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NAIROBI SECURITIES EXCHANGE
2017 HALF YEAR FINANCIAL RESULTS

By Geoffrey Odundo; Chief Executive; NSE
August, 22 2017

Contents

About NSE

NSE has a six decade heritage in listing equity and debt securities. It offers a world class trading facility for local and international investors looking to gain exposure to Kenya and Africa's economic growth.

NSE is playing a vital role in the growth of Kenya's economy by encouraging savings and investment, as well as helping local and international companies access cost-effective capital.

NSE operates under the jurisdiction of the Capital Markets Authority of Kenya. It is an affiliate of the World Federation of Exchange, a founder member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA). The NSE is a member of the Association of Futures Market and is a partner exchange in the United Nations-led SSE initiative.

Current Shareholder Base (31 July 2017): 13,017

VALUES

ETHICS
INTEGRITY
CONFIDENTIALITY
INNOVATION
EXCELLENCE

VISION

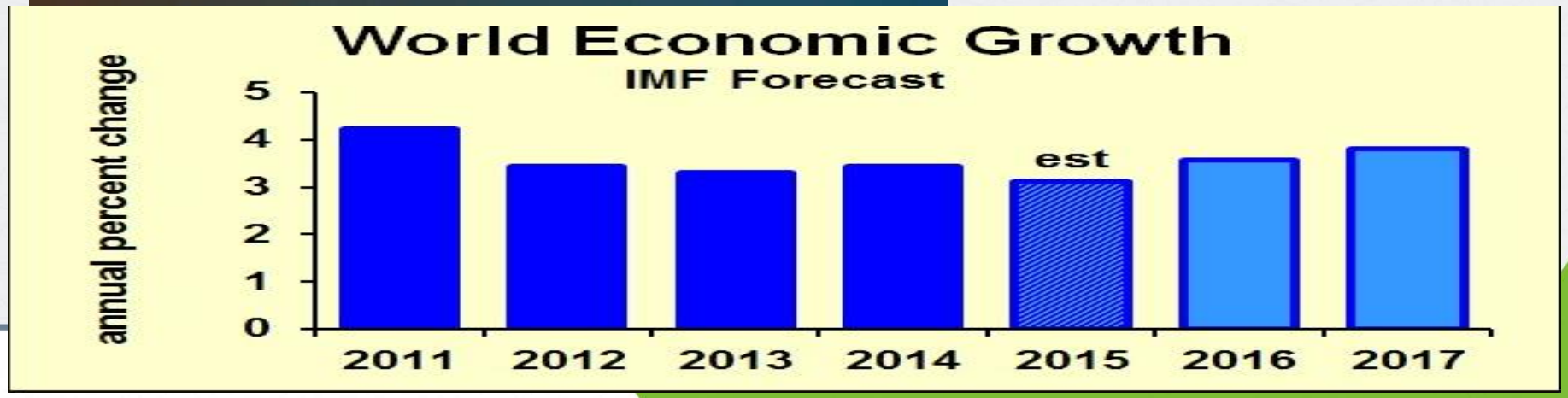
WORLD CLASS
TRADING FACILITY
EXCEPTIONAL
PEOPLE
ROBUST
REGULATION

A LEADING
SECURITIES
EXCHANGE IN
AFRICA WITH
A GLOBAL REACH

Global Economic Review

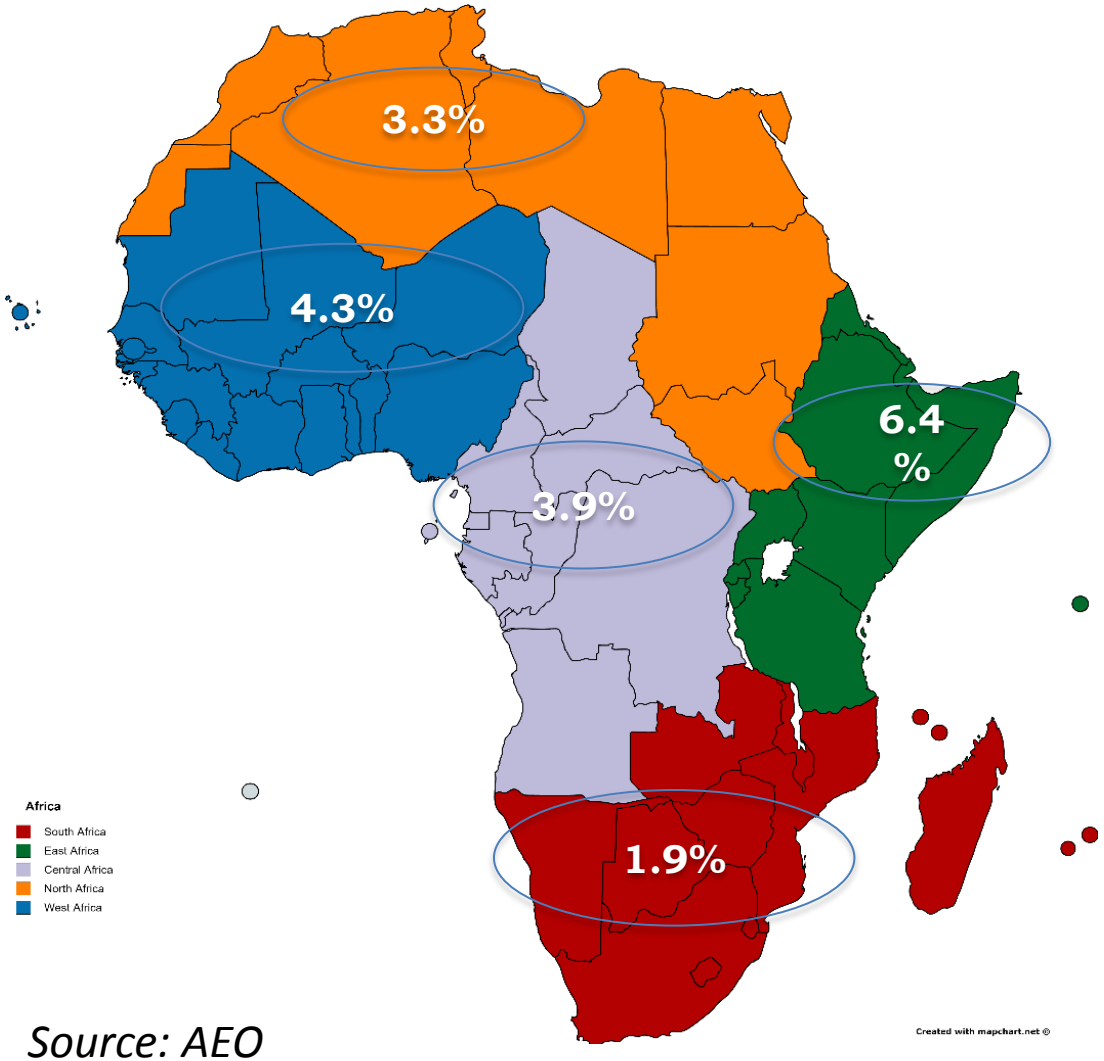
World growth is expected to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018; (According to IMF)

