SIB Standard Investment Bank

Regulated by the Capital Markets Authority

19TH JANUARY 2026

“Fuel prices edge lower amid lower global prices, narrower subsidies”

WEEKLY FIXED INCOME REPORT

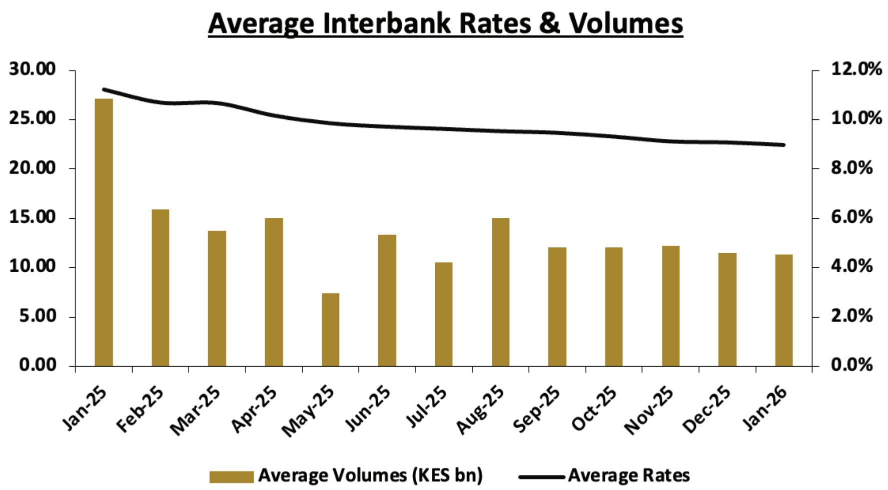
Cumulative tax revenues to December rise by 8.1%y/y to KES 1,161.3bn, as total expenditures jump by 25.1% y/y

MONEY MARKET STATISTICS

Liquidity conditions remained largely stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) rising by 0.74bps w/w to an average of 8.99%. Interbank lending advanced during the week, with average traded volumes trending higher by 103.4% w/w to KES 15.25bn, from KES 7.49bn in the prior week. The uptick was mirrored by a higher transaction count (+130.0% w/w to 23). Find a summary below:

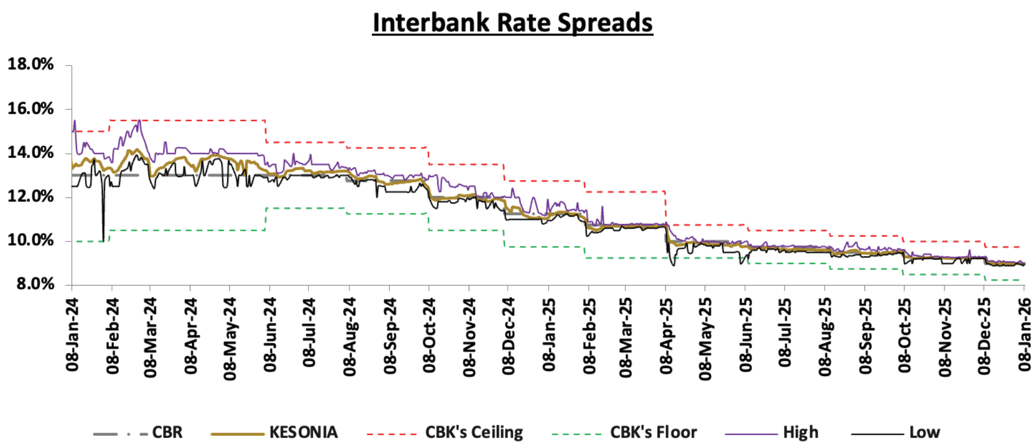
Average	Previous Week – ended 8th January 2026	Current Week – ended 15th January 2026	w/w change
Interbank Deals	10.00	23.00	**+130.0%**
Inter-Bank volumes (KES bn)	7.49	15.25	**+103.4%**
KESONIA (bps)	8.98%	8.99%	**+0.74**
Window Borrowing Volumes (KES bn)	-	-	**n/a**

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



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

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



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

GOVERNMENT SECURITIES MARKET

T-Bills:

