SIB Standard Investment Bank

Regulated by the Capital Markets Authority

6TH OCTOBER 2025

"Kenya Repays the 2028 $ 1bn Eurobond with a new longer-dated issuance"

WEEKLY FIXED INCOME REPORT

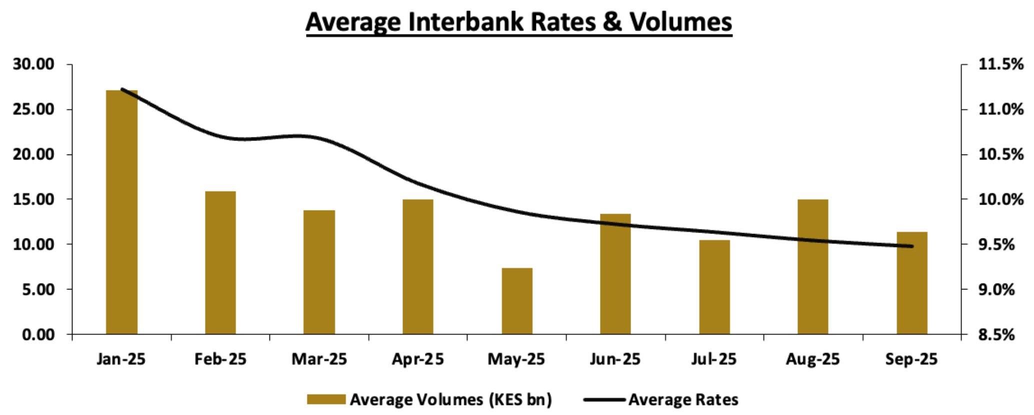
Industrial sector recovery drives 2Q25 GDP growth upwards to 5.0% from 4.6% in 2Q24

MONEY MARKET STATISTICS

Interbank lending eased during the week, with the average traded volumes falling by 12.6% w/w to KES 15.08bn, from KES 17.24bn the prior week. Furthermore, the number of interbank deals reduced by 3.2% w/w, pointing to lower activity in the interbank market. The Kenya Shilling Overnight Interbank Average (KESONIA) inched upwards by 3.92bps w/w to an average of 9.51%. Notably, liquidity tightened in the week, with some players resorting to the discount window (KES 4.2bn, up 7.4x w/w):

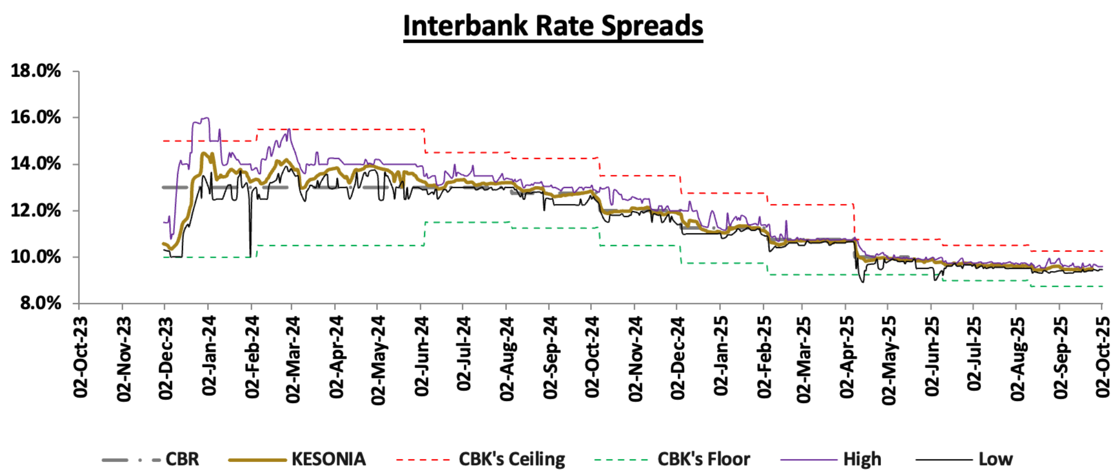
Average	Previous Week – ended 25th September 2025	Current Week – ended 2nd October 2025	Change
Interbank Deals	31	30.00	(3.23%)
Inter-Bank volumes (KES bn)	17.24	15.08	(12.55%)
KESONIA (bps)	9.47%	9.51%	3.92
Window Borrowing Volumes (KES mn)	500	4,200	740.00%

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:

This week, demand for Treasury bills rose marginally, with overall subscription inching upwards to 63.1% from 62.9% in the previous week. Investors submitted bids worth KES 15.13bn, of which the fiscal agent accepted 99.9%, slightly below the value of maturities, resulting in a net repayment of KES 2.27bn.

The 364-day paper led the performance, posting a subscription rate of 73.8% (lower than the 115.3% recorded in the week prior) as investors sought to lock in higher yields. Additionally, the 91-day and 182-day papers garnered lower subscription rates at 40.4% and 61.3%, respectively.

Weighted average rates on accepted bids exhibited mixed performance, with the 91-day and 364-day rates rising by 0.96bps w/w and 0.76bps w/w to 7.924% and 9.541%, respectively. On the other hand, the 182-day T-bill sustained its easing streak, down 0.02bps w/w to 7.985%.

