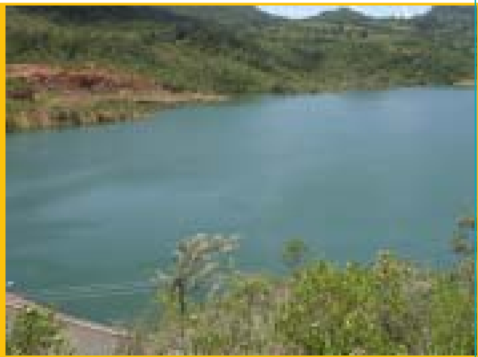
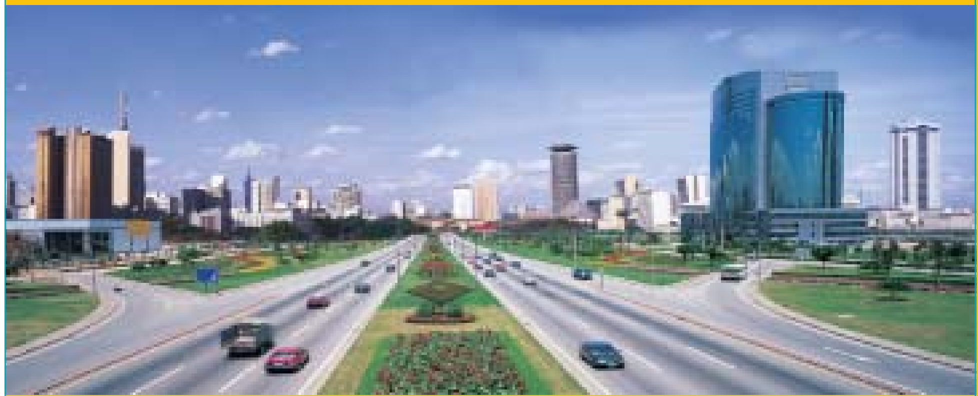
amount will also be used to finance drilling and equipping of 100 boreholes in arid areas to supply clean water. All these projects are a potential source of sustainable revenues to service the bonds as Fees and levies on each of the projects will generate adequate cashflows to raise funds to service the bonds.





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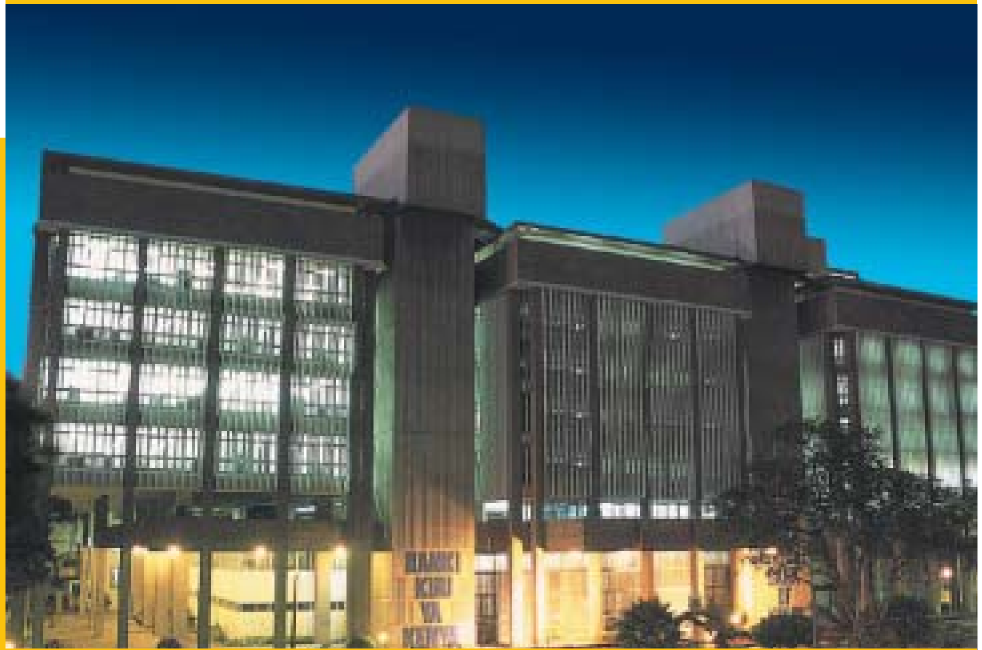
CENTRAL BANK OF KENYA



