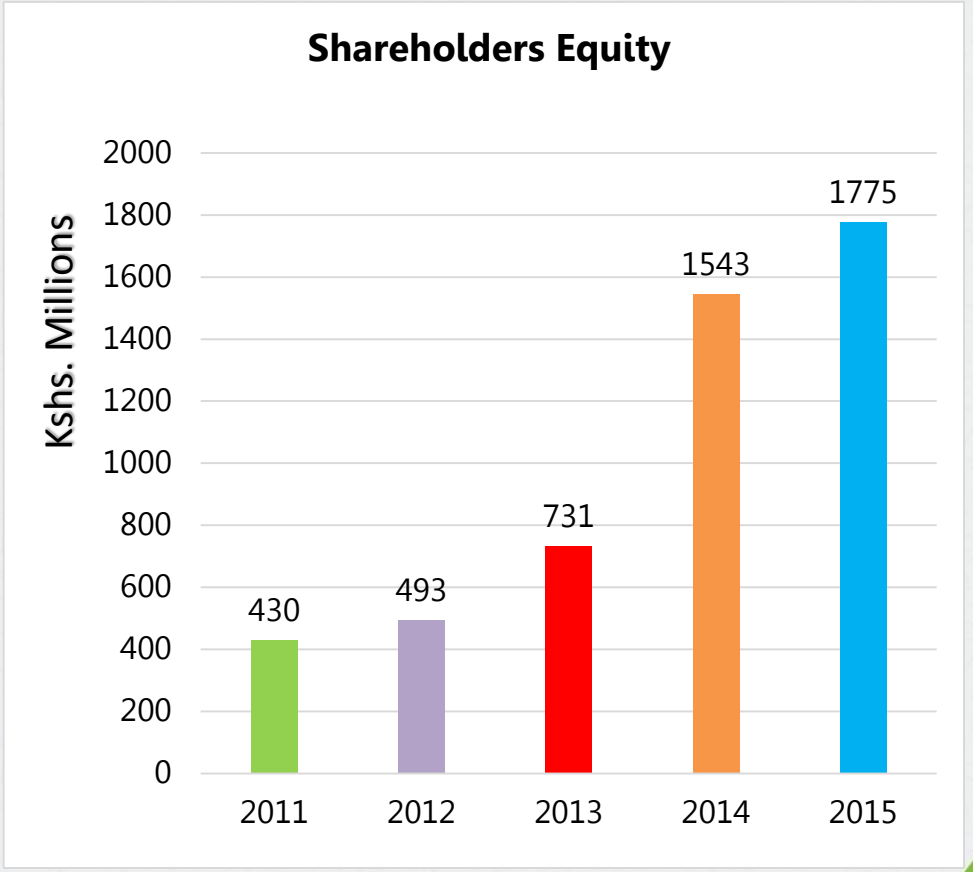
AUDITED GROUP RESULTS FOR THE TWELVE MONTH PERIOD ENDING 31 DECEMBER 2015			
Condensed Group Statement of Profit or Loss and			
Other Comprehensive Income			
For the Year Ended 31 December	**2015**	**2014**	**Variance**
	Kshs '000	**Kshs '000**	
Operating income	616,778	641,736	-4%
Interest income	101,010	39,514	156%
Other income	90,469	140,651	-36%
Total income	**808,257**	**821,901**	-2%
Administrative expenses	(448,323)	(389,541)	15%
Finance costs	-	(14,290)	-100%
Share of profit of associate company	21,560	23,741	-9%
Profit before taxation	**381,494**	**441,811**	-14%
Taxation charge	(75,902)	(121,770)	-38%
Profit for the year	**305,592**	**320,041**	-5%
Other comprehensive income	61	26	135%
Total comprehensive income for the year	**305,653**	**320,067**	-5%
Earnings Per Share* - Basic and diluted (Kshs)	**1.57**	**2.13**	-26%
*EPS based on weighted average no. of shares	194,625,000	150,020,604	