This week, demand for Treasury Bills remained robust, with the overall subscription rate easing slightly to 128.4% from 130.3% in the previous week. The accepted amount was higher than the maturity amount, resulting in a net borrowing of KES 6.2bn. In absolute terms, the 364-day paper received the highest demand, garnering 95.0% of the total submitted bids and a subscription rate of 292.8%. The 91-day paper recorded a performance rate of 24.0%, while the 184-day paper recorded a dismal performance rate of 5.8%. Overall, KES 28.5bn was accepted, with the weighted average rate of accepted bids at 7.70% (-2.7 bps w/w), 7.80% (flat for the fifth consecutive auction), and 9.20% (-0.1bps w/w) for the 91-day, 182-day, and 364-day papers, respectively, as shown below;

KES Bn

19-Jan-26	91-day	182-day	364-day	Totals
	20-Apr-26	20-Jul-26	18-Jan-27	
Amount offered	4.00	10.00	10.00	24.00
Bids received	0.96	0.58	29.28	30.83
Subscription rate (%)	24.0%	5.8%	292.8%	128.4%
Amount accepted	**0.95**	**0.58**	**26.99**	**28.52**
Acceptance rate (%)	98.9%	100.0%	92.2%	92.5%
Of which: Competitive Bids	0.09	0.03	23.11	23.22
Non-competitive bids	0.86	0.55	3.89	5.30
Rollover/Redemptions	3.40	7.86	11.08	22.34
New Borrowing/(Net Repayment)	**-2.44**	**-7.28**	**15.91**	**6.19**
Weighted Average Rate of Accepted Bids	7.70%	7.80%	9.20%	
Inflation	4.5%	4.5%	4.5%	
Real Return	**3.2%**	**3.3%**	**4.7%**	

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

T-Bonds:

In the primary bond market, the CBK is 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:

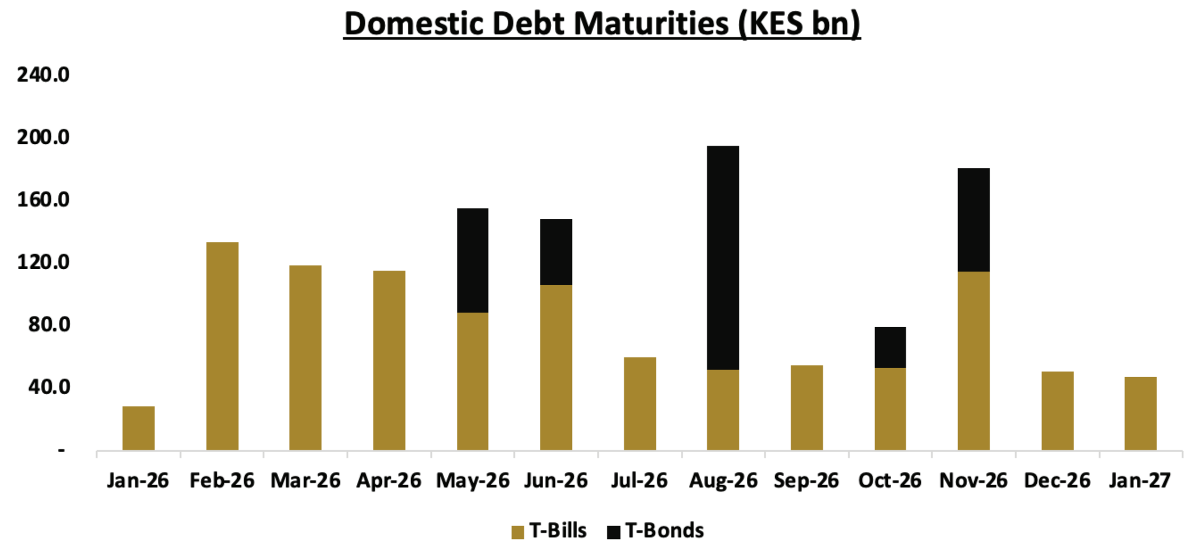
	Source Bond	Destination Bond
Issue Number	**FXD1/2016/010**	**FXD1/2022/015**
Effective tenor	0.6 years	11.3 years
Coupon Rates	15.04%	13.94%
Maturity Dates	17/08/2026	06/04/2037
Amount (KES - bn)	20.0	
Period of Sale	09th December 2025 – 19th January 2026	
Bid Submission Deadline	19th January 2026	

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

Markedly, secondary bond market turnover surged to KES 75.7bn (+78.4% w/w) in the week from KES 42.4bn in the previous week.