General Information Supplement

First Infrastructure Bond

12-year Bond

Total Value Kshs 18.5bn

Value date 23rd February 2009

SHARIA COMPLIANT COMPONENT

GENERAL INFORMATION SUPPLEMENT (GIS)

The Infrastructure Bonds (IB) concept was first mooted during Market Leaders Forum ("MLF") monthly meetings in 2004 when bond yields were exceptionally low due to excess liquidity following the lowering of cash ratio. The MLF, which is chaired by the Governor of Central Bank of Kenya, held the view that a certain proportion of the bonds issued in any fiscal year should target financing development of specific infrastructure with maximum impact on the economy. As the bond market developed over time, the market increasingly became mature for issuing project-specific or infrastructure bonds by both public private entities. As a starting point, the Minister for Finance in his Budget Speech of June 2008 for the Financial Year 2008-09, announced that the Government would raise Ksh 18,500,000,000 by issuing Infrastructure Bonds in the domestic market to fund critical infrastructure that required huge capital outlay. This was in recognition of the fact that, in order for overall growth, development and poverty alleviation to be robust and sustainable, it was vital that Kenya invests heavily in infrastructure that delivers maximum impact. Similar goals have been clearly espoused under the key pillars of Vision 2030 and under the Capital Markets Development strategy. To appreciate the role of bond market in infrastructure financing, the Treasury, Central Bank of Kenya, Capital Markets Authority, Nairobi Stock Exchange, National Economic and Social Council and the Ministry of Nairobi Metropolitan Development organised a First Infrastructure Bond Conference, held at the Kenya School of Monetary Studies on October 27th – 28th 2008. The objective was to sensitize public agencies on this avenue of financing and stop reliance on budget allocations by the Government.

By issuing these Infrastructure Bonds therefore, the Government is taking the first step in setting up a benchmark for other issuers to come in the market. The Government also recognises that capital markets will play a pivotal role in raising the much needed capital through a well developed bond market to meet increasing demand of infrastructure development both from the private and public sectors. This debut IB will act as a benchmark for pricing similar bonds issued by other public and private sector players. It is important to note that since the amount to be raised through IB issuance was factored in the budget for the FY 2008-09, there is no increase in overall domestic debt. In addition, there is no negative impact on domestic debt sustainability.

To ensure success of this Programme, the Government has carefully selected

consumption and connection fees will be used to service this bond.

2.3 National Grid System: New Transmission Lines – Ksh 750,000,000

This is aimed at upgrading power transmission lines with a view to achieving efficiency and reducing power losses. It will therefore be crucial in minimising power outages, ensuring quality power transmission and reducing electricity transmission costs. Charges levied from the distribution by Kenya Transmission Company that the Government has set up to oversee the transmission will be utilized to service the bond.

3. WATER, SEWARAGE & IRRIGATION SECTOR – Ksh 4,156,000,000

Water sector continue to face numerous challenges both in urban and rural areas of this country. Major urban areas such as Nairobi, Mombasa, Kisumu, Nakuru, Eldoret and Nyeri are facing acute water and sewerage facilities shortage. Frequent water rationing and inefficient sewer systems facing most of the country's urban dwellings continue to make lives of the country's citizens difficult. With urban population rising rapidly, demand for these services is increasing much faster, thus requiring immediate intervention. In addition, lower farm acreage under irrigation with more frequent droughts continues to undermine increased agricultural production in many parts of the country.

As a starting point, the government allocated Ksh 1,812mn in the FY 2008-09 to finance rehabilitation and augmentation of works for 139 and 90 rural and urban water supplies distributed across the country. It will also include rehabilitation of 29 sewerage systems to improve distribution network, support water storage facilities, upgrade water treatment works and repair/replace the pumping systems. The government also intends to support Community Water projects in rural areas to provide clean water.

