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1:: THE ECONOMY IN REVIEW

1) MACROECONOMIC REVIEW**GDP GROWTH**

Kenya's Gross Domestic Product grew by 4.4 % for the first quarter of 2010 and is expected to record an annual growth of 5% occasioned by the expansion of the agricultural sector due to good rains and better than expected improvement in key sectors of manufacturing and tourism. The second and third quarters are expected to record higher growth as key indicators show the economy is vibrant.

MONETARY STANCE

The CBK maintained the CBR at its current rate of 6%. It injected 3.6 bn shillings into the money market to shore up liquidity. Broad money has also been increasing mainly due to increase in credit offering by banks.

For the week, there were no horizontal repos with many banks favouring interbank transactions. The horizontal repo rate as per the last transaction was 1.83%. A total of 306 interbank deals worth 52.9 bn down from 377 deals worth 71.9 bn were witnessed in the week. The average interbank rate remained at its previous level of 1.74%.

FISCAL STANCE

The government continues to pursue fiscal expansion. The Central government's budgetary deficit for the period 2009/2010 was 5.6% of GDP, and it is expected to increase as recurrent and development expenditures are set to rise further in the 2010/2011 budget estimates. Gross domestic debt for the week increased by 8.5 bn. The government domestic borrowing structure hovers around its target of 75% bonds and 25% bills. Spending on interest and other charges has decreased to 4.5 bn from 5.1 bn mainly due to declining rates.

EXCHANGE RATE:

The Kenya's shilling depreciated for the week against major counters. The dollar closed at a mean rate of 80.65 compared with Ksh 79.85 per US dollar recorded the previous week. The shilling lost against the Japanese Yen to exchange on average at Ksh 94.27 per 100 Japanese Yen in the week compared with Ksh 93.23 per 100 Japanese Yen in the previous week. During the week, the shilling appreciated against the Sterling Pound and the Euro to exchange on average at Ksh 125.70 per Sterling Pound and Ksh 103.40 per Euro in the week compared with Ksh 125.98 per Sterling Pound and Ksh 104.28 per Euro in the previous week.

The major driving factors for the depreciation is the increasing trade deficit as the import bill increases at a faster rate than export receipts. Total Exports are set to increase by only 5% due to slower than expected euro- zone and N. American economic growth while imports are to rise 14%. The major determinants of the import bill are fuel and petroleum, machinery and other equipments, which are all expected to increase as the economic growth gathers pace. The heavy government borrowing in the form of infrastructure bonds has been causing downward pressure on the exchange rate as the money borrowed is mainly to finance key investments in the economy and these investments are import heavy. The upcoming KShs 31.6 bn infrastructure bond should lead to weakening of the trade account as more of the borrowed funds are allocated and spent. Also, a contributing factor is the ease of credit access facilitated by the decreasing rates, which should lead to increasing private spending on imports by households.

However, the favorable economic condition should lead to increased capital flows from foreign investors and development partners, which should to some extent abate currency pressures arising from the trade imbalance. Diaspora remittances have been increasing month on month, and is estimated shortly to

exceed its long-term monthly average of \$50M. The net result of the two opposing forces on the balance of payment should make the exchange rate depreciate marginally against major counters.

In addition, there has been increased demand for the dollar internationally as investors concerned about tepid economic growth shift their attention to USA treasuries, which are considered safe haven.

The dollar is expected to depreciate and may trade within a band of sh.80.9 – 82.15 for the week.

INFLATION

Kenya is in a low inflation phase. The current month on month inflation for the month of July was 3.6%, attributed to good rains. However going forward there is threat from the increase in money supply as broad money has been increasing for the past two quarters. Inflationary pressures may result from the pro growth strategy being employed by the CBK. In addition, a key factor is the price of oil, which has a high cost elasticity. Electricity costs have been reducing marginally but the increased demand for power will strain the KPLC capacity in the short run. However, in the long run, given the key investments in increasing generation and improving capacity utilization electricity costs should come down sustainably in the economy.

ACCESS TO CREDIT

There has been increase in private borrowing in commercial banks with 75% of commercial banks recording increases in loan take ups. There was a noted increase in lending to firms and individuals which should augur well for the economy.

POLITICAL OVERVIEW

The new constitution is being lauded as the beginning of a new era in Kenya. Successful implementation of the new constitution is seen to reduce the political risk profile which could have remarkable multiplier effects on the economy. Lower political risk will lead to lower risk premiums demanded by investors and so Kenya will be able to source cheap funds which it will use to fund infrastructural projects. The new constitution is also seen to engender a strong governance structure that is likely to improve business climate leading to a vibrant private sector. Peaceful and proper implementation of the new constitution is being perceived as offering the necessary foundation for the economic, social and political pillars envisaged in the Vision 2030. Professionalism in the running of the government will unlock bottlenecks that had stymied efficiency.