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

As of this week, the Government's outstanding maturities to January 2027 are at c.KES 1,024.7bn in T-Bills and c.KES 345.76bn in T-Bonds. When we factor in coupons, the total maturity profile comes in at c.KES 2.0tn. Notably, 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;

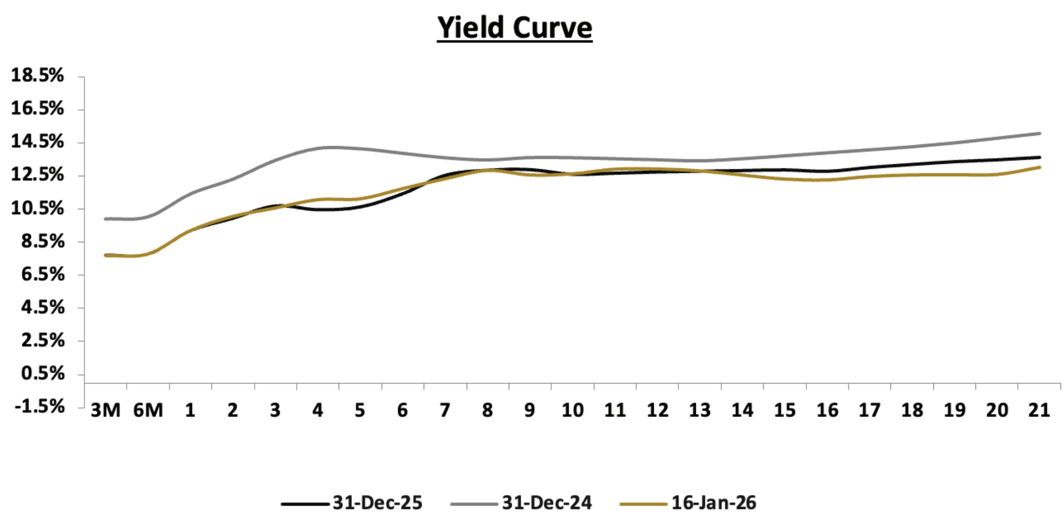


Source: Nairobi Securities Exchange (NSE), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES c.584.0bn, above the prorated target (performance rate of c.180.0%).

Yield Curve:

Week-on-week, yields remained largely stable (average -1.7bps decline), with upticks offset by declines, especially towards the tail end of the curve. Below is a visual representation;



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds softened in the week, with rates declining by an average of c.20.6bps for the week dated 9th January 2026 to 15th January 2026. The table below summarizes the performance across maturities:

Kenyan Eurobonds					
Issuance	10-Year 2028	6-Year 2031	12-Year 2032	13-Year 2034	30-Year 2048
31-Dec-25	6.0%	7.1%	7.2%	7.8%	8.8%
08-Jan-26	**6.2%**	**7.3%**	**7.4%**	**8.1%**	**9.1%**
09-Jan-26	6.2%	7.2%	7.4%	8.1%	9.0%
12-Jan-26	6.2%	7.3%	7.4%	8.1%	9.0%
13-Jan-26	6.2%	7.2%	7.4%	8.1%	9.0%
14-Jan-26	6.2%	7.2%	7.4%	8.0%	9.0%
15-Jan-26	6.2%	7.0%	7.2%	7.9%	8.9%
Weekly Change	**(0.080%)**	**(0.319%)**	**(0.229%)**	**(0.239%)**	**(0.156%)**
YTD Change	**0.1%**	**0.0%**	**0.2%**	**0.2%**	**0.2%**