In an effort to guarantee food security as a key ingredient of the economy, the government allocated Ksh 520mn in the FY 2008-09 to fund irrigation infrastructure to spur agricultural sector growth. This will be used to fund the design, carry out feasibility studies, and construction of irrigation projects. The government also allocated self-sustaining projects in constructing large and small dams and drilling of boreholes in the Asal areas. A total of Ksh 1.824bn was allocated in construction of the dams to supply adequate clean water both for domestic and industrial use in both rural and urban areas in the country. The

II are owned by the Kenya government through the Kenya Electricity Generating Company (KenGen), Olkaria III is being developed by the Independent Power Producer (IPP) ORMAT. About 10% of Kenya's current electricity system capacity (~ 1200 MW) comes from geothermal energy.

Geothermal and hydro energy form the base load for power generation in Kenya. However, geothermal energy, because it is environmentally clean and with a very high availability factor, is the preferred base load power source compared to hydropower, which is affected by drought. Therefore, diversifying away from reliance on hydropower into thermal power sources is a major Government objective, made more urgent by unreliable rains and unsettled international oil prices.

There are advanced plans of the Kenyan government to increase electricity generation from geothermal energy to 576 MW by 2017 as initial investigations indicate that Kenya's Rift Valley basement has a potential of more than 2000 MW exploitable for the generation of electricity using conventional methods. Geothermal Exploration Company (GEC) has been incorporated to carry out exploration and drilling of Geothermal Steam. Consequently, the Government, working with GEC, has embarked on Drilling Olkaria IV, at a cost of Kshs 4,475,000,000 which is to be met through issuance of infrastructural bond. Given the huge energy demand to support rapid economic development, the revenues from the sale of the steam to the generating company will be used to service this bond effectively.

2.2 Rural Electrification Programme ("REP") – Ksh 2,684,000,000

REP is an ongoing programme; which was relaunched in 2008 and has a target of 1 million connections by the year 2012. While rural population accounts for 75% of Kenya's population, less than 10% is accessible to electricity. REP is managed by KPLC on behalf of the Government; KPLC installs and is then reimbursed by the Government. To achieve the targeted connections, the government committed Kshs 2,684,000,000 in the FY 2008/09 to finance expansion of this programme. This initiative will open up economic hub of the rural areas, thus creating the much need employment and therefore reduce poverty levels. It will also have positive impact on environmental conservation as more people use electricity to meet energy needs. A specific levy or bills charged by the distributing companies as Electricity bills paid from power viable projects that have demonstrated steady flow of earning streams that can stand on their own in servicing the Bond obligations or where their implementations will open up areas of great potential to the economy. The Issuer has provided incentives for potential investors which include: withholding tax exemption on all payments, the Bonds to qualify for the statutory liquidity ratio requirements for commercial banks; amortisation commencing in Year 6; and tradability on the NSE. For this debut Issue, the Government has identified the following viable projects in the roads, energy and water & irrigation sectors to be financed through the Infrastructural Bonds.

1. ROADS SECTOR – Ksh 6,435,000,000

The size of Kenya's Road Network is estimated at 177,500km comprising 63,000km classified roads and 114,500km of unclassified roads. The poor state of the road infrastructure has been identified as a major constraint to economic and social development. A road condition survey carried out in December 2002 by the Material Branch of the Ministry of Roads and Public Works on the classified road network estimated that 17% of the network is in good condition, 39% in fair condition, 27% in poor condition and the remaining 16% is failed and requires reconstruction.

While there has been commendable work done to repair these roads since 2002, the Government recognises that there is need for more concerted efforts to build world-class road network as engine of accelerated economic growth. Accordingly, the government has been negotiating with development partners to obtain financing for improving roads conditions in Class A, B and C categories. Consequently, six roads whose procurement process is complete and now awaiting funds disbursement valued Ksh 6.435bn have been identified as a starting point. These include;

1.1 Northern Corridor improvement Project – Kshs 3,000,000,000

The Kenya's section of the Northern Corridor runs from Mombasa to Western Kenya, with spurs to Northern Kenya. This is the principal road to the sea for Kenya, Uganda, Rwanda and Eastern Democratic Republic of Congo, and the Northern Kenya spur also serves Ethiopia and Southern Sudan. This is, the vital route for the East African region, and its improvement is a matter of urgency for the entire region. The Project seeks to increase efficiency of road transport along the Northern Corridor, to facilitate trade, and regional integration, enhance aviation safety, and security to meet international standards; and, promote private sector participation in the management, financing, and maintenance of road assets.

