

Nairobi Securities Exchange Plc 2018 Half Year Financial Results

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THE ECONOMY



Global Economic Review

- Following a global stock market correction in H1 2018, market capitalization has a significant improvement of 9.1% relative to H1 2017.
- A drop of 9.9% in new IPO listings was observed despite the strong performance (64.5%) in the Americas. This was countered by the 26% decline in Asia-Pacific and flat performance in EMEA Region.



Africa Economic Review

- Improved agricultural output has been the biggest contributor to GDP growth in Sub-Saharan Africa.
- Higher oil prices have boosted growth in Ghana but not so in Nigeria due to shortage of foreign exchange reserves.
- Angola and Ethiopia look promising with the ongoing government reforms, which include privatization.
- East Africa remains the fastest growing region in Africa; boosted by Ethiopia's growth rate of 8.1% arising from public investment.



Kenya's Economic Review

- Kenya's economy is projected to grow by 5.5% on average in 2018, according to GDP projections from the World Bank.
- Inflation rose to 4.28% in June 2018 from 4.18% in March 2018.
- Q2 2018 began on a positive note with the Central Bank Rate (CBR) reduced to 9.5% from 10.0% in a bid to boost economic activity.
- Despite the portending global challenges affecting international trade, our outlook for the remainder of 2018 is positive following improved weather conditions set to boost agricultural productivity, water supply and electricity that will in turn favor the manufacturing sector. Low private sector credit growth remains one of the key concerns for economic growth. We remain optimistic that the Government will consider reviewing the proposed taxes on financial transactions which is critical to our competitiveness as an attractive exchange in the continent.

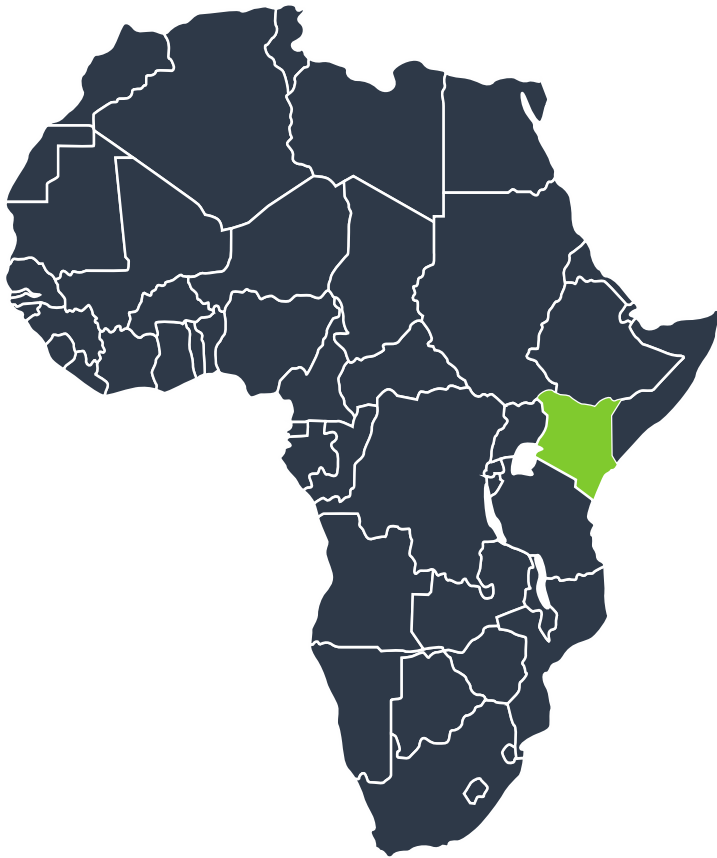


MARKET PERFORMANCE



Market Performance

NSE Market Capitalization as at June 2018



USD 25.5 Billion



5 Year Performance - Equity Market

Market Indicators	2013	2014	2015	2016	2017	H1 2018
Mkt Cap (US \$ Billion)	22.334	25.388	20.032	18.848	24.428	25.50
Trading Volumes (Billion Units)	7.67	8.13	7.00	5.81	7.07	3.71
Equity Turnover (US \$ Billions)	1.81	2.38	2.05	1.44	1.66	1.07
NSE All Share Index	136.65	162.89	145.70	133.34	171.20	174.66
NSE 20 Share Index	4,926.97	5,112.65	4,040.75	3,186.21	3,711.94	3,285.73