KES Bn

06-Oct-25	91-day	182-day	364-day	Totals
	05-Jan-26	06-Apr-26	05-Oct-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	1.61	6.13	7.38	15.13
Subscription rate (%)	40.4%	61.3%	73.8%	63.1%
Amount accepted	**1.61**	**6.13**	**7.38**	**15.12**
Acceptance rate (%)	99.7%	99.9%	99.9%	99.9%
Of which: Competitive Bids	0.21	3.85	5.99	10.05
Non-competitive bids	1.40	2.28	1.39	5.06
Rollover/Redemptions	2.62	4.62	10.14	17.38
New Borrowing/(Net Repayment)	**-1.01**	**1.51**	**-2.77**	**-2.27**
Weighted Average Rate of Accepted Bids	7.92%	7.98%	9.54%	
Inflation	4.6%	4.6%	4.6%	
Real Return	**3.3%**	**3.4%**	**4.9%**	

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
FXD1/2018/015	09-May-33	7.7	50.00	12.65%	Up to 15th October 2025
FXD1/2021/020	22-Jul-41	15.9		13.44%	

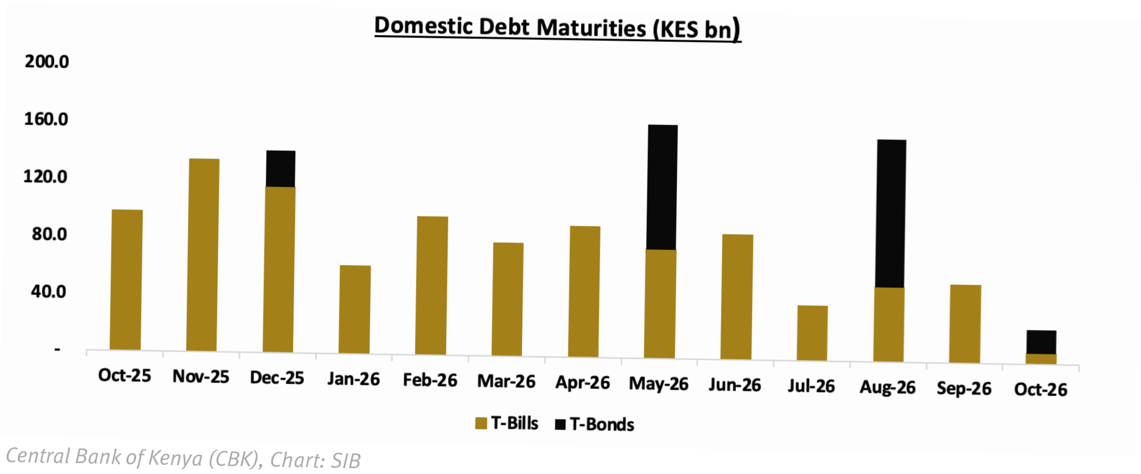
Source: Central Bank of Kenya (CBK), Table: SIB

Secondary bond market turnover declined by 21.6% w/w to KES 42.3bn in the week ended 3rd October from KES 57.3bn posted in the previous week. Notably, market turnover for September climbed by 12.0%q/q and 70.0% y/y to KES 226.40bn.

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

As of this week, the Government's outstanding maturities for the next 12 months is at KES 996.35bn in T-Bills and KES 215.29bn in T-Bonds. When coupons are factored in, the total maturity profile comes in at c.KES 1.8tn. The next bond maturity is expected in December 2025, affording the government much-needed breathing space on its repayment schedule.

See the chart below;



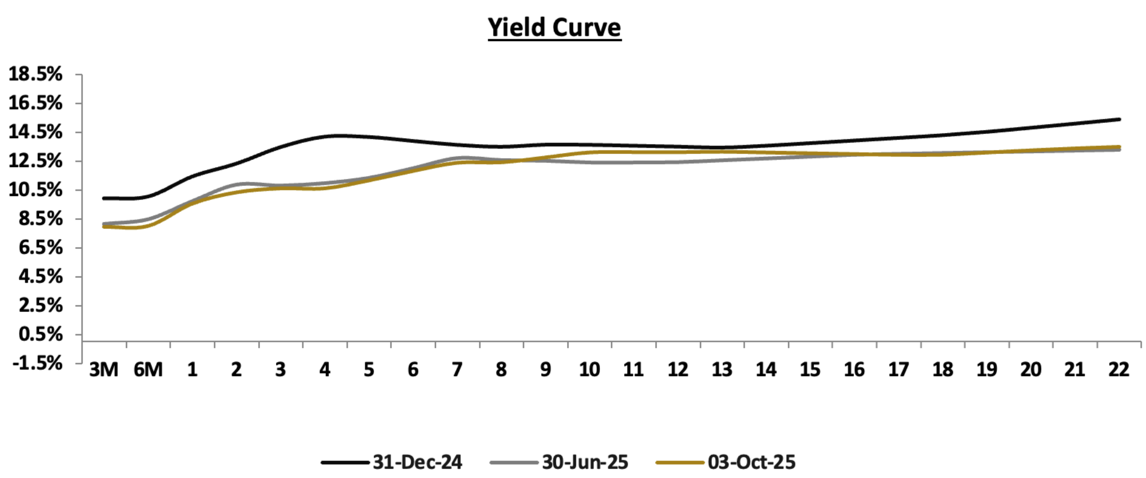
Source: Central Bank of Kenya (CBK), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES 321.1bn, slightly below the prorated target.