Financial Highlights – Balance Sheet Analysis

Growth in Total Assets

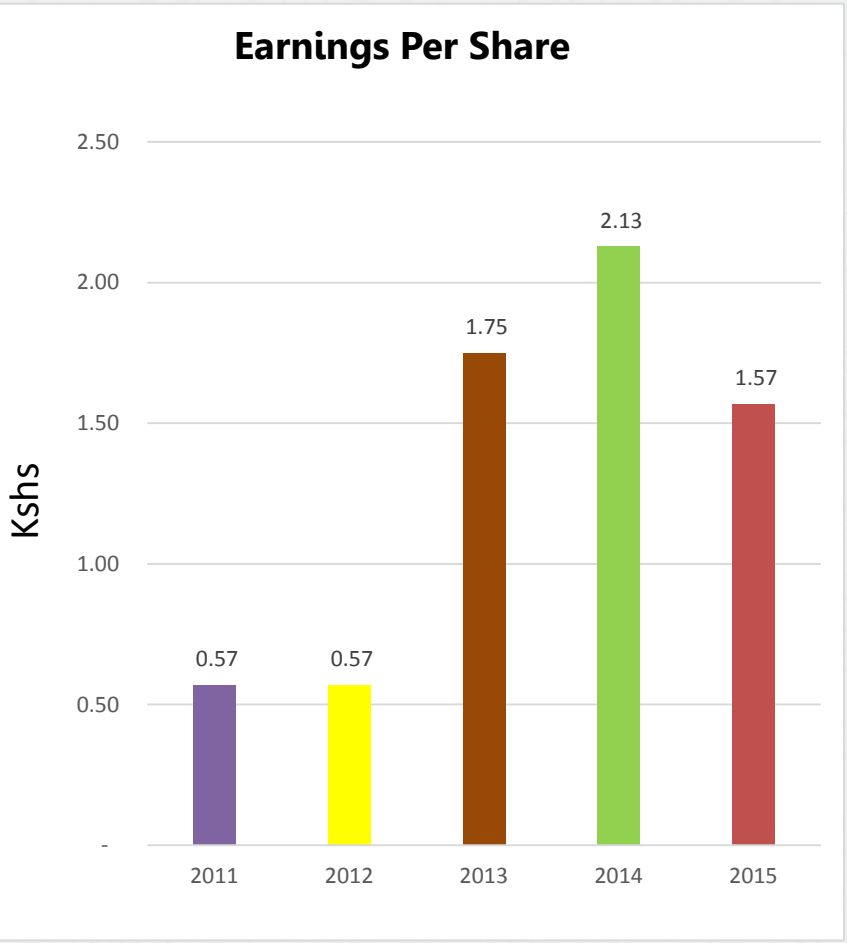


Growth in Shareholder Equity

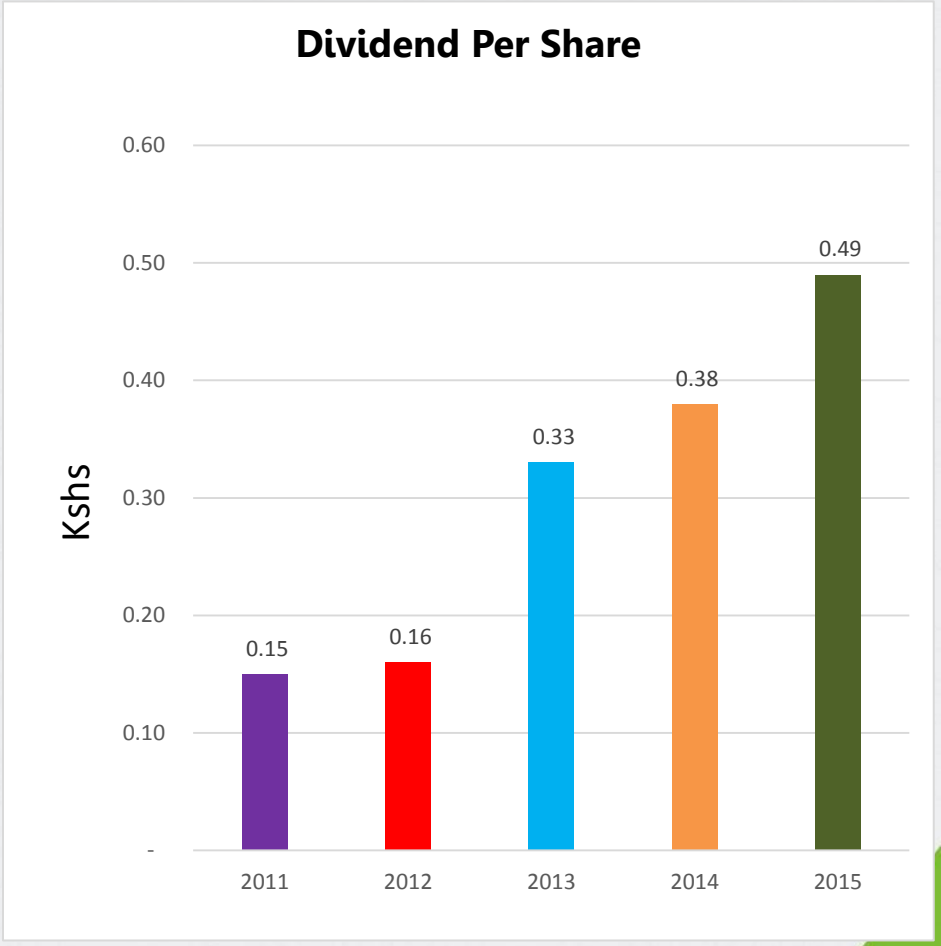


Financial Highlights – Balance Sheet Analysis

Earnings Per Share



Growth in Dividend per share



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Corporate Action

Corporate Action

1. Proposed dividends for 2015 of Kshs 0.49 per share which is a 29% increase over the Kshs 0.38 per share paid in 2014, subject to approval at the Annual General Meeting.

2. Proposed issuance of bonus shares of 1 for every 3 shares held totaling 64.875 million shares, subject to regulatory and shareholders approval.

3. Proposed increase of the NSE authorized share capital from Kshs 825m to Kshs 1.5 billion through the creation of 162.5m shares of Kshs 4 par value.

2016 Economic Outlook

2016 Economic Outlook

- Investor interest in Kenya remains strong
- Economic growth drivers:

  - ✓ Consumer services (including banking, retail and telecommunications);
  - ✓ Urbanisation;
  - ✓ EAC integration;
  - ✓ Structural reforms;
  - ✓ Investment in infrastructure, including a major new railway line; and
  - ✓ The exploitation of Kenya's oil reserves.

- Potential Challenges to our outlook:

  - ✓ Security concerns (Terrorism);
  - ✓ Structural deficiencies, such as infrastructure bottle necks;
  - ✓ Reliability of rainfall;
  - ✓ Weakening of the shilling; and
  - ✓ Global economic downturn.

NSE Outlook & Strategy

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NSE Outlook & Strategy

Aggressive product diversification in line with global best practices.

Products

- Expect further listings on the Main Investment Market Segment (MIMS), Growth Enterprise Market Segment (GEMS) and Real Estate Investment Trust (REITs) and shall be conducting aggressive marketing campaigns on the products.