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

Currency Performance

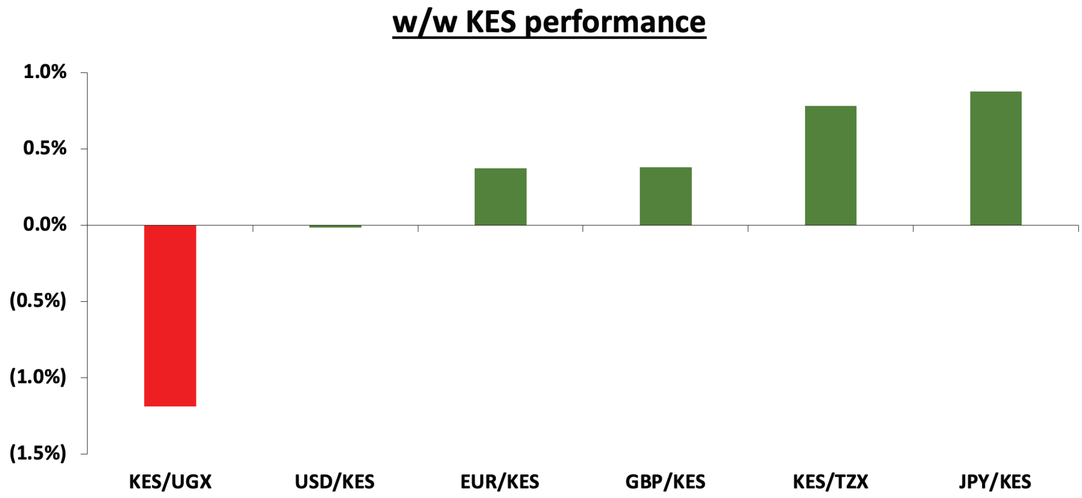
The Kenyan shilling exhibited mixed performance during the week compared to the currencies we track. In particular, the shilling gained ground against the Japanese Yen and Tanzanian Shilling, strengthening by 0.9% w/w and 0.8% w/w, respectively. In addition, the local unit appreciated by 0.4% w/w against the British Pound and Euro. On the other hand, the shilling remained largely unchanged against the dollar, while weakening by 1.2%w/w against the Ugandan Shilling. Notably, the U.S. Dollar Index strengthened by 0.39% during the week ended 15th January 2026, buoyed by positive data that dampened Fed rate cut expectations. See the table below;

Currencies	31 Dec 2025	Previous Week	Current	w/w Change	YTD change – 31st Dec 2025
KES/UGX	28.06	27.88	27.55	**(1.2%)**	(1.8%)
USD/KES	129.01	129.01	129.03	**(0.0%)**	(0.0%)
EUR/KES	151.43	150.31	149.75	**0.4%**	1.1%
GBP/KES	173.65	173.26	172.60	**0.4%**	0.6%
KES/TZX	19.03	19.34	19.49	**0.8%**	2.4%
JPY/KES	82.39	81.99	81.27	**0.9%**	1.4%

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

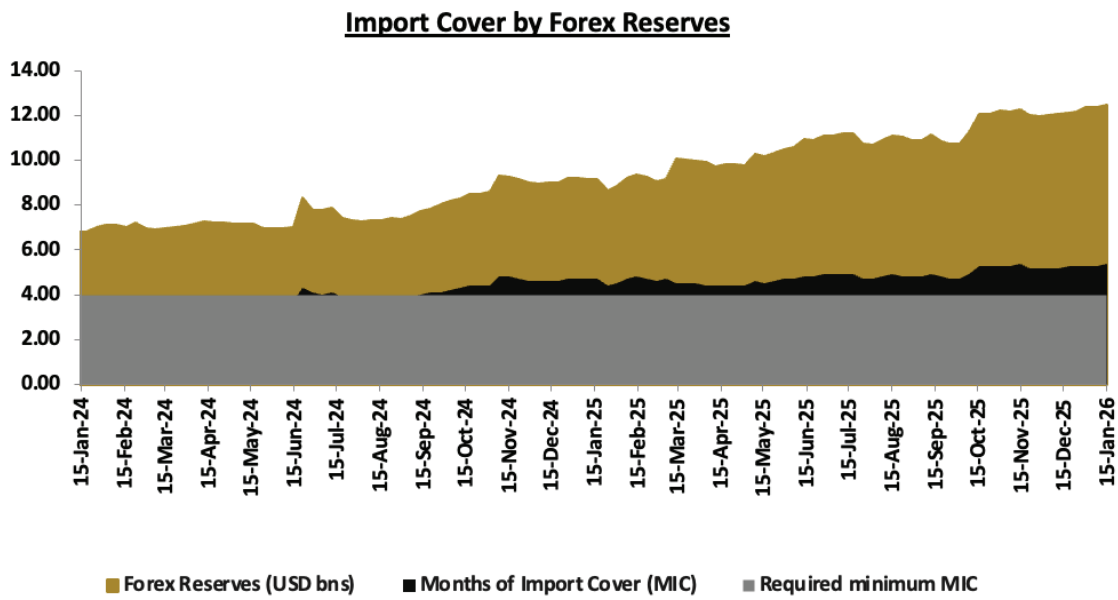
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

