

PRICE GUIDE FOR THE 12 YEAR AMORTIZED INFRASTRUCTURE BOND AT 12% COUPON AT VARIOUS YIELD QUOTES

DISCOUNT / PREMIUM PRICE

PAR PRICE
SEMI-ANNUAL INTEREST AMOUNT (KSHS) (I)
YIELD TO MATURITY (YTM) DIVIDE BY TWO
INTEREST PAYMENT PERIOD (n)
COUPON RATE
YIELD TO MATURITY (YTM)

P
100
6.000
r
24
12.000%
12.000%

GENERAL
FORMULA

$$P = \frac{I_1}{(1+r)^1} + \frac{I_2}{(1+r)^2} + \dots + \frac{I_n}{(1+r)^n} + \frac{FACEVALUE}{(1+r)^n}$$

YIELD(YTM)	PRICE
7.000%	126.804
7.125%	126.010
7.250%	125.223
7.375%	124.444
7.500%	123.671
7.625%	122.906
7.750%	122.148
7.875%	121.396
8.000%	120.651
8.125%	119.914
8.250%	119.182
8.375%	118.458
8.500%	117.739
8.625%	117.028
8.750%	116.322
8.875%	115.623
9.000%	114.930
9.125%	114.244
9.250%	113.563
9.375%	112.888
9.500%	112.220
9.625%	111.557
9.750%	110.900
9.875%	110.249
10.000%	109.603

YIELD(YTM)	PRICE
10.125%	108.963
10.250%	108.329
10.375%	107.700
10.500%	107.077
10.625%	106.459
10.750%	105.846
10.875%	105.239
11.000%	104.636
11.125%	104.039
11.250%	103.448
11.375%	102.861
11.500%	102.279
11.625%	101.702
11.750%	101.130
11.875%	100.562
12.000%	100.000
12.125%	99.442
12.250%	98.889
12.375%	98.341
12.500%	97.797
12.625%	97.258
12.750%	96.723
12.875%	96.192
13.000%	95.666

YIELD(YTM)	PRICE
13.125%	95.145
13.250%	94.627
13.375%	94.114
13.500%	93.605
13.625%	93.101
13.750%	92.600
13.875%	92.104
14.000%	91.611
14.125%	91.123
14.250%	90.638
14.375%	90.157
14.500%	89.681
14.625%	89.208
14.750%	88.739
14.875%	88.273
15.000%	87.811
15.125%	87.353
15.250%	86.899
15.375%	86.448
15.500%	86.001
15.625%	85.558
15.750%	85.117
15.875%	84.681
16.000%	84.247
16.125%	83.818



Prospectus for Government of Kenya Infrastructure Bond

With Kenyan Diaspora Component

12 - year Bond

Issue No. IFB 1/2011/12

Value Date 3rd October 2011

TOTAL VALUE: UP TO KSHS 20 BILLION

SEPTEMBER 2011

For enquiries please contact Central Bank of Kenya, Financial Markets Department on 2860000/3640/3641;

Branches Mombasa: 041-212100, Kisumu: 057-2020128 and Eldoret: 053-2033325
Currency Centres Nyeri: 061-2030779, Meru: 064-32200 and Nakuru: 051-2210711

or send an email to NDO@centralbank.go.ke or visit the CBK website on www.centralbank.go.ke

IFB 1/2011/12

The Central Bank of Kenya acting in its capacity as fiscal agent for the Republic of Kenya, invites bids for the above Bond whose terms and conditions are as follows:-