Yield Curve:

Local interest rates showed a mixed performance across different tenors, with the majority of the papers at the belly of the curve recording an uptick, with the yield curve recording an average increase of 19.2bps w/w.

Below is a visual representation;



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

During the week, yields on Kenyan Eurobonds fell marginally, with the rates softening by an average of 7.2bps w/w. 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%
25-Sept-25	6.1%	8.0%	8.2%	8.5%	9.3%
26-Sept-25	6.0%	7.8%	8.1%	8.4%	9.2%
29-Sept-25	6.1%	7.9%	8.1%	8.5%	9.3%
30-Sept-25	6.1%	7.9%	8.1%	8.4%	9.2%
01-Oct-25	5.8%	7.9%	8.1%	8.4%	9.3%
02-Oct-25	5.8%	7.9%	8.1%	8.4%	9.3%
Weekly Change	(0.234%)	(0.041%)	(0.027%)	(0.044%)	(0.014%)
YTD Change	(3.2%)	(2.2%)	(2.0%)	(1.7%)	(1.0%)

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

During the week, the Kenyan Government announced a tender offer for the buyback of its USD 1.0bn 7.25% Eurobond due 2028 at 103.75% of face value plus accrued interest, coupled with a new dollar bond issuance. This move follows the earlier partial buyback of the USD 900.0m 2027 7.0% note through the issuance of a new USD 1.5bn Eurobond in May 2025, as well as the issuance of a new Eurobond to buy back USD 1.5Bn out of the KES 2.0Bn 2024 6.875% Note in February 2024. Additionally, the initiative has been outlined as part of the proactive management of Kenya's external indebtedness, with particular focus on smoothing the maturity profile of its Eurobonds amid mounting debt service costs. The offer period was slated for 2nd October 2025 to 9th October 2025, with the results expected on 10th October 2025. Additionally, the offer's settlement date is slated for 14th Oct 2025.

Remarkably, the Government announced on 3rd October 2025 that it **had successfully raised USD 1.5bn and at the same time paid off USD 1.0bn of the 2028 Eurobond ahead of schedule**. In particular, the new 7-year Note has a coupon rate of 7.875% while the 12-year Note is 8.8%. Markedly, bidders offered c.5x the sought amount (over USD 7.5bn vs USD 1.5bn sought), with most of the support coming from international fund managers from the US and UK, according to the notice. We believe that the strong signaling by the Central bank during the August 2025 infrastructure bond issuance (subscription rate of 359.4% vs acceptance rate of 29.4%), partly drove demand as it illustrated that the Kenyan Government seemed not to be in a desperate situation for funds and has pivoted towards containing borrowing costs.

Currency Performance

The Kenyan shilling recorded a mixed performance against tracked currencies in the week, with the local unit easing by 1.2%w/w, 0.8% w/w, 0.4%w/w, and 0.3% w/w against the Japanese Yen, Uganda Shilling, British Pound, and Euro, respectively. On the other hand, the Kenya shilling remained largely stable against the US Dollar and the Tanzania shilling. Notably, the U.S. Dollar Index softened by 0.7 % during the week, weighed down by investor concerns over the U.S. government shutdown that commenced in the week.

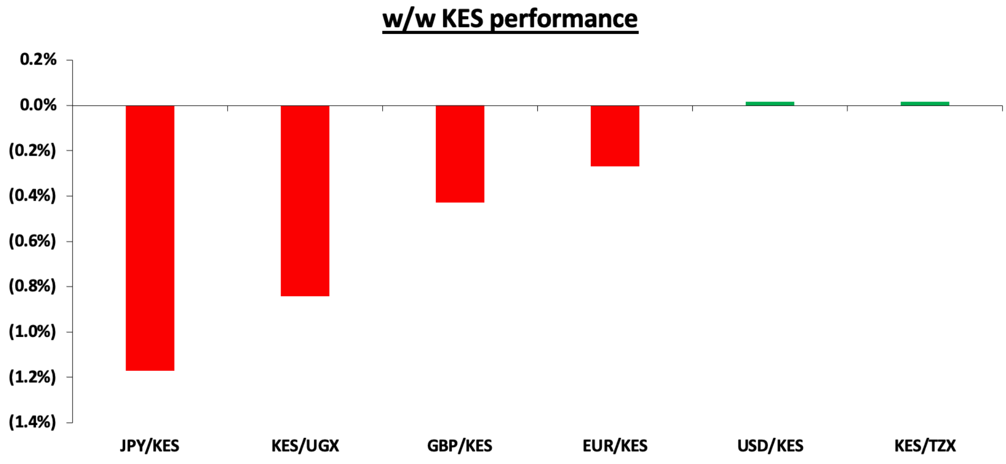
See the table below;

