SIB Standard Investment Bank

Regulated by the Capital Markets Authority

15TH DECEMBER 2025

“CBK seeks KES 60.0bn via 2 re-opened bonds while offering KES 20.0bn voluntary bond switch”

WEEKLY FIXED INCOME REPORT

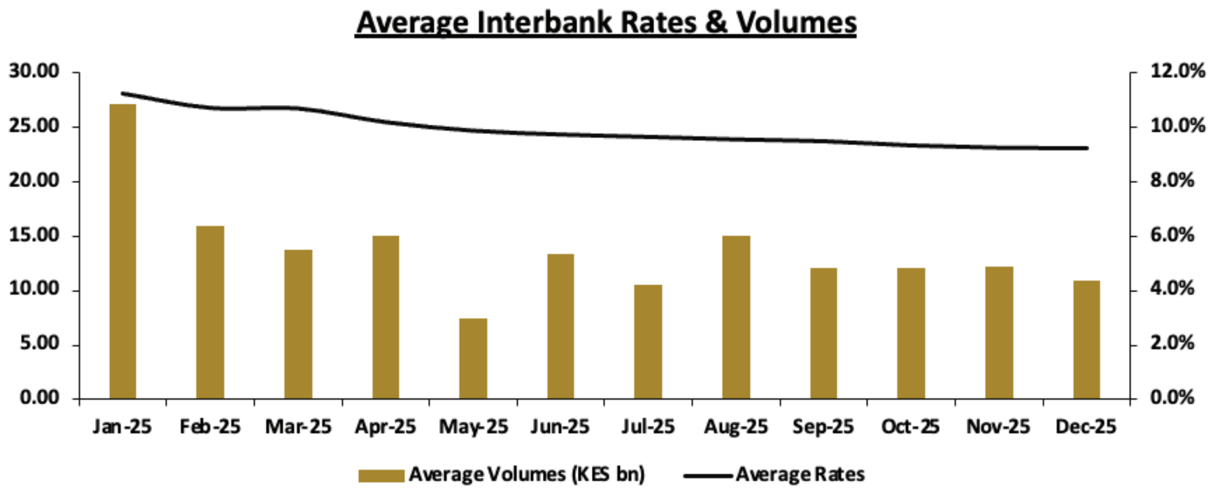
CBK MPC cuts base rate by 25bps to 9.0% as private sector lending and asset quality exhibit steady recovery

MONEY MARKET STATISTICS

Interbank lending rose during the week, with the average traded volumes inching upwards by 8.9% w/w to KES 12.91bn, from KES 11.85bn in the prior week. The increase was mirrored in higher transaction counts (+47.1% w/w to 25), with some players resorting to the discount window (KES 41.1bn). The Kenya Shilling Overnight Interbank Average (KESONIA) trended lower to an average of 9.20% (-4.53bps w/w) as the market began pricing in the 25bps CBR rate cut on 9th December 2025. Find a summary below:

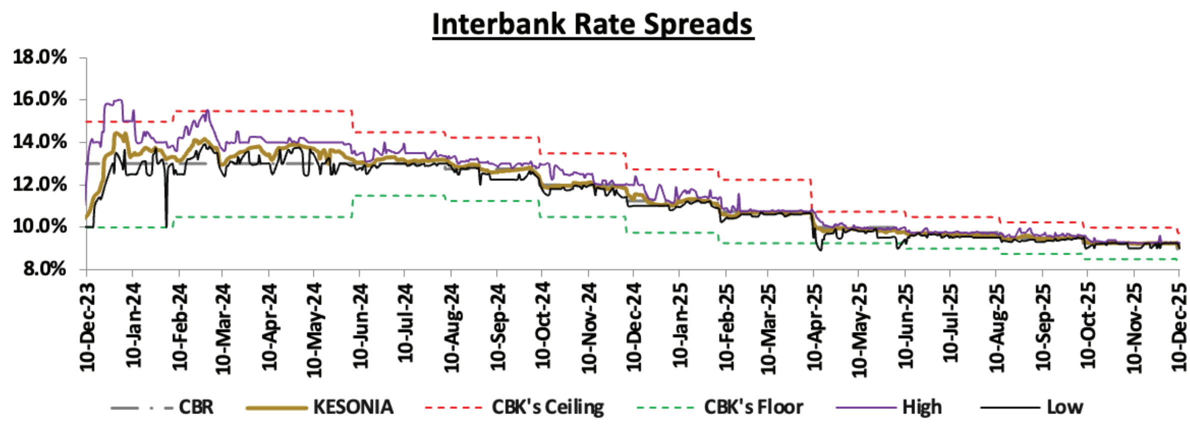
Average	Previous Week – ended 4th December 2025	Current Week – ended 10th December 2025	Change
Interbank Deals	17.00	25.00	47.06%
Inter-Bank volumes (KES bn)	11.85	12.91	8.90%
KESONIA (bps)	9.25%	9.20%	(4.53)
Window Borrowing Volumes (KES bn)	-	41.1	n/a

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



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

The weighted average interbank rate continues to closely track the Central Bank Rate, underscoring the stability and effectiveness of the monetary policy framework:



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

GOVERNMENT SECURITIES MARKET

T-Bills:

The T-bill auction for the week was oversubscribed, with overall performance at 135.7% vs 220.2% last week. Investors submitted bids totalling KES 32.6bn, of which the fiscal agent accepted 97.2% of the bids. This amount was slightly higher than the maturity amounts, resulting in a net borrowing of KES 5.4bn. In absolute terms, the 364-day paper received the highest interest, with the paper garnering 70.4% of the total bids. The 91-day paper followed suit, recording a performance rate of 187.7%, while the 182-day paper recorded a muted performance rate of 22.4%. Overall, KES 31.7bn was accepted, with the weighted average rate of accepted bids at 7.78% (-0.04bps), 7.80% (-0.43bps), and 9.24% (-13.3bps) for the 91-day, 182-day, and 364-day papers, respectively, as shown below;

KES Bn

15-Dec-25	91-day	182-day	364-day	Totals
	16-Mar-26	15-Jun-26	14-Dec-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	7.51	2.24	22.83	32.58
Subscription rate (%)	187.7%	22.4%	228.3%	135.7%
Amount accepted	**7.50**	**2.24**	**21.92**	**31.66**
Acceptance rate (%)	99.9%	100.0%	96.0%	97.2%
Of which: Competitive Bids	1.06	1.93	19.50	22.48
Non-competitive bids	6.45	0.32	2.42	9.18
Rollover/Redemptions	14.98	2.67	8.48	26.13
New Borrowing/(Net Repayment)	**-7.47**	**-0.43**	**13.44**	**5.54**
Weighted Average Rate of Accepted Bids	7.78%	7.80%	9.24%	
Inflation	4.5%	4.5%	4.5%	
Real Return	**3.3%**	**3.3%**	**4.7%**	

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

T-Bonds:

In the primary bond market, the fiscal agent seeks to raise KES 60.0bn through two reopened bonds: FXD1/2019/020 and FXD1/2022/025 with effective tenors of 13.20 and 21.8 years, respectively (in line with its strategy to lengthen its maturity profile). The bonds have coupon rates of 12.87% and 14.19% for FXD1/2019/020 and FXD1/2022/025, respectively, with the sale period for both papers running until 7th January 2026. The total outstanding amount for the bonds stands at KES 259.0bn, with the longer tenured paper (FXD1/2022/025) holding a slightly larger allocation (KES 175.6bn). Given the steady decline in bond yields in response to CBR rate cuts, ample liquidity, and recent auction trends, we anticipate increased investor demand for FXD1/2022/025, driven by its comparatively attractive coupon rate.

See a summary of the offer below:

Bond	Maturity Date	Effective Tenor	Amount Offered (in KES Bn)	Coupon	Sale Period
FXD1/2019/020	23-Mar-39	13.20	60.0	12.87%	Up to 7th January 2026
FXD1/2022/025	23-Sept-47	21.80		14.19%	

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

Additionally, the CBK is concurrently offering a bond switch from FXD1/2016/010 to the reopened FXD1/2022/018, targeting up to KES 20.0bn (c.19.3% of the outstanding amount) via multi-price auction from 9th December 2025 to 19th January 2026. This marks the first switch auction in FY25/26, which is part of the Government's liability management operations that seek to use buybacks and switches to actively manage maturity risk, reduce borrowing costs, and smooth the redemption profile of domestic debt. In particular, FXD1/2016/010 had been earmarked for two liability management operations (October 2025 and January 2026). The offer is on a voluntary basis for investors with unencumbered holdings in FXD1/2016/010 as at 19th January 2026.

We opine that the switch auction will provide investors the opportunity to extend duration of their portfolios (especially fund managers who are keen on managing their cashflows), locking in the comparatively attractive 13.942% coupon rate on FXD1/2022/015 amid recent rate declines. Furthermore, the switch may also help investors address potential reinvestment risk if yields in the market fall even further, should the paper be held till August 2026.

See a summary of the offer below:

	Source Bond	Destination Bond
Issue Number	**FXD1/2016/010**	**FXD1/2022/015**
Effective tenor	0.6 years	11.3 years
Coupon Rates	15.04%	13.94%
Maturity Dates	17/08/2026	06/04/2037
Amount (KES - bn)	20.0	
Period of Sale	09th December 2025 – 19th January 2026	
Bid Submission Deadline	19th January 2026	

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

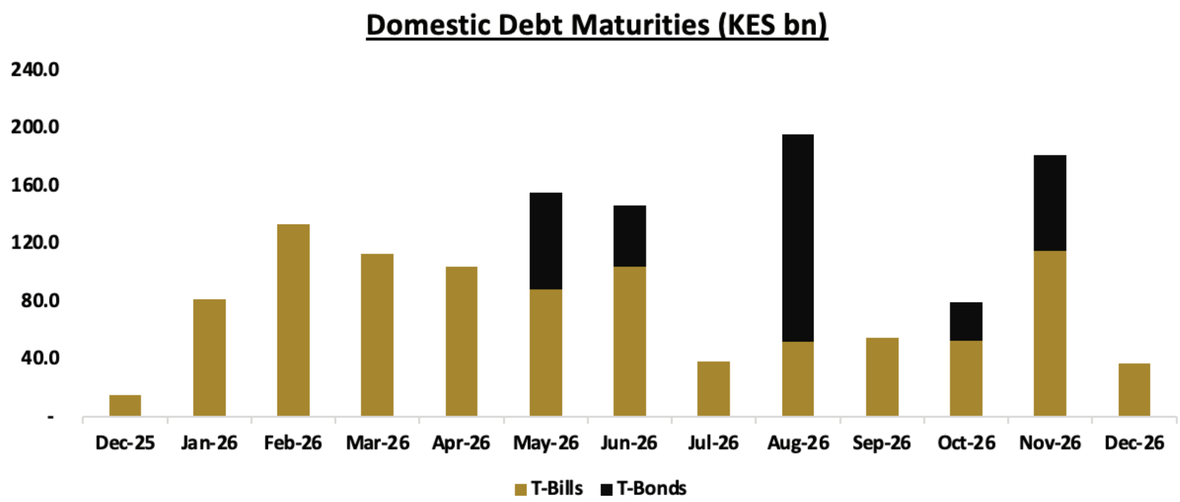
In the corporate bond market, **Safaricom's medium-term note programme of up to KES 40.0bn received applications for notes amounting to approximately KES 41.4bn, against the original target of KES 15.0bn in its first tranche, representing an overall subscription rate of 275.7%**. The firm opted to exercise the full KES 5.0bn greenshoe option, bringing the total allocation to KES 20.0bn. We believe that strong investor demand was buoyed by the paper's tax-free coupon, Safaricom's strong balance sheet, strategic outlook, and sustained revenue performance. The medium-term note has an issue date of 11th December 2025, with a maturity date slated for 11th December 2030.