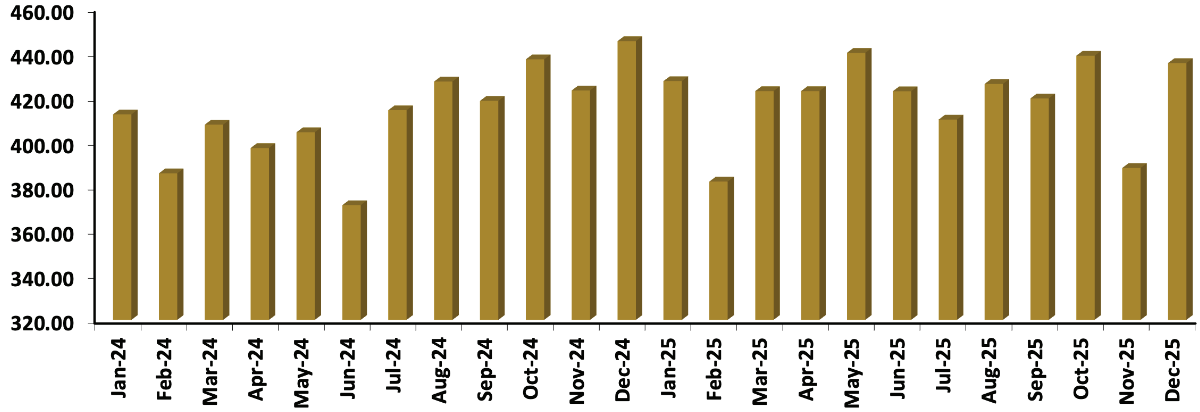
Kenya's foreign exchange reserves rose to USD 12.48bn (+0.8% w/w) – a record high, maintaining the import cover at 5.4 months. See the chart below for a visual summary;



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

Meanwhile, diaspora remittances remained resilient, with December 2025 inflows declining by 2.2% y/y to USD 435.5m from USD 445.4m in December 2024 (up 12.2% m/m from USD 388.3m in November 2025). Notably, total remittances came in at USD 5,036.7m in 2025, up 1.9% y/y from USD 4,945.2m in 2024. See the chart below for a visual summary.

Diaspora Remittances (USD mn)



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

THE MACRO WRAP

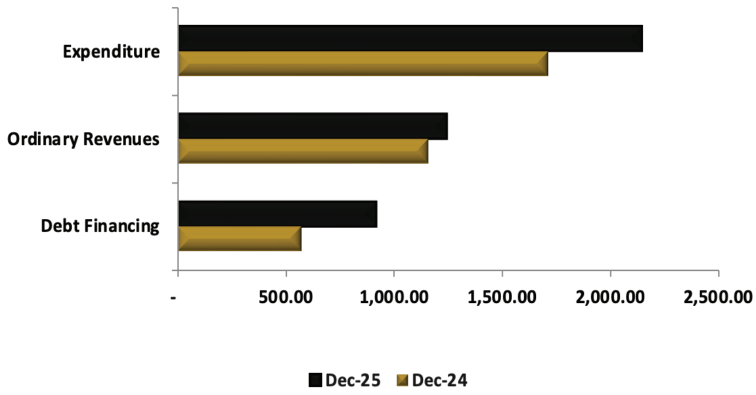
1. Cumulative Tax Revenues to December rise by 8.1%y/y to KES 1,161.3bn, as total expenditures jump by 25.1% y/y

The National Treasury published the actual receipts and releases for the first half of FY25/26, and below is our assessment;

1.1 Year-on-year Performance

- Overall, the Government collected KES 1,243.4bn in ordinary revenues, reflecting a 7.2% y/y increase from KES 1,160.2bn collected during the same period in FY2024/25. Within this, tax revenues rose by 8.1% y/y, reaching KES 1,161.3bn, up from KES 1,074.1bn during a similar period last year. Notably, non-tax revenue declined by 4.6%y/y to KES 82.1bn from KES 86.1bn in December 2024. Overall, the Government missed its prorated ordinary revenue target by c.KES 134.0bn.
- Total expenditure stood at KES 2,143.7bn, marking a 25.1% y/y uptick from KES 1,714.1bn in the corresponding period of FY2024/25. This performance was partly attributable to a 26.3% y/y and 37.8% y/y rise in recurrent expenditure and debt servicing to KES 735.2bn and KES 1,070.5bn, respectively.
- The total borrowings amounted to KES 918.97bn, representing a 60.0% y/y jump from KES 574.4bn recorded in FY2024/25 over the same period.
- See the chart below for a quick summary;