Currencies	31 Dec 2024	Previous Week	Current	w/w Change	Y/y change
KES/TZX	19.0	19.2	19.0	(0.8%)	2.2%
KES/UGX	28.4	27.1	27.0	(0.2%)	(3.3%)
USD/KES	129.3	129.2	129.3	(0.0%)	0.0%
EUR/KES	134.3	152.2	151.0	0.8%	(12.2%)
JPY/KES	82.1	87.3	86.5	0.9%	(7.0%)
GBP/KES	162.3	175.4	172.9	1.4%	(7.5%)

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

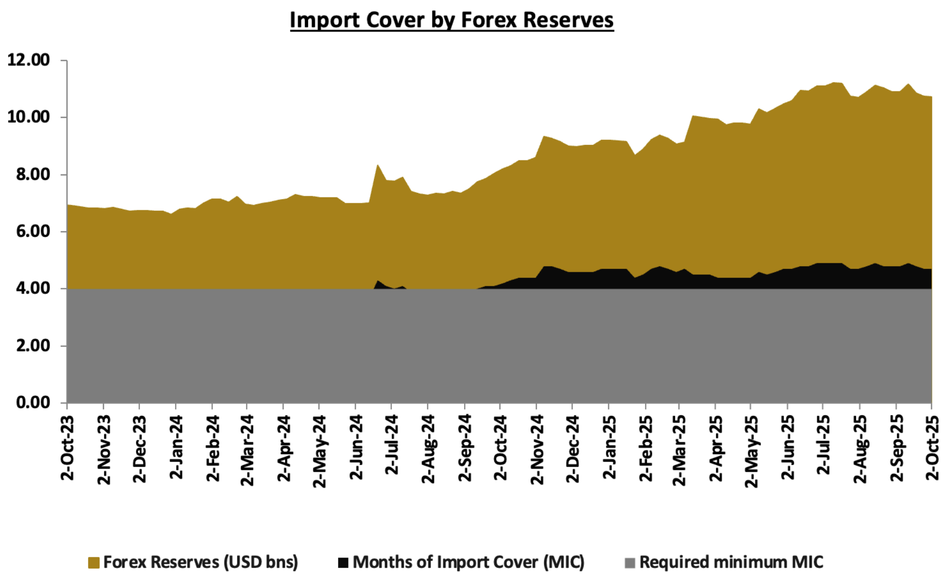
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves eased marginally to USD 10.72bn from USD 10.74bn (-0.2% w/w), maintaining import cover at 4.7 months. See the chart below for a visual summary;



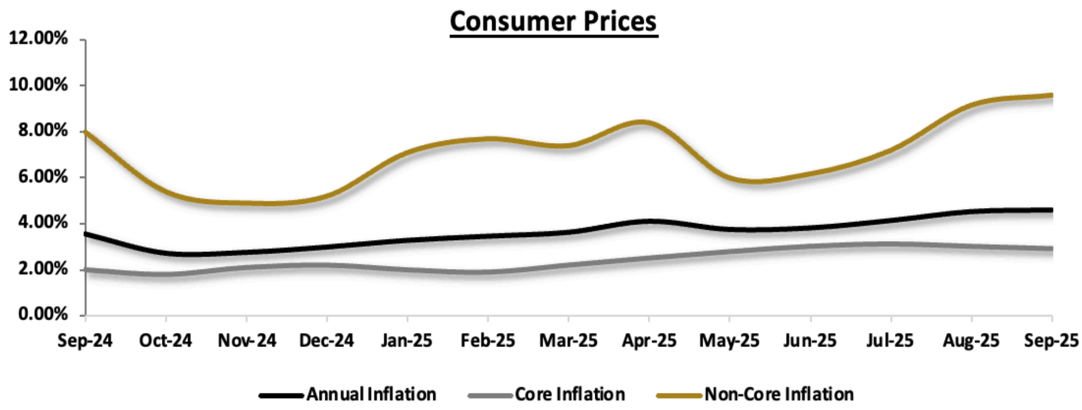
Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

1. September inflation notches higher to 4.6% - the highest since June 2024

In September 2025, consumer prices rose by 4.6% y/y - the highest since June 2024, up from 4.53%y/y in August 2025. Core inflation eased slightly to 2.9% from 3.0% in August 2025, while non-core inflation jumped to 9.60% from 9.16%, largely on the back of higher food prices. Overall, headline and core inflation remained stable, while non-core inflation continued to exhibit sustained volatility.