- Issuer** : Republic of Kenya
Amount : Upto Kes. 20 Billion
Purpose : For partial funding of specific infrastructure projects in the following sectors: Roads (Kes.7.36bn), Energy (Kes.18.78bn) and Water (Kes. 9.71bn).
- Tenor** : 12 Years
Coupon : 12% p.a payable semi annually on outstanding principal amount
Period of sale : August 16, 2011 to September 27, 2011
Value Date : Monday, October 3, 2011
Closing Date : 2.00 pm Kenyan Time Tuesday, September 27, 2011
Minimum Amount : Kes. 100,000 and in multiples of Kes. 50,000 thereafter
Interest Payment Dates : 02/04/2012, 01/10/2012, 01/04/2013, 30/09/2013, 31/03/2014, 29/09/2014, 30/03/2015, 28/09/2015, 28/03/2016, 26/09/2016, 27/03/2017, 25/09/2017, 26/03/2018, 24/09/2018, 25/03/2019, 23/09/2019, 23/03/2020, 21/09/2020, 22/03/2021, 20/09/2021, 21/03/2022, 19/09/2022, 20/03/2023 & 18/09/2023.
- Currency** : The Bond will be denominated in Kenya shillings and will be issued/registered in Kenya, all bids will therefore be made in Kenya Shillings.
Taxation : The Bond will be tax free as is the case for all Infrastructure Bonds as provided for under the Kenyan Income Act
- Redemption Structure:** **September 28, 2015 - 44.010%** of outstanding principal amount.
September 23, 2019 - 58.338% of outstanding principal amount.
September 18, 2023 - final redemption of all outstanding amounts.
Any amount upto Kes. 100,000 per CDS account will be redeemed fully at amortisation period. Balances in the CDS accounts must be in multiples of Kes. 50,000.00
- Issuing and Paying Agent:** The Central Bank of Kenya will receive and/or make all payments related to issuance, interest and principal on behalf of the Issuer
- Placing Agents:** Commercial Banks, Non-Bank Financial Institutions, Licensed Stockbrokers, Investment Banks and Investment Advisers licensed and operating in Kenya
- Independent Advice** : The investing public is advised to seek independent investment advice before applying for the Infrastructure Bond
- Auction method** : Multiple Price Auction
Issuance method : Open Public Auctions
Reopening : The offer may be reopened at a future date
Classification : The Bond will be a non benchmark Bond
Non-Competitive Bids : Maximum **Kshs 20 Million** per investor per tenure
Auction Date : **Wednesday, September 28, 2011**
- Results** : Investors should obtain details of amounts payable for successful bids from Central Bank of Kenya on the next working day after the auction. The information may be obtained by direct contact with CBK or be sought online for Investors in the Diaspora
- Defaulters** : Defaulters may be suspended from investing in subsequent Government securities

- Commission** : Authorized placing agents will be paid a commission of at a rate of 0.15% of actual sales net of 5% withholding tax
- Rediscounting** : Investors will be allowed to rediscount their Bonds at the Central Bank of Kenya at the rate of 3% above the coupon or prevailing market yield whichever is higher, **upon written confirmation to do so from the Nairobi Stock Exchange**
- Tap Sales** : The Bond may be available for tap sales to local retail and Kenyan Diaspora investors. Offer amounts will be re-priced at the successful Weighted Average Rate (WAR) of the main auction adjusted for the remaining time to maturity. The tap sale period will close on February 3, 2012
- Payments** : Offer, interest, rediscount and redemption payments will be made through the Investor's local or overseas commercial bank. Investors remitting funds from abroad will make payments directly to the Central Bank of Kenya through the CBK's correspondent banks abroad; likewise, interest payments and redemptions will be made through CBK's correspondent banks abroad. The transactions and variations costs arising from payments process and exchange rates will be borne by the investor. All payments for successful bids to be made to **Central Bank of Kenya, Treasury Bonds Issues Account Number 01-053-0001** and must be received by 2.00pm Kenyan Time on Monday October 3, 2011
- Registrar** : National Debt, Central Bank of Kenya.
- Foreign Exchange** : Payments made in foreign currency will be converted at the Kes. mean exchange rate to the other currency as will be published on the Central Bank of Kenya website on the value date
- Bids Allocation** : Each Diaspora investor will be subject to a maximum of Kes. 20mn for individuals and Kes. 200mn for institutional investors. Resident investors' bids will be allotted based on offer price quoted
- Collateral** : Holders of this Infrastructure Bond may pledge it as collateral for credit facilities to a financial Institution licensed and operating in Kenya
- Participation** : The Bond will be open to resident Kenyan citizens and those living abroad. They can participate as individuals or through their incorporated companies and other institutions. The Companies should be one hundred percent owned by Kenyan Citizens. The Kenyan Diaspora investors will need to provide proof of their Kenyan Citizenship. Investors can participate directly or through commercial banks resident in Kenya and/or other institutions licensed by the Capital Market Authority of Kenya to trade in Government Securities. NB: This Bond issue is ONLY publicly offered within Kenya
- Eligibility** : Only CDS Account holders with updated mandates. All investors will therefore be required to open a CDS account with the Central Bank of Kenya. Residents will be required to do so in person while Kenyans in the Diaspora will apply online as will be prescribed. All the necessary documents for CDS account opening, application forms, prospectuses and others relevant information will be availed through the CBK Website
- Right to accept bids:** The Central Bank of Kenya reserves the right to accept bids in full or part thereof or reject them in total without giving any reason