

CENTRAL BANK OF KENYA



Remarks by

**PROF. NJUGUNA NDUNG’U
GOVERNOR
CENTRAL BANK OF KENYA**

at the

**BELL RINGING CEREMONY OF TRANCHE II OF THE
HOUSING FINANCE COMPANY OF KENYA LIMITED BOND ISSUE**

The Nairobi Securities Exchange, Nation Centre

Wednesday, November 14, 2012

Mr. Steve Mainda, HFCK Chairman
Mr. Frank Ireri, Managing Director, HFCK
Board Members of Housing Finance here present
Chair of Capital Markets Authority
Chairman and Chief Executive Officer, NSE
Distinguished Guests
Ladies and Gentlemen

I am very delighted to join you this morning for the bell ringing ceremony to mark the commencement of trading of Housing Finance Company of Kenya (HFCK) Tranche II Bond at the Nairobi Securities Exchange (NSE). It is important to note that the Debut Issue of the Notes, in the third quarter of 2010, sought to raise an aggregate value of KShs. 5b but successfully managed to raise ksh 7.1b thus recording 41% oversubscription. Again the second Issue in October 2012, seeking to raise the balance of Kshs 2.1b, returned kshs 5.2b, an oversubscription of 76%.

Ladies and Gentlemen, allow me first to commend the board, management and staff of Housing Finance for the steps taken towards realising the organisation long-term goals. It is noteworthy that since its local incorporation in September 1992, the bank has progressively grown its branch network to 12 branches and 3 sales/services centres. I also note that as at September 30, 2012, HFCK had an impressive 5,178 mortgage accounts worth Kshs.29.5b and customer deposits of Ksh.24b, supported by a strong capital base of Ksh.6.1b. This indeed shows great effort put in by the board and staff of Housing Finance.

The major constraints facing the mortgage market in Kenya remain the lack of access to long term funds, credit risk due to absence of historical information, relatively high interest rates, difficulties with property registration and high incidental costs of borrowing. However, various initiatives are under way to tackle these obstacles. These initiatives include issuance of corporate bonds by institutions with the aim of mobilizing long term resources to match the long-term nature of mortgages and the use of credit information sharing mechanism to enable financial institutions enhance their credit risk management processes.

Ladies and Gentlemen, Kenya has been seen rapid urbanization over the last decade with the proportion of the Kenyan population living in urban areas forecasted to reach 60% by the year 2030 from about 20% in 2005. However, the Kenyan housing sector is currently characterized by inadequacy of affordable and decent housing and low-level of urban home ownership.

Despite the challenges, the housing sector plays a critical role in the achievement of key goals envisaged by Vision 2030. Housing construction, being labour intensive

and having strong linkages with other sectors of the economy remains one of the principal levers for creating jobs among the youth and driving economic growth. The mortgage market development will be required to support the expanding cities and counties with the accompanying productivity gains.

The Central Bank of Kenya in partnership with the banking sector is currently focusing on initiatives aimed at reducing costs of doing business for institutions with the main aim of bringing down costs of financial services. In addition to developing innovative products, the other major initiative towards cost reduction and financial inclusion has been the Agent Banking. To this end the HFCK rolled out its agent framework by engaging Post Bank as its agent in August 2012. The rollout of the agent banking model is mainly aimed at addressing the challenges of high transaction costs arising from the lack of proximity of financial services and putting up brick and mortar branches where they may not be economical.

Finally, let me reiterate that the Central Bank will continue to facilitate an environment that allows for a diverse way of raising capital for institution to thrive and compete. Specifically, the Central Bank remains committed to working with the relevant stakeholders to create an enabling environment for the mortgage sector to play its' rightful role in achieving the aspirations of the country's blueprint, the vision 2030, specifically the provision of adequate and decent housing.

With these few remarks, **ladies and gentlemen**, it is now my honour and privilege to declare trading of HFCK Tranche II medium term bond officially launched and wish HFCK success in their business expansion plan.

Thank You