Actual Budget Performance (KES Bn)



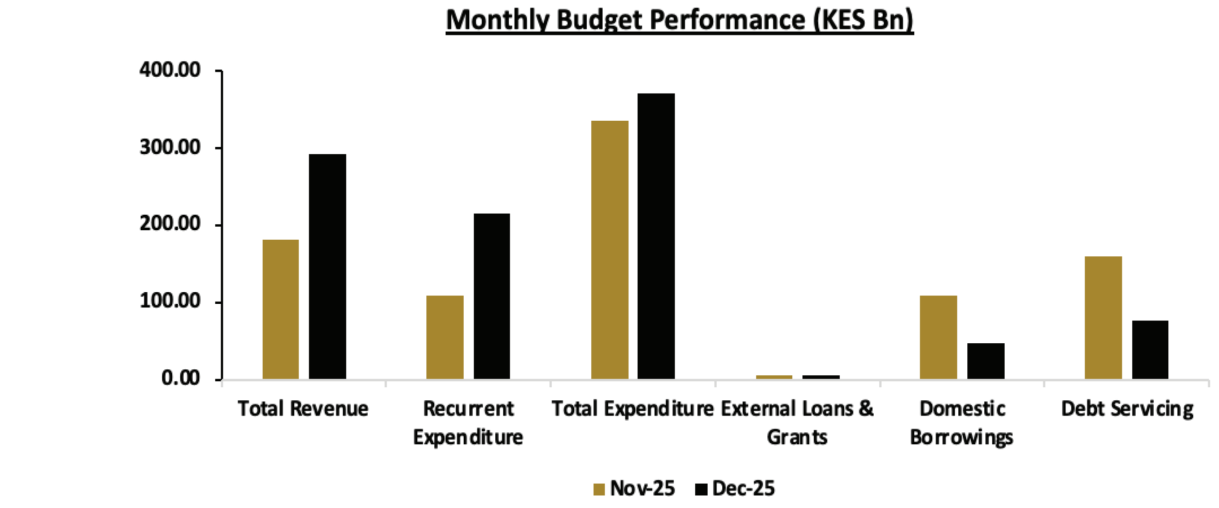
Source: Treasury, Chart: SIB

Overall, actual development spending increased by 11.7% y/y to KES 145.0bn, up from KES 129.8bn over the same period in FY24/25. Below, we provide a breakdown of the m/m performance.

1.2 Month-on-month Performance

- Total expenditure for December rose by 10.5% m/m to KES 370.5bn, from KES 335.3bn in November 2025. The performance was largely on a c.96.6% m/m leap in recurrent expenditure to KES 214.6bn vs KES 109.1bn in November 2025. However, a 41.4% m/m decline in CFS Exchequer issues to KES 97.5bn vs KES 166.3bn in November partially offset the impact of higher recurrent expenditure.
- Domestic borrowing for the same period halved to KES 47.8bn (-56.1% m/m), compared to the KES 108.8bn borrowed in November 2025. External financing fell to KES 4.9bn, down 12.1% m/m from KES 5.6bn in the previous month. Overall, the total financing came in at KES 67.9bn (-40.8% m/m) in the month. Furthermore, debt servicing obligations eased by 52.5% m/m to KES 76.0bn.
- Meanwhile, the total revenue performance for November recorded a 60.5% m/m upturn to KES 291.5bn, from KES 181.6bn in November 2025, as tax revenues and non-tax revenues leaped by 45.0% m/m and 391.1% m/m to KES 251.5bn and KES 39.9bn, respectively.

See the chart below for a summary;



Source: Treasury, Chart: SIB

1.3 Tax Revenue Performance

Over the first half of FY25/26, cumulative tax revenue grew by 8.1%y/y. In December 2025 alone to KES 251.5bn, marking a 15.9%y/y rise from KES 217.1bn in FY24/25 (+45.0% m/m from November 2025).