2) EQUITY ANALYSIS

Many indices internationally recorded weekly losses. In USA, the Dow Jones fell 0.9%, the S&P fell 0.7% as investors reacted to disappointing data. Economic indicators point to a quarterly GDP growth rate that is lower than analysts' forecast by 1%. In Europe, the case was the same, as Euro shares traded at 1 month lows as there was fear that economic growth momentum in Germany, Europe's biggest economy was expected to reduce in the second half of the year. The FTSE closed at 5195.28 down from 5275. The DAX closed at 6005.16 down from 6110.4 the previous week.

Most indices in Africa were either flat or down for the week mainly due to profit taking. In Tanzania, the DSEI dropped 1.89 points and closed at 1174.57. In Zambia the LASI, shaved off 11.36 to close at 2915. In Zimbabwe, the ZSE industrial was roughly flat gaining a modest 0.75 points closing at 131.84.

In Kenya, the market lost ground from previous week. The NSE dropped 1.65% to close at 4597.07. The NASI dropped 2.66 points for the week closing at 99.54. This could be mainly due to investors' profit taking and readjusting their portfolios in line with expectations of earnings announcements. Market cap stood at 1.166 trillion.

The Finance and Investment sector was the most improved with banking stocks leading the way. Most bank stocks recorded higher prices as half-year earnings trickled in. NIC and Co-op were the best performing counters trading 1.647M and 8.1 M shares and appreciating by 17% respectively on the back of their reported rise in turnover and profits. This lifted other banks since investors expected the banking sector to show marked growth. Equity bank and Diamond Trust traded 5.45M and 314800 shares as their shares rose 8.42% and 14.83% respectively. However KCB, which traded 9.7M shares, was down 1.05% which could be due to shareholders selling their extra shares from the rights issue and price adjustment for dilution of earnings per share.

In the Commercial and Services sector, the advertising and media industry performed well with Scangroup gaining 25.3% after its half year results showed a 36% rise in profits. This also lifted the stock of companies in similar business, as there was positive sentiment about increase in advertising expenditure by firms. Shares of Standard and Nation Media finished higher by 15.23% and 9.86% respectively. Safaricom was the biggest loser shedding 7.7% for the week. Reduction in call rates by its competitors led to fears that the company's revenue would be affected since a review of its call rates was imminent and its market share was bound to reduce.

In the Agricultural sector a total of 1.4254M shares were traded. Rea Vipingo was the most active counter trading 648,600 shares, gaining 5.22%. Sasini was flat for the week, while kakuzi shedding 3.05%. The Alternative Investment Segmented traded 117600 shares with Williamson tea trading 106600 shares losing over 7%.

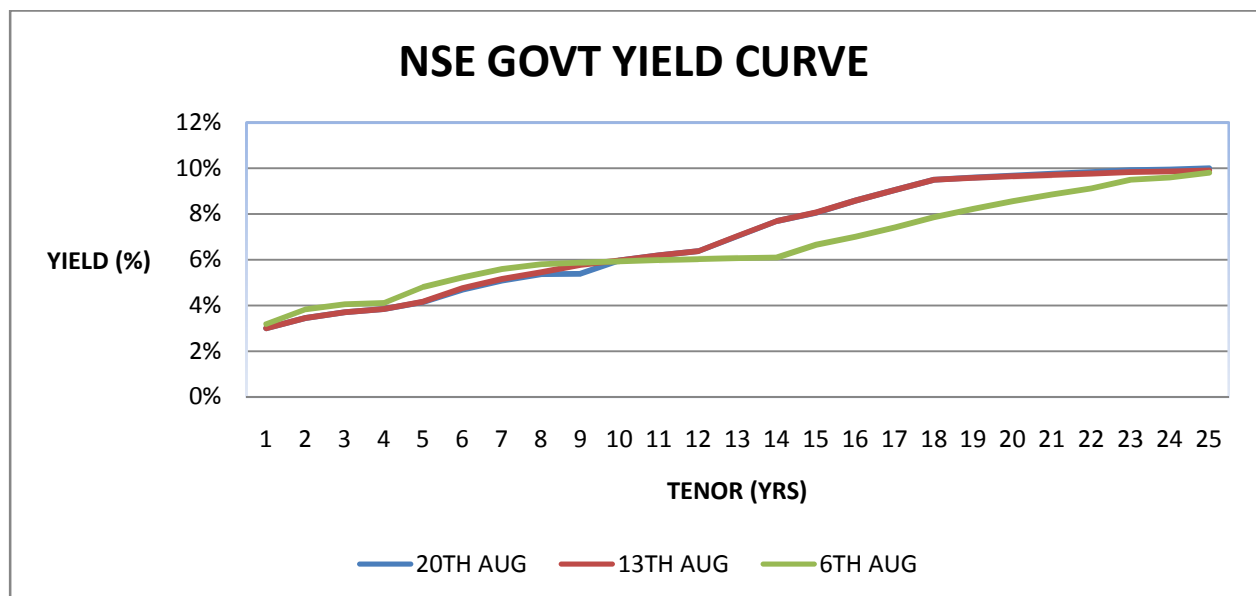
3) FIXED INCOME REPORT

For the week, Bond turnover at the Fixed Income Securities Market decreased from Ksh 38.8 billion traded in the previous week to Ksh 35.5 billion in the week under review. The decrease in bond turnover may be due to investors shifting their appetite towards the more liquid primary market and a reallocation to equities.