Looking at the secondary bond market, turnover softened marginally to KES 54.8bn (-9.4% w/w) in the week from KES 60.5bn in the previous week.

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

As of this week, the Government's outstanding maturities to December 2026 are at c.KES 954.0bn in T-Bills and c.KES 365.7bn bn in T-Bonds. When we factor in coupons, the total maturity profile comes in at c.KES 2.0tn. Markedly, the next bond maturity is expected in May 2026 (c.KES 86.8bn), affording the government much-needed breathing space on its repayment schedule.

See the chart below;

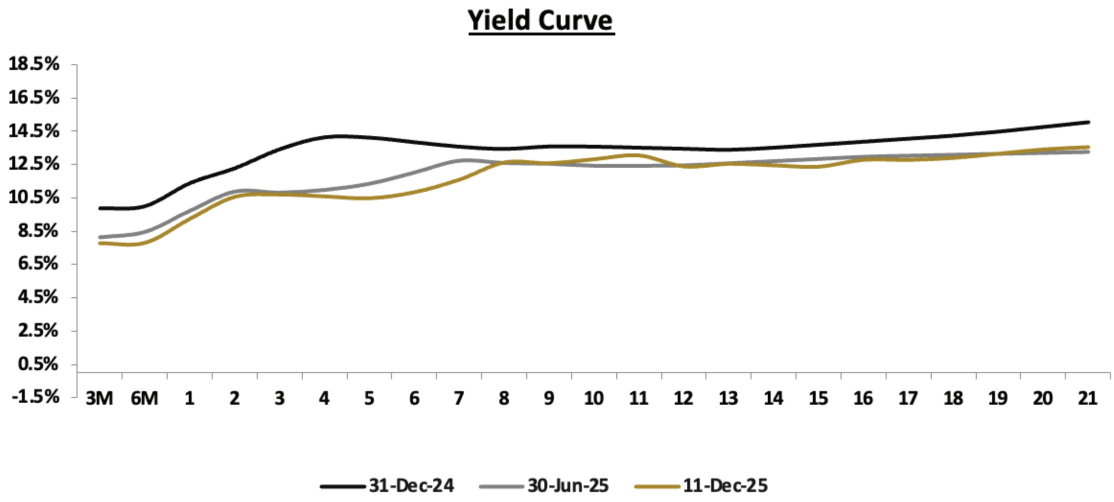


Source: Nairobi Securities Exchange (NSE), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES c.489.9bn, above the prorated target (performance rate of c.185.4%).

Yield Curve:

Week-on-week, yields softened by an average of 19.7bps w/w, with upticks largely offset by downticks. Below is a visual representation;



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

During the week, yields on Kenyan Eurobonds rose marginally, with rates rising by an average of 10.1bps w/w. The table below summarizes the performance across maturities:

Kenyan Eurobonds					
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	2.2	5.2	6.5	8.5	22.2
31-Dec-24	9.1%	10.1%	10.1%	10.1%	10.3%
04-Dec-25	**6.1%**	**7.8%**	**7.7%**	**8.3%**	**8.9%**
05-Dec-25	6.1%	7.8%	7.7%	8.3%	8.9%
08-Dec-25	6.3%	7.8%	7.8%	8.3%	9.0%
09-Dec-25	6.3%	7.8%	7.9%	8.4%	9.1%
10-Dec-25	6.3%	7.8%	7.8%	8.4%	9.1%
Weekly Change	**0.176%**	**0.030%**	**0.085%**	**0.075%**	**0.139%**
YTD Change	**(2.7%)**	**(2.3%)**	**(2.3%)**	**(1.7%)**	**(1.2%)**

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

Currency Performance

The Kenyan shilling exhibited mixed performance during the week compared to the currencies we track. In particular, the Kenyan Shilling gained ground against the Japanese Yen and Ugandan Shilling, strengthening by 0.9% each. In addition, the local unit strengthened by 0.3% w/w and 0.2% w/w against the Tanzanian Shilling and British Pound, respectively. Furthermore, the Kenyan Shilling strengthened slightly against the dollar, up 0.1% w/w to KES 129.16. Notably, the U.S Federal Reserve Bank lowered the federal funds rate by 25bps to a target range of 3.50% -3.75%, mainly reflecting labour market weakness. On the other hand, the local unit weakened against the Euro by 0.1% w/w.