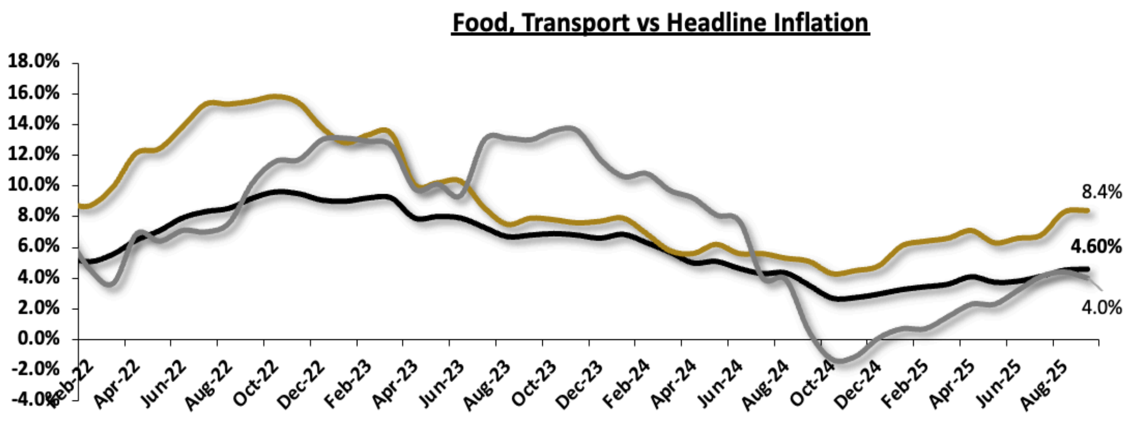
See the chart below;



Source: KNBS, Chart: SIB

The y/y increase in headline inflation was largely attributable to a jump in food inflation to 8.4% from 5.1% in September 2024, mainly reflecting double-digit growth in vegetable and maize flour prices. On the other hand, the Transport index grew at a slower rate of 4.0%, partly due to lower fuel prices coupled with lower prices of country bus/matatu fares between towns.

The Household Utilities Index recorded a faster growth of 1.4% compared to 0.8% in August 2025 (2.6% in September 2024), pushed upwards by higher charcoal and electricity prices. Notably, LPG/ gas prices reversed the increase recorded in August 2025 (-0.2%m/m vs +0.4% in August 2025), while Kerosene continued its price decline (-0.5% m/m in September 2025, -0.6%m/m in August 2025). The chart below illustrates the growth trajectory of the food and non-alcoholic beverages, as well as transport indices (both of which constitute more than 40% of the consumer basket), against the headline inflation.



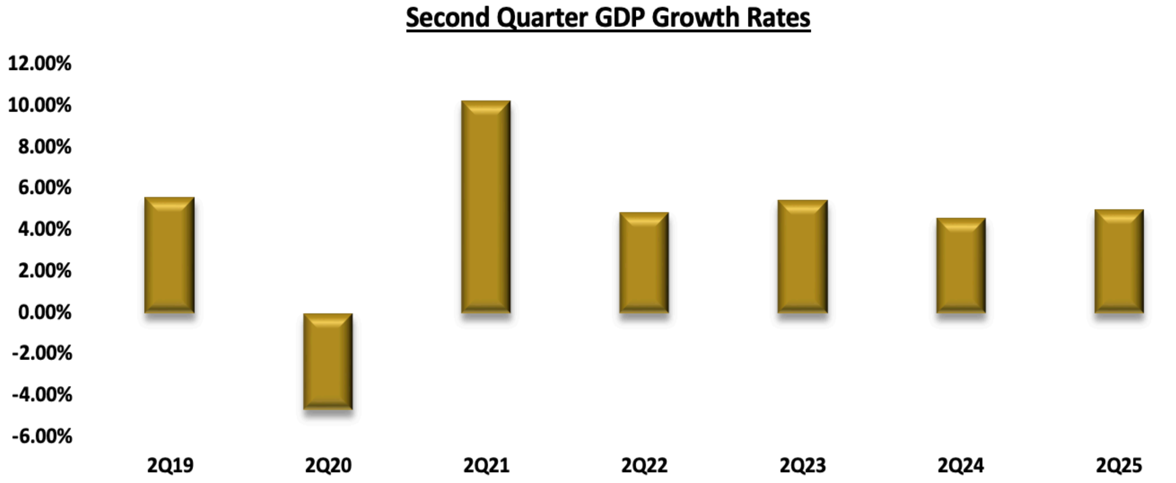
Source: KNBS, Chart: SIB

On a month-on-month basis, consumer prices rose by 0.2%, slower than the 0.3% recorded in August 2025, reflecting relative stability across key indices. However, upward pressure persists, driven by rising vegetable and fruit prices, further squeezed by higher electricity and charcoal prices. Overall, core inflation points to continued price stability, anchored by a steady shilling against the US dollar.

2. Economic Growth: 2Q25 GDP growth edges upwards to 5.0% from 4.6% in 2Q24

The Kenya National Bureau of Statistics (KNBS) released the second-quarter GDP report this week, highlighting that the Kenyan economy expanded by 5.0% in 2Q25. The performance was primarily supported by growth in the agriculture, forestry, and fishing sector (4.4% vs 4.5% in 2Q24), the transportation and storage sector (5.4% vs 3.4% in 2Q24), and the finance and insurance sector (6.6% vs 8.0% in 2Q24). Additionally, the mining and quarrying activities and construction performance improved in the period, growing by 15.3% and 5.7%, respectively (from -5.5% and 1.2% respectively, in 2Q24). Though resilient, the Accommodation and Food Services sector experienced much slower growth in 2Q25 (7.8%) compared to 2Q24 (35.0%).

