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1:: THE WEEK IN REVIEW

Market summary.

Week on week, turnover rose to KSh.1bn from KSh.942M posted the previous week, the number of shares traded stood at 55M against 57M the previous week.

The NSE 20 share index shed a total of 9.04 points or -0.30% during the week to stand at 3037.00.

The NSE All share index was down -0.59% during the week to settle at 67.22.

Week's Gainers

| Security | Volume | Price | Change | |
|------------------|---------|-------|--------|---|
| E.A Portland | 800 | 84.00 | 20.00% | ▲ |
| Olympia Holdings | 104,800 | 7.00 | 16.67% | ▲ |
| Williamson Tea | 7,400 | 92.50 | 15.63% | ▲ |

Week's Losers

| Security | Volume | Price | Change | |
|----------|---------|-------|----------|---|
| Unga Ltd | 23,900 | 7.10 | (21.11)% | ▼ |
| Centum | 162,000 | 11.45 | (5.37)% | ▼ |

Sector Performance

Commercials had 34M shares traded, which accounted for 62.10% of the week's traded volume. Safaricom Ltd saw 32M shares changing hands at between shs.3.55 and shs.3.85. CMC Holdings down 7.80% to shs.10.05 moved 325,000 shares.

Financial Sector

Financials had 12M shares traded and represented 22.21% of the weeks traded volume. Equity Bank was the most heavily traded counter in this sector, with 4.4M shares changing hands at between shs.13.80 and shs.14.50. KCB moved 3.8M shares during the week and closed at shs.20.50.

Industrial and Allied Sector

This sector had 8.2M shares, which accounted for 15.08% of the week's traded volume. EA Breweries touched a low of shs.138.00 and a high of shs.150.00 on a volume of 3.3M shares. KenGen actively moved 2.4M shares during the week and closed at shs.11.70. Unga Group down 21.11% to shs.7.10 moved 24,000 shares and closed at shs.146.00. Ken Gen down 2.13% to shs.11.50 moved 655,000 shares.

2:: ECONOMIC OVERVIEW

Monetary and fiscal policy

| Monetary Outlook | | |
|------------------------|----------|----------|
| | 2008 (%) | 2009 (%) |
| Underlying Inflation | 5.25 | 8.72 |
| Overall Inflation | 12.03 | 23.51 |
| T-Bill rate (91-day) | 7.52 | 7.303 |
| T-Bill rate (182-days) | - | 8.073 |
| T-Bill Rate (364 days) | - | 8.712 |
| Average Lending Rate | 13.39 | 14.79 |
| Average deposit | 4.32 | 5.09 |
| Spread | 9.07 | 9.70 |