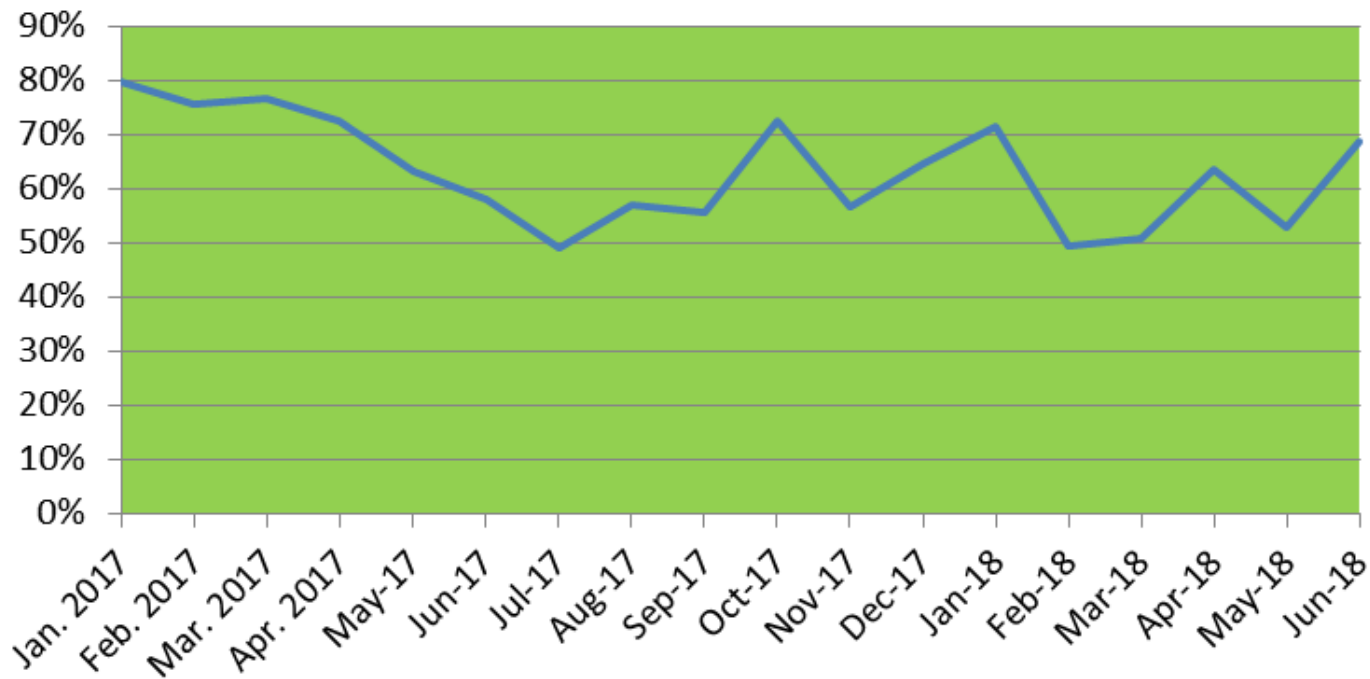
5 Year Performance - Bond Market

Year	Turnover (Kshs)
2013	452 Billion
2014	444 Billion
2015	306 Billion
2016	433 Billion
2017	435 Billion
H1 2018	310 Billion