| KEY RATES | | |
|------------------------|---------------------|-------------------|
| | PREVIOUS LEVELS (%) | RECENT LEVELS (%) |
| T-Bill rate (91-day) | 1.699 | 1.999 |
| T-Bill rate (182-days) | 1.999 | 2.15 |
| T-Bill Rate (364 days) | 4.199 | 3 |
| Interbank rate | 1.74 | 1.74 |
| Horizontal repo rate | 1.83 | - |
| 2 YEAR BOND | 3.4457 | 3.4468 |
| 5 YEAR BOND | 4.1651 | 4.1506 |
| 10 YEAR BOND | 5.9715 | 5.9715 |
| 15 YEAR BOND | 8.0609 | 8.0609 |
| 20 YEAR BOND | 9.6434 | 9.6792 |
| 25 YEAR BOND | 9.9 | 10 |

Source: NSE AND CBK DATA

GOVERNMENT YIELD CURVE



Source: NSE DATA

Market summary.

There has been a general rise in rates as the 92 and 182 day paper traded at higher yields. A total of Kshs 4 Billion worth of 91 day Treasury Bills was offered by Central Bank of Kenya offered 91 day Treasury Bills for. The total number of bids received was 57 amounting to Kshs 4.6 Billion, representing a 115 % subscription rate. Bids accepted amounted to Kshs 4.1 Billion. The cut-off rate increased by 30 basis points from the previous auction's 1.699% to 1.999%.

Central Bank of Kenya offered 182 day Treasury Bills for a total of Kshs 4 Billion. The total amount of bids received was 117 amounting to Kshs 6.14 Billion, representing a 153% subscription rate. Bids accepted amounted to Kshs 6.08 Billion. The cut-off rate increased slightly from the previous auction's 1.999% to 2.150%.

There was increased demand for the short end maturities as investors anticipate rate rises and so attempt to reduce their fixed income portfolio duration. However, investors required a higher yield as the short rates increased.

For the 364-day paper, the Central Bank of Kenya offered a total of Kshs 5 Billion. The total number of bids received was 12 amounting to Kshs 2.04 Billion, representing a 41% subscription rate. Bids accepted amounted to Kshs. 2.04 Billion. The auction registered a decline in the cut-off rate for successful bids from the previous auction's 4.199% to 3.000%.

For all the T-bills, there was a negative real return as the month on month inflation rate stands at 3.6%.

For longer maturity government paper, rates remained roughly unchanged.

The yield curve has been shifting on long side from 6th Aug to 13th Aug. There has been reduced intake of bond holdings by pensions and insurance companies. These companies are the heaviest consumers of long maturity bonds for immunizing their liabilities. However, their reduced holdings of bond holdings on the long side reduced yields.

For the week, however, the yield curve was relatively unchanged.

Going forward, yields should remain fairly the same, but may rise slightly as bond holders reduce their current holdings in anticipation of the infrastructure bonds.

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4:: COMPANY IN FOCUS.

Scan Group CO. LTD

| Business Performance | | | |
|--|---------------|--------------------------|------------------|
| <p>Scan Group is mainly involved in advertising. It commands over 61% of the market share. As per its half year results, the company reported a turnover increase of 21% and a 36% rise in profit after tax attributed to increased advertising spending by firms.</p> <p>It announced that it plans to go ahead with its acquisition of Ogilvy EA and O&M Africa BV. This will increase its market share to over 72% giving it a dominant position as a market monopoly. It should benefit from increased synergies from cost savings and efficiency gains. The company will also record higher revenues as the market wars now playing out in many industries will increase demand for advertising as companies endeavor to improve their sales through advertising. Demand for and consumption of advertising is also noticeably increasing as the economy grows. The company, being the market leader by market share will benefit the most from the increased demand.</p> | | | |
| Future Prospects | | | |
| <p>We project good turnover growth in the coming year and improved profits as the company reaps from the synergies of tie-up as well as benefit from the current economic recovery.</p> <p>However, dividend payment growth will be modest as the company will be expected incur one-off integration costs in the coming year. There is also a possibility that it might settle part of the O&M transaction in cash.</p> | | | |
| Key Financial Statistics 2008/09 | | Stock Performance | |
| | (Kshs) | | 22/8/2010 |
| Total Revenue | 3.29BN | Current Price (Kshs) | 45.50 |
| Profit After Tax | 200M | ROI | 6.11% |
| EPS (Kshs/share) | 0.9 | ROE | 7.8% |
| Dividends (Kshs/share) | 1.81 | Trailing P/E | 25.94 |