The Kenya Government has secured funding from the European Union to improve this corridor, and work has already commenced with completion period expected in 2012. The project consists of eight components: Rehabilitation component to strengthen and rehabilitate priority road sections to withstand traffic projections and provide reliable road transport services; Socioeconomic Enhancement, Roadside Amenities and HIV/AIDS Mitigation component involving construction of bus stops/terminals, parking areas, bicycle paths, and pedestrian sidewalks; Private Sector Participation in Road Management and Maintenance to promote public-private partnerships in the road sector, through technical assistance to facilitate Concessioning of selected sections of the Northern Corridor road link; Road Safety Improvement component to reduce accidents; Institutional Strengthening in the Roads Sector; Technical Assistance to support capacity building and strengthening of the road sector institutional and policy reforms; Support to the Kenya Airports Authority; Support to the Kenya Civil Aviation Authority (KCAA); and Support to the Ministry of Transport and Communications.

Under the agreement with the European Union, the Government is required to provide Ksh 3,000,000,000 in counterparty funds, which it is seeking to raise through this IB. This is a viable project where toll stations will be installed, or specific levies instituted to generate adequate revenue to service the bond even with no government support.

1.2 Nairobi-Thika highway – Ksh 1,430,000,000

This highway serves the manufacturing hub of Thika, and the agricultural areas of Central and Eastern regions of the country. It also serves as the link to Isiolo and further parts of North Eastern Province. The highway is one of the busiest in the country, and frequent repairs have failed to arrest a continuing deterioration, with detrimental effects to commerce as evidenced by perennial frequent and long traffic jams. The Government has commenced an improvement initiative, which aims at; (a) expanding the highway to between 4-8 lanes; and (b) creating a major interchange at Pangani, which will reduce traffic coming into the middle of Nairobi. The project should be completed by 2012 and any toll station installed along this road will generate adequate funds to service this bond. The African Development Bank and Government of Kenya are funding partners, with the later expected to contribute Kshs 1,430,000,000 towards the project; this amount will be raised through the issuance of these Infrastructural Bonds.

1.3 Agriculturally-Rich and Tourist Areas/Rural Roads – Kshs 2,005,000,000

These are important roads that are intended to open up agriculturally rich areas and roads linking to major tourists' destinations in the country. These roads include; Kagio-Baricho Kibirigwi (D455/D454), Lewa-Isiolo, Ena-Ishiara and Meru/Maua-Mikinduri Roads. Their improvement will open up economic potential of these areas located in Eastern and Coastal regions of Kenya. This strategy is consistent with Poverty Reduction Strategy and Key Pillars of the Vision 2030. Tolls and other specific or general levies will be put in place to ensure that these roads generate enough funds to repay the bond without affecting the Government's annual budget.

2. ENERGY SECTOR – Ksh 7,909,000,000

Kenya currently suffers from an energy shortage: capacity is about 1,300 MW, against rising demand of more than 2,000MW. Moreover, aging, frequent breakdown and leakages mean that the available capacity is rarely fully available. The result of this supply/demand imbalance is an unreliable power supply, resulting in increased production costs for Kenyan manufacturers vis-à-vis their competitors in other countries. The Government is committed to increased consumer connectivity, especially in rural areas in order to create a platform for rural economic development, including fibre optic connectivity.

The Government, through the Kenya Electricity Generating Company Limited ("KenGen") and the Kenya Power & Lighting Company Limited ("KPLC") plays a key role in developing the power sector. In addition to the efforts by these two companies, the Government is also charged with laying out the platform for these companies to generate and distribute power, especially where the components of this platform are not immediately commercially viable. It is this platform development that the Government seeks to raise Ksh 7.91bn to finance key projects whose procurement process is complete and are just awaiting funds to commence.

2.1 Drilling for Steam production wells for Olkaria IV – Kshs 4,475,000,000

Currently, the Olkaria geothermal field is producing at 121 MW and comprises of: Olkaria I 45 MW, Olkaria II 64 MW, and Olkaria III 12 MW. Olkaria I and