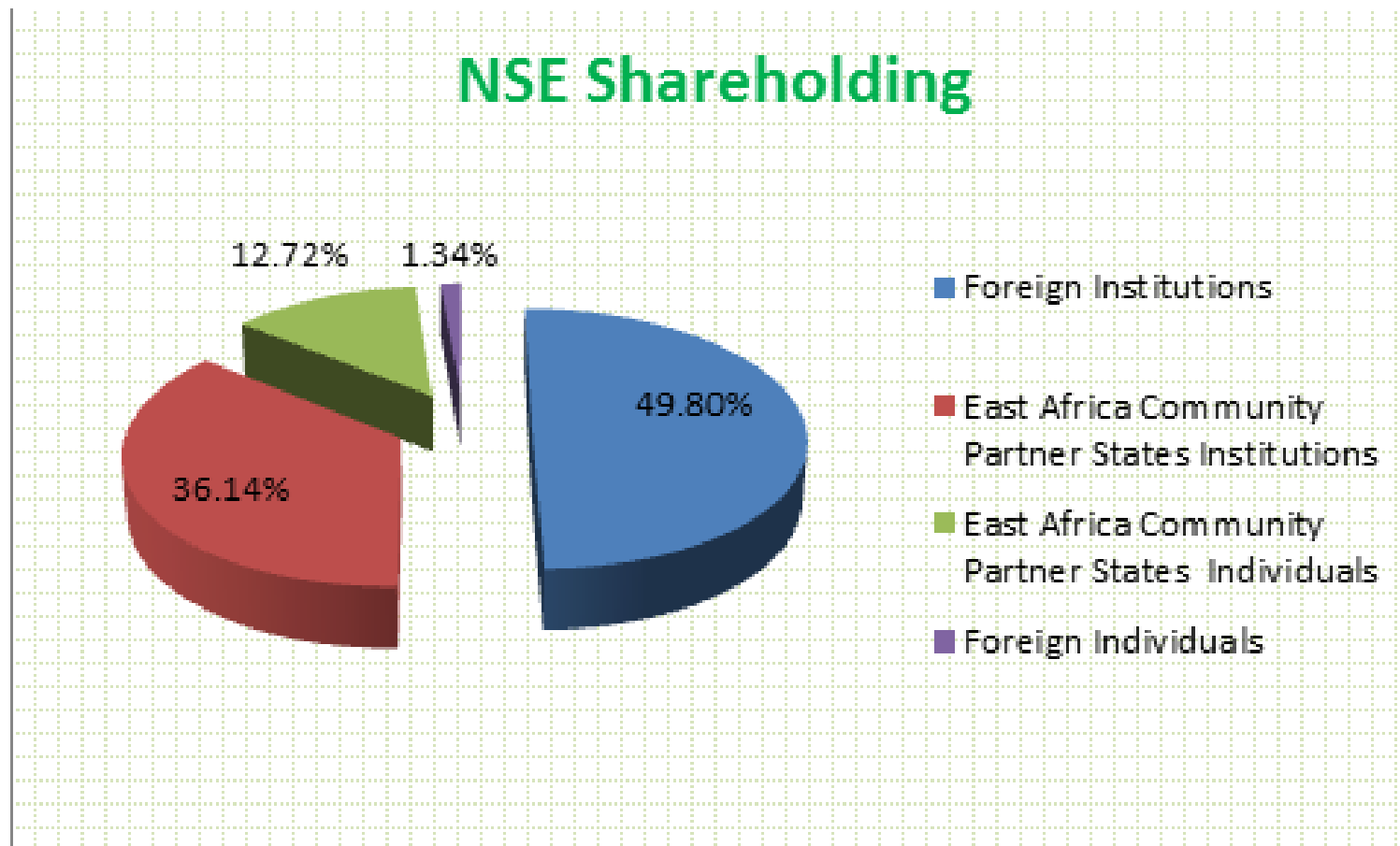
Foreign Investor Participation

Percentage of total foreign turnover (FT) to total equity market

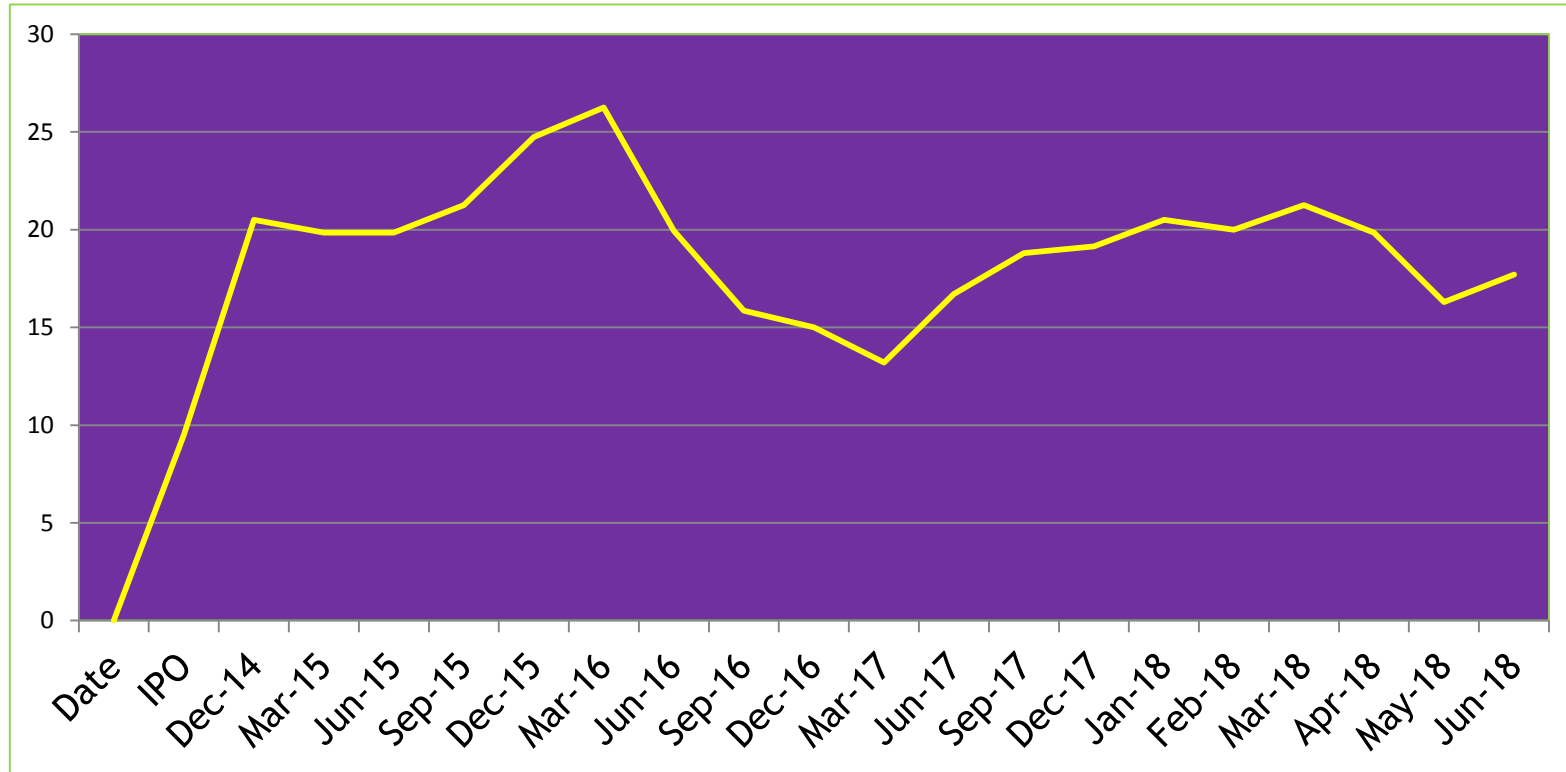


Our Shareholders

NSE's shareholder base as at 31st August 2018 stood at 13,196 shareholders.



NSE's Share Price Movement



NSE listed at an IPO price of Kshs. 9.50 and is now trading at an average of Kshs. 20.00.