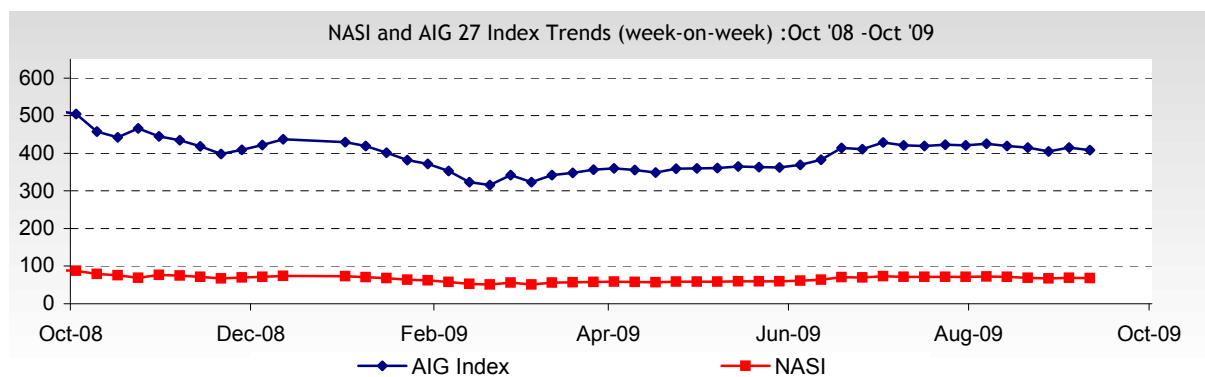
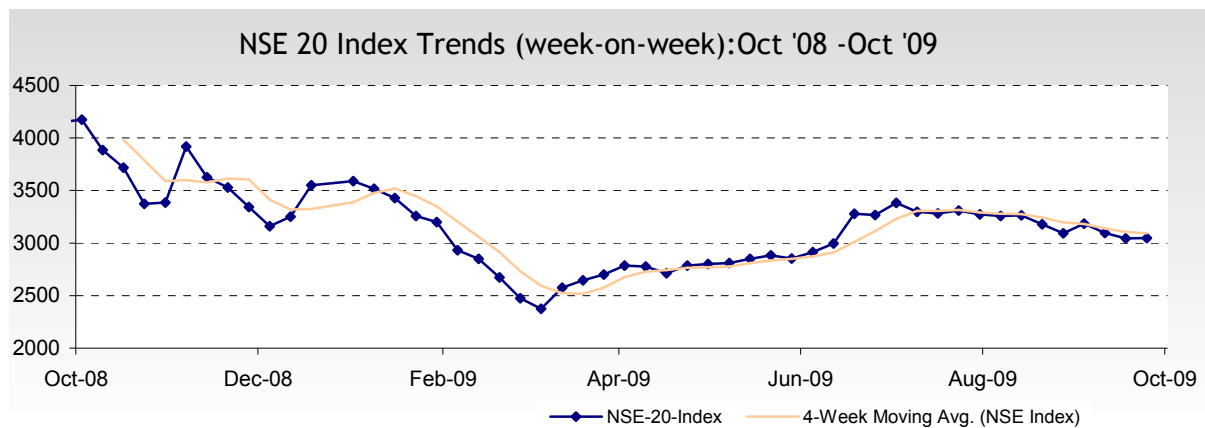
| Fiscal Outlook | | |
|---------------------------------------|--------------------------|--------------------------|
| Fiscal year | 18 th Sept'09 | 25 th Sept'09 |
| Gross Domestic Debt (shs 'billion) | 547.2 | 121.7 |
| Proportion of Short-term Debt | 22.20% | 21.8% |
| Debt Interest Payment (Kshs 'billion) | 10.0 | 13.2 |

[Source: CBK]

3:: STOCK MARKET WATCH

| Stock Market Trends | | | | |
|-------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| Week ending | 11 th Sept '09 | 18 th Sept '09 | 25 th Sept '09 | 2 nd Oct '09 |
| NSE 20 Index | 3096.15 | 3045.78 | 3046.04 | 3037.00 |
| NASI | 68.10 | 67.95 | 67.62 | 67.22 |
| AIG 27 Index | 408.48 | 409.34 | 410.34 | 404.52 |
| Market Cap (Kshs 'bn) | 788.83 | 787.14 | 783.30 | 777.28 |
| Volume of shares traded | 33,225,000 | 73,622,010 | 57,973,900 | 54,975,400 |
| Volume of bonds traded | 4,613,000,000 | 631,800,000 | 2,601,200,000 | 1,954,400,000 |

(Source: NSE)



4:: COMPANY PROFILE.

KENYA - RE.