STATISTICS OF STOCKS LISTED AT THE NSE

| MAIN INVESTMENT MARKET SEGMENT. | VWAP Prices 23/10/09 | Total Shares Issued | Mkt Cap. Kshs Mn. | EPS | DPS | P/E | Dividend Yield | Sector Review |
|---------------------------------|----------------------|---------------------|-------------------|-------|------|-------|----------------|---|
| <i>Kakuzi</i> | 79.50 | 19,599,999 | 1,558.20 | 17.34 | 2.50 | 4.58 | 3.14% | <i>Agriculture is the largest sector in Kenya's economy, accounting for 24 per cent of the total marketed production. Agricultural sector had agroth of 4.6% in the first quarter. Also the continuous rise in Tea, coffee and other related products in the global prices will help the Companies in this Industry such as Sasini, Kakuzi, Rea Vipingo improve on their revenue streams.</i> |
| <i>Rea Vipingo</i> | 18.15 | 60,000,000 | 1,089.00 | 2.48 | 0.50 | 7.32 | 2.75% | |
| <i>Sasini Ltd</i> | 14.20 | 228,055,500 | 3,238.39 | 2.30 | 0.40 | 6.17 | 2.82% | |
| Commercial and Allied | | | | | | | | |
| <i>Access</i> | 18.75 | 206,331,223 | 3,868.71 | 0.76 | 0.30 | 24.67 | 1.60% | <i>The sector serves the ICT, hospitality Industry and Media services. Recent price wars in the ICT industry means turnover and profits experienced should reduce.</i> |
| <i>Car & Gen</i> | 53.50 | 22,279,616 | 1,191.96 | 8.80 | 0.67 | 6.08 | 1.25% | |
| <i>CMC</i> | 12.95 | 582,709,440 | 7,546.09 | 0.93 | 0.35 | 13.92 | 2.70% | <i>Scan Group recently announced a 36% jump in profits and the acquisition of two firms will give it the targets market share and a footprint into other regional markets. The media sector should also experience higher revenues as demand for advertising by firms.</i> |
| <i>Kenya Airways Ltd</i> | 50.00 | 461,615,483 | 23,080.77 | 4.40 | 1.00 | 11.36 | 2.00% | |
| <i>Nation Media Group.</i> | 156.00 | 157,118,572 | 24,510.50 | 7.00 | 5.50 | 22.29 | 3.53% | |
| <i>Safaricom Ltd</i> | 5.40 | 40,000,000,000 | 216,000.00 | 0.38 | 0.20 | 14.21 | 3.70% | <i>Tourism sector has been increasing in the first quarter of the year and as the country continues to market itself globally as a global destination coupled with continuity in political stability should stimulate further recovery and growth of this key sector. Kenya Airways continues to expand its routes network as it eyes the West African route.</i> |
| <i>Scangroup Ltd</i> | 45.50 | 220,689,655 | 10,041.38 | 1.81 | 0.50 | 25.14 | 1.10% | |
| <i>Standard Group Ltd</i> | 43.50 | 73,275,029 | 3,187.46 | 3.24 | 0.50 | 13.43 | 1.15% | |
| <i>TPS(Serena)</i> | 56.50 | 123,508,866 | 6,978.25 | 3.60 | 1.25 | 15.69 | 2.21% | |

STATISTICS OF STOCKS LISTED AT THE NSE

| Ordinary Shares | VWAP Prices 23/10/09 | Total Shares Issued | Mkt Cap Kshs Mn. | EPS | DPS | P/E | Dividend Yield | Sector Review |
|-----------------------------------|-------------------------|------------------------|---------------------|-------|-------|---------|-------------------|---|
| Finance & Invest. | | | | | | | | |
| <i>Barclays Bank</i> | 67.00 | 1,357,884,000 | 90,978.23 | 4.50 | 2.50 | 14.89 | 3.73% | <i>The finance and Investment Sector continues to experience growth.</i> |
| <i>Centum</i> | 24.00 | 549,951,880 | 13,198.85 | 1.62 | 0.00 | 14.81 | 0.00% | |
| <i>CFC Stanbic Holdings</i> | 86.50 | 273,684,211 | 23,673.68 | -0.22 | 0.00 | -393.18 | 0.00% | <i>Banking sector is set for to perform well as private lending has increased as rates have been reducing. Transaction income should also increase as the economy continues on its growth path.</i> |
| <i>Diamond Trust</i> | 110.00 | 163,037,108 | 17,934.08 | 7.67 | 1.55 | 14.34 | 1.41% | |
| <i>Equity Bank Ltd</i> | 25.75 | 3,702,777,020 | 95,346.51 | 1.14 | 0.40 | 22.59 | 1.55% | |
| <i>Housing Finance</i> | 24.50 | 230,000,000 | 5,635.00 | 1.02 | 0.50 | 24.02 | 2.04% | |
| <i>Jubilee Holdings Ltd</i> | 200.00 | 45,000,000 | 9,000.00 | 18.33 | 4.50 | 10.91 | 2.25% | |
| <i>K.C.B</i> | 18.80 | 2,950,169,143 | 55,463.18 | 1.54 | 1.00 | 12.21 | 5.32% | <i>The Central Bank of Kenya has been active through the Monetary Policy Committee in creating measures that increase credit access. The CBR is currently at 6%.</i> |
| <i>Kenya Re-Insurance</i> | 12.95 | 600,000,000 | 7,770.00 | 2.21 | 0.50 | 5.86 | 3.86% | |
| <i>National Bank</i> | 42.25 | 280,000,000 | 11,830.00 | 4.01 | 0.00 | 10.54 | 0.00% | |
| <i>National Industrial Credit</i> | 46.25 | 358,997,784 | 16,603.65 | 3.31 | 0.50 | 13.97 | 1.08% | |
| <i>Olympia Capital Holdings</i> | 7.00 | 40,000,000 | 280.00 | 0.36 | 0.10 | 19.44 | 1.43% | |
| <i>Pan Africa Insurance</i> | 73.50 | 48,000,000 | 3,528.00 | 2.89 | 1.70 | 25.43 | 2.31% | |
| <i>Standard Chartered Bank</i> | 258.00 | 271,967,810 | 70,167.69 | 16.78 | 12.00 | 15.38 | 4.65% | |
| <i>Co-operative Bank</i> | 17.55 | 3,492,369,900 | 61,291.09 | 0.85 | 0.20 | 20.65 | 1.14% | |