H1 2018 Key Achievements

Derivatives Pilot Phase



WFE Full Membership



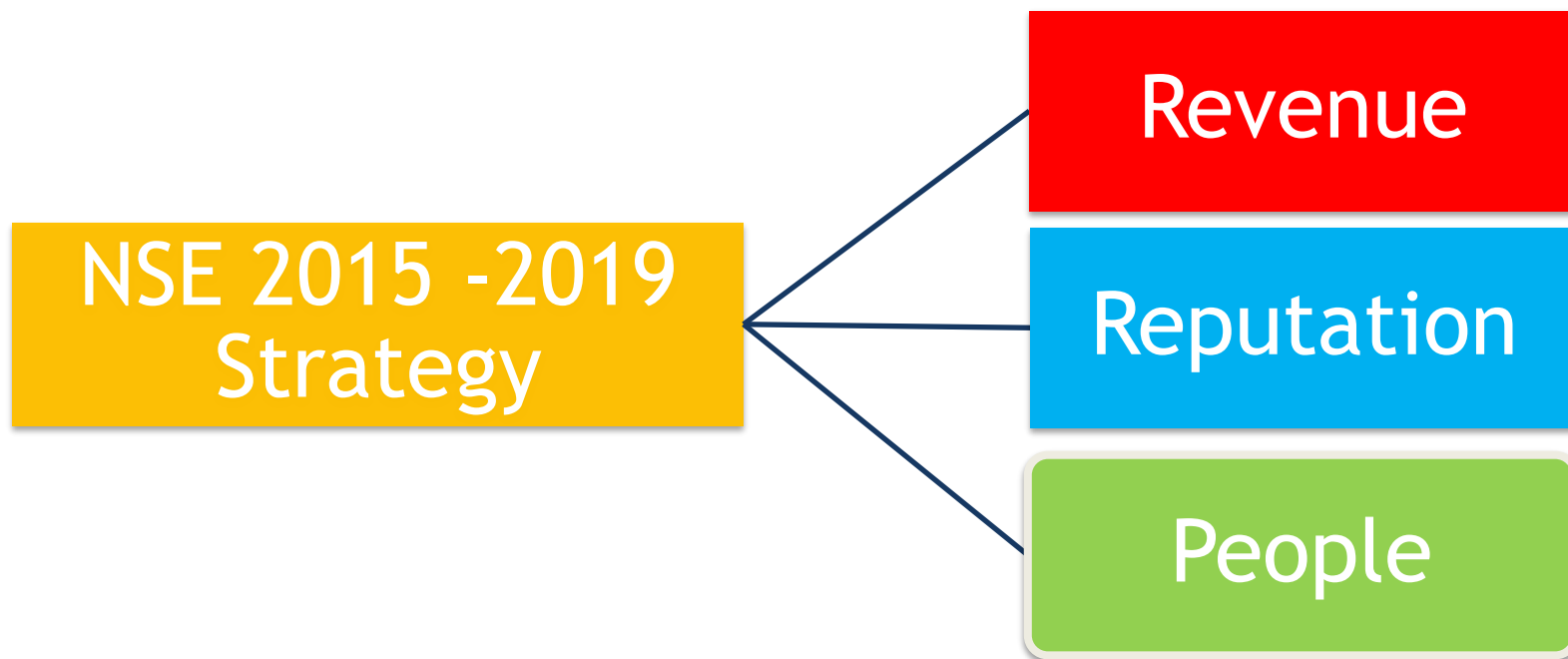
Joint Index with Zamara



NSE APP



NSE 2015-2019 Strategy



2018 Key Focus Areas:

- Revenue Growth
- Increase in listings
- Launch of the Derivatives Market
- Upgrade of the Automated Trading System
- Increased regional and global engagement



2018 Innovation Focus

Derivatives Market

We are currently running a Pilot Phase Test of the Market to test complete functionality of the market with an aim to launch the market launch in 2019.

Securities Lending and Borrowing and Short Selling

The Capital Markets Authority (CMA) recently released Capital Markets (Securities Lending Borrowing and Short Selling) regulations 2017. We await direction on securities that will be eligible for this facility.

Global Depository Receipts (GDRs) & Global Depository Notes(GDNs)

The regulatory framework is currently being developed.

Kenya's Green Bond Program

The draft guidelines for the issuance of Green Bonds in Kenya have been developed. NSE is in discussions with CMA on adoption of the guidelines. The Government of Kenya has announced its intention to issue a Green Bond in 2018.

Islamic Finance

NSE is working closely with the CMA to develop guidelines for issuance of Islamic Financial Instruments.

Our Products

- 62 Equity Listings
- 86 Bond Listings
 - 26 Corporate Bonds
 - 60 Government Bonds



Segments

- Main Investment Market Segment
- Alternate Investment Market Segment
- Growth Enterprise Market Segment
- Fixed Income Market Segment



One stop shop model

Listing

Trading

Reporting





2018 HALF YEAR FINANCIAL RESULTS

Unaudited Group Results for the Six Month Period Ending 30 June 2018

Condensed Group Statement of Profit or Loss and Other Comprehensive Income For the	6 Months Ended	6 Months Ended		
	30.06.2018	30.06.2017		
	Unaudited	Unaudited	Variance	
	Kshs '000	Kshs '000	Kshs '000	%
Operating income	351,402	282,603	68,799	24%
Interest income	58,879	47,125	11,754	25%
Other income	20,223	17,077	3,146	18%
Total income	430,504	346,805	83,699	24%
Administrative expenses	(277,332)	(254,664)	(22,668)	9%
Share of profit of associate	14,654	7,518	7,136	95%
Profit before taxation	167,826	99,659	68,167	68%
Taxation charge	(33,940)	(21,889)	(12,051)	55%
Profit for the year	133,886	77,770	56,116	72%
Other comprehensive income	8	-	8	100%
Total comprehensive income for the year	133,894	77,770	56,124	72%
Earnings Per Share* - Basic and diluted (Kshs)	0.52	0.30	0.22	72%
*EPS based on no. of shares	259,500,791	259,500,791		