- The Fixed Income Market will witness further Corporate and Government Debt issues.
- New products slated to be launched include:

1. **Exchange Traded Funds (ETFs)** - We are currently awaiting final approval from the regulator;
2. **Derivatives -** At an advanced stage of system testing, training and public awareness. We are currently ensuring that the operating infrastructure is sound and all participants are fully ready for launch; and
3. **M-Akiba Bond** - Infrastructure set up is ready and launch imminent.

NSE Outlook & Strategy

Initiatives

- Upgrade of the Automated Trading System (ATS) which began in Q3 2015. This will allow the Exchange to better support its new product and service offerings.

- Liquidity enhancers: Working closely with the regulator on the introduction of:
  - Market making framework; and
  - Securities lending and borrowing.

Outlook & Strategy

Sustainability

NSE is a member of Sustainable Stock Exchanges (SSE) Initiative and is focused on enhancing corporate transparency – and ultimately performance – on ESG (environmental, social and corporate governance) issues while encouraging sustainable investment.

1. Corporate Social Investment

- NSE Charity Trading Day
- NSE Investment Challenge
- SOS Children's Village-Adopt a Home initiative

2. Corporate Governance

- FiRe Award
- NSE Leadership and Diversity Dialogue Series
- Women Empowerment Principles

3. New Initiatives

NSE is slated to host the following conferences:

- UNCTAD/World Investment Forum on July 17-23 2016
- Tokyo International Conference on African Development (TICAD) August 2016

Our Sustainability Initiatives

Bell Ringing for Gender Equality and signing of Women Empowerment Principles (WEPs)

Our Sustainability Initiatives

Donation to Joy Children's Home

SOS Children's Village-Adopt a Home Initiative

Q&A