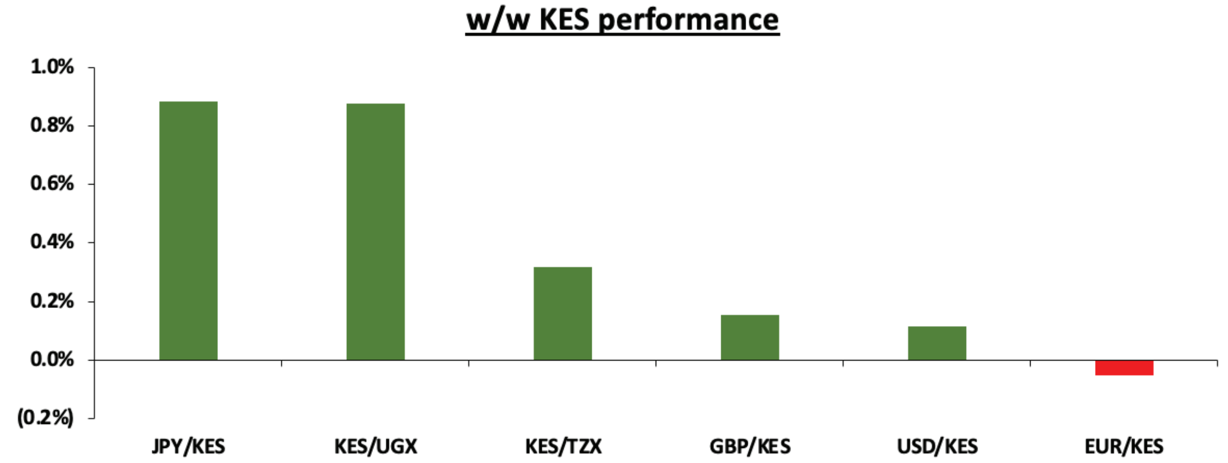
See the table below;

Currencies	31 Dec 2024	Previous Week	Current	w/w Change	YTD change
JPY/KES	82.12	83.58	82.84	**0.9%**	(0.9%)
KES/UGX	28.41	27.41	27.66	**0.9%**	(2.7%)
KES/TZX	18.99	18.91	18.97	**0.3%**	(0.1%)
GBP/KES	162.27	172.91	172.64	**0.2%**	(6.4%)
USD/KES	129.29	129.31	129.16	**0.1%**	0.1%
EUR/KES	134.29	150.90	150.98	**(0.1%)**	(12.4%)

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

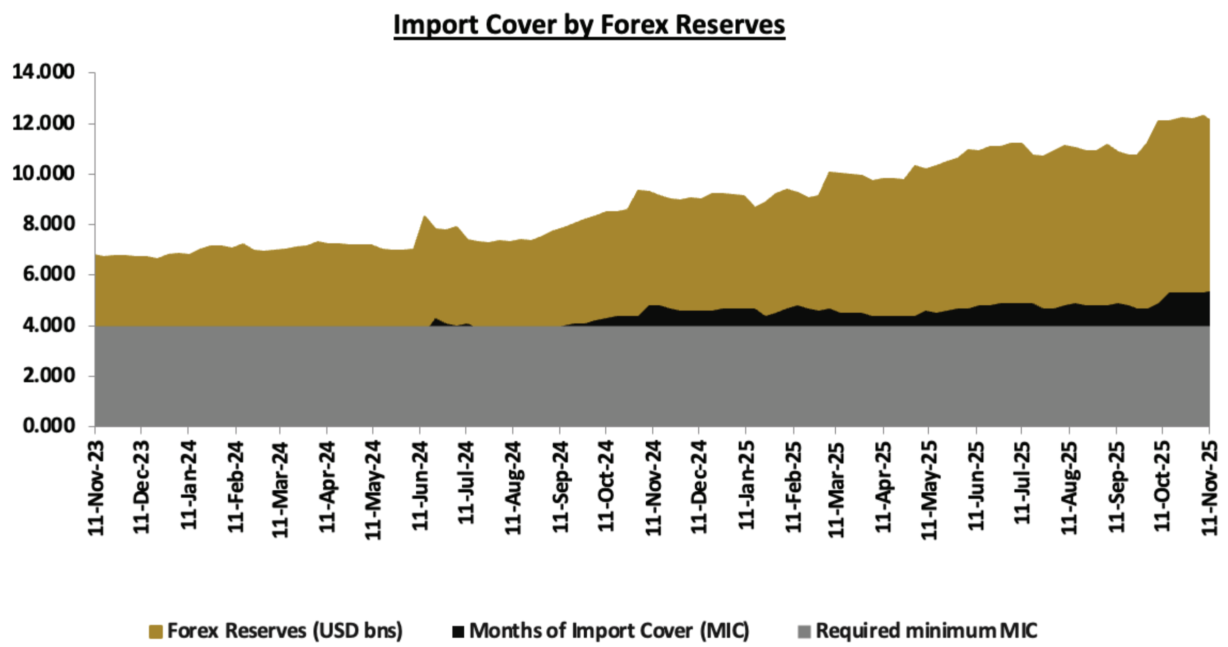
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves rose to USD 12.07bn (+0.3% w/w), maintaining the import cover at 5.2 months. See the chart below for a visual summary;