Review of profitability

The 2018 Group six months profitability increased by 72% over similar period in 2017 resulting in a profit of Kshs 134 m compared to Kshs 78m in 2017 due to the following

Description	Movement in 2018	Comment	
		Kshs '000	
Operating income	↑	68,799	A 32% increase in equity turnover from Kshs. 84B in 2017 to Kshs. 108.5B in 2018. Bonds turnover increased by 30% from 239B in 2017 to 311B in 2018
Interest income	↑	11,754	The 25% was as a result of additional investments in higher earning treasury bills in 2018
Administrative expenses	↑	22,668	This was a marginal increase of 9% in expenses
Share of profit in associate	↑	7,136	Increase in PAT from Kshs 40m in 2017 to Kshs 67M in 2018. Main factor being a 32% increase in transaction levy and 18% in depository levy.

Breakdown of revenue and line contribution

Description	Actual 30.06.2018	Actual 30.06.2017	Variance	Variance	%age of income 2018	%age of income 2017
	Kshs '000	Kshs '000	Kshs '000	%		
REVENUE						
Transactions levy - Equity	259,902	196,799	63,103	32%	60%	57%
Transactions levy - Bonds	21,760	16,704	5,056	30%	5%	5%
Annual listing Fees	41,133	42,084	(951)	(2%)	10%	12%
Initial listing fees	2,500	800	1,700	ver 100%	1%	0%
Additional listing fees	1,098	704	394	56%	0%	0%
BBO fees	13,323	13,039	284	2%	3%	4%
Data vending	11,686	12,473	(787)	(6%)	3%	4%
Total revenue	351,402	282,603	68,799	24%	82%	81%
OTHER INCOME						
Annual members fees	2,350	-	2,350	100%	1%	0%
Rent & parking	6,951	11,279	(4,328)	(38%)	2%	3%
Sale of data	2,916	1,318	1,598	ver 100%	1%	0%
Private transfer fees	485	485	-	0%	0%	0%
Nomad fees	550	575	(25)	(4%)	0%	0%
Training fees	2,535	1,385	1,150	83%	1%	0%
Sale of assets	410	(2)	412	ver 100%	0%	0%
Miscellaneous Income	3,493	232	3,261	ver 100%	1%	0%
M-Akiba income	7	1,155	(1,148)	(99%)	0%	0%
Exchange gain	(474)	550	(1,024)	ver 100%	0%	0%
Market access fees	1,000	100	900	ver 100%	0%	0%
Total other income	20,223	17,077	3,146	18%	5%	5%
Interest income	58,879	47,125	11,754	25%	14%	14%
Grand Total	430,504	346,805	83,699	24%		

Main Expense Lines

Description	30.6.2018	30.6.2017	Percentage contribution	
	Kshs '000	Kshs '000	2018	2017
Staff Costs	137,612	112,982	50%	44%
Marketing expenses	16,328	18,702	6%	7%
ATS cost	10,133	10,066	4%	4%
BBO cost	11,950	11,267	4%	4%
Office expenses	18,650	12,135	7%	5%
Professional & legal expenses	12,344	7,741	4%	3%
Amortization and Depreciation	20,365	21,789	7%	9%
Total Costs	277,332	254,664	82%	76%



Statement of Financial Position at 30 June, 2018

Condensed Group Statement of Financial Position As at	30.06.2018 Unaudited Kshs '000	30.06.2017 Unaudited Kshs '000	Variance	
			Kshs '000	%
<u>Assets</u>				
Non current assets	1,060,647	1,017,913	42,734	4%
Current assets	1,248,525	1,003,423	245,102	24%
Total assets	2,309,172	2,021,336	287,836	14%
<u>Equity and liabilities</u>				
Share capital	1,038,003	1,038,003	-	0%
Share premium	277,185	277,185	-	0%
Revenue reserves	750,091	555,569	194,522	35%
Other reserves	(558)	(475)	(83)	17%
Revaluation reserves	3,209	568	2,641	465%
Shareholders funds	2,067,930	1,870,850	197,080	11%
Non current liabilities	5,712	11,763	(6,051)	-51%
Current liabilities	235,530	138,723	96,807	70%
Total shareholders' funds and liabilities	2,309,172	2,021,336	287,836	14%

Statement of Cash flows for the six months ended 30 June 2018

Condensed Group Statement of Cash Flows	6 Months Ended	6 Months Ended
For The	30.06.2018	30.06.2017
	Unaudited	Unaudited
	Kshs '000	Kshs '000
Cash flows from operating activities		
Cash generated from operations	178,759	35,571
Tax paid	(21,608)	(19,393)
Net cash generated from operating activities	157,151	16,178
Net cash used in investing activities	(190,840)	(298,259)
Net cash used in financing activities	-	(66,474)
Decrease in cash and cash equivalents	(33,689)	(348,555)
Cash and cash equivalents at the beginning of the period	156,030	479,359
Cash and cash equivalents at the end of the period	122,341	130,804

