

<b>Issuing &amp; Paying Agent</b>	:	The Central Bank of Kenya will receive and/or make all payments related to issuance, interest and principal on behalf of the Issuer.
<b>Placing Agents</b>	:	Commercial Banks, Non-Bank Financial Institutions, and Licensed Stock Brokers, Investment Banks and Investment Advisors
<b>Issuance Method</b>	:	Open Public Auctions.
<b>Auction Method</b>	:	Multiple Price Auction
<b>Non-Competitive Bids</b>	:	Up to <b>Ksh 10 million</b> per investor per CDS account
<b>Bids Closure</b>	:	<b>Tuesday 2.00p.m, August 24, 2010</b>
<b>Auction Date</b>	:	<b>Wednesday, 25 August 2010</b>
<b>Results</b>	:	Investors should obtain details of amounts payable for successful bids, from Central Bank of Kenya on the next working day after the auction.
<b>Reopening</b>	:	The offer is subject to reopening at a future date.
<b>Defaulters</b>	:	May be suspended from investing in subsequent Government securities
<b>Commission</b>	:	Authorised placing agents will be paid commission at <b>0.15%</b> of actual sales at cost net of 5% withholding tax.
<b>Rediscounting</b>	:	The Central Bank of Kenya will rediscount the Bond as a last resort at <b>3%</b> above the prevailing market yield or coupon rate whichever is higher, upon written confirmation to do so from the Nairobi Stock Exchange.
<b>Liquidity</b>	:	The Bond qualifies for statutory liquidity ratio requirements for Commercial Banks and Non-Bank Financial Institutions as stipulated in the Banking Act CAP 488 of the Laws of Kenya.
<b>Listing</b>	:	The Bond will be listed for trading at the Nairobi Stock Exchange.
<b>Registrar</b>	:	National Debt, Central Bank of Kenya.
<b>Eligibility</b>	:	Only CDS Account holders with updated mandates.
<b>Secondary Trading</b>	:	Fully paid up Securities will be available for secondary trading in multiples of <b>Ksh 50,000</b> from <b>August 31<sup>st</sup> 2010</b>
<b>Right to accept bids</b>	:	Central Bank of Kenya reserves the right to accept bids in full or part thereof or reject them in total without giving any reason

*Additional Information to guide investors to make informed decisions may be obtained from Director of Debt Management, Treasury (Issuer), Director Monetary Operations and Debt Management, CBK (Agent), CBK Website and Authorised Placement Agents*



CENTRAL BANK OF KENYA

# Prospectus for Government of Kenya Infrastructure Bond Offer

**9 YEAR BOND**  
**ISSUE NO. IFB 2/2010/9**  
**TOTAL VALUE KSH 31.6BN**  
**VALUE DATE 30<sup>TH</sup> AUGUST 2010**

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## INFRASTRUCTURE BOND ISSUE NO. IFB2/2010/9

In view of the excellent performance of the Infrastructure Bond Programme, increased investor confidence and interest in the Programme as well as transparency in the usage of public resources, the Government provided for Infrastructure Bonds financing in the FY 2010 -11.

The Deputy Prime Minister and Minister for Finance, in his Budget for financial year 2010 -11, indicated that Ksh 31.6bn will be raised through Infrastructure Bonds issuance to fund specific projects in Roads, Energy and Water Sectors. The continued emphasis on these three sectors is testament to their crucial roles in underpinning the growth of other economic sectors as Government seeks to maintain and accelerate Kenya's current growth momentum. Energy will receive special attention this time round, given Government's determination to maintain and enhance Kenya's competitiveness through sustainable lower electricity prices.

Specifically, proceeds from this Infrastructure Bond will be allotted as follows; Ksh 6.07bn (19.20%) to fund construction of new roads and overhaul of existing ones in the **Roads sector**; Ksh 17.15bn (54.26%) to fund projects in the **Energy sector** - including project works by Geothermal Development Authority and Kenya Electricity Transmission Company (KETRACO) to undertake Exploration of Geothermal Resources and upgrade transmission lines; and Ksh 8.35bn (26.53%) for the **Water, Sewerage and Irrigation sector** to finance construction of water supply systems, rehabilitate sewerage and irrigation systems across the country.

## BOND FEATURES

<b>Issuer</b>	:	Republic of Kenya
<b>Amount</b>	:	<b>Ksh 31,600mn</b>
<b>Purpose</b>	:	To finance Infrastructure Projects in the following sectors during the Financial Year 2010-11:i) <b>Water, Sewerage and Irrigation:</b> Construction of water Supplies in various districts ( <b>Ksh 1,835.4mn</b> ); Water Conservation and Construction of dams ( <b>Ksh 3,660mn</b> ); and Construction of Sewerage ( <b>Ksh 158mn</b> ), ASAL Flood control and Irrigation ( <b>Ksh 539.1mn</b> ), Projects Feasibility, design and supervision ( <b>Ksh 2,191.8mn</b> ). ii) <b>Roads:</b> Construction of new roads and capital grants to Government agencies ( <b>Ksh 5,863.76 mn</b> ); Overhaul & Refurbishment of civil works ( <b>Ksh 205 mn</b> ) iii) <b>Energy:</b> Exploration of Geothermal Resources and Capital Grants to Government Agencies ( <b>Ksh 16,378mn</b> ); Feasibility studies, Project Design and Supervision ( <b>Ksh 529mn</b> ) and Construction of Civil Works ( <b>Ksh 240mn</b> )
<b>Tenor</b>	:	<b>Nine (9) Years</b>
<b>Price</b>	:	Par, Discounted or Premium
<b>Period of Sale</b>	:	06/08/2010 to 24/08/2010
<b>Value Date</b>	:	<b>August 30, 2010</b>
<b>Minimum Amount</b>	:	Kshs. 100,000
<b>Interest Rate (%)</b>	:	<b>6.00% p.a.</b> payable semi-annually on outstanding principal amount
<b>Interest Payment Dates</b>	:	28/02/2011, 29/08/2011, 27/02/2012, 27/08/2012, 25/02/2013, 26/08/2013, 24/02/2014, 25/08/2014, 23/02/2015, 24/08/2015, 22/02/2016, 22/08/2016, 20/02/2017, 21/08/2017, 19/02/2018, 20/08/2018, 18/02/2019, 19/08/2019
<b>Taxation</b>	:	All payments of discount / interest due will be tax exempt
<b>Redemption Structure</b>	:	<b>August 22<sup>nd</sup>, 2016 – 43.04%</b> of outstanding principal amount <b>August 21<sup>st</sup>, 2017 – 26.53%</b> of outstanding principal amount <b>August 19<sup>th</sup>, 2019 – Final redemption</b> of all outstanding amounts
<b>Amortization Amount</b>	:	Any outstanding amount up to <b>Ksh 1.0million</b> per CDS account at the time of amortization will be redeemed in full.