STATISTICS OF STOCKS LISTED AT THE NSE

| Ord. Shares | VWAP Prices 23/10/09 | Total Shares Issued | Mkt Cap. Kshs Mn. | EPS | DPS | P/E | Dividend Yield | Sector Review |
|------------------------------|-------------------------|------------------------|----------------------|------|------|-------|-------------------|---|
| MAIN INV. MARKET | | | | | | | | |
| <i>Athi River Mining Ltd</i> | 160.00 | 99,055,000 | 15,848.80 | 6.52 | 1.50 | 24.54 | 0.94% | <i>The Sector covers a wide range of Industries from Energy to Construction and</i> |

| | | | | | | | |
|---------------------------------|---------------|---------------|------------|-------|-------|-------|-------|
| <i>BOC (K)</i> | 150.00 | 19,525,446 | 2,928.82 | 7.88 | 6.80 | 19.04 | 4.53% |
| <i>Bamburi</i> | 200.00 | 362,959,275 | 72,591.86 | 18.32 | 11.00 | 10.92 | 5.50% |
| <i>British American Tobacco</i> | 259.00 | 100,000,000 | 25,900.00 | 14.78 | 14.75 | 17.52 | 5.69% |
| <i>Carbacid</i> | 155.00 | 33,980,265 | 5,266.94 | 7.54 | 5.00 | 20.56 | 3.23% |
| <i>Crown Berger</i> | 37.75 | 23,727,000 | 895.69 | 3.64 | 1.25 | 10.37 | 3.31% |
| <i>E.A.Cables</i> | 19.10 | 202,500,000 | 3,867.75 | 1.52 | 1.00 | 12.57 | 5.24% |
| <i>E.A.Portland</i> | 122.00 | 90,000,000 | 10,980.00 | 20.38 | 1.30 | 5.99 | 1.07% |
| <i>E.A.Breweries</i> | 184.00 | 790,774,356 | 145,502.48 | 9.09 | 8.05 | 20.24 | 4.38% |
| <i>Eveready East Africa Ltd</i> | 4.20 | 210,000,000 | 882.00 | 0.135 | 0.00 | 31.11 | 0.00% |
| <i>KenolKobil Ltd</i> | 9.60 | 2,198,361,456 | 38,801.08 | 0.94 | 0.50 | 18.78 | 2.83% |
| <i>K.Pow. & L.</i> | 206.00 | 1,471,761,200 | 14,128.91 | 0.88 | 0.33 | 10.95 | 3.39% |
| <i>KenGen</i> | 17.65 | 2,198,361,456 | 38,801.08 | 0.94 | 0.50 | 18.78 | 2.83% |
| <i>Mumias</i> | 14.45 | 1,530,000,000 | 22,108.50 | 1.05 | 0.40 | 13.76 | 2.77% |
| <i>Sameer Africa Ltd</i> | 9.00 | 278,342,393 | 2,505.08 | 0.57 | 0.50 | 15.79 | 5.56% |
| <i>Total</i> | 30.75 | 175,028,706 | 5,382.13 | 1.62 | 1.00 | 18.98 | 3.25% |
| <i>Unga</i> | 12.85 | 75,708,873 | 972.86 | 1.55 | 0.00 | 8.29 | 0.00% |

manufacturing among others.

On the Energy sector, is set to grow as energy capacity has increase due to good rains and investment in other generation sources.

Construction and manufacturing recorded growth for the first quarter as consumer demand increasedr .