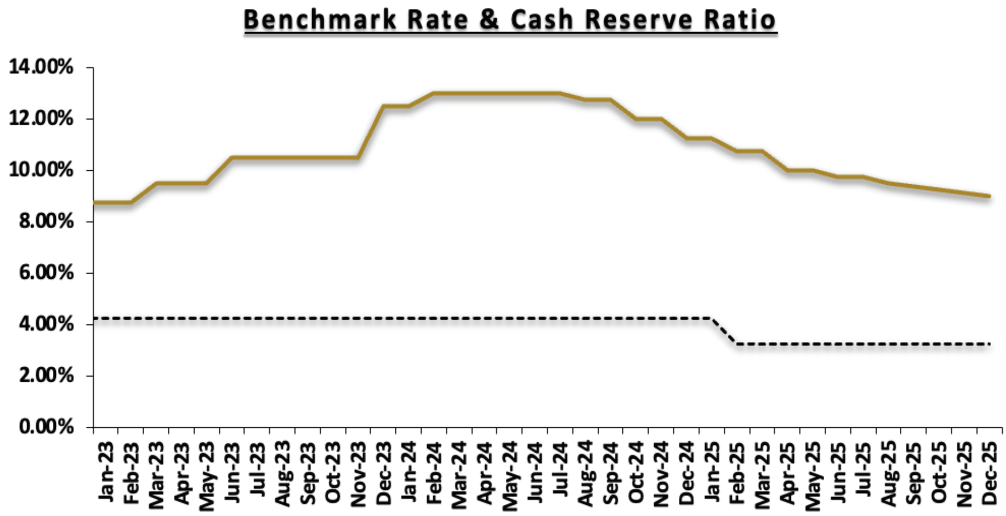


Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

1. CBK MPC cuts base rate by 25bps to 9.0% as private sector lending and asset quality recover

The Central Bank of Kenya's (CBK) Monetary Policy Committee (MPC) convened on Tuesday, 9th December 2025, resolving to cut the Central Bank Rate (CBR) by a further 25bps to 9.00%, in line with our expectations. The August adjustment brings the cumulative reduction in the benchmark rate to 400bps, down from 13.0% in 2024, the ninth 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, robust FX reserves, and inflation remains comfortably within the CBK's target band.

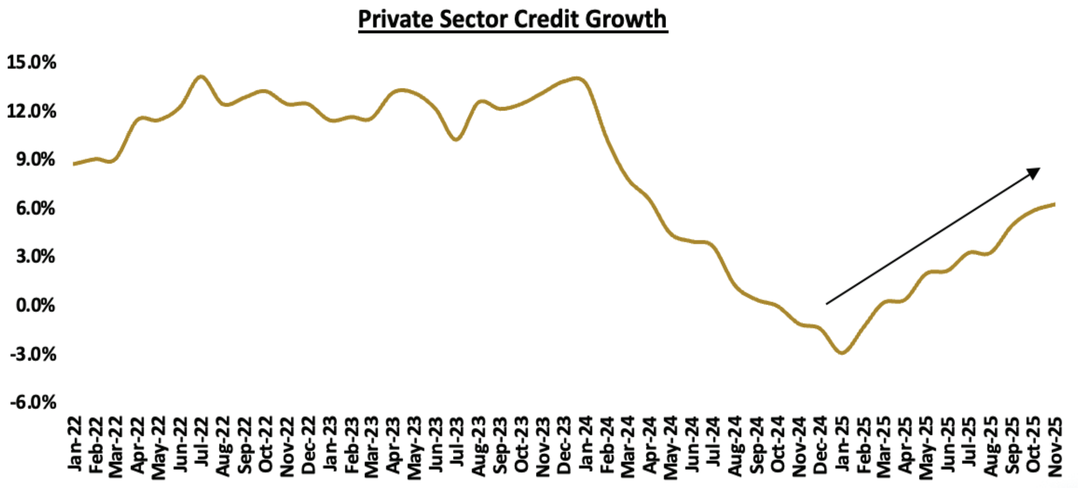
Short-term inflation expectations are expected to remain well contained (within the target range of 5.0±2.5%), further supported by the onset of harvest season for key crops (i.e., maize), coupled with stable energy prices and continued exchange stability. Core inflation edged slightly lower to 2.3% in November from 2.7% in October 2025, on account of lower prices of processed food items. On the other hand, non-core inflation remains elevated (10.1% in November 2025 vs 9.9% in October 2025), driven by higher vegetable prices and seasonal festive demand, plus higher prices of some food items are expected to exert moderate upward pressure on overall inflation in the near term.

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. Key risks to the economic outlook include fiscal pressures from elevated public debt, adverse weather conditions, geopolitical tensions and trade policy uncertainties, volatility in international oil markets, and global commodity shocks.

On the external front, the MPC highlighted a 6.7% y/y increase in exports in the twelve months to October 2025, outpaced by a 9.6% y/y rise in imports. Consequently, the current account deficit expanded to 2.2% of GDP, up from 1.5% in 2024, mainly reflecting higher imports of intermediate and capital goods. While partly growth-supportive, a widening gap has the potential to leave the economy more exposed to external funding and terms-of-trade shocks. Overall, the current account deficit is projected to remain stable at 2.3% of GDP in 2025 and 2026, and is expected to be financed by financial account inflows. This is projected to result in an overall balance of payments surplus of USD 1,938.0m in 2025, and USD 681.0m in 2026.