FINANCIAL HIGHLIGHTS

Medical Services Income
an increase of 10%
University
streamlined
services



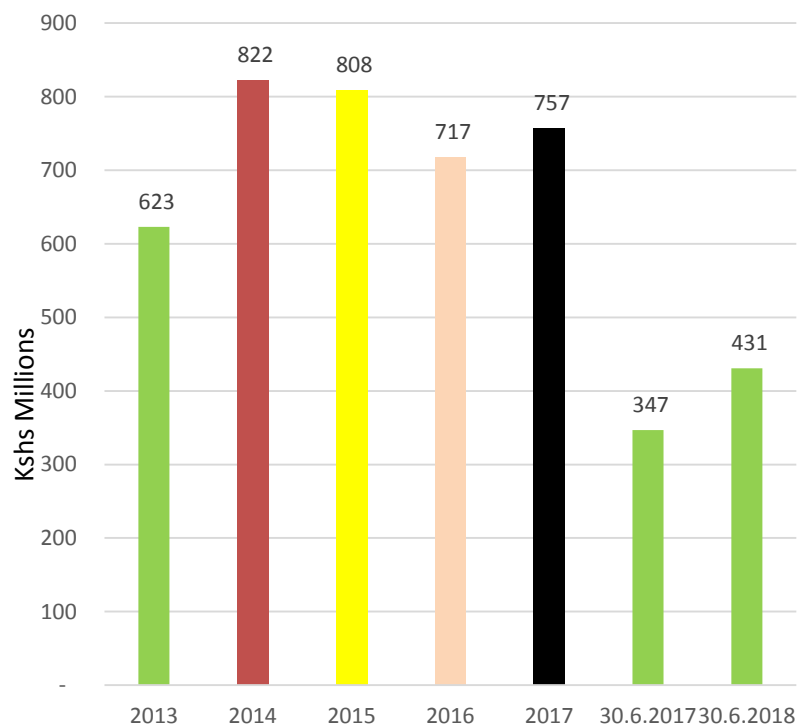
Capital Spending by Year
(in 2014 dollars, in millions)