See the table below for a summary;

Tax Revenue Collections			
Month	**FY 23/24**	**FY 24/25**	**FY 25/26**
July	155.07	159.51	171.53
August	162.51	153.33	157.22
September	196.68	212.72	224.91
October	170.48	171.13	182.62
November	162.60	160.32	173.49
December	203.50	217.06	251.52
January	165.57	177.82	
February	157.61	151.82	
March	161.04	175.73	
April	210.69	221.39	
May	183.06	210.62	
June	232.26	246.36	
Total	**1,928.82**	**2,257.81**	**1,161.29**

Source: KNBS, Chart: SIB

As of 31st December 2025, CFS exchequer issues accounted for 47.5% of the total expenditure for FY25/26 (up from 43.1% in FY24/25), while recurrent expenses claimed 37.7% (38.2% in FY24/25). Additionally, the county equitable share took 8.0%, while development projects received a modest 6.8%. A significant portion of ordinary revenues is still allocated to debt servicing (c.75.7% vs c.56.3% in Dec 2024), with a sizeable portion of the remaining funds directed towards recurrent expenditure. Notably, the next bond maturity is expected in May 2026. This situation leaves the government to focus more on interest payments than on principal, allowing it to build up reserves and take advantage of more favorable rates in the domestic market. With the National Treasury having consistently missed revenue targets during the fiscal year as of December 2025, as well as expenditure pressures, we see the potential of a supplementary budget in early 2026 when Parliament resumes.

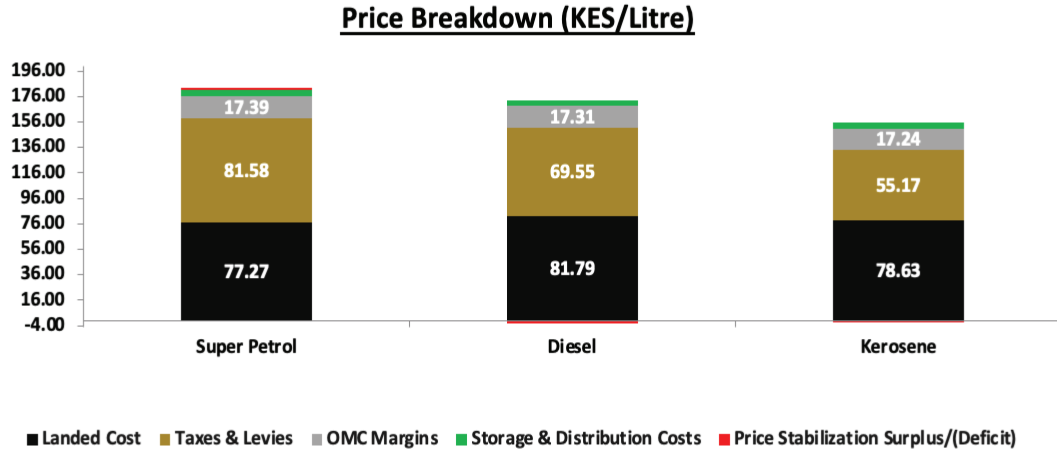
According to the draft 2026 Budget Policy Statement, the government's revenue performance will depend on ongoing reforms in tax policy and revenue administration. These reforms are designed to broaden the tax base and enhance compliance through data-driven and system-led enforcement. Furthermore, the government has introduced several initiatives, including but not limited to:

a. Validation of income and expenses for both individual and non-individual tax returns, effective January 1, 2026;
b. eTIMs compliance, which is now part of the requirements for obtaining a tax compliance certificate;
c. The launch of eRITs, aimed at increasing the collection of rental income tax;
d. The introduction of automated payment plans for tax liabilities

2. Fuel prices edge lower amid lower global prices, narrower subsidies

The Energy and Petroleum Regulatory Authority (EPRA) released fuel prices for the pricing cycle running from 15th January to 14th February 2026. Petrol, Diesel, and kerosene pump prices remained declined by KES 2.00 to KES 182.52, KES 1.00 each to KES 170.47, and KES 153.78, respectively, in Nairobi over the review period compared to the previous cycle.