Credit conditions continue to improve, with private sector credit growth rising to 6.3% in November 2025 from 5.9% in October 2025 (-2.9% in January 2025) on the back of declining lending interest rates in line with the reductions in the CBR rate. In particular, the building and construction (+43.8% vs -2.2% in November 2024; partly aided by settlement of pending bills and affordable housing programmes), manufacturing (+7.9% vs.

-10.5% in November 2024), and consumer durables sectors (+8.3% vs +2.2% in November 2024) recorded improved demand in November 2025. Though an improvement, we note that banking sector vulnerabilities remain, with Non-Performing Loans (NPLs) remaining elevated at 16.5% in November from 17.6% in August 2025. We expect private sector credit uptake to continue gaining traction, with banks gradually reducing their cautious stance linked to elevated NPLs.



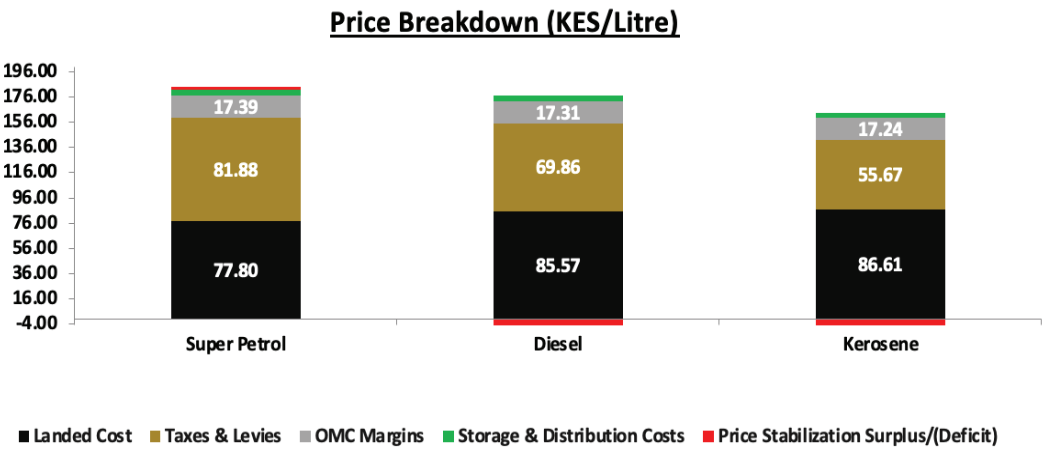
Source: CBK, Chart: SIB

The MPC pointed out that the revised banking sector Risk-Based Credit Pricing (RBCP) model, which will be fully operational by March 2026 (new loans effected from November 2025), is expected to improve the transmission of monetary policy decisions to commercial banks' lending interest rates (convergence between CBR and KESONIA has been achieved), and enhance transparency in the pricing of loans by banks. The CBK Governor noted that all 37 commercial banks have submitted their revised pricing formulas. Of these, c.48.0% of the commercial banks have chosen to use the CBR as their reference rate, while c.18.0% have opted for the KESONIA rate. Additionally, c.34.0% banks have chosen to utilize a mix of both CBR and KESONIA.

The committee will meet again in February 2025.

2. Fuel prices remain unchanged as the government continues to stabilize pump prices

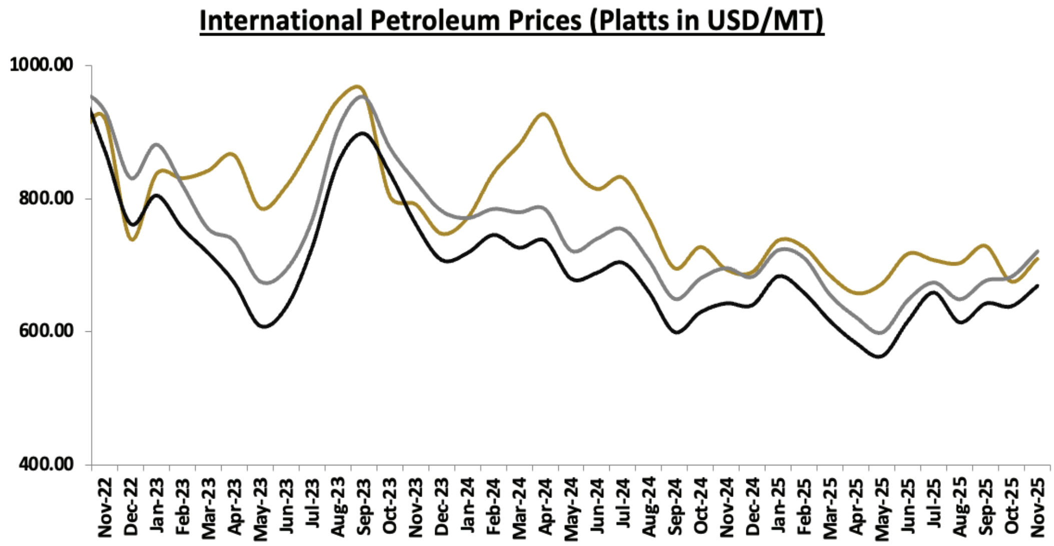
The Energy and Petroleum Regulatory Authority (EPRA) released fuel prices for the pricing cycle running from 15th December to 14th January 2026. Petrol, Diesel, and kerosene pump prices remained unchanged from the previous cycle at KES 184.52, KES 171.47, and KES 154.78 per litre, respectively, in Nairobi over the review period.
See below the price breakdown;



Source: EPRA, Chart: SIB

On the key pricing metrics, we note the following:

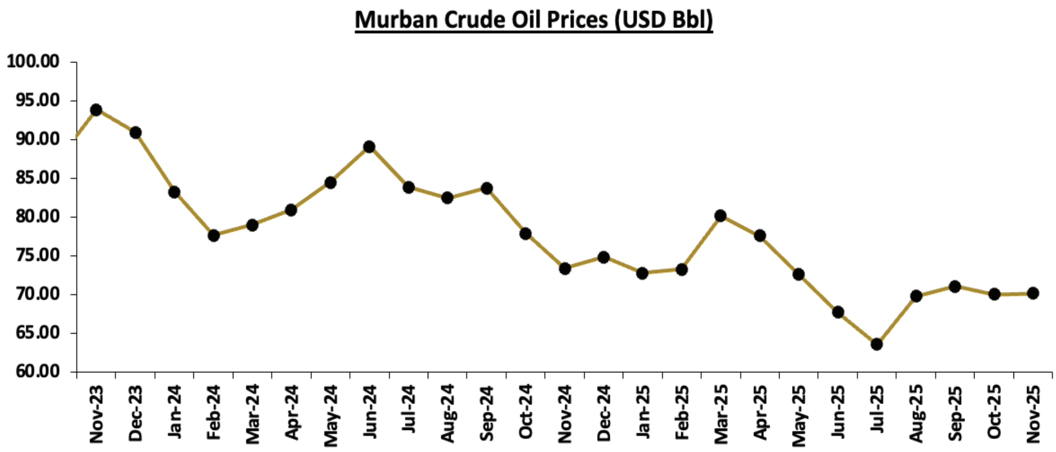
i. Landed costs per litre imported exhibited mixed trends in the period, with those of Diesel and Kerosene inching higher by 3.9% m/m and 5.6% m/m, respectively. On the other hand, landed costs for Super Petrol eased by 3.8% m/m. Notably, Platts prices rose 5.1% m/m for Petrol, 4.8% m/m for Diesel, and 5.6% m/m for Kerosene as illustrated below;



Source: EPRA, Chart: SIB

ii. In a bid to anchor fuel prices, the price stabilisation component was utilized in the period, with Diesel, and Kerosene subsidized by KES 5.67 per litre (+1.4x m/m), and KES 9.10 per litre (+1.1x m/m), respectively. On the other hand, Super Petrol recorded a price stabilization surplus of KES 2.78.

iii. Crude oil prices in November 2025 remained largely stable (+0.2% m/m, -4.3%y/y) to USD 70.22 per barrel, from USD 70.10 per barrel (Bbl) as shown below:



Source: EPRA, Chart: SIB

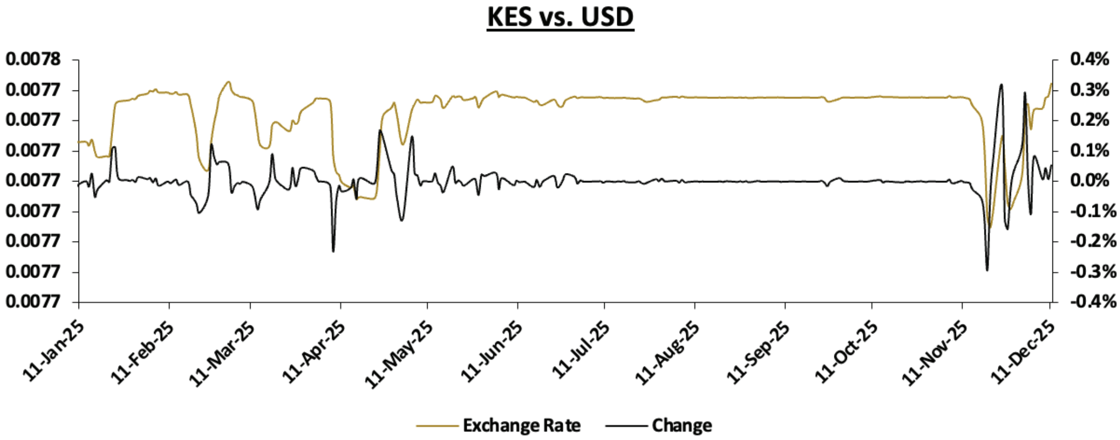
The December 2025/January 2026 fuel review cycle has not generated significant shifts, as fuel prices remained unchanged. A combination of relatively stable forex rates and moderate global crude price trends suggests a cautious but stable petroleum price environment over the medium term, unless disrupted by external shocks (such as geopolitical tensions) or policy shifts (particularly due to the government's discretionary application of the stabilization levy). Furthermore, the apex bank, during its December 2025 MPC meeting, pointed out that it expects overall inflation to remain below the midpoint of the target range in the near term, supported by stable energy prices and continued exchange rate stability. Notably, Kenya is poised to begin commercial oil production, aiming to make its first exports from the South Lokichar Basin in Turkana by December 2026, following approval of the Field Development Plan (FDP).