GOVERNMENT BONDS

| ISSUE NAME | NEXT COUPON DATE | TENOR | COUPON RATE | IMPLIED YIELD |
|--------------|------------------------|-------|-------------|---------------|
| FXD3/2008/2 | 23-Aug-10 | 3 | 8.75% | 1.8322% |
| FXD2/2003/7 | 18-Oct-10 | 59 | 6.50% | 2.1418% |
| FXD2/2005/5 | 22-Nov-10 | 94 | 13.00% | 2.1480% |
| FXD4/2008/2 | 27-Dec-10 | 129 | 8.75% | 2.1508% |
| FXD1/2004/7 | 17-Jan-11 | 150 | 6.75% | 2.1519% |
| FXD1/2007/4 | 23-Aug-10 | 185 | 11.00% | 2.1809% |
| FXD1/2009/2 | 20-Sep-10 | 213 | 8.75% | 2.4037% |
| FXD1/2003/8 | 18-Oct-10 | 241 | 12.50% | 2.5751% |
| FXD1/2006/5 | 22-Nov-10 | 276 | 11.75% | 2.7407% |
| FXD2/2009/2 | 22-Nov-10 | 276 | 8.75% | 2.7407% |
| FXD2/2006/5 | 24-Jan-11 | 339 | 11.25% | 2.9530% |
| FXD2/2004/7 | 16-Aug-10 | 360 | 7.00% | 3.0054% |
| FXD2/2003/8 | 20-Sep-10 | 395 | 7.00% | 3.0618% |
| FXD3/2009/2 | 20-Sep-10 | 395 | 8.75% | 3.0618% |
| FXD1/2005/6 | 20-Dec-10 | 486 | 13.00% | 3.1707% |
| FXD1/2007/5 | 24-Jan-11 | 521 | 11.25% | 3.2024% |
| FXD1/2010/2 | 31-Jan-11 | 529 | 8.00% | 3.2083% |
| FXD1/2004/8 | 13-Sep-10 | 570 | 7.50% | 3.2403% |
| FXD2/2010/2 | 27-Sep-10 | 584 | 7.11% | 3.2500% |
| FXD1/2003/9 | 15-Nov-10 | 633 | 12.75% | 3.3257% |
| FXD1/2006/6 | 20-Dec-10 | 668 | 11.75% | 3.3730% |
| FXD2/2003/9 | 17-Jan-11 | 696 | 9.50% | 3.4074% |
| FXD2/2007/5 | 23-Aug-10 | 731 | 9.50% | 3.4468% |
| FXD3/2007/5 | 20-Sep-10 | 759 | 9.50% | 3.4756% |
| FXD2/2006/6 | 22-Nov-10 | 822 | 11.50% | 3.5334% |
| FXD1/2006/7 | 24-Jan-11 | 885 | 13.25% | 3.5830% |
| FXD1/2008/5 | 24-Jan-11 | 885 | 9.50% | 3.5830% |
| FXD1/2007/6 | 25-Oct-10 | 976 | 11.50% | 3.6434% |
| FXD2/2008/5 | 25-Oct-10 | 976 | 9.50% | 3.6434% |
| FXD1/2003/10 | 13-Dec-10 | 1,025 | 13.25% | 3.6715% |
| FXD2/2003/10 | 14-Feb-11 | 1,088 | 8.50% | 3.7038% |
| FXD3/2008/5 | 23-Aug-10 | 1,095 | 9.50% | 3.7072% |
| FXD4/2008/5 | 25-Oct-10 | 1,158 | 9.50% | 3.7357% |
| FXD2/2006/7 | 20-Dec-10 | 1,214 | 12.00% | 3.7586% |
| FXD1/2006/8 | 23-Aug-10 | 1,277 | 13.25% | 3.7819% |
| FXD1/2007/7 | 24-Jan-11 | 1,431 | 9.75% | 3.8303% |
| FXD1/2009/5 | 20-Sep-10 | 1,487 | 9.50% | 3.8454% |
| FXD1/2007/8 | 23-Aug-10 | 1,641 | 12.75% | 3.8816% |
| FXD1/2006/9 | 18-Oct-10 | 1,697 | 13.50% | 3.8932% |
| FXD1/2010/5 | 22-Nov-10 | 1,732 | 6.95% | 3.9000% |
| FXD1/2006/10 | 20-Sep-10 | 2,033 | 14.00% | 4.4321% |
| FXD2/2006/10 | 22-Nov-10 | 2,096 | 14.00% | 4.5243% |
| ISSUE NAME | NEXT COUPON DATE | TENOR | COUPON RATE | IMPLIED YIELD |
| FXD1/2006/11 | 20-Sep-10 | 2,579 | 13.75% | 5.0839% |
| FXD1/2007/10 | 25-Oct-10 | 2,614 | 10.75% | 5.1165% |