| <i>Business Performance</i> | | | |
|--|--------------------|--------------------------|-------------------|
| <p>Kenya Re is one of the leading reinsurance companies in the region having underwritten Kshs 3.2 billion worth of insurance business in 2007.</p> <p>This trend has been largely backed by the imposition of an 18% compulsory ceding of reinsurance business to Kenya Re by all local insurance companies. Indeed, Kenya Re's local reinsurance market share of about 21% is very much in tandem with the 18% statutory minimum ceding and in view of this; it is evident that Kenya Re has been, largely, reliant on statutory intervention for its survival. Moreover, the reinsurance market has been softening over the last five years and as such, premiums have tended to decline subsequently resulting in the whittling down of gains made by the growth of insurance premiums. To reduce too much of local exposure, Kenya Re has significantly increasing its International business premium income from KES 55 million in 1997 to over KES 1,08 billion in 2007. This has been because of prudent underwriting and the confidence the international markets have demonstrated by responding to the services offered by Kenya Re including technical advice.</p> <p>In May 2008, Kenya-Re bought an additional stake in regional reinsurer PTA Reinsurance for 163 million shillings (\$2.63 million, PTA Re insures other insurance companies in the Common Market for Eastern and Southern Africa.); raising its holding to 22 percent with future plans to raise this stake to 30%. The firm's international underwriting business is growing rapidly and this may serve to effectively counter local adversities arising from stiff competition. In this regard, the firm is also looking to explore possibilities in the Western Africa markets.</p> <p>By riding on among of its core strengths of International ratings, A.M Best Company a world rating Company, has revised the outlook of Kenya-Re to stable from negative and affirmed the financial strength rating of B+ (Good) and the issuer credit rating (ICR) of BBB. According to A.M Best, it believes that Kenya Re's risk-adjusted capital position is likely to remain strong over the next two years and will benefit from a healthy capital and surplus growth rate of 10%-12%. A.M. Best expects good operating performance in 2008 and 2009 and a reduction in the combined ratio by approximately 5% from 2007 levels to within the region of 85%-90%.</p> | | | |
| <i>Future Prospects</i> | | | |
| <p>Given that compulsory ceding of reinsurance business to Kenya Re is slated to come to an end in 2011, coupled with reduction in premiums as a result of stiff competition in the Industry, the future of the company largely depends on its ability grow its local market from the current level of 21% and also enlarge its International business market share. The firm also need to adhere to the cost efficiency mechanisms it outlined introduce early last year to Reduce on their operational costs.</p> | | | |
| Key Financial Statistics 2007/08 | | Stock Performance | |
| | (Kshs '000) | | 02/10/2009 |
| Net Income | 4,809,799 | Current Price (Kshs) | 10.50 |
| Operating profit | 1,725,625 | P/B | 0.91 |
| Profit After Tax | 1,481,101 | Earning Yields (%) | 18.76 |
| EPS (Kshs/share) | 1.97 | Dividend Yields (%) | 4.76 |
| Dividends (Kshs/share) | 0.50 | Trailing P/E | 5.33 |

5:: COMPANY PROFILE.

KENYA COMMERCIAL BANK LTD.

Business Performance

KCB bank is one of the leading banking institutions in the East African region with presence of branches in Kenya, Uganda, Tanzania, Sudan, and the most recent one KCB Rwanda in Kigali. The group expansive plan both in branch networks and in regional expansion is very much in line with their new vision statement of being the Preferred provider of financial solutions in Africa with a global reach by 2013.

To enhance realization of this vision, the Group merged operations of its mortgage arm Savings and loans (S&L) with those of the bank on approval by the shareholders during their AGM. To keep up with the growing regional demands for stable financial services and in line with its expansion plan coupled with the continued aggressive competition within the local market, the Group listed its shares on the Rwanda Stock Exchange early in the beginning of this year after receiving a nod from the regulatory Authorities.

After a successful launching KCB in southern Sudan and after what the bank's management considers a young and growing market, the group has opened three more branches there. To handle its growing business, and to continue building for growth with enhancement of its product offer, a new banking system 'T24' has been installed and is operational to enable them serve their clients better on a single banking platform in the East African Region. To top up with their conservative lending on the mortgage business, they have partnered with Kenya Railways similar to the one they had done with the Ministry of Finance Plans to open eight more branches across the country.

The 2009 HY results released reported that the total Interest income grew with about Shs.4.25 Billion to stand at Shs.8.45 Billion from Shs.4.2 Billion reported in the bank's 1st quarter of this year. This was mainly driven by an increase in Loans and Advances as well as Interest from Govt securities which doubled in the 3 months period respectively. Despite the increase from its Income source mainstream, the Profit after Tax remained relatively the same as a result of increase in their expenses column.

The Group's Total Assets also significantly during the period under review to stand at Kshs.177 Billion against Kshs.171 reported in their 1st quarter results of this year which results to an increase of 6 Billion Asset worth during the 3 months period mainly driven by growth in their loans and advances to customer's portfolio.

