SIB Standard Investment Bank

Regulated by the Capital Markets Authority

03RD AUGUST 2025

"Interbank Rate Takes Center Stage in Loan Pricing Shift"

WEEKLY FIXED INCOME REPORT

July CPI Edges Up 32bps on Surging Food and Fuel Prices

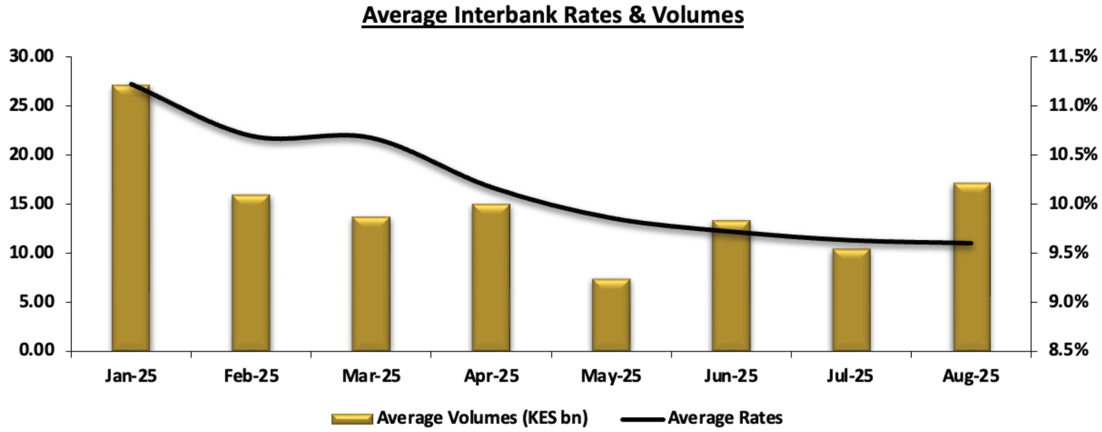
MONEY MARKET STATISTICS

Interbank lending volumes edged lower to KES 11.90bn from KES 13.03bn over the week, with activity holding steady throughout. The average interbank rate was largely unchanged at 9.62%, amid sustained liquidity absorption by the CBK. The table below summarizes market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	17.00	17.00	0.00%
Inter- Bank volumes (KES bn)	13.03	11.90	(8.68%)
Inter – Bank Rates (bps)	9.62%	9.62%	(0.50)

Source: Central Bank of Kenya (CBK), Table: SIB

On a month-on-month basis, average traded volumes dropped by 21.3% to KES 10.52bn, from KES 13.37bn while the average interbank lending rate remained stable at 9.6%. The month of August has kicked off on high note but we wait and see if this trend holds. See the chart below:



Source: Central Bank of Kenya (CBK), Chart: SIB

In other news, the apex bank is proposing that commercial banks adopt the interbank rate as the benchmark for pricing customer loans, adding a risk-based premium k. This shift, that was heavily advocated for by stakeholders, aligns with international best practices where benchmark rates such as SOFR, SONIA, or EURIBOR are used as base rates. It marks a departure from the earlier recommendation to use the Central Bank Rate (CBR) as the reference point.

Under the new framework, the interbank rate will be compounded in arrears, meaning interest will not be fixed at loan issuance but calculated at the end of the loan term by compounding daily overnight rates. In our view, this is a win-win for both the regulator and the banking sector, as the interbank rate remains anchored within the monetary policy corridor set by the CBR, ensuring market alignment and policy control.

GOVERNMENT SECURITIES MARKET

T-Bills:

Demand for Treasury bills waned, with overall subscription rate dropping to 67.1% from 166.7%. Investors submitted bids worth KES 16.09bn, out of which the fiscal agent accepted KES 16.02bn—well above the value of maturities—resulting in a net borrowing of KES 10.19bn. The 364-day paper led the uptake, being the only paper that was oversubscribed. The paper carried the day in both absolute and subscription terms.

On the yields, the average accepted rates remained stable at 8.11% (-0.62bps), 8.41% -0.91bps), and 9.72% (-0.52bps) for the 91-, 182-, and 364-day papers, respectively. See the summary below;

KES Bn

01-Aug-25	91-day	182-day	364-day	Totals
	3-Nov-25	2-Feb-26	3-Aug-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	1.97	2.14	11.98	16.09
Subscription rate (%)	49.3%	21.4%	119.8%	67.1%
Amount accepted	**1.97**	**2.10**	**11.95**	**16.02**
Acceptance rate (%)	99.8%	98.2%	99.8%	99.6%
Of which: Competitive Bids	0.22	1.01	11.04	12.27
Non-competitive bids	1.75	1.09	0.91	3.76
Rollover/Redemptions	2.17	2.61	1.05	5.83
New Borrowing/(Net Repayment)	**(0.20)**	**(0.51)**	**10.90**	**10.19**
Weighted Average Rate of Accepted Bids	8.11%	8.41%	9.72%	
Inflation	4.1%	4.1%	4.1%	
Real Return	**4.0%**	**4.3%**	**5.6%**	

Source: Central Bank of Kenya (CBK), Table: SIB

T-Bonds: CBK Floats KES 90bn in Primary Bond Market—Highest Offer in Recent Memory

In the primary bond market, the two reopened infrastructure bonds—IFB1/2018/15 and IFB1/2022/19— are still up for sale, seeking to raise KES 90.0bn. The bonds carry coupon rates of 12.50% and 12.97%, respectively, aligning with the average return on existing infrastructure bonds, excluding the exceptionally high-yielding issuances of the previous year. The amortized tenor stands at 5.47 years for the 2018 issuance and 11.03 years for the 2022 issuance.

See below a summary of the issuance;

Bond Auction	Maturity Date	Tenor to Maturity	Amount Offered	Coupon	Sale Period
IFB1/2018/15	10-Jan-33	7.5	90.00	12.50%	Up to 13th August 2025
IFB1/2022/19	28-Jan-41	15.5		12.97%	

Source: Central Bank of Kenya (CBK), Table: SIB

We anticipate strong investor interest in the auction, supported by the tax-free and amortized structure of the bonds, which allows for partial early redemptions.

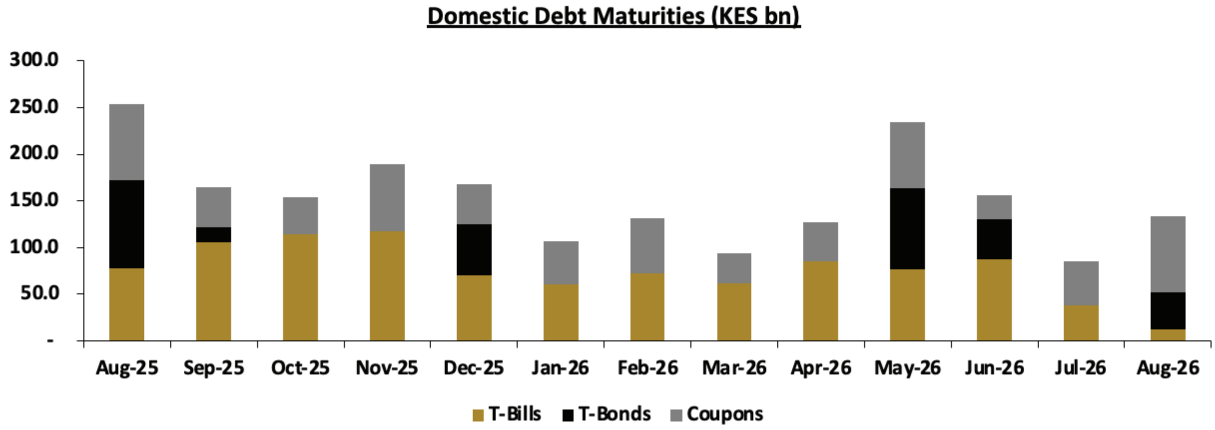
Our bidding estimates will be provided in our next report.

In the secondary bond market, turnover rose by 12.3% to KES 223.55bn, in July, up from KES 199.10bn in June. Similarly, turnover rose by 36.4% during the week, to KES 59.18bn, from KES 43.40bn the previous week.

Outstanding Debt Maturities (T-Bills and T-Bonds):

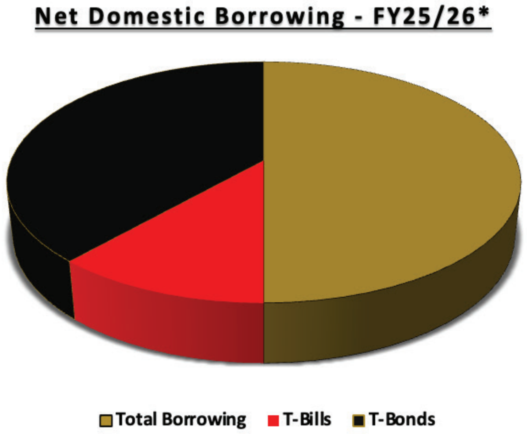
As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 980.27bn and KES 335.18bn, respectively. Including coupons, the total maturity profile stands at KES 2.0tn.

See the chart below;



Source: Central Bank of Kenya (CBK), Chart: SIB

This week's auction pushed net domestic borrowing to KES 86.67bn, with the bulk of the funds raised through bonds. However, we expect the upcoming August maturities to ease the pace of this early borrowing acceleration, even as the concurrent infrastructure bond issuance helps maintain a balanced funding position. See the chart below;



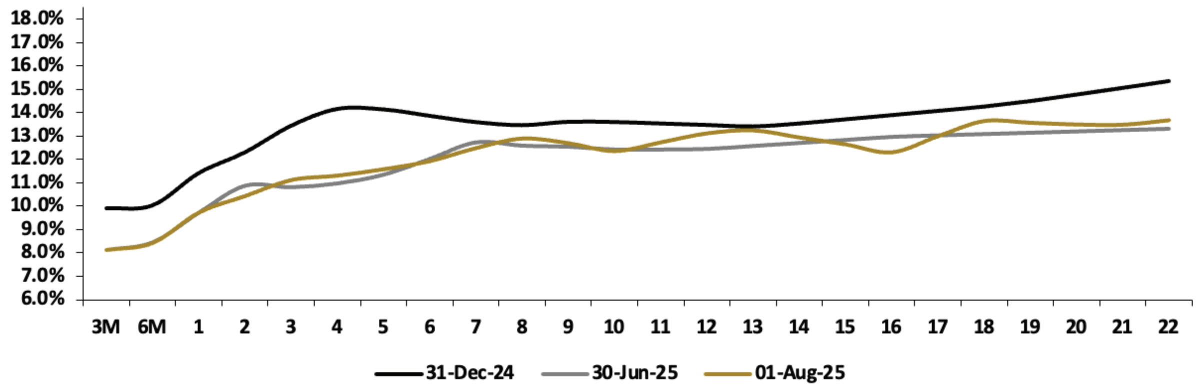
Source: Central Bank of Kenya (CBK), Chart: SIB

Yield Curve:

Local interest rates closed the week on a mixed note. On average, yields on government securities rose by a further 3.42bps w/w, in addition to the 15.37bps increase in the previous week.

Below is a visual representation;

Yield Curve



Source: Nairobi Securities Exchange (NSE), Chart: SIB

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds maintained the previous week's trend, with all the papers recording declines. Overall, yields on the international papers fell by an average of 17.04bps. Below is a summary of the performance;

Issuance	KENINT 02/28/2028	KENINT 02/16/2031	KENINT 05/22/2032	KENINT 01/23/2034	KENINT 02/28/2048
Maturity Date	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	2.6	5.5	6.8	8.8	22.6
31-Dec-24	9.1%	10.1%	10.1%	10.1%	10.3%
24-Jul-25	8.0%	9.2%	9.4%	9.7%	10.3%
28-Jul-25	7.8%	9.0%	9.1%	9.5%	10.1%
29-Jul-25	7.8%	9.0%	9.2%	9.6%	10.2%
30-Jul-25	7.8%	9.0%	9.2%	9.6%	10.2%
31-Jul-25	7.8%	9.0%	9.2%	9.5%	10.2%
Weekly Change	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.1%)
YTD Change	(1.3%)	(1.2%)	(1.0%)	(0.6%)	(0.1%)

Source: Central Bank of Kenya (CBK), Table: SIB

Currency Performance

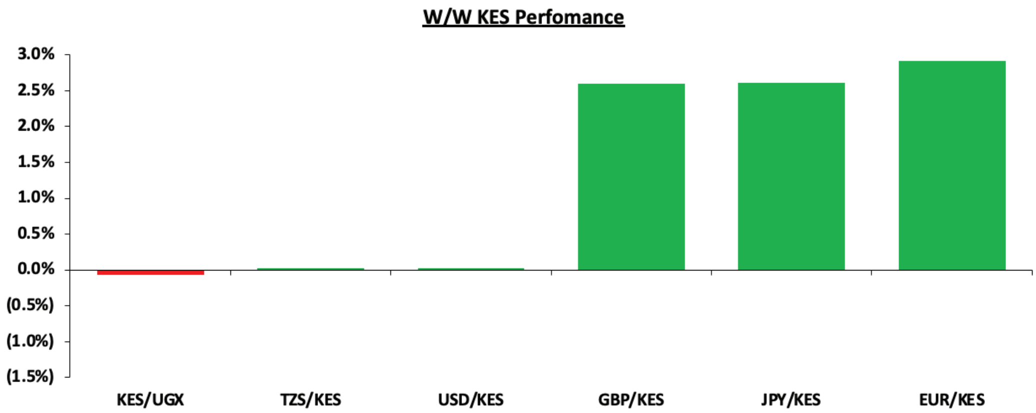
The Kenyan shilling posted mixed performance against the 21 currencies tracked by the Central Bank during the week. We observe a reversal in trend, with the Kenyan Shilling recording an appreciation against the most currencies. Of the currencies we track, the shilling was largely on an upward trend but remained relatively stable against the USD, and the TZS. See the table below;

Currencies	30 April 2025 (vs KES)	Previous Week	Current	w/w Change	M/m change
KES/UGX	28.4	27.8	27.7	(0.1%)	(2.4%)
TZS/KES	19.0	19.9	19.9	0.0%	4.7%
USD/KES	129.3	129.3	129.2	0.0%	0.0%
GBP/KES	162.3	175.1	170.6	2.6%	(5.1%)
JPY/KES	82.1	88.2	85.9	2.6%	(4.5%)
EUR/KES	134.3	152.1	147.6	2.9%	(9.9%)

Source: Central Bank of Kenya (CBK), Chart: SIB

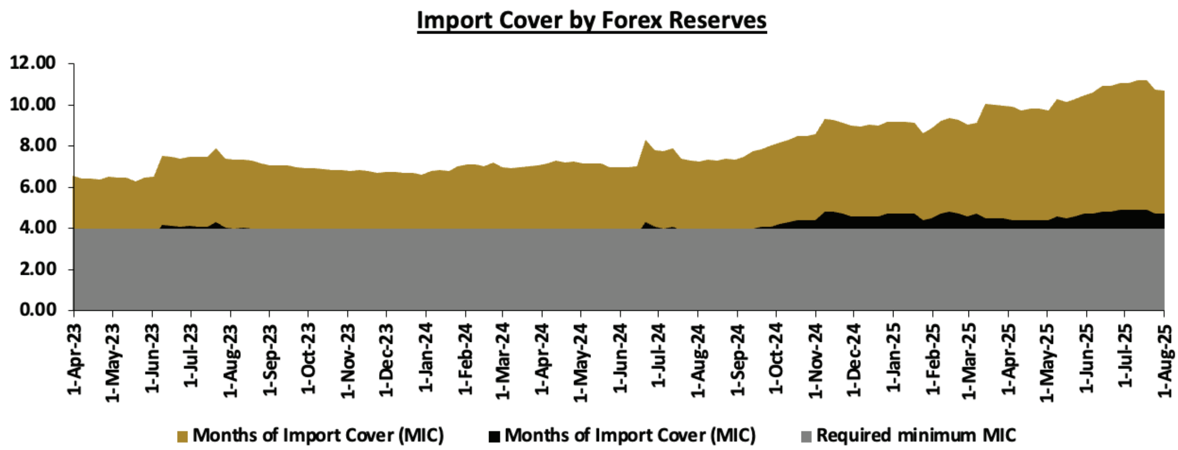
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



Source: Central Bank of Kenya (CBK), Chart: SIB

On the other hand, Kenya's foreign exchange reserves declined by a further 0.5% to USD 10.69bn from USD 10.75bn, retaining the import cover at 4.7 months. See the chart below for a visual summary;

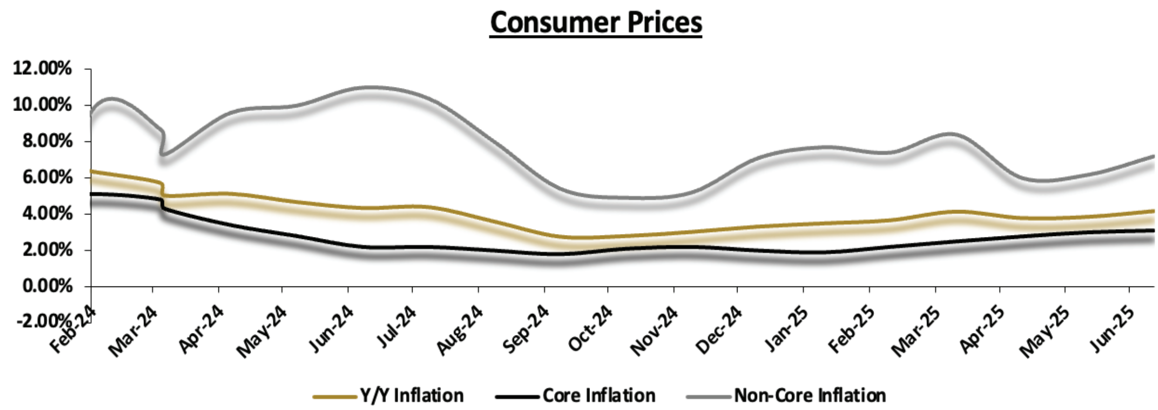


Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

July CPI Edges up 32bps on Surging Food and Fuel Prices

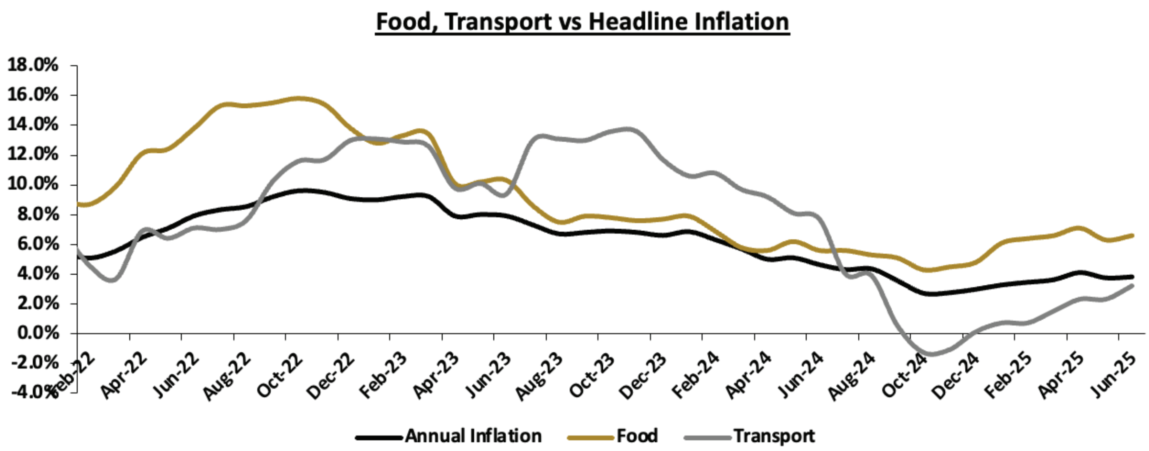
In July 2025, consumer prices rose by 4.1% year-on-year (y/y), faster than the growth that was recorded in June 2025 — and slightly below our projection. Core inflation edged higher to 3.2%, from 3.0%, primarily driven by rising prices of maize flour, as well as vegetables. Similarly, non-core inflation edged upwards by 102.36bps to 7.2%, up from 6.2% largely due to a hike in prices in select food items – stability is observed in the headline and core inflation while volatility is seen in the non-core inflation. See the chart below;



Source: KNBS, CBK, Chart: SIB

The year-on-year increase in headline inflation was primarily driven by a 90bps increase in the transport index as well as rising food prices, which rose to 6.8% in July, from 6.6% in June. This uptick in the transport index reflected higher petrol and diesel prices even as bus fare and the costs associated with cars for personal use eased.

Conversely, the household utilities index posted a faster growth of 1.3%, on the back of higher energy prices. Notably, small-scale electricity costs rose by 2.1%, effectively reversing 3.0% decline in the month of June. The chart below illustrates the growth trajectory of the food and non-alcoholic beverages as well as transport indices against headline inflation – the indices account for more than 40% of the consumer price basket;



Source: KNBS, CBK, Chart: SIB

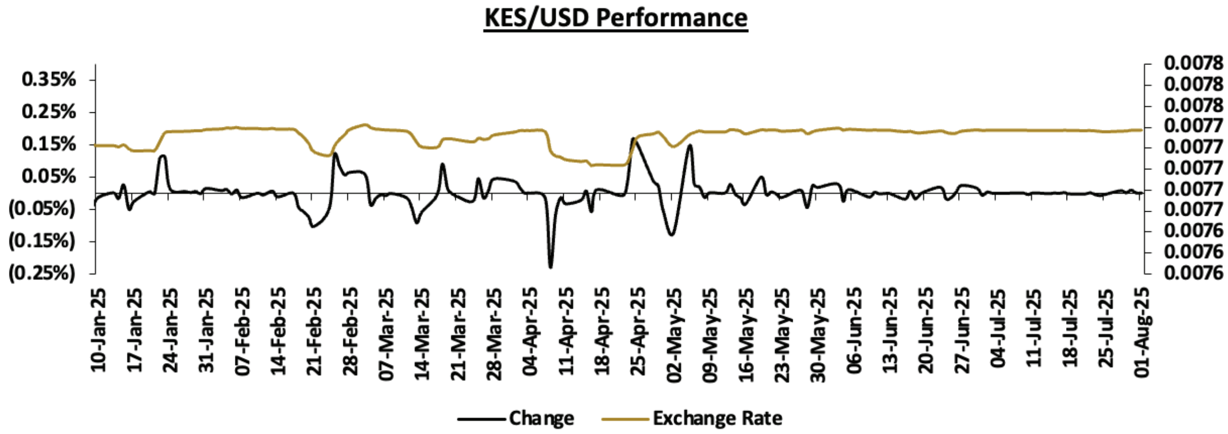
Consumer prices have remained broadly stable, though some risks persist. Key pressures stem from elevated vegetable prices, rising maize costs, and higher global fuel prices—exacerbated by the removal of domestic subsidies. Nonetheless, the harvest season in the second half of the year is expected to ease maize prices. Overall, core indicators point to continued price stability, with the Kenyan shilling holding steady against the U.S. dollar.

Hot on the Horizon:

i. July Purchasing Managers' Index (PMI)

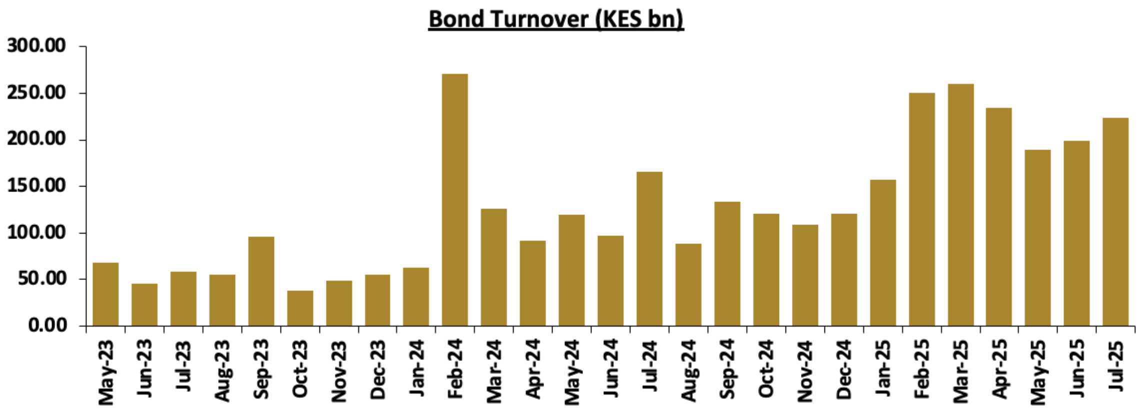
BACKGROUND CHARTS

KES/USD Performance



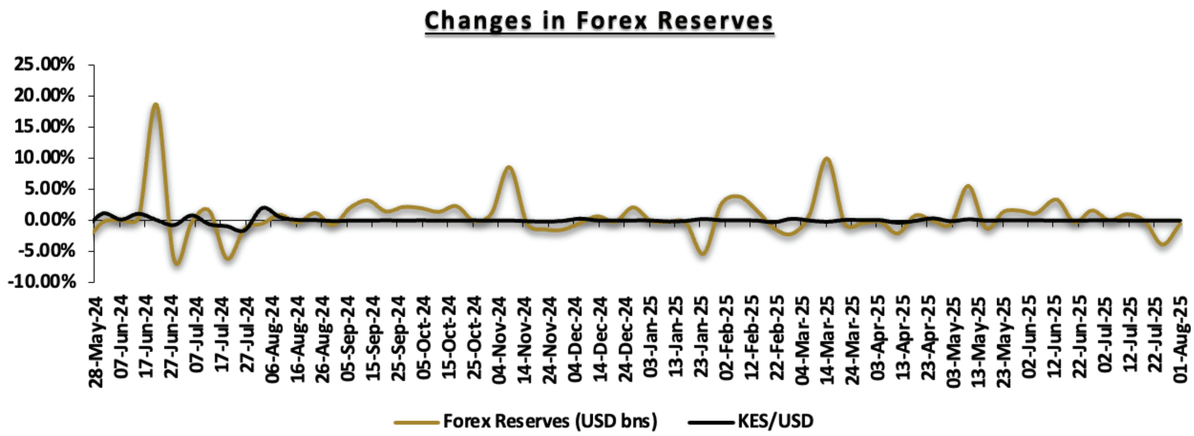
Source: Nairobi Securities Exchange (NSE)

Bond Turnover



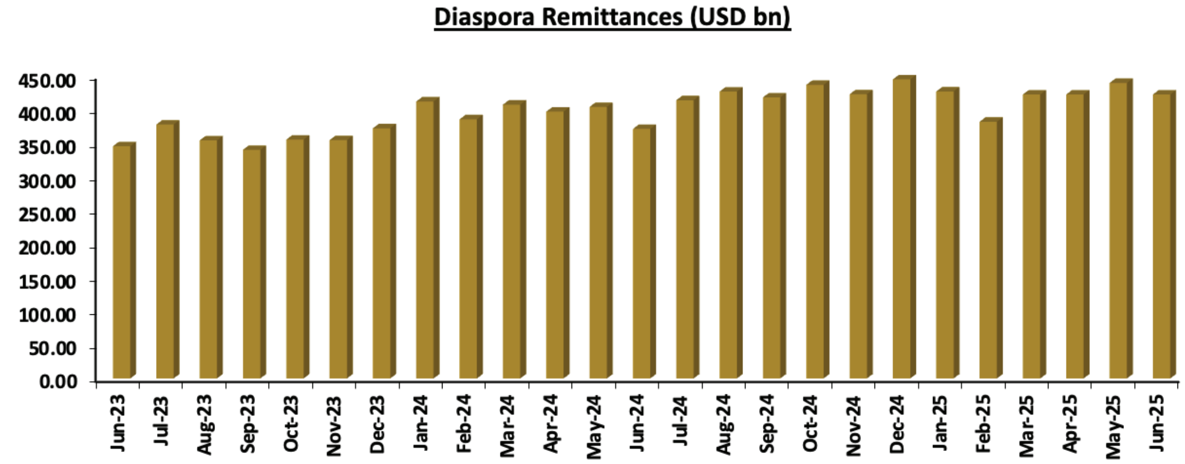
Source: Central Bank of Kenya (CBK)

Forex Reserves



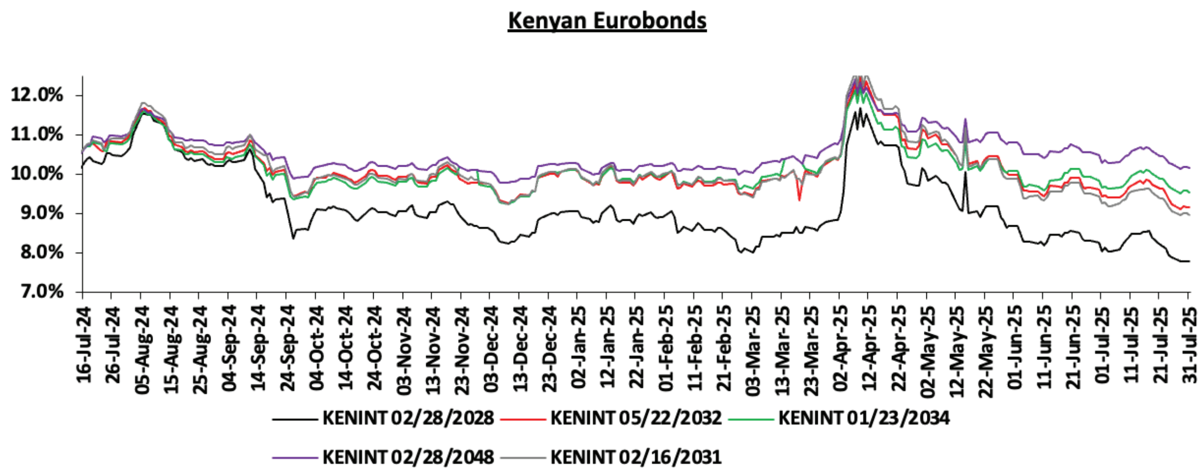
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Nairobi Securities Exchange (NSE)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Disclosure and Disclaimer

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Shariah Compliant Disclosure: The research analyst or analysts responsible for the content of this research report certify that: The information provided in this report reflects SIB's approach to Sharia Compliant investing as at the date of this report and is subject to change without notice. We do not undertake to update any of such information in this report. Any references to Halal equities or similar terms in this report are intended as references to the internally defined criteria of the Firm or our businesses only, as applicable, and not to any jurisdiction-specific regulatory definition.

Global Disclaimer: Standard Investment Bank (SIB) and/or its affiliates makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any representation that any transaction can be effected at this price. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. The contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person. Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice. Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication. SIB is not a legal or tax adviser, and is not purporting to provide legal or tax advice. Independent legal and/or tax advice should be sought for any queries relating to the legal or tax implications of any investment. SIB and/or its affiliates may have a position in any of the securities, instruments or currencies mentioned in this document. SIB has in place policies and procedures and physical information walls between its Research Department and differing business functions to help ensure confidential information, including 'inside' information is not disclosed unless in line with its policies and procedures and the rules of its regulators. Data, opinions and other information appearing herein may have been obtained from public sources. SIB makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to any matter contained herein and not rely on this document as the basis for making any trading, hedging or investment decision. SIB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary damages) from the use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services. This material is for the use of intended recipients only and, in any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

CONTACTS

Research

Eric Musau
emusau@sib.co.ke

Stellah Swakei
sswakei@sib.co.ke

Wesley Manambo
wmanambo@sib.co.ke

Melodie Gatuguta
mgatuguta@sib.co.ke

Equity Trading

Tony Waweru
awaweru@sib.co.ke

Foreign Equity Sales

John Mucheru
jmucheru@sib.co.ke

Fixed Income Trading

Brian Mutunga
bmutunga@sib.co.ke

Barry Omotto
bomotto@sib.co.ke

Global Markets

Nahashon Mungai
nmungai@sib.co.ke

Nickay Wangunyu
nwangunyu@sib.co.ke

Investment Solutions

Robin Mathenge
rmathenge@sib.co.ke

Corporate Finance

Job Kihumba
jkihumba@sib.co.ke

Lorna Wambui
wndungi@sib.co.ke

Private Client Services

Boniface Kiundi
bkiundi@sib.co.ke

Frankline Kirigia
fkirigia@sib.co.ke

Laban Githuki
lgithuki@sib.co.ke

Marketing & Communications

Victor Ooko
communications@sib.co.ke

Client Services
clientservices@sib.co.ke

Headquarters

JKUAT Towers (Formerly ICEA Building),
16th Floor , Kenyatta Avenue, Nairobi,
Kenya.

Telephone: +254 777 333 000,
+254 20 227 7000, +254 20 227 7100

Email: clientservices@sib.co.ke