| | | | | |
|--------------|------------------------|-------|-------------|---------------|
| FXD1/2008/10 | 23-Aug-10 | 2,733 | 10.75% | 5.1329% |
| FXD2/2008/10 | 24-Jan-11 | 2,887 | 10.75% | 5.3439% |
| FXD1/2006/12 | 23-Aug-10 | 2,915 | 14.00% | 5.3649% |
| FXD3/2008/10 | 27-Sep-10 | 2,950 | 10.75% | 5.3649% |
| FXD1/2009/10 | 25-Oct-10 | 3,160 | 10.75% | 5.5325% |
| FXD1/2007/12 | 22-Nov-10 | 3,188 | 13.00% | 5.5500% |
| FXD1/2010/10 | 25-Oct-10 | 3,524 | 8.79% | 5.8500% |
| FXD1/2007/15 | 20-Sep-10 | 4,217 | 14.50% | 6.2797% |
| FXD2/2007/15 | 20-Dec-10 | 4,308 | 13.50% | 6.3260% |
| FXD3/2007/15 | 22-Nov-10 | 4,462 | 12.50% | 6.4000% |
| FXD1/2008/15 | 27-Sep-10 | 4,588 | 12.50% | 6.6681% |
| FXD1/2009/15 | 25-Oct-10 | 5,162 | 12.50% | 7.7303% |
| FXD1/2010/15 | 27-Sep-10 | 5,316 | 10.25% | 7.9778% |
| FXD1/2008/20 | 27-Dec-10 | 6,499 | 13.75% | 9.5000% |
| FXD1/2010/25 | 27-Dec-10 | 9,047 | 11.25% | 10.0000% |
| FXD3/2008/2 | 23-Aug-10 | 3 | 8.75% | 1.8322% |
| FXD2/2003/7 | 18-Oct-10 | 59 | 6.50% | 2.1418% |
| FXD2/2005/5 | 22-Nov-10 | 94 | 13.00% | 2.1480% |
| FXD4/2008/2 | 27-Dec-10 | 129 | 8.75% | 2.1508% |
| FXD1/2004/7 | 17-Jan-11 | 150 | 6.75% | 2.1519% |
| FXD1/2007/4 | 23-Aug-10 | 185 | 11.00% | 2.1809% |
| FXD1/2009/2 | 20-Sep-10 | 213 | 8.75% | 2.4037% |
| FXD1/2003/8 | 18-Oct-10 | 241 | 12.50% | 2.5751% |
| FXD1/2006/5 | 22-Nov-10 | 276 | 11.75% | 2.7407% |
| FXD2/2009/2 | 22-Nov-10 | 276 | 8.75% | 2.7407% |
| FXD2/2006/5 | 24-Jan-11 | 339 | 11.25% | 2.9530% |
| FXD2/2004/7 | 16-Aug-10 | 360 | 7.00% | 3.0054% |
| FXD2/2003/8 | 20-Sep-10 | 395 | 7.00% | 3.0618% |
| FXD3/2009/2 | 20-Sep-10 | 395 | 8.75% | 3.0618% |
| FXD1/2005/6 | 20-Dec-10 | 486 | 13.00% | 3.1707% |
| FXD1/2007/5 | 24-Jan-11 | 521 | 11.25% | 3.2024% |
| FXD1/2010/2 | 31-Jan-11 | 529 | 8.00% | 3.2083% |
| FXD1/2004/8 | 13-Sep-10 | 570 | 7.50% | 3.2403% |
| FXD2/2010/2 | 27-Sep-10 | 584 | 7.11% | 3.2500% |
| FXD1/2003/9 | 15-Nov-10 | 633 | 12.75% | 3.3257% |
| FXD1/2006/6 | 20-Dec-10 | 668 | 11.75% | 3.3730% |
| FXD2/2003/9 | 17-Jan-11 | 696 | 9.50% | 3.4074% |
| FXD2/2007/5 | 23-Aug-10 | 731 | 9.50% | 3.4468% |
| FXD3/2007/5 | 20-Sep-10 | 759 | 9.50% | 3.4756% |
| FXD2/2006/6 | 22-Nov-10 | 822 | 11.50% | 3.5334% |
| FXD1/2006/7 | 24-Jan-11 | 885 | 13.25% | 3.5830% |
| FXD1/2008/5 | 24-Jan-11 | 885 | 9.50% | 3.5830% |
| | NEXT COUPON DATE | | | |
| ISSUE NAME | | TENOR | COUPON RATE | IMPLIED YIELD |
| FXD1/2007/6 | 25-Oct-10 | 976 | 11.50% | 3.6434% |
| FXD2/2008/5 | 25-Oct-10 | 976 | 9.50% | 3.6434% |
| FXD1/2003/10 | 13-Dec-10 | 1,025 | 13.25% | 3.6715% |
| FXD2/2003/10 | 14-Feb-11 | 1,088 | 8.50% | 3.7038% |
| FXD3/2008/5 | 23-Aug-10 | 1,095 | 9.50% | 3.7072% |
| FXD4/2008/5 | 25-Oct-10 | 1,158 | 9.50% | 3.7357% |
| FXD2/2006/7 | 20-Dec-10 | 1,214 | 12.00% | 3.7586% |

