SIB Standard Investment Bank

Regulated by the Capital Markets Authority

13TH OCTOBER 2025

"T-bills subscription climbs to 106.9% as investors rush to lock in rates"

WEEKLY FIXED INCOME REPORT

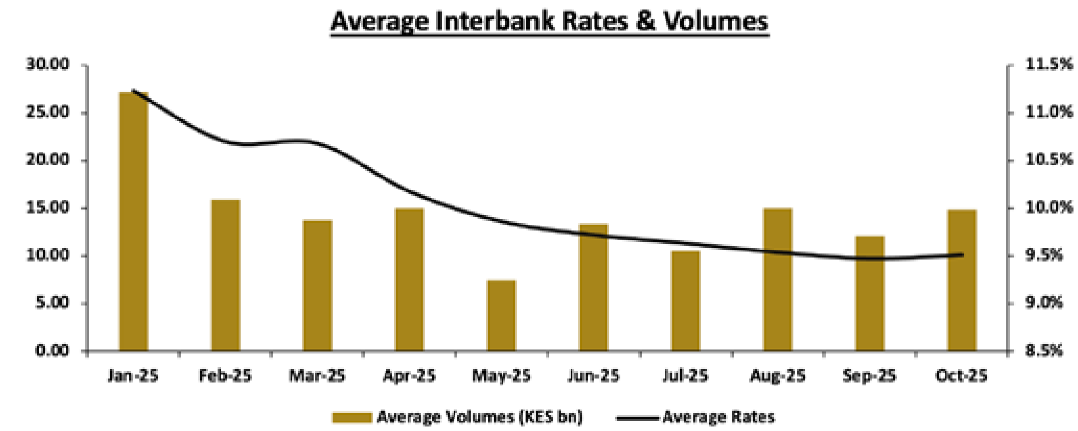
CBK MPC cuts Base Rate by 25bps to 9.25% in push to stimulate credit demand

MONEY MARKET STATISTICS

Interbank lending eased during the week, with the average traded volumes inching 5.47% w/w higher to KES 15.91bn, from KES 15.08bn the prior week. The number of interbank deals however reduced by 13.33% w/w. The Kenya Shilling Overnight Interbank Average (KESONIA) tapered by 3.76bps w/w to an average of 9.47%. Notably, no players utilized the CBK borrowing window in the week.

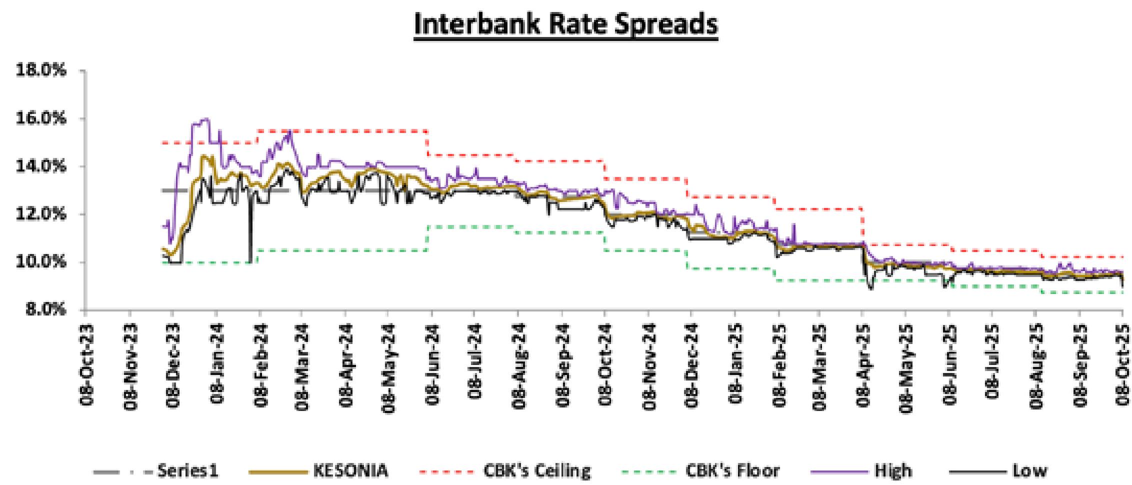
Average	Previous Week – ended 2nd October 2025	Current Week – ended 8th October 2025	Change
Interbank Deals	30.00	26.00	(13.33%)
Inter-Bank volumes (KES bn)	15.08	15.91	5.47%
KESONIA (bps)	9.51%	9.47%	(3.76)
Window Borrowing Volumes (KES bn)	4.2	-	(100.00%)