Future Prospects

Despite the many challenges faced by the industry arising from global down turn on world economies,

With the continued positive regional economic outlook and the improvement in its quality of lending, the bank is well placed to continue on the path of improved performance, factoring into consideration that the group is aggressively positioning itself as the regional brand which will play an important role in increasing the group's business within the region. Recent actions by CBK to lower/reduce both the CBR and CRR will should work for the bank as it increases the liquidity that should go towards increasing their lending muscle and increase their participation in government securities.

| Key Financial Statistics 2007/08 | | Stock Performance | |
|----------------------------------|-------------|----------------------|------------|
| | (Kshs '000) | | 02/10/2009 |
| Total Interest Income | 4,199,097 | Current Price (Kshs) | 20.50 |
| Net Interest Income | 2,173,914 | P/B | 1.53 |
| Profit After Tax | 1,198,489 | Earning Yields (%) | 8.78 |
| EPS (Kshs/share) | 1.80 | Dividend Yield (%) | 4.88 |
| Dividends (Kshs/share) | 1.00 | Trailing P/E | 11.39 |

STATISTICS OF STOCKS LISTED AT THE NSE

| MAIN INVESTMENT MARKET SEGMENT . | VWAP Prices 21/08/09 | Total Shares Issued | Mkt Cap. Kshs Mn. | EPS | DPS | P/E | Dividend Yield | Sector Review |
|-------------------------------------|----------------------------|------------------------|----------------------|--------|------|-------|-------------------|---|
| Kakuzi | 32.75 | 19,599,999 | 641.90 | 13.12 | 1.00 | 2.50 | 3.05% | Agriculture is the largest sector in Kenya's economy, accounting for 24 per cent of the total marketed production, the gross domestic product (GDP) has been going through lean times due to poor weather. There is much anticipation of the much awaited El-Nino rains on how well the waters can be harvested and used for the agricultural purposes in line with the recently launched irrigation based Agri. |
| Rea Vipingo | 11.15 | 60,000,000 | 669.00 | 2.80 | 0.20 | 3.98 | 1.79% | |
| Sasini Ltd | 6.35 | 228,055,500 | 1,448.15 | 3.84 | 0.00 | 1.65 | 0.00% | |
| Commercial and Allied | | | | | | | | |
| Access | 20.25 | 206,331,223 | 4,178.21 | 0.99 | 0.40 | 20.45 | 1.98% | The sector serves the ICT, hospitality Industry and Media services. Though the benefits that were expected to be derived from cheap internet cost, as a result of the landing of the Fibre cable seems to have delayed as most of the clients are yet to be connected, there is still hope among the market players that once the connection is up, it will have a positive impact in relation to the business activities. Safaricom who currently enjoy the market leadership in the telephony business in Kenya has successfully opened its Corporate bond offer in a bid to raise extra cash to fund its expansion plans. The giant firm is looking for Kshs. 5 billion . Access Kenya has invested heavily in the Fibre project and will be looking upon their current corporate clientele to give them a jump start. As the country recovers from political instability, coupled with the global decline in oil prices the Tourism sector is slowly picking with hotels reporting about 58% occupancy. With economic recovery on the right course, the future looks bright for counters under this sector. |
| Car & Gen | 42.00 | 22,279,616 | 935.74 | 9.50 | 0.67 | 4.42 | 1.60% | |
| CMC | 10.05 | 582,709,440 | 5,856.23 | 1.59 | 0.35 | 6.32 | 3.48% | |
| Kenya Airways Ltd | 20.75 | 461,615,483 | 9,578.52 | -8.84 | 1.00 | -2.35 | 4.82% | |
| Nation Media Group. | 24.00 | 14,393,106 | 345.43 | -11.80 | 0.00 | -2.03 | 0.00% | |
| Safaricom Ltd | 118.00 | 142,610,520 | 16,828.04 | 9.00 | 5.50 | 13.11 | 4.66% | |
| Scangroup Ltd | 3.75 | 40,000,000,000 | 150,000.00 | 0.265 | 0.10 | 14.15 | 2.67% | |
| Standard Group Ltd | 25.00 | 220,689,655 | 5,517.24 | 1.79 | 0.62 | 13.97 | 2.48% | |
| TPS(Serena) | 38.50 | 73,275,029 | 2,821.09 | 3.57 | 1.10 | 10.78 | 2.86% | |