- Stronger activity and expectations of more robust global demand.
- Restrictions on oil supply, have helped commodity prices recover.
- Higher commodity prices have provided some relief to commodity exporters and helped lift global headline inflation and reduce deflationary pressures.
- Financial markets are buoyant and expect continued policy support in China and fiscal expansion and deregulation in the United States.



Africa Economic Overview

Africa plummeted to 1.6% in 2016



Africa is estimated to rise to 4.5% in 2017

2017 Regional Projection

North Africa – 3.8

East Africa – 6.7

Southern Africa – 2.8

Central Africa – 5.0

West Africa – 5.5

Source: AEO

Kenya's Economic Review

2017 projected Economic growth in Kenya;

The key drivers for this growth include:

- Enhanced construction
- Currency stability
- Low inflation
- Growing middle-class and rising incomes
- increased public investment in energy and transportation.

Challenges to our outlook; (According to world Bank)

- Drought which has led to crop failure, dying herds of livestock, and increased food insecurity.
- Hydropower being the cheapest source of energy in Kenya, poor rains increase energy costs, their effects spilling over to other sectors. The rise in food and energy prices drove inflation to a five-year high of 10.3% in March.
- Kenya faces a marked slowdown in credit growth to the private sector. At 4.3%, this remains well below the ten-year average of 19% and is weighing on private investment and household consumption.
- The rise in global oil prices compared to the lows of 2016 has a dampening effect on economic activity. However, in the medium term, economic growth is projected to rebound to 5.8% in 2018 and 6.1% in 2019.

Kenya's Economic Review

Elections and investment climate

The bourse continued to register positive gains despite the political climate and the general election period. This is testament to the confidence that that investors have in our capitals markets.

Equity Turnover – 2013 VS 2017 (Election Period)

Month	2013	2017
	Turnover Ksh (Millions)	Turnover Ksh (Millions)
January	8,464	12,054
February	14,693	12,579
March	11,182	12,460
April	9,856	11,409
May	16,070	16,347
June	13,021	17,144