| | | | | |
|--------------|-----------|-------|--------|----------|
| FXD1/2006/8 | 23-Aug-10 | 1,277 | 13.25% | 3.7819% |
| FXD1/2007/7 | 24-Jan-11 | 1,431 | 9.75% | 3.8303% |
| FXD1/2009/5 | 20-Sep-10 | 1,487 | 9.50% | 3.8454% |
| FXD1/2007/8 | 23-Aug-10 | 1,641 | 12.75% | 3.8816% |
| FXD1/2006/9 | 18-Oct-10 | 1,697 | 13.50% | 3.8932% |
| FXD1/2010/5 | 22-Nov-10 | 1,732 | 6.95% | 3.9000% |
| FXD1/2006/10 | 20-Sep-10 | 2,033 | 14.00% | 4.4321% |
| FXD2/2006/10 | 22-Nov-10 | 2,096 | 14.00% | 4.5243% |
| FXD1/2006/11 | 20-Sep-10 | 2,579 | 13.75% | 5.0839% |
| FXD1/2007/10 | 25-Oct-10 | 2,614 | 10.75% | 5.1165% |
| FXD1/2008/10 | 23-Aug-10 | 2,733 | 10.75% | 5.1329% |
| FXD2/2008/10 | 24-Jan-11 | 2,887 | 10.75% | 5.3439% |
| FXD1/2006/12 | 23-Aug-10 | 2,915 | 14.00% | 5.3649% |
| FXD3/2008/10 | 27-Sep-10 | 2,950 | 10.75% | 5.3649% |
| FXD1/2009/10 | 25-Oct-10 | 3,160 | 10.75% | 5.5325% |
| FXD1/2007/12 | 22-Nov-10 | 3,188 | 13.00% | 5.5500% |
| FXD1/2010/10 | 25-Oct-10 | 3,524 | 8.79% | 5.8500% |
| FXD1/2007/15 | 20-Sep-10 | 4,217 | 14.50% | 6.2797% |
| FXD2/2007/15 | 20-Dec-10 | 4,308 | 13.50% | 6.3260% |
| FXD3/2007/15 | 22-Nov-10 | 4,462 | 12.50% | 6.4000% |
| FXD1/2008/15 | 27-Sep-10 | 4,588 | 12.50% | 6.6681% |
| FXD1/2009/15 | 25-Oct-10 | 5,162 | 12.50% | 7.7303% |
| FXD1/2010/15 | 27-Sep-10 | 5,316 | 10.25% | 7.9778% |
| FXD1/2008/20 | 27-Dec-10 | 6,499 | 13.75% | 9.5000% |
| FXD1/2010/25 | 27-Dec-10 | 9,047 | 11.25% | 10.0000% |

INFRASTRUCTURE BONDS

| ISSUE NAME | NEXT COUPON DATE | TENOR | COUPON RATE | IMPLIED YIELD |
|----------------|------------------|-------|-------------|---------------|
| IFB1/2010/8Yr | 30-Aug-10 | 2,740 | 9.75% | 6.0000% |
| IFB1/2009/12Yr | 23-Aug-10 | 3,825 | 12.50% | 6.2000% |
| IFB2/2009/12Yr | 06-Dec-10 | 4,112 | 12.00% | 6.2500% |
| | | | 9.75% | 6.0000% |

CORPRATE BONDS

| ISSUER | NEXT COUPON | ISSUE SIZE | TENOR | COUPON RATE |
|--------------------------|-------------|------------|-------|------------------------|
| | | | | |
| Athi River Mining - 5 Yr | 23-Jan-11 | 800 | 68 | 91-Day T-bill + 1.75% |
| EADB - 7 Yr | 31-Jan-11 | 800 | 346 | 7.50% Fixed |
| PTA Bank - 7 Yr | 01-Jan-11 | 800 | 685 | 91-Day T-bill + 1.00% |
| PTA Bank - 7 Yr | 27-Oct-10 | 1,000 | 1,533 | 182-Day T-bill + 1.00% |

| | | | | |
|-----------------------------------|-----------|--------|-------|-----------------------|
| | | | | |
| Barclays Bank - 7 Yr | 15-Feb-11 | 2,500 | 1,552 | 91-Day T-bill + 0.60% |
| Sasini - 5 Yr | 27-Sep-10 | 600 | 836 | 11.75% Fixed |
| FR(MRM)2008/8Yr | 24-Sep-10 | 1,379 | 2,260 | 91-Day T-bill +1.75% |
| FXD(MRM)2008/8Yr | 25-Oct-10 | 622 | 2,260 | 13.00% Fixed |
| FR(CFC)2009/7Yr | 30-Dec-10 | 98 | 2,148 | 182-Day T-bill +1.75% |
| FXD(CFC)2009/7Yr | 30-Dec-10 | 2,402 | 2,148 | 12.50% Fixed |
| FR (Shelter Afrique) 2009/3Yr | 24-Aug-10 | 95 | 742 | 182-Day T-bill +1.50% |
| FXD (Shelter Afrique) 2009/3Yr | 24-Aug-10 | 905 | 742 | 11.00% Fixed |
| KenGen FXIB /2009/10Yr | 29-Oct-10 | 25,000 | 3,359 | 12.50% Fixed |
| FR (Safaricom Ltd) 2009/5Yr | 08-Nov-10 | 463 | 1,536 | T.B (182) + 1.85% |
| FXD (Safaricom Ltd) 2009/5Yr | 08-Nov-10 | 7,000 | 1,536 | 12.25% Fixed |

6:: NSE SECTOR REVIEW - Glossary

OPM – Operating Profit Margin

TAT – Total Asset Turnover

CLR – Claims Ratio Estimate

ADV/DPT – Advances to Deposits

ROE- Return on Equity

(S) - Suspended

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 (%)