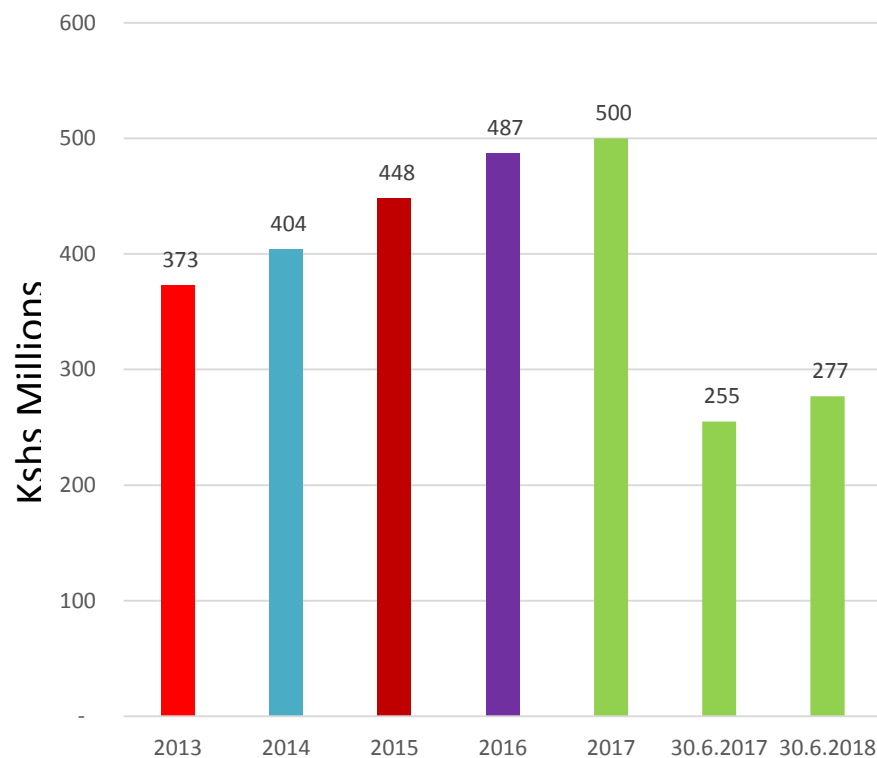
Financial Highlights

Financial Highlights

Total Income

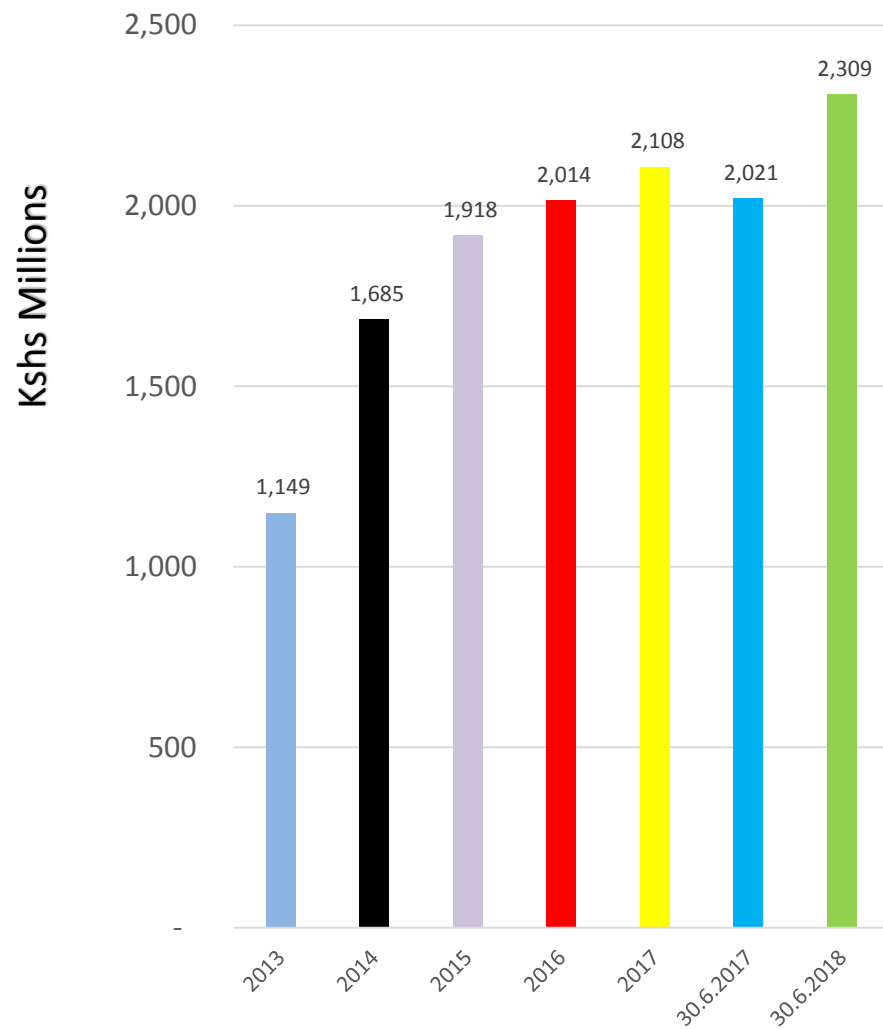


Expenses

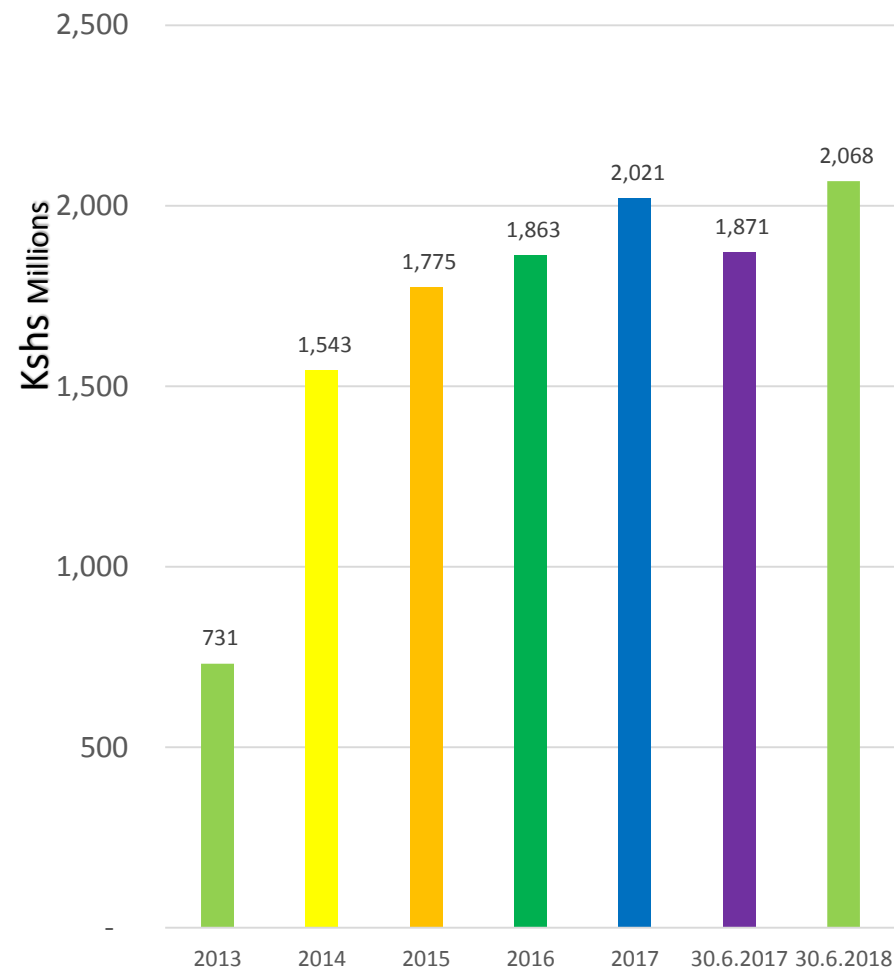


Financial Highlights

Total Assets