Market Performance Jan – Jun 2016 Vs Jan – Jun 2017 Comparison

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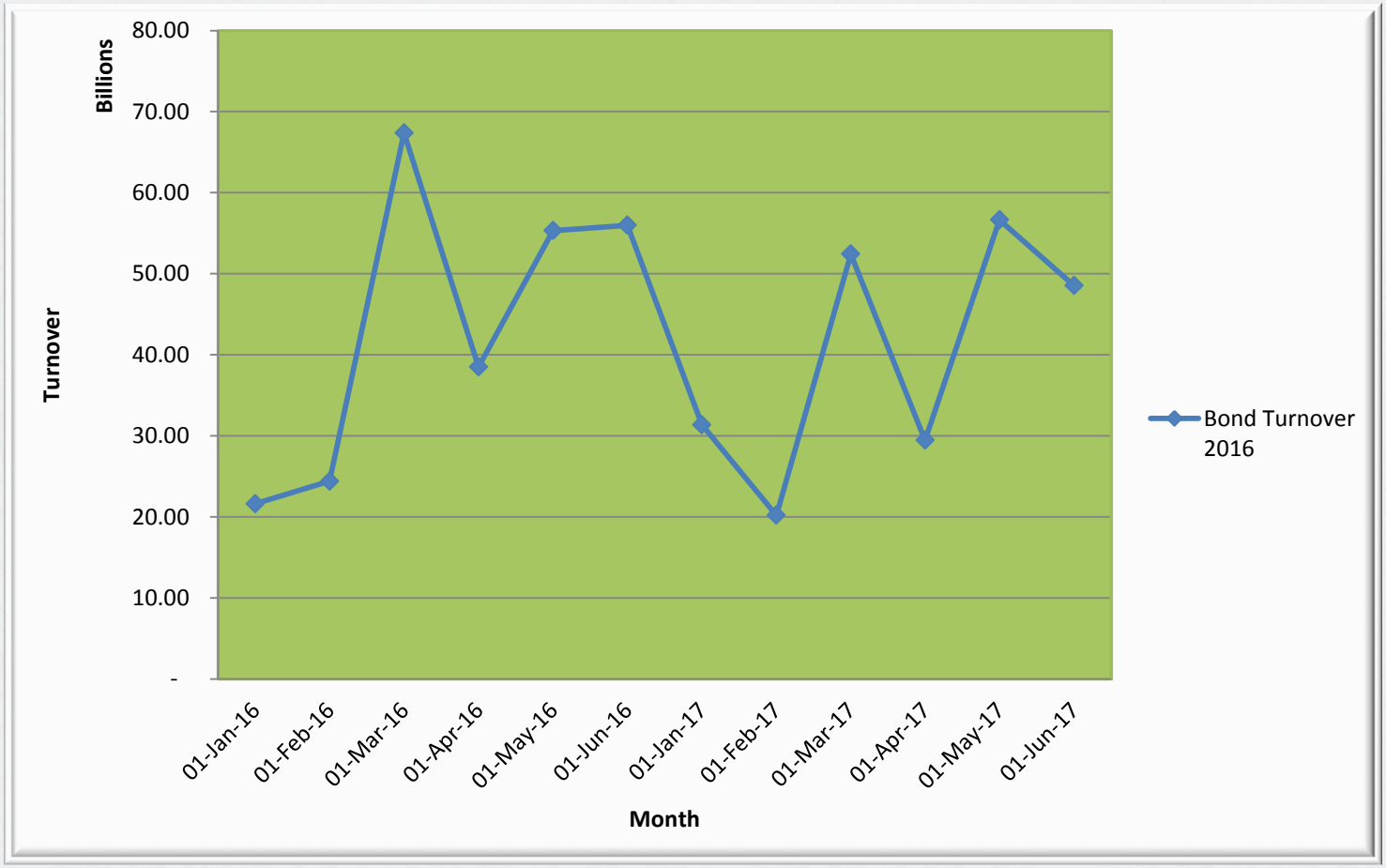
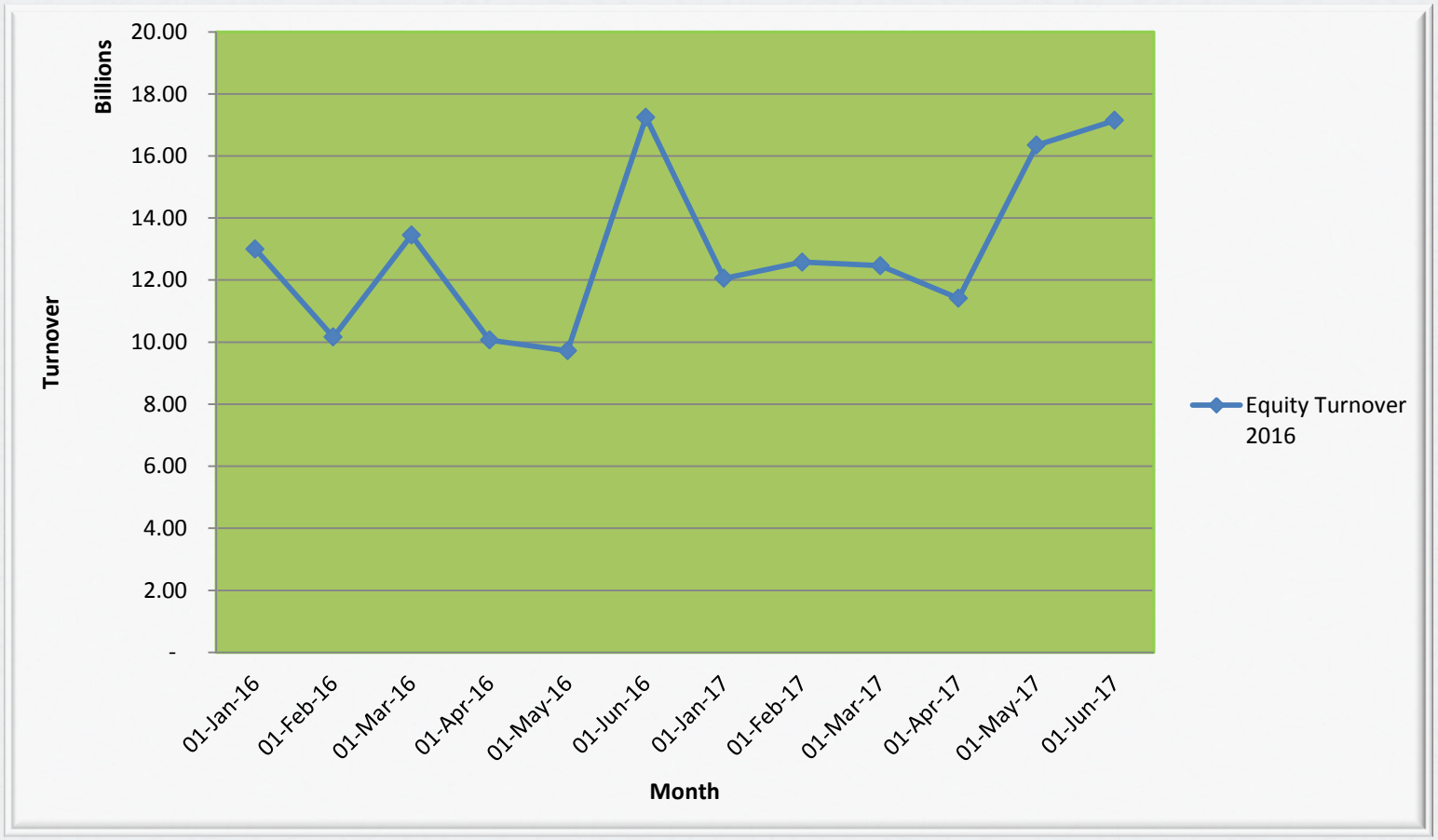
Key Indicators

Market Indicator	Jan-Jun 2016	Jan-Jun-2017	%Change
NSE 20 Share Index	3,640.61	3,607.18	-1%
NSE All Share Index (NASI)	140.6	152.92	9%
Market P/E Ratio	12.71	14.12	11%
Market Capitalization (Kshs.billions)	2,014	2,221	10%
No. of issued shares (billions)	84	89	6%
No. of shares traded (millions)	2,712	3,754	38%
No. of equity transactions	159,040	134,967	-15%
Equity turnover (Kshs.millions)-ET	73,644	81,997	11%
% foreign participation to ET	59.66	70.63	18%
Bond turnover (Kshs.billions)	263	238	-10%
Kshs/US Dollar currency exchange	101.2731	103.7117	2%