Hot on the Horizon:

1. **The Exchequer Receipts & Releases for November 2025.**

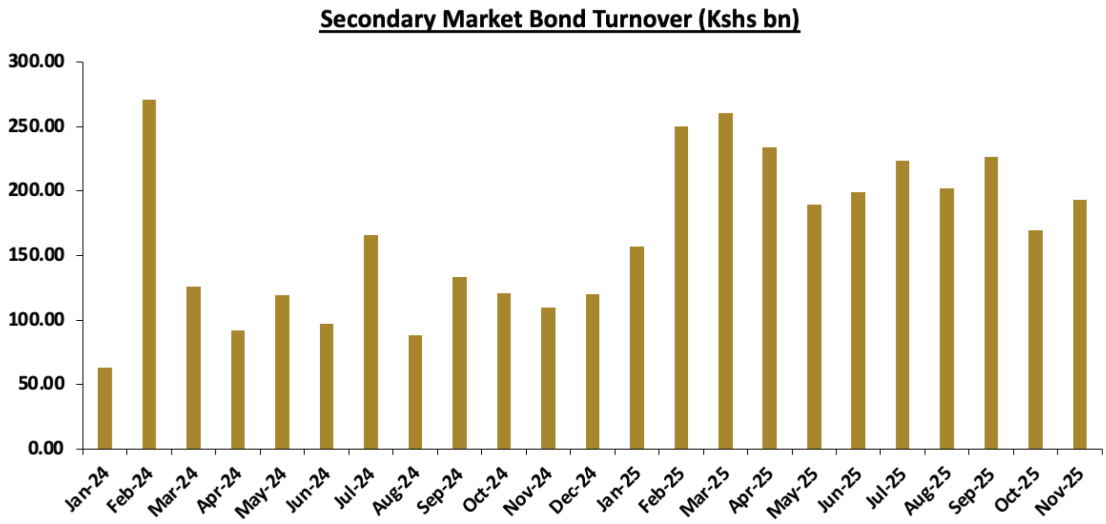
BACKGROUND CHARTS

KES/USD Performance



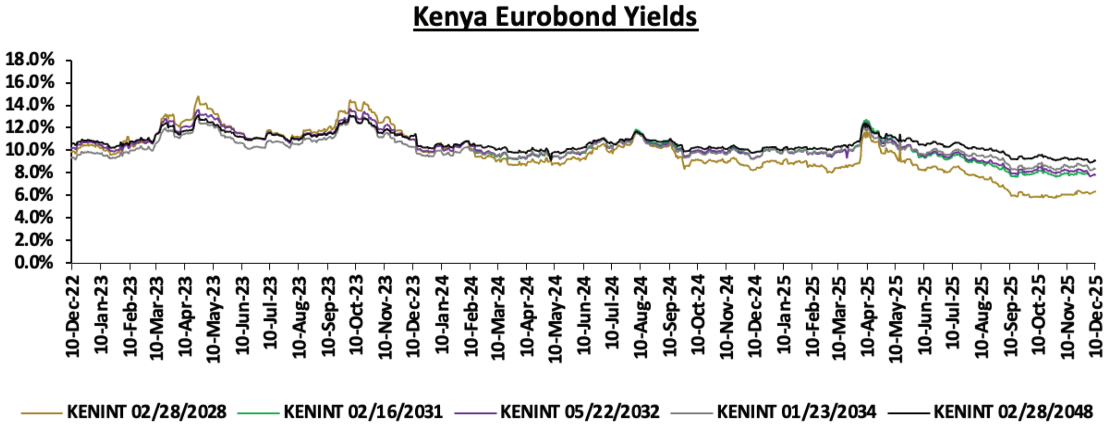
Source: Central Bank of Kenya (CBK)

Bond Turnover



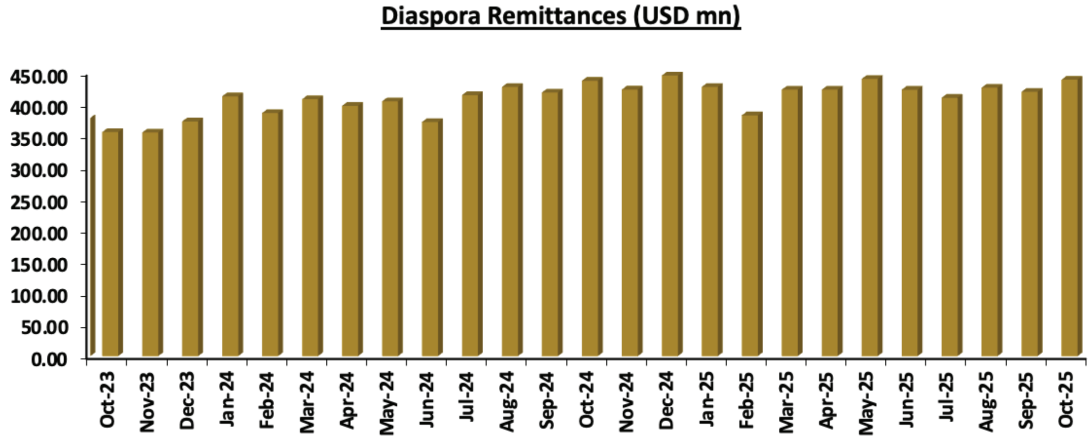
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Central Bank of Kenya (CBK)

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CONTACTS

Research

Eric Musau
emusau@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

Corporate Finance

Job Kihumba
jkihumba@sib.co.ke

Lorna Wambui
wndungi@sib.co.ke

Marketing & Communications

Victor Ooko
communications@sib.co.ke

Client Services
clientservices@sib.co.ke

Investment Solutions

Robin Mathenge
rmathenge@sib.co.ke

Private Client Services

Boniface Kiundi
bkiundi@sib.co.ke

Frankline Kirigia
fkirigia@sib.co.ke

Laban Githuki

lgithuki@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