STATISTICS OF STOCKS LISTED AT THE NSE

| Ordinary Shares | VWAP Prices 21/08/09 | Total Shares Issued | Mkt Cap Kshs Mn. | EPS | DPS | P/E | Dividend Yield | Sector Review |
|------------------------------|-------------------------|------------------------|---------------------|-------|-------|--------|-------------------|--|
| Finance & Invest. | | | | | | | | |
| Barclays Bank | 45.75 | 1,357,884,000 | 62,123.19 | 4.10 | 2.00 | 11.16 | 4.37% | <p>On the back of a shrinking market due to stiff competition among the players in the banking sector, fuelled by the global economic downturn and reduced business activities, Various banks have moved to strategically expand both their branch network as well as entering into new regional markets to widen their customer base and attract deposits e.g. KCB In southern Sudan, Uganda and Rwanda. Co-op bank the 4th largest bank in terms of Assets announced recently its looking into entering Sudan market. Monetary and fiscal policies which are key ingredients in economic recovery, CBK has cut down both the CBR and CRR and in a move to welcome such initiatives, Stan chart reduced their lending rate by 3.5% to 17% from 19.5%. Other banks as well as Saccos' from where many low incomers do access credit facilities are expected to follow suit if they are to remain competitive.</p> <p>The Insurance Industry is adjusting to the rising customer demands of products that meets the changing market needs e.g. Product to cover risk areas that have not been addressed by the current products available in the market. The growth in the sector will be in tandem with economic prospects plus innovativeness of individual firms. Jubilee Holdings Ltd in conjunction with recently launched a product that will cover a wide range of risks, market players have welcomed the move and with an already market available for such product, we expect others to follow in those steps.</p> |
| Centum | 11.45 | 549,951,880 | 6,296.95 | 0.57 | 0.00 | 20.09 | 0.00% | |
| CFC Stanbic Holdings | 55.00 | 273,684,211 | 15,052.63 | 4.94 | 1.90 | 11.13 | 3.45% | |
| Diamond Trust | 69.50 | 163,037,108 | 11,331.08 | 6.28 | 1.40 | 11.07 | 2.01% | |
| Equity Bank Ltd | 14.15 | 3,702,777,020 | 52,394.29 | 1.07 | 0.30 | 13.25 | 2.12% | |
| Housing Finance | 15.15 | 230,000,000 | 3,484.50 | 0.80 | 0.30 | 18.94 | 1.98% | |
| Jubilee Holdings Ltd | 108.00 | 45,000,000 | 4,860.00 | 14.14 | 4.25 | 7.64 | 3.94% | |
| K.C.B | 20.50 | 2,217,777,777 | 45,464.44 | 1.80 | 1.00 | 11.39 | 4.88% | |
| Kenya Re-Insurance | 10.50 | 600,000,000 | 6,300.00 | 1.97 | 0.50 | 5.33 | 4.76% | |
| National Bank | 33.75 | 200,000,000 | 6,750.00 | 4.50 | 0.00 | 7.50 | 0.00% | |
| National Industrial Credit | 32.25 | 326,361,621 | 10,525.16 | 3.49 | 0.50 | 9.24 | 1.55% | |
| Olympia Capital Holdings | 7.00 | 40,000,000 | 280.00 | -1.53 | 0.10 | -4.58 | 1.43% | |
| Pan Africa Insurance | 50.00 | 48,000,000 | 2,400.00 | -2.00 | 1.60 | -25.00 | 3.20% | |
| Standard Chartered Bank | 140.00 | 271,967,810 | 38,075.49 | 11.34 | 10.00 | 12.35 | 7.14% | |
| Co-operative Bank | 8.60 | 3,499,212,000 | 30,093.22 | 0.80 | 0.10 | 10.75 | 1.16% | |