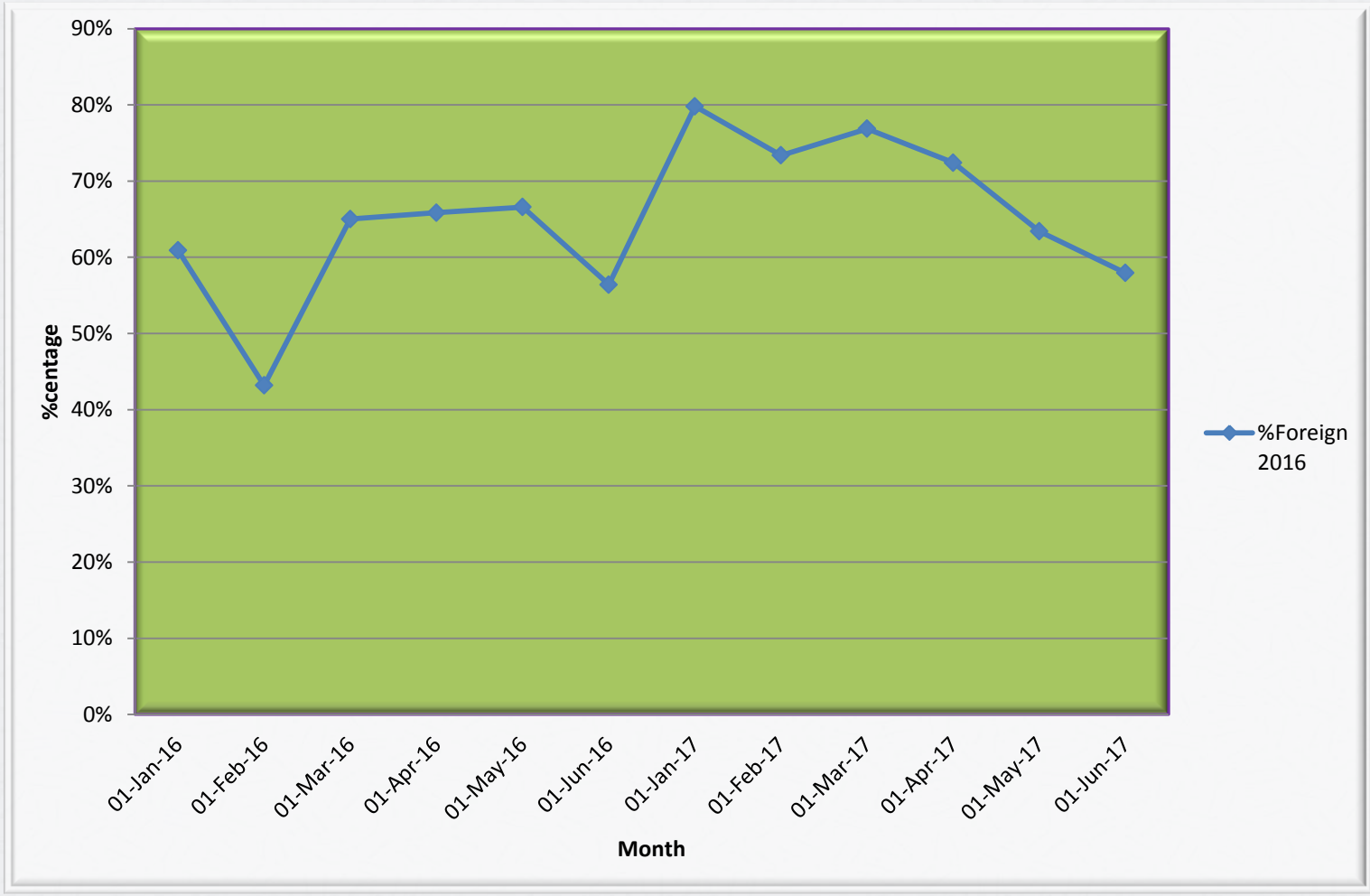
Bond Turnover
Jan – Jun 2016 & Jan – Jun 2017 Comparison



Equity turnover
Jan – Jun 2016 & Jan – Jun 2017 Comparison



Foreign participation
Jan – Jun 2016 & Jan – Jun 2017 Comparison



NSE Share Price
Jan 2017 – August 2017

2017 Capital Raise Statistics

CAPITAL RAISE TYPE	AMOUNT (KES Millions)	AMOUNT (USD Millions)
	2017	2017
IPO	-	-
REITs	-	-
Corporate Debt	6,000	58
Government Debt	191,980	1,851
Total Raised	197,980	1,851

Our Strategic Agenda for 2016-2019

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PILLAR 1

DRIVE REVENUE GROWTH AND DIVERSIFICATION

PILLAR 2

BUILD REPUTATION AS A TRUSTED COMPANY AND AN INVESTMENT DESTINATION OF CHOICE

PILLAR 3

STRENGTHEN ORGANIZATIONAL CAPABILITIES & TALENT MANAGEMENT

Our Drive

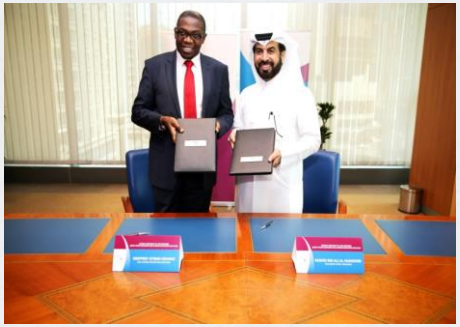
- PRODUCT DEVELOPMENT & INNOVATION
- ENHANCE TECHNOLOGY