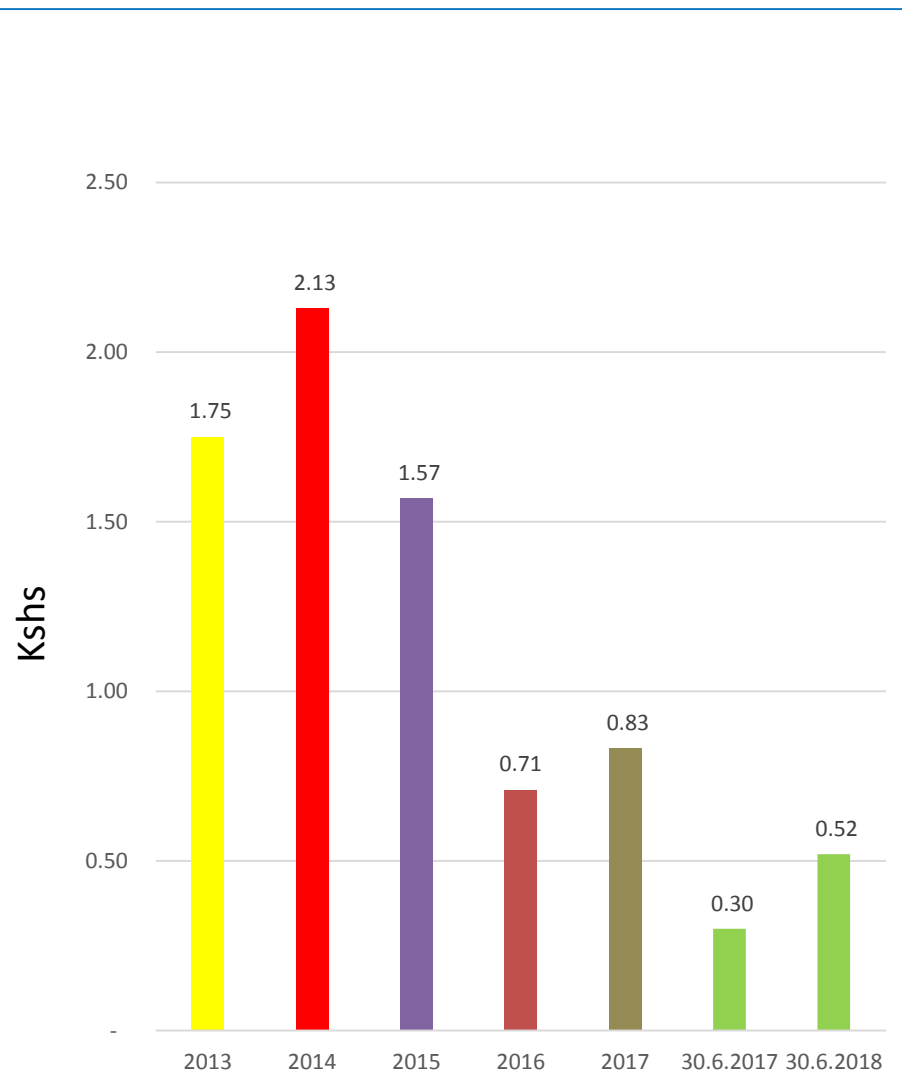


Shareholders Equity

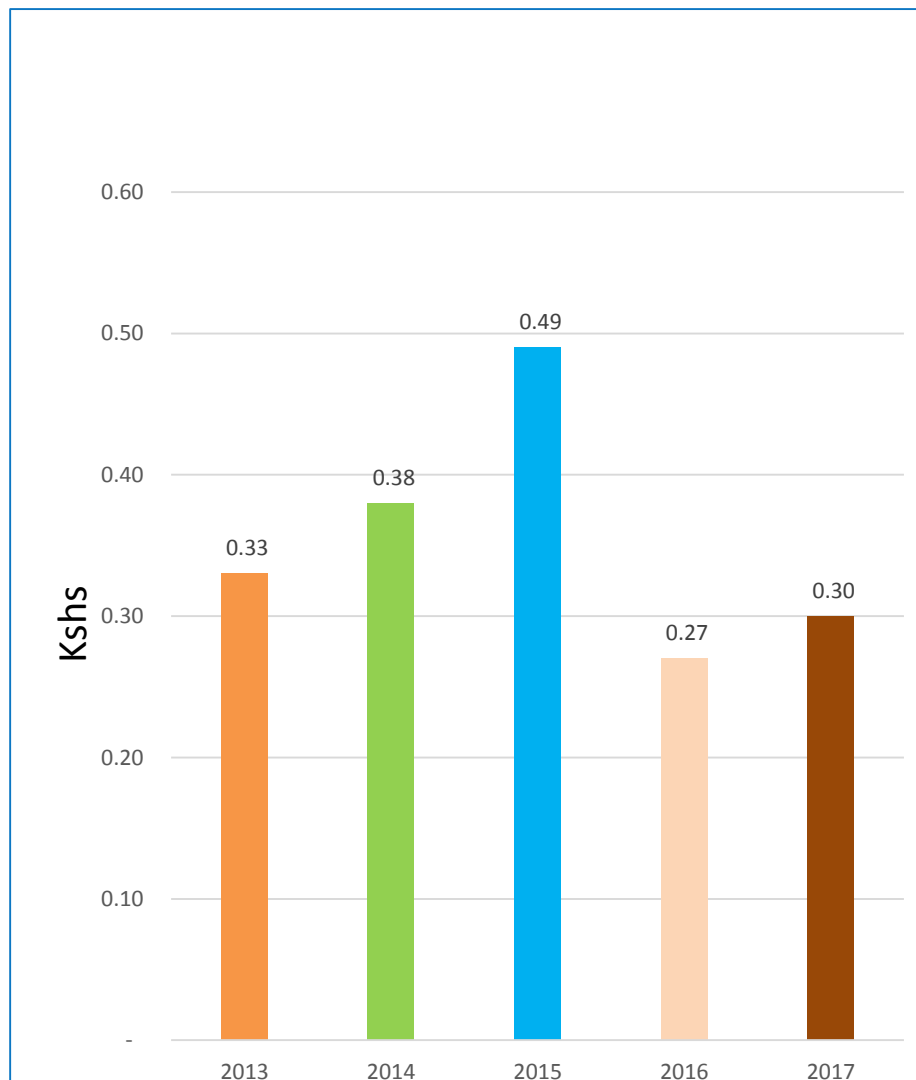


Financial Highlights

Earnings Per Share



Dividend per share



THANK YOU!

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