STATISTICS OF STOCKS LISTED AT THE NSE

| Ord. Shares | VWAP Prices 21/08/09 | Total Shares Issued | Mkt Cap. Kshs Mn. | EPS | DPS | P/E | Dividend Yield | Sector Review |
|--------------------------|-------------------------|------------------------|----------------------|-------|-------|-------|-------------------|---|
| MAIN INV. MARKET | | | | | | | | |
| Athi River Mining Ltd | 96.50 | 99,055,000 | 9,558.81 | 5.08 | 1.25 | 19.00 | 1.30% | <p>The Sector covers a wide range of Industries from Energy to Construction and manufacturing among others. Currently the Country is facing serious challenges in the Energy sector because of reduced water levels in the main dams where about 60% of the country's power is generated. This led to closure of a number of dams and subsequent application of power management policies through rationing. Kengen bonds offer which closed on 29th Sept 2009 was termed a success. The Firm issued the bond to raise funds which will go towards setting up of new power generation sources as well as increasing the capacity of already set-up sources to cope with the rising demand for power. KPLC, which is the main player in the distribution of power, has entered into power agreements with various private firms such as Mumias who use their waste material from sugar production to generate power. Other firms currently supplying power to KPLC include E.A Portland among other private firms. In the oil Industry, the players in the industry continue to register growth in their revenues on the back of growing demand on usage of the oil & oil products in the country. During the week, KenolKobil Kenya's biggest oil marketer have jointly together with Engen acquired the joint venture of Bp & Shell in Zimbabwe through the purchase of all their shares This means Kenolkobil will be controlling a substantial stake of the oil market in Zimbabwe.</p> |
| BOC (K) | 160.00 | 19,525,446 | 3,124.07 | 10.26 | 6.80 | 15.59 | 4.25% | |
| Bamburi | 161.00 | 362,959,275 | 58,436.44 | 8.78 | 6.00 | 18.34 | 3.73% | |
| British American Tobacco | 175.00 | 100,000,000 | 17,500.00 | 17.00 | 17.00 | 10.29 | 9.71% | |
| Carbacid | 137.00 | 11,326,755 | 1,551.77 | 14.72 | 10.00 | 9.31 | 7.30% | |
| Crown Berger | 24.25 | 23,727,000 | 575.38 | 1.20 | 1.00 | 20.21 | 4.12% | |
| E.A.Cables | 20.50 | 202,500,000 | 4,151.25 | 1.94 | 1.00 | 10.57 | 4.88% | |
| E.A.Portland | 84.00 | 90,000,000 | 7,560.00 | 20.38 | 1.30 | 4.12 | 1.55% | |
| E.A.Breweries | 139.00 | 790,774,356 | 109,917.64 | 9.09 | 8.05 | 15.29 | 5.79% | |
| Eveready East Africa Ltd | 2.60 | 210,000,000 | 546.00 | 0.085 | 0.00 | 30.59 | 0.00% | |
| KenolKobil Ltd | 49.00 | 147,176,120 | 7,211.63 | 8.15 | 8.56 | 6.01 | 17.47% | |
| K.Pow.& L. | 129.00 | 79,128,000 | 10,207.51 | 22.30 | 4.00 | 5.78 | 3.10% | |
| KenGen | 11.70 | 2,198,361,456 | 25,720.83 | 2.19 | 0.90 | 5.34 | 7.69% | |
| Mumias | 6.80 | 1,530,000,000 | 10,404.00 | 1.05 | 0.40 | 6.48 | 5.88% | |
| Sameer Africa Ltd | 5.00 | 278,342,393 | 1,391.71 | 0.54 | 0.00 | 9.26 | 0.00% | |
| Total | 28.75 | 173,013,000 | 4,974.12 | 4.02 | 2.50 | 7.15 | 8.70% | |
| Unga | 7.10 | 75,708,873 | 537.53 | 1.55 | 0.00 | 4.58 | 0.00% | |

6:: NSE SECTOR REVIEW - Glossary

OPM – Operating Profit Margin

TAT – Total Asset Turnover

CLR – Claims Ratio Estimate

ADV/DPT – Advances to Deposits

D/E – Debt to Equity

Fwd P/E – Forward P/E

ROI – Return on Investment

C-ADQ – Capital Adequacy

P/BV – Price to Book Value

RSI – Relative Strength Index

A/L – Assets to Liabilities

NPL% - Non-Performing Loans (%)

(S) - Suspended