



NAIROBI STOCK EXCHANGE

DETERMINATION OF SHARE PRICES AT THE NAIROBI STOCK EXCHANGE

The attention of the Nairobi Stock Exchange (NSE) has been drawn to recent allegations attributed to Members of Parliament to the effect that the price of the Equity Bank shares at the stock market may have been manipulated.

NSE would like to take this opportunity to clarify how the price of various stocks is determined to allay any fears of possible manipulation. The share prices are determined on the basis of the transparent Automated Trading System "Trading Rules", which came into effect on September 11 2006, after the implementation of the NSE automated trading system.

The Rules provide that the daily price movement for any security in a single trading session shall not be more than ten (10) percent of the previous closing price (reference price). The rule is not applicable with respect to a specific security where:

- The issuer announces its financial results or material information;
- It is the first session for the trading of a security ex-entitlement (ex-bonus, ex-dividend, ex-split);
- The security has not traded for over three calendar months;
- Trading is in respect of rights

For newly listed securities, the daily allowable price movement limits are not applicable on the first day of trading, this is in order to determine the price of the security when it first commences trading on the Nairobi Stock Exchange.

Our new automated trading system allows our Surveillance Department to monitor the live trading session electronically. Any abnormal trading activity is investigated. The Capital Markets Authority has a separate, independent compliance system which also monitors the live trading session. Automation has therefore boosted the enforceability of the provisions of the Capital Markets Act on insider trading.

The "Trading Rules" are designed in a way that ensures no individuals or companies have any influence on the prices. The rules clearly indicate that the share prices are driven purely by market forces and (or) business fundamentals and are not open to manipulation as alleged in Parliament. NSE strongly believes that an informed investor is the market's first line of defense against market manipulation. The NSE has a proactive Public Education Programme in place, to share information about NSE for the public to better understand our role and how the stock market works.

In 2006, alone, the Exchange facilitated over ninety educational seminars at the Exchange auditorium, catering for secondary and tertiary institutions, professional bodies and institutional investors. NSE also sponsors a Financial Institutions Stand at the Mombasa International Agricultural Society of Kenya (ASK) Show and the Nairobi International Trade Fair; Kenya's largest agricultural trade fair, to which all members of the public are free to come and ask questions.

Signed:
Chairman
Nairobi Stock Exchange
19th July 2007