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



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

Interbank rates continued to trade closely in line with the Central Bank Rate (CBR), as illustrated below:



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

GOVERNMENT SECURITIES MARKET

T-Bills:

Demand for Treasury bills improved in the week ended 9th October 2025, with overall subscription rising to 106.9% from 63.1% in the previous week. Investors submitted bids worth KES 25.58bn (likely driven by investors racing to lock in rates as the market prices in the latest 25bps CBR rate cut), of which the fiscal agent accepted 99.8%. This quantum was slightly above the value of maturities, resulting in a net borrowing of KES 6.93bn.

The 364-day paper led the performance, posting a subscription rate of 192.0% (higher than the 73.8% recorded in the week prior). The 91-day paper followed, with its subscription rate at 90.0% vs 40.4% in the week prior, while the 182-day paper garnered a much lower subscription rate of 28.5% vs 61.3%.

The weighted average rates on accepted bids declined in the week, with the 91-day, 182-day, and 364-day rates tapering by 3.28bps w/w, 5.48bps w/w, and 15.02bps w/w to 7.8911%, 7.9301% and 9.3904%, respectively.

KES Bn

13-Oct-25	91-day	182-day	364-day	Totals
	12-Jan-26	13-Apr-26	12-Oct-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	3.60	2.85	19.20	25.64
Subscription rate (%)	90.0%	28.5%	192.0%	106.9%
Amount accepted	**3.59**	**2.85**	**19.15**	**25.58**
Acceptance rate (%)	99.7%	99.9%	99.8%	99.8%
Of which: Competitive Bids	2.04	1.93	14.90	18.87
Non-competitive bids	1.55	0.92	4.25	6.72
Rollover/Redemptions	4.17	11.51	16.83	32.51
New Borrowing/(Net Repayment)	**-0.58**	**-8.66**	**2.32**	**-6.93**
Weighted Average Rate of Accepted Bids	7.89%	7.93%	9.39%	
Inflation	4.6%	4.6%	4.6%	
Real Return	**3.3%**	**3.3%**	**4.8%**	

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

T-Bonds:

In the primary bond market, the apex bank is seeking KES 50.0bn through two long-term reopened bonds; FXD1/2018/015 and FXD1/2021/020, with effective tenors of 7.7 and 15.9 years, respectively. The bonds have coupon rates of 12.65% and 13.44% for FXD1/2018/015 and FXD1/2021/020, respectively. The sale period for both papers will run until 15th October 2025. See below a summary of the offer:

Bond Auction	Maturity Date	Effective Tenor	Amount Offered (in KES bn)	Coupon	Sale Period	Bidding Range Outcome Estimates
FXD1/2018/015	09-May-33	7.7	50.00	12.65%	Up to 15th October 2025	12.75% - 12.85%
FXD1/2021/020	22-Jul-41	15.9		13.44%		13.30% - 13.60%

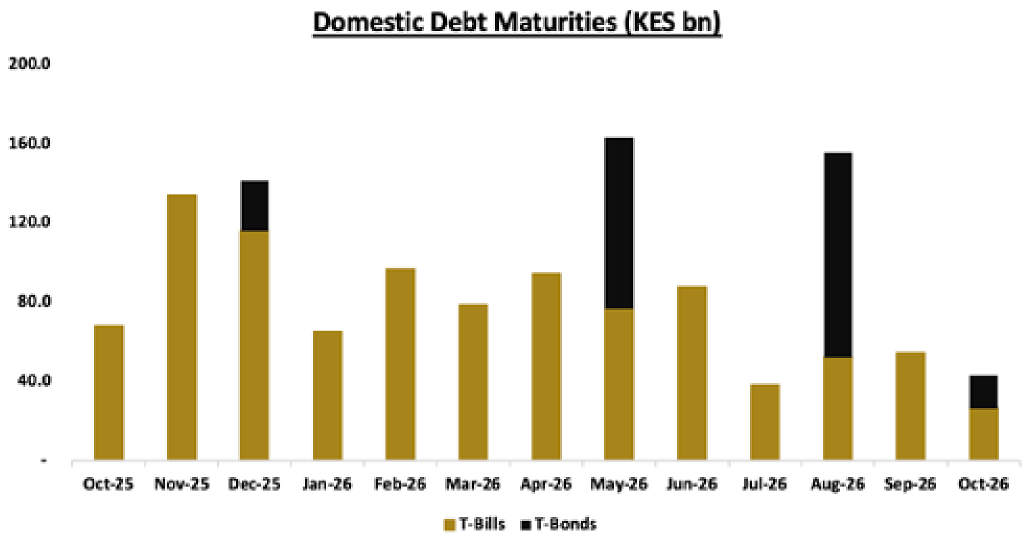
Source: Central Bank of Kenya (CBK), Table: SIB

Secondary bond market turnover declined by 27.4% w/w to KES 30.6bn in the week ended 9th October from KES 42.3bn posted in the previous week.

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

As of this week, the Government's outstanding maturities for the next 12 months are at KES 989.66bn in T-Bills and KES 232.0bn in T-Bonds. When coupons are factored in, the total maturity profile comes in at c.KES 1.9tn. The next bond maturity is expected in December 2025, affording the government much-needed breathing space on its repayment schedule.

See the chart below;

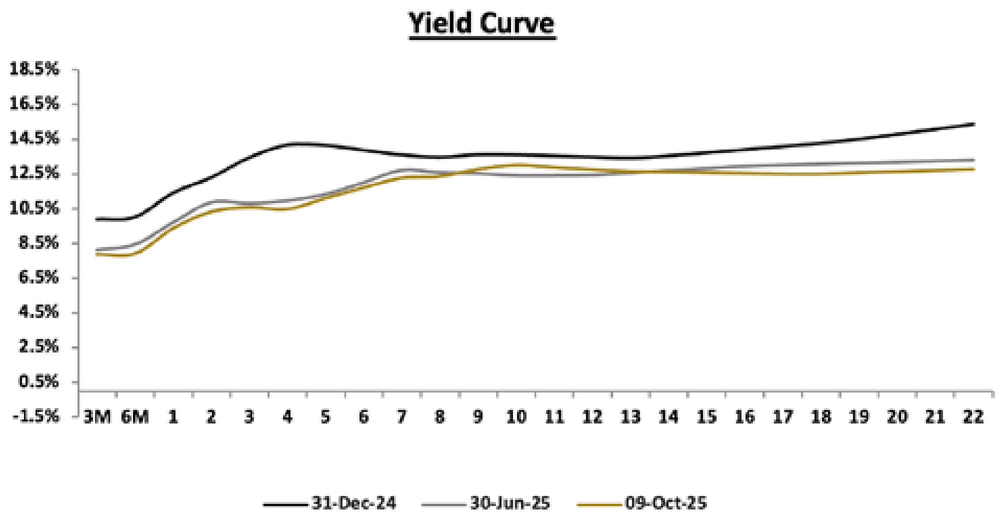


Source: Nairobi Securities Exchange (NSE), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES 314.2bn, slightly below the prorated target.

Yield Curve:

Local interest rates eased in the week, with the majority of the papers recording a decline, with the yield curve recording an average dip of 28.0bps w/w.