- GLOBAL BEST PRACTICES
- ROADSHOWS
- PARTNERSHIPS

- BEST TALENT POOL
- STRONG ORGANIZATION STRUCTURE & CULTURE

2017 Achievements To Date

- Main Launch of the M-Akiba Retail Bond
- With an aim of advancing the Sustainable Development Goals, NSE Rung the Bell for Gender Equality
- NSE Launched the Exchange Traded Fund (ETF)
- NSE signs a Memorandum of Understanding (MoU) with (QSE)
- Launch of Kenya's Green Bond Programme
- Launch of the Kenya Institute of Management (KIM) Diversity & Inclusion Report for Listed Companies



2017 Financial Highlights

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Financial Highlights

Income Statement

Description	6 Months Ended 30-06-2017	6 Months Ended 30-06-2016	Variance	
			2017 Actual Vs 2016 Actual	
	Kshs '000	Kshs '000	Kshs '000	%
Turnover-Equity (Bn)	**164**	**147**	**17**	**12%**
Turnover-FIS (Bn)	**477**	**526**	**(49)**	**-9%**
OPERATING INCOME	282,603	266,796	15,807	6%
INTEREST INCOME	47,125	51,766	(4,641)	-9%
OTHER INCOME	17,077	15,734	1,343	9%
			-	
TOTAL INCOME	**346,805**	**334,296**	**12,509**	**4%**
OPERATION EXPENSES	(254,664)	(235,782)	(18,882)	8%
SHARE OF PROFIT OF ASSOCIATE COMPANY	7,518	8,138	(620)	(8%)
PROFIT BEFORE TAXATION	**99,659**	**106,652**	**(6,993)**	**-7%**
TAXATION CHARGE	**(21,889)**	(24,690)	2,801	(11%)
PROFIT AFTER TAX	**77,770**	**81,962**	**(4,192)**	**-5%**

Financial Highlights

Revenue Analysis

Description	30.06.2017 Actual	30.06.2016 Actual	Variance	Variance
	Kshs '000	Kshs '000	Kshs '000	%
Turnover-Equity (Bn)	**164**	**147**	**17**	**12%**
Turnover-FIS (Bn)	**477**	**526**	**(49)**	**(9%)**
OPERATING INCOME				
Transactions Levy-Equity	196,799	176,747	20,052	11%
Transactions Levy-Bonds	16,704	18,425	(1,721)	(9%)
Annual Listing Fees	42,084	42,833	(749)	(2%)
Initial listing fees	800	3,430	(2,630)	(77%)
Additional listing fees	704	1,144	(440)	(38%)
BBO fees	13,039	12,240	799	7%
Data vending	12,473	11,977	496	4%
Total operating income	**282,603**	**266,796.00**	**15,807**	**6%**
OTHER INCOME				
Miscellaneous income	232	146	86	Over 100%
Rent & parking	11,279	10,267	1,012	10%
Sale of data	1,319	1,755	(436)	(25%)
Private transfer fees	485	493	(8)	(2%)
Nomad fees	575	575	-	0%
Training fees	1,383	3,224	(1,841)	(57%)
Sale of assets	(2)	-	(2)	100%
Exchange gain	550	(726)	1,276	Over 100%
Market access fees	100	-	100	Over 100%
M-Akiba income	1,155	-	1,155	0%
Total other income	**17,077**	**15,734.00**	**187**	**1%**
Interest income	47,125	51,766.00	(4,641)	(9%)
Grand Total	**346,805**	**334,296**	**12,509**	**4%**