See below a chart showing the evolution of Kenya's GDP:

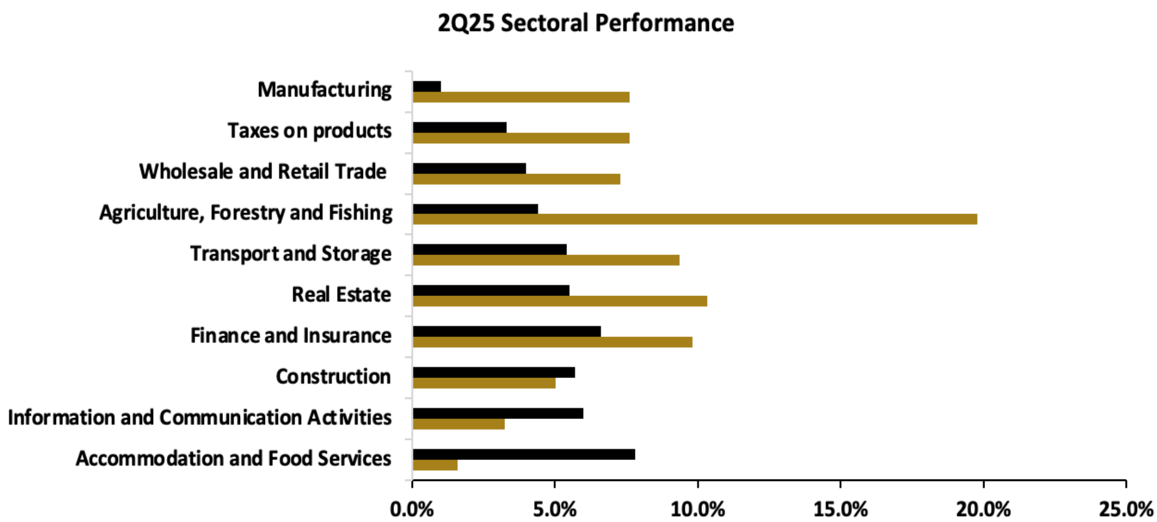


Source: KNBS, Chart: SIB

The services sector continues to dominate the economy, followed by the primary sector, with the industrial sector trailing behind. However, in 2Q25, the services industry grew at a slower pace of 5.7% compared to 6.1% in 2Q24, whereas the industrial sector recorded a gradual recovery to 4.0% vs 0.2% in 2Q24 (largely supported by the mining and quarrying sector; +15.3% in 2Q25 vs -5.5% in 2Q24).

The Finance and Insurance sector emerged as the highest growing amongst the ten largest contributors, although it experienced a 140bps decline from 8.0% in 2Q24, bringing the rate down to 6.6% in 2Q25. We opine that this is partly attributable to subdued private sector credit demand in the period. The sector is, however, exhibiting a gradual recovery, given that the growth rates in 1Q25 came in at 5.1%. The Agricultural sector maintained its position as the largest single contributor to GDP, accounting for c.19.8%, followed by the Real Estate sector at c.10.3%.

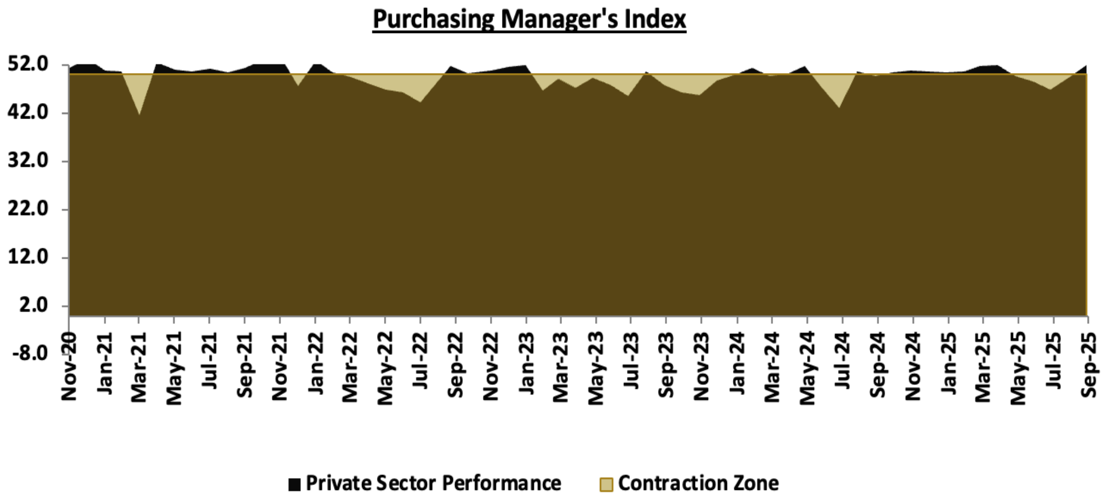
See below a chart showing select sectoral GDP growth numbers.