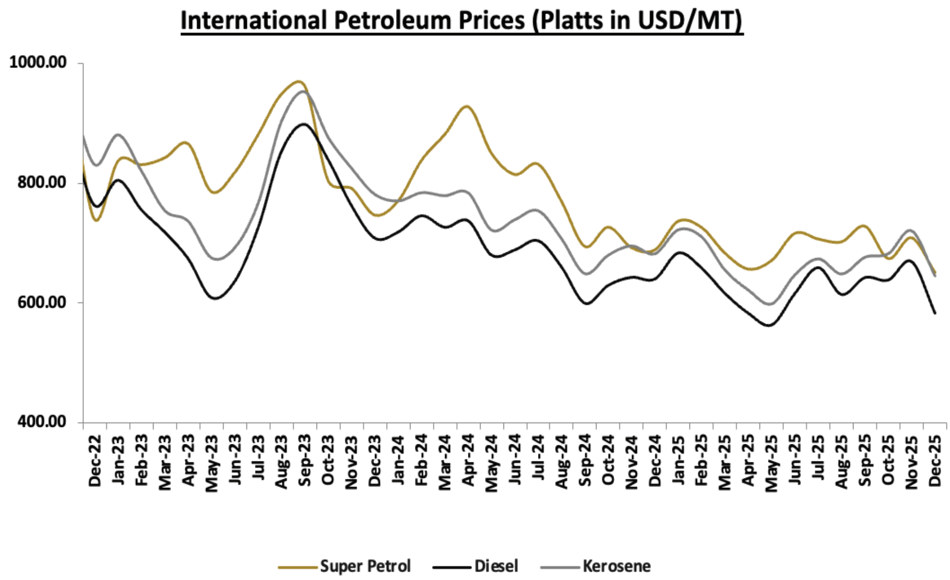
See below the price breakdown



Source: EPRA, Chart: SIB

On the key pricing metrics, we note the following:

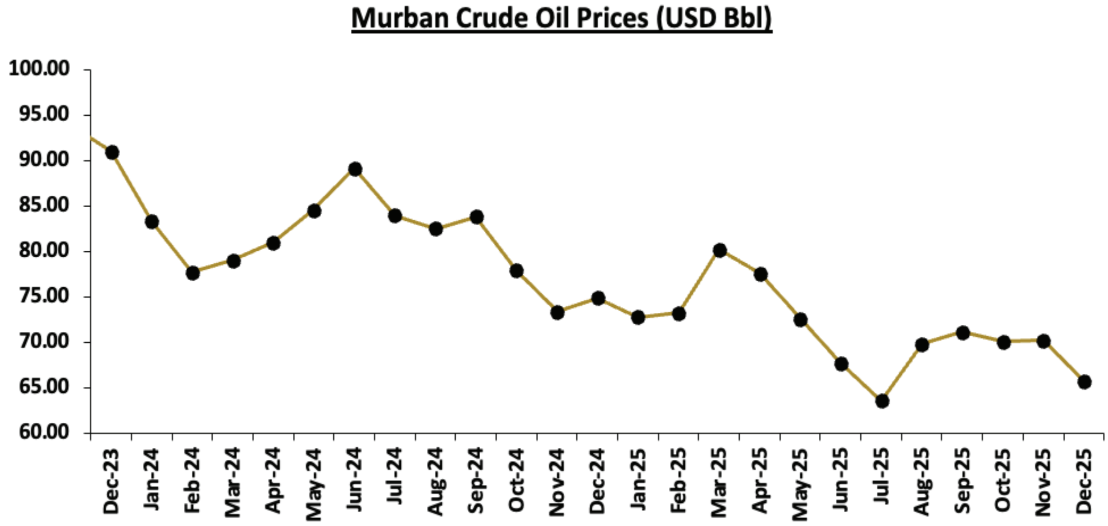
i. Landed costs per litre tapered in the period, with those of Petrol, Diesel, and Kerosene declining by 2.5%, 2.6%, and 6.8%, respectively. In addition, Platts prices fell off by 8.1% m/m for Petrol, 12.8% m/m for Diesel, and 10.4% m/m for Kerosene as illustrated below;



Source: EPRA, Chart: SIB

ii. Though narrower compared to the last cycle, the price stabilization component was utilized in a bid to anchor fuel prices in the period, with Diesel and Kerosene subsidized by KES 2.57 per litre (-54.7% m/m), and KES 1.61 per litre (-82.3% m/m), respectively. On the other hand, Super Petrol recorded a price stabilization