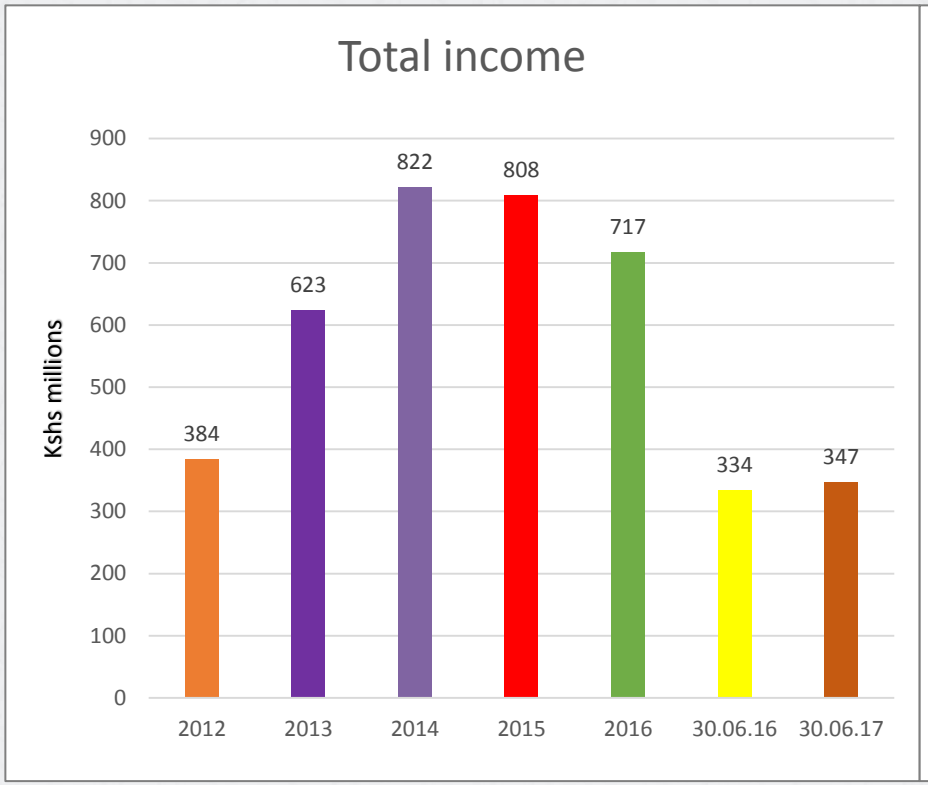
Financial Highlights

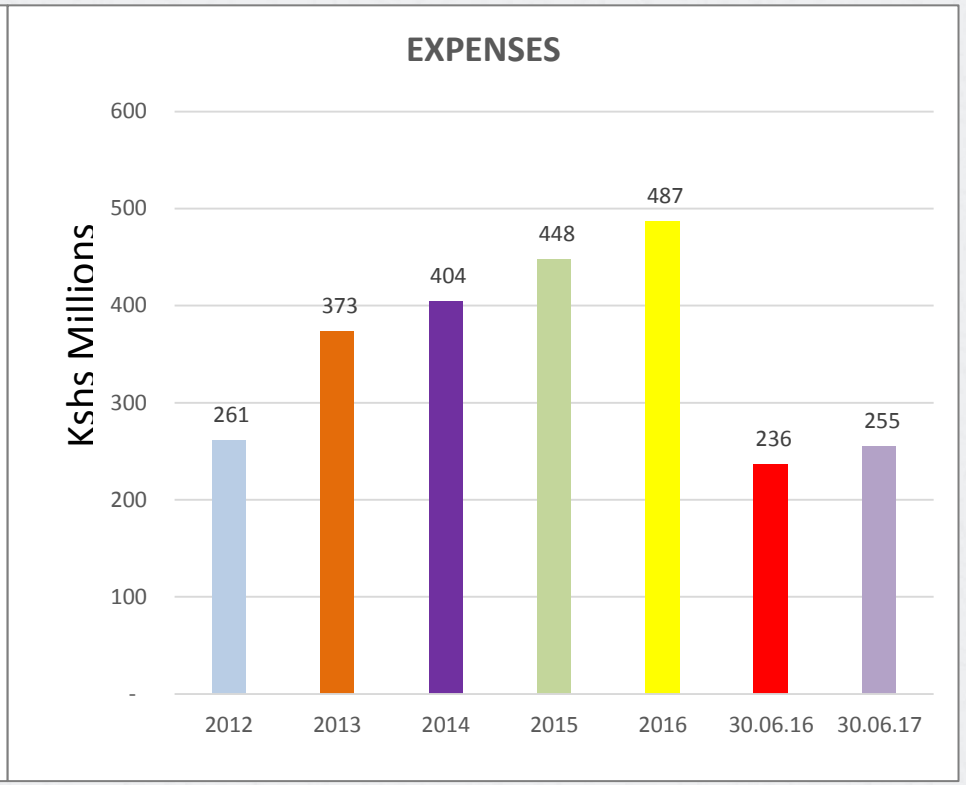
Expenses Analysis

Description	6 Months Ended 30-06-2017	6 Months Ended 30-06-2016	2017 Actual Vs 2016	
	Kshs '000	Kshs '000	Kshs '000	%
Staff Costs	112,982	115,106	(2,124)	(2%)
Board & Committee expenses	11,654	11,456	198	2%
Marketing expenses	19,998	22,514	(2,516)	(11%)
Professional & legal expenses	7,836	9,484	(1,648)	(17%)
Communication expenses	5,780	5,289	491	9%
ATS cost	10,066	7,654	2,412	32%
BBO cost	11,267	11,605	(338)	(3%)
Futures costs	17,921	3,025	14,896	492%
Gems Costs	1,173	1,359	(186)	(14%)
REITS	204	76	128	168%
ETFS	1,095	-	1,095	100%
M-Akiba costs	4,863	203	4,660	2296%
Office expenses	12,410	10,604	1,806	17%
Building expenses	4,299	3,652	647	18%
Amortization and Depreciation	21,789	20,994	795	4%
Other costs	11,327	12,761	(1,434)	(11%)
Administrative expenses	**254,664**	**235,782**	**18,882**	**8%**
Finance cost	-	-	-	0%
Grand Total	**254,664**	**235,782**	**18,882**	**8%**