Source: KNBS, Chart: SIB

3. Private Sector Performance rebounds in September 2025, signalling a gradual recovery

According to Stanbic Bank Kenya's PMI survey, private sector business conditions showed signs of recovery in the month, after a period impacted by protests and rising price pressures. The index climbed to 51.9, up from 49.4 recorded in August 2025. See the chart below;



Source: Stanbic, S&P Global, Chart: SIB

**The headline figure derived from the survey is the Stanbic Bank Kenya PMI®(PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.*

September's upturn was largely driven by rising sales, increased hiring, and easing supply-side pressures (including a slower rate of input price inflation). In particular, businesses witnessed an upturn in sales intakes, with new business growth rebounding solidly after four months of consecutive downturns. This recovery encouraged firms to hire new staff, leading to an employment rise—the quickest recorded since May 2023. With increased staff capacity, firms were able to deplete their backlogs for the fourth month running. Supply-side pressures eased after protest-related disruptions, and vendors were willing to deliver items more quickly to gain work, resulting in increased input stocks. Delivery times improved at the strongest rate in exactly four years. Notably, Kenyan businesses reported a softening of input price inflation for the second consecutive month, with the latest increase in overall costs the weakest since May 2025. Business confidence remained sustained, with firms optimistic about future activity. Despite a slight dip from August, the 12-month outlook was among the best observed in nearly three years, with plans to expand outlets, diversify product offerings, and ramp up marketing.

On the flip side, purchasing activity continued to fall in September, as businesses cited low sales in recent months affecting their ability to buy new inputs. Cost pressures, while easing, remained a concern, prompting firms to raise their selling prices to a greater extent than the previous 12-month low seen in August. Inflation was modest but linked to higher costs and rising sales, indicating some ongoing challenges in controlling input costs and price stability.

In our view, the latest figures reflect a more stable macroeconomic backdrop. For now, we are cautiously optimistic that favorable weather and steady energy prices may provide temporary relief for businesses. Nonetheless, business confidence remains vulnerable to fiscal pressures, potential inflation uptick, external shocks, and subdued credit demand.

The Stanbic Bank Kenya PMI®(PMI) is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

HOT ON THE HORIZON:

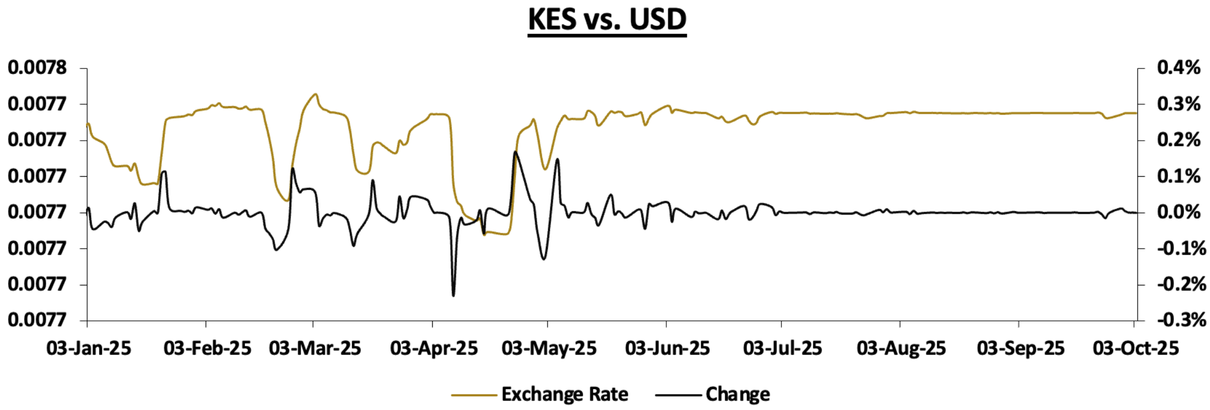
1. October 2025 Monetary Policy Committee meeting

The Central Bank of Kenya's Monetary Policy Committee (MPC) is expected to meet on **Tuesday, 7th October 2025**, to review the Central Bank Rate (CBR). We believe the committee has scope to cut the benchmark rate by at least **25 basis points**, guided by:

- Despite a slight uptick in annual inflation rates in recent months, the metric remains below the mid-point of CBK's target range of 5±2.5%. The uptick of inflation was mainly driven by non-core inflation, with core inflation declining slightly.
- Credit growth remains in the single digits despite a notable reduction in the benchmark rate, with NPL ratios still in the high teens,
- Robust foreign currency reserves continue to provide adequate cover and a buffer against any short-term shocks in the foreign exchange market, further supported by a stable currency.