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

During the week, yields on Kenyan Eurobonds ticked upwards, with the rates rising by an average of 13.1bps w/w. Key to note is that the recent Eurobond buyback issuance for the 2028 paper registered USD 628.4m worth of valid tenders (subscription rate of c.62.8%) as of 9th October 2025. The table below summarizes the performance across maturities:

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	2.4	5.4	6.7	8.7	22.4
31-Dec-24	9.1%	10.1%	10.1%	10.1%	10.3%
02-Oct-25	5.8%	7.9%	8.1%	8.4%	9.3%
03-Oct-25	5.8%	7.9%	8.1%	8.4%	9.3%
06-Oct-25	5.9%	8.0%	8.3%	8.6%	9.4%
07-Oct-25	5.9%	8.0%	8.3%	8.6%	9.4%
08-Oct-25	5.9%	8.1%	8.3%	8.6%	9.4%
09-Oct-25	5.9%	8.1%	8.3%	8.6%	9.4%
Weekly Change	0.045%	0.160%	0.115%	0.174%	0.161%
YTD Change	(3.2%)	(2.1%)	(1.9%)	(1.5%)	(0.8%)

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

Kenya is currently holding talks with the IMF as it targets a funded program.

Currency Performance

The Kenyan shilling recorded a mixed performance against tracked currencies in the week, with the local unit easing against regional currencies (-0.9% w/w to the Ugandan Shilling and 0.2% w/w to the Tanzanian Shilling). On the other hand, the local unit strengthened against the Japanese Yen (+3.2% w/w) and Euro (+0.7% w/w); likely linked to the political crisis in Paris following the resignation of France's Prime Minister and a struggling Yen amid a change of guard in Japan's ruling party and some uncertainty around the coalition. Furthermore, the Kenyan shilling remained largely stable against the US Dollar and strengthened marginally against the British Pound (+0.1% w/w). The U.S. government shutdown entered its second week, raising job market concerns as consumer spending and business investment weakened. According to data from the CBK, the U.S. Dollar Index strengthened by 1.0% during the week, supported by weakness in other major currencies.

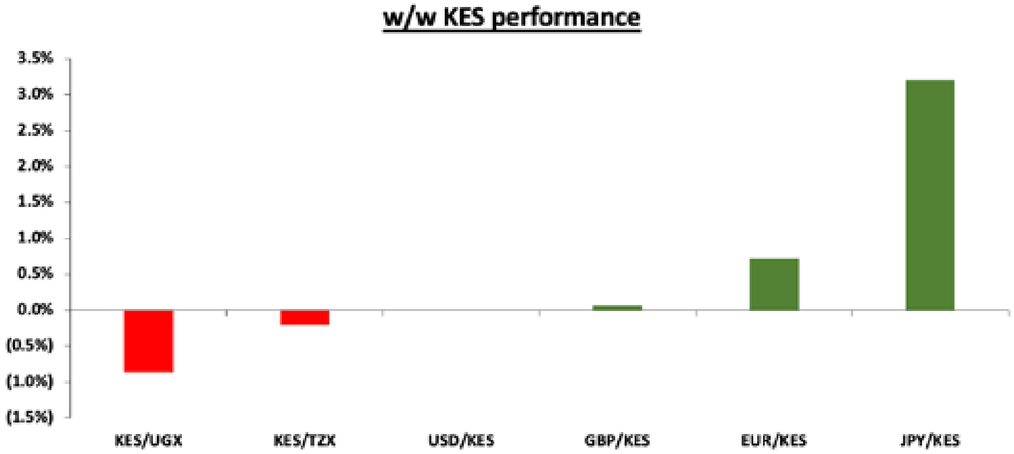
See the table below;

Currencies	31 Dec 2024	Previous Week	Current	w/w Change	Y/y change
KES/UGX	28.41	26.81	26.58	(0.9%)	(3.3%)
KES/TZX	18.99	19.00	18.96	(0.2%)	2.2%
USD/KES	129.29	129.24	129.24	0.0%	0.0%
GBP/KES	162.27	173.62	173.52	0.1%	(7.5%)
EUR/KES	134.29	151.44	150.35	0.7%	(12.2%)
JPY/KES	82.12	87.51	84.70	3.2%	(7.0%)

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

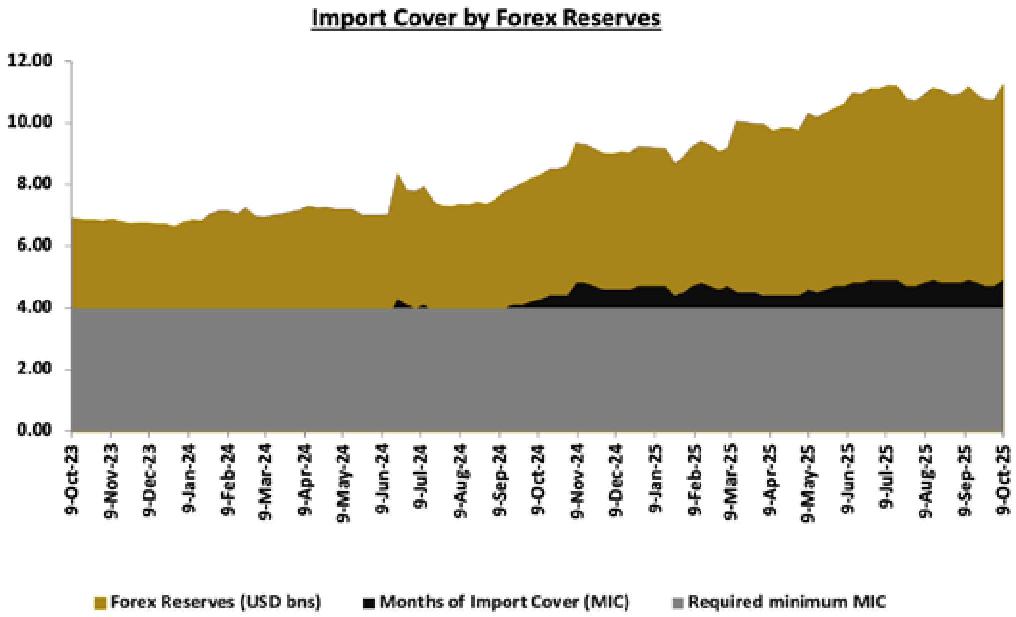
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves rose to USD 11.23bn from USD 10.72bn (+4.8% w/w), maintaining import cover at 4.9 months. See the chart below for a visual summary;

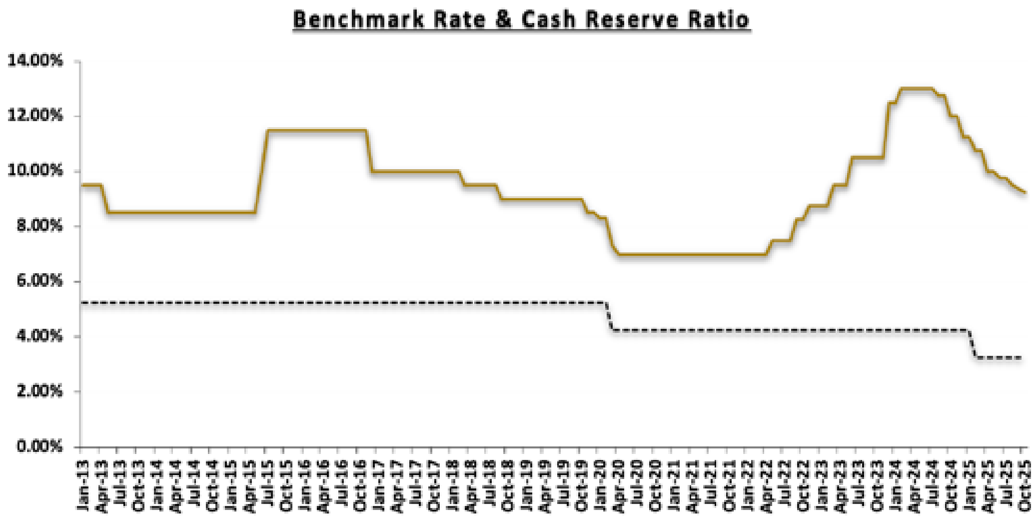


Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

MPC cuts Base Rate by 25bps to 9.25% in push to stimulate credit demand

The Central Bank of Kenya's (CBK) Monetary Policy Committee (MPC) convened on Tuesday, 7th October 2025, resolving to cut the Central Bank Rate (CBR) by a further 25bps to 9.25%, in line with our expectations. The August adjustment brings the cumulative reduction in the benchmark rate to 375bps, down from 13.0% in 2024, the eighth consecutive cut on sustained monetary easing efforts, as illustrated below;



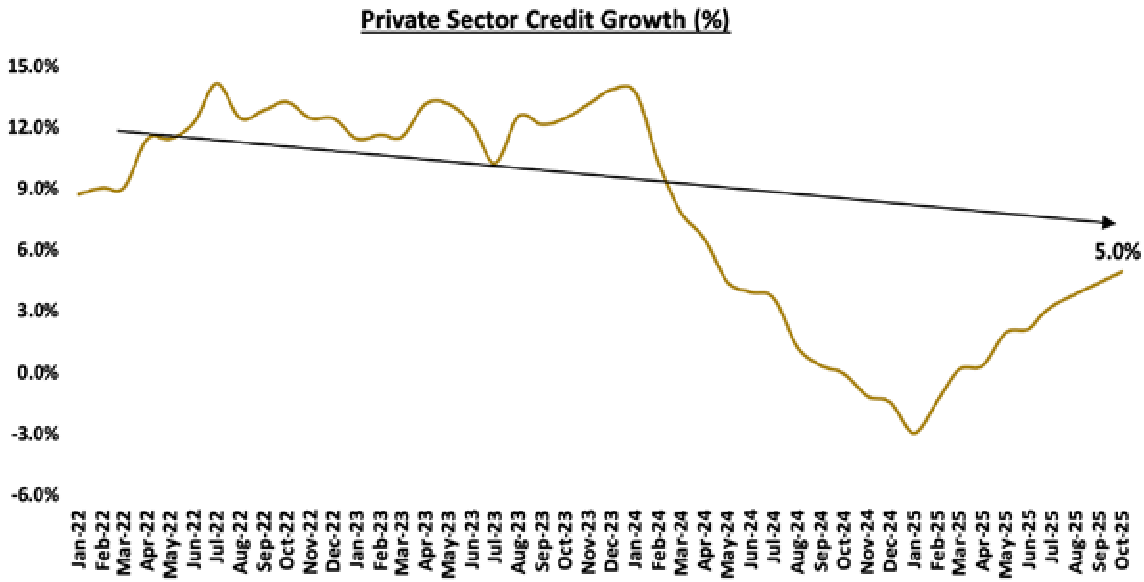
Source: CBK, Chart: SIB

The sustained rate cuts by the CBK are primarily geared towards stimulating lending by banks to the private sector and supporting economic activity, while ensuring that inflationary pressures remain anchored. This policy stance has been supported by a stable exchange rate against the US dollar, supported by FX inflows from exports, offshore banks, and diaspora remittances, and robust FX reserves, as inflation remains comfortably within the CBK's target band.

Short-term inflation expectations are expected to remain well contained (averaging around 4.5%), further supported by the onset of harvest season for key crops (i.e., maize), coupled with stable energy prices and continued exchange stability. In addition, core inflation edged slightly lower to 2.9% from 3.0% in August 2025, indicating easing demand pressure, as supply has increased alongside economic expansion. GDP growth is estimated at 5.2% in 2026 and 5.5% in 2027, buoyed by the continued resilience of key service sectors and agriculture, as well as the gradual recovery of the industrial sector.

On the external front, the MPC highlighted a 3.6% y/y increase in exports in the twelve months to August 2025, outpaced by a 9.2% rise in imports. Consequently, the current account deficit expanded to 2.1% of GDP over the period from 1.6% in 2024, mainly reflecting higher imports of intermediate and capital goods. Looking ahead, the apex bank projects the current account deficit of 1.7% GDP in 2025 and 1.8% of GDP in 2026, and is expected to be more than fully financed by financial account inflows. This is expected to lead to an overall balance of payments surplus and build up in gross reserves of USD 674.0m in 2025, and USD 229m in 2026.

Credit conditions continue to show signs of improvement, with private sector credit growth rising to 5.0% in September 2025 from 3.3% in August 2025 (-2.9% in January 2025) on the back of declining lending interest rates – albeit at a slower pace compared to the decline in deposit rates. In particular, the building and construction (+52.9% vs -13.4% in September 2024), manufacturing (+11.1% vs -14.3% in September 2024), and consumer durables sectors (+12.2% vs 2.7% in September 2024) recorded improved demand in September 2025. Despite a slight improvement, however, we note that banking sector vulnerabilities remain, with Non-Performing Loans (NPLs) remaining elevated at 17.1% from 17.6% in June 2025. We suspect that the NPL ratio is being driven down, partly driven by a growing loan stock diluting the impact of high NPLs.



Source: CBK, Chart: SIB

On a positive note, the MPC noted that the revised banking sector Risk-Based Credit Pricing (RBCP) model, which will be fully operational by March 2026, is expected to improve the transmission of monetary policy decisions to commercial banks' lending interest rates and enhance transparency in the pricing of loans by banks. Lenders are in the process of developing and submitting their new loan frameworks tied to KESONIA (Kenya Shilling Overnight Interbank Average rate), with the CBK Governor pointing out that a technical working committee is working to ensure that the frameworks are approved by the Boards of the particular banks as soon as possible. We expect private sector credit uptake to continue gaining traction, with banks gradually reducing their cautious stance linked to elevated NPLs. That said, the momentum will also hinge on how far yields on Treasury bills and bonds decline, given that further policy easing is expected to feed through to these instruments, which tend to crowd out the private sector.

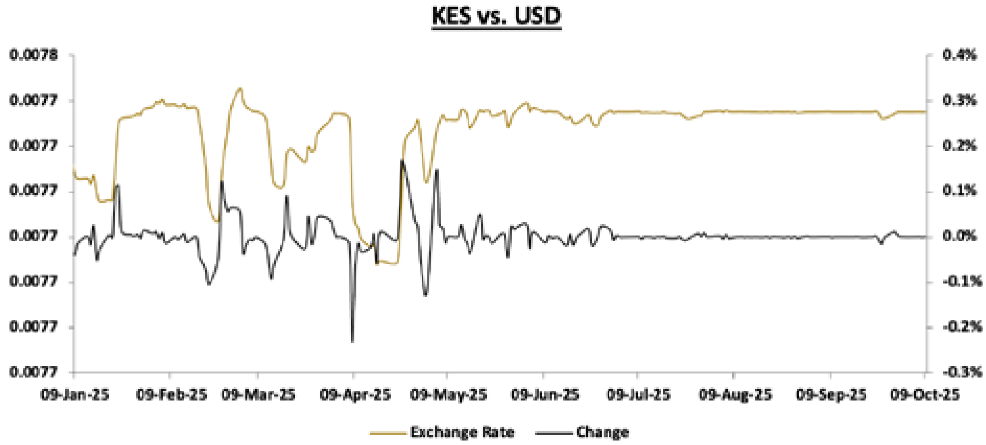
The committee will meet again in December 2025.

HOT ON THE HORIZON:

i. The Exchequer Receipts & Releases for September 2025.
ii. Fuel prices for the October/November 2025 cycle.

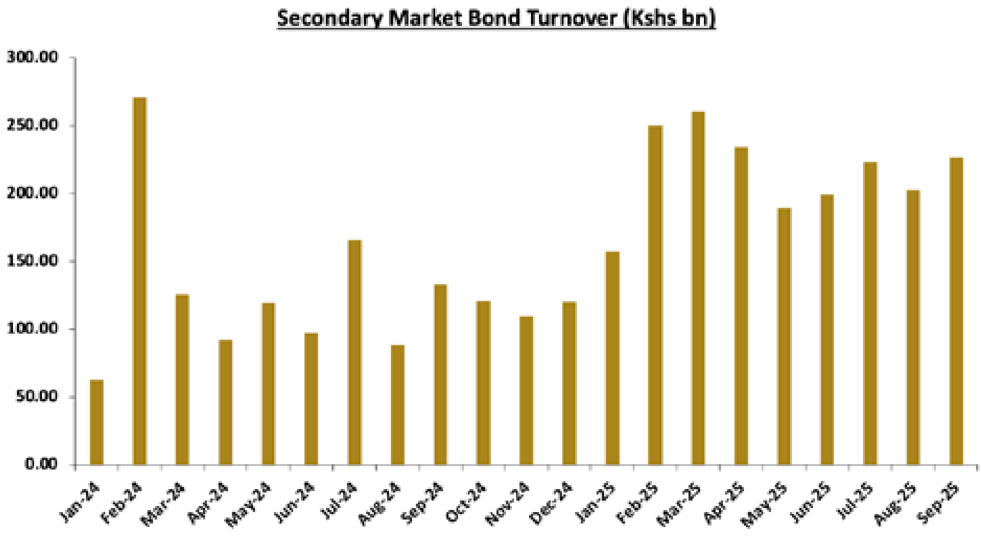
BACKGROUND CHARTS

KES/USD Performance



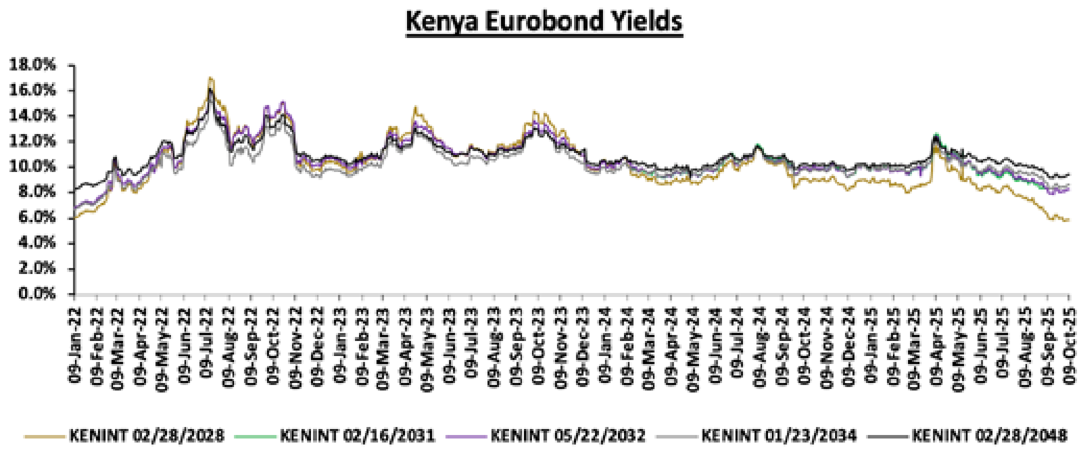
Source: Central Bank of Kenya (CBK)

Bond Turnover



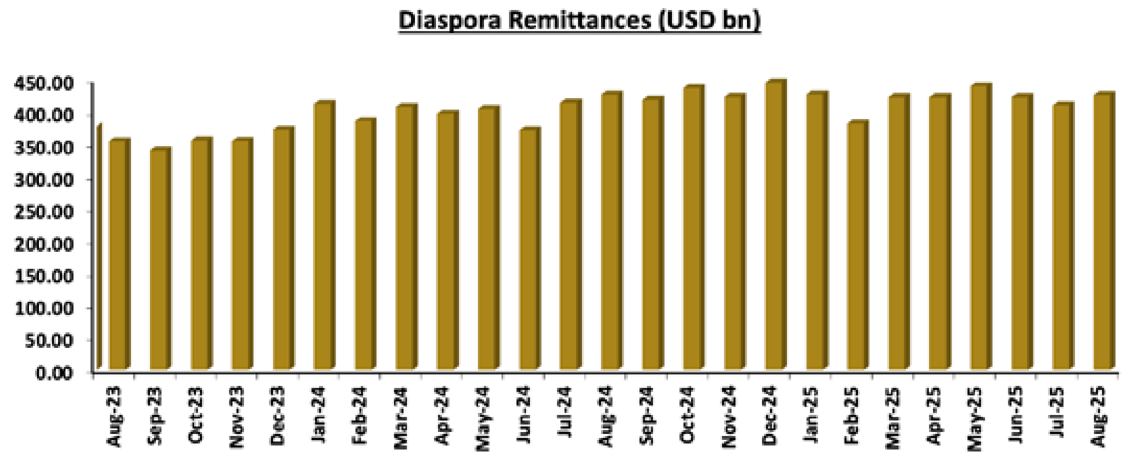
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Diaspora Remittances



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