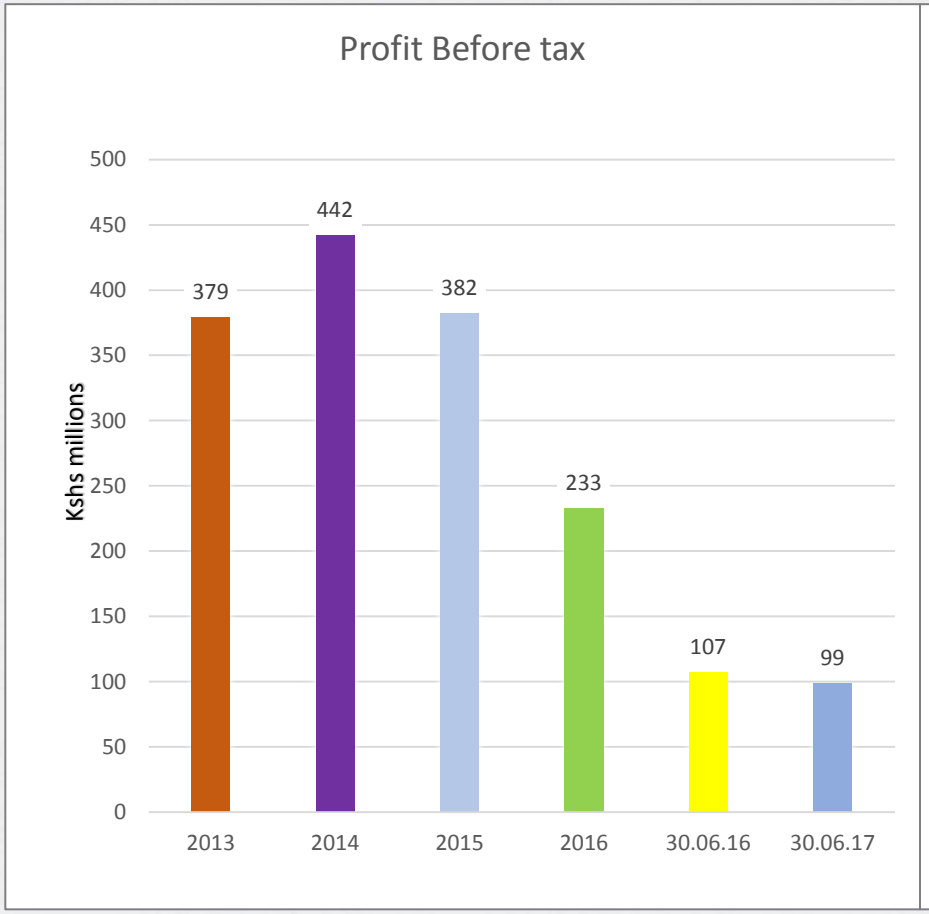
Financial Highlights

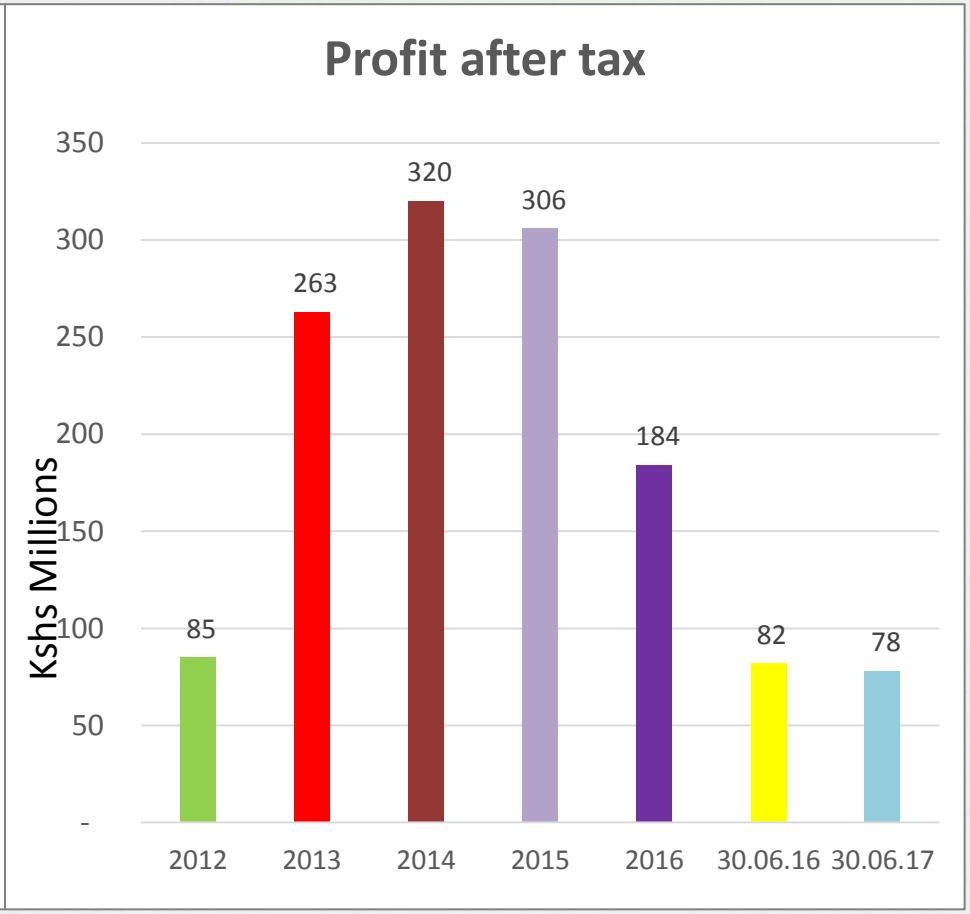
Growth in Total Income





Financial Highlights





Financial Highlights – Investment analysis

	Investments held	As at 31.12.2016		As at 31.3.2017		As at 30.6.2017		Liquid?
		Kshs'000	%age	Kshs'000	%age	Kshs'000	%age	
1	Treasury bonds	96,490	10%	99,591	10%	97,170	10%	No - held to maturity
2	Treasury bills	102,959	10%	103,869	10%	79,357	8%	No - held to maturity
3	Corporate bonds	15,281	2%	15,595	2%	15,276	2%	No - held to maturity
4	Call deposits	4,616	0%	24,769	2%	23,800	3%	Yes
5	Fixed deposits	700,918	71%	715,789	72%	690,726	73%	Yes
	Total	**920,264**	93%	**959,613**	96%	**906,329**	96%	
6	Bank and cash balances	65,145	7%	37,337	4%	39,931	4%	Yes
	Total investments and cash balances	**985,409**	**1**	**996,950**	**1**	**946,260**	**1**	

Financial Highlights – Balance sheet

	June 2017 Kshs'000	December 2016 Kshs'000	Variance Kshs'000	Variance %
ASSETS				
Non current assets				
Property and equipment	189,043	184,164	4,879	3%
Investment property	313,474	313,474	–	0%
Intangible assets	163,817	168,084	(4,267)	(3%)
Investment in associate	106,652	99,134	7,518	8%
Government securities	97,170	96,490	680	1%
Long-term restricted investments	147,757	143,204	4,553	
	1,017,913	**1,004,550**	**13,363**	**1%**
Current assets				
Trade and other receivables	105,751	70,921	34,830	49%
Current income tax	45,167	48,170	(3,003)	(6%)
Corporate bonds	15,275	15,281	(6)	
Government securities	79,357	102,959	(23,602)	
Fixed deposits	334,564	–		
Short-term restricted cash and investments	292,505	292,505	(13,991)	-2%
Cash and cash equivalents	130,804	479,359		
	1,003,423	**1,009,195**	**(5,772)**	(1%)
TOTAL ASSETS	**2,021,336**	**2,013,745**	**7,591**	**0%**
EQUITY AND LIABILITIES				
Equity				
Share capital	1,038,003	1,038,003	–	0%
Share premium	277,185	277,185	–	0%
Retained earnings	555,569	547,852	7,717	1%
Other reserves	(475)	(475)	–	0%
Revaluation reserve	568	580	(12)	(2%)
	1,870,850	**1,863,145**	**7,705**	0%
Non current liabilities				
Deferred taxation liability	5,124	5,631	(507)	(9%)
Tenant deposits	6,639	7,273	(634)	(9%)
	11,763	**12,904**	**(1,141)**	0%
Current liabilities				
Trade and other payables	116,654	119,218	(2,564)	(2%)
Dividend Payable	19,869	16,278	3,591	22%
Investor Protection Fund contributions	2,200	2,200	–	0%
	138,723	**137,696**	**1,027**	1%
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	**2,021,336**	**2,013,745**	**7,591**	**0%**

Financial Highlights – Cash flow

	30-Jun-17	30-Jun-16	31-Dec-16
	Sh'000	Sh'000	Sh'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35,571	(27,557)	220,572
Tax paid	(19,393)	(6,738)	(24,641)
Net cash generated from/(used in) operating activities	**16,178**	**(34,295)**	**195,931**
Cash flows from investing activities			
Purchase of property and equipment	(17,722)	(2,215)	(41,422)
Purchase of intangible assets	(4,681)	(37,241)	(29,389)
Interest received	40,340	51,766	92,825
Dividend received from associate	-	-	4,500
Proceeds on maturity of corporate and treasury bonds	-	-	12,911
Net (investment)/maturity in fixed deposits	(339,118)	-	415,323
Proceeds on disposal of equipment	-	-	246
Purchase of treasury bond	22,922	-	(100,620)
Investment in restricted investments	-	(5,974)	(7,283)
Net cash (used in)/generated from investing activities	**(298,259)**	**6,336**	**347,091**
Cash flows from financing activities			
Dividends paid	(66,474)	(88,036)	(92,375)
Net cash used in financing activities	**(66,474)**	**(88,036)**	**(92,375)**
(Decrease)/increase in cash and cash equivalents	(348,555)	(115,995)	450,647
Cash and cash equivalents at the beginning of the period	479,359	444,035	28,712
Cash and cash equivalents at the end of the period	130,804	328,040	479,359

NSE Outlook & Strategy

NSE Outlook & Strategy

Existing Products

This year we have been conducting the following marketing campaigns to increase listings in our various market segments;

- **Main Investment Market Segment (MIMS);** NSE continues to conduct awareness campaigns.
- **Growth Enterprise Market Segment (GEMS);** NSE held a Listings breakfast event in Kisumu.
- **Real Estate Investment Trust (REITs);** NSE continues to encourage uptake of REITs through awareness campaigns.
- **The Fixed Income Market Segment;** Will witness further Corporate and Government Debt issues.
- **M-Akiba Bond** – Kenya become the first country in the world to launch the retail government bond on June 30 2017.
- **Exchange Traded Funds (ETFs)** -In March this year we launched the Exchange Traded Funds ETFs segment and listed the first commodity ETF on the Exchange (Barclays New Gold ETF).

New product slated to be launched include;

- **Derivatives**; Trading members are live on system and preparatory trading has commenced.

Increasing Listings to improve attractiveness

- NSE has embarked on a programme of events in cities and major towns in Kenya in order to engage with potential issuers across the country, specifically focussed on equity listings (GEMS &MIMS) and REITS.
- The NSE has also held GEMS Forums with Nominated Advisors (NOMADS) to brainstorm on the regulatory issues affecting the GEMS market. This has formed the basis of our lobbying efforts.
- The NSE has also held a series of ETF Forums and trainings with different stakeholders in the market. This has elicited a lot of interest in our ETF market.
- The NSE is currently in discussions with the LSE and other exchanges to promote dual listings. This is expected to bolster NSE's position as a regional powerhouse and appeal to issuers keen on attracting international investors.

Sustainability

NSE is a member of the UN 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 Investments

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

2. Corporate Governance

- FiRe Award
- NSE Leadership and Diversity Dialogue series
- Bell Ringing for Gender Equality

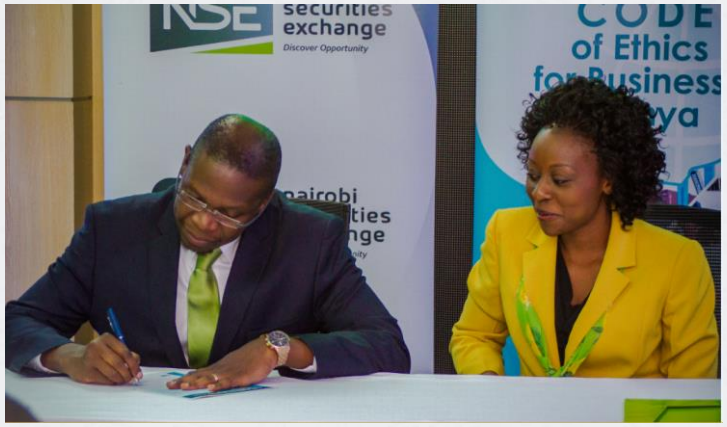
3. Sustainability

- Kenya's Green Bond Program

Our Sustainability Initiatives

Bell Ringing for Gender Equality

Charity Trading Day



Signing of the Code of Ethics for Business in Kenya