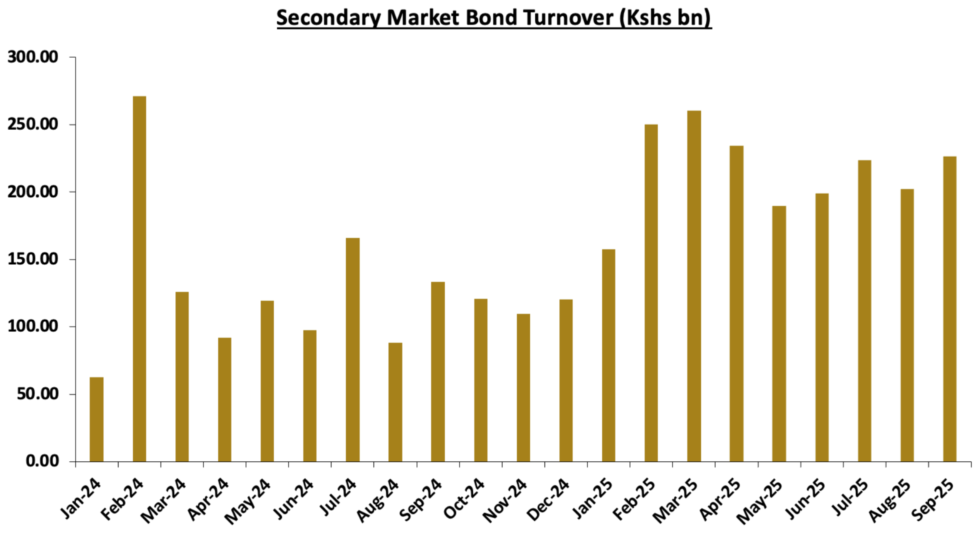
BACKGROUND CHARTS

KES/USD Performance



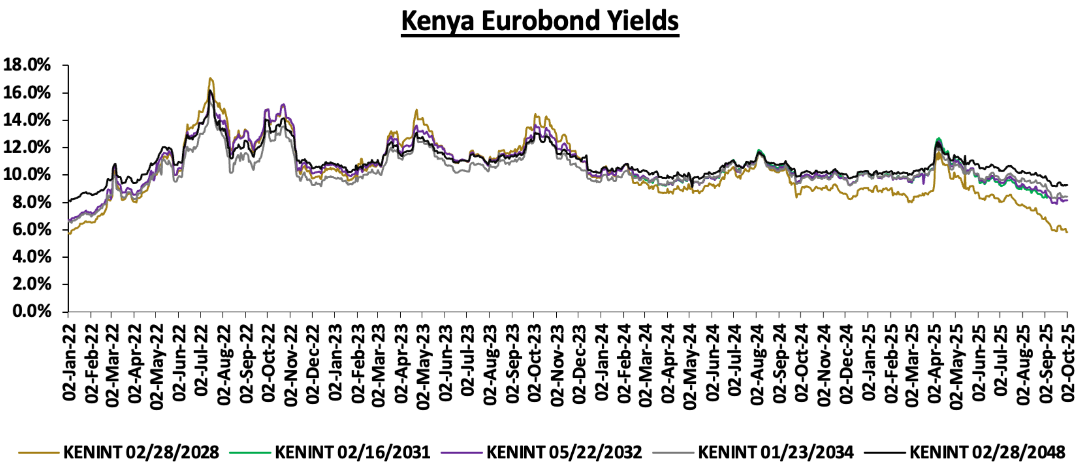
Source: Central Bank of Kenya (CBK)

Bond Turnover



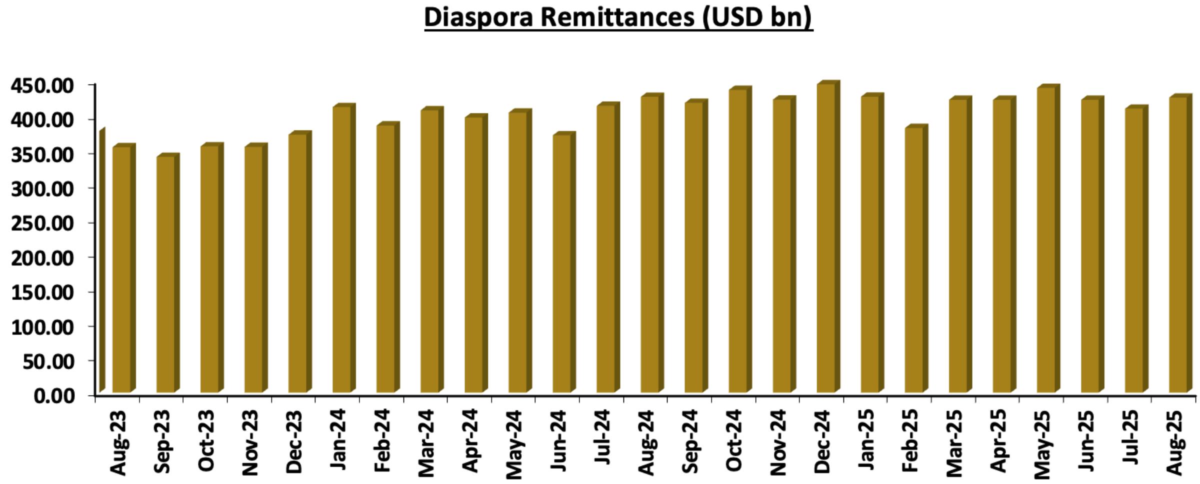
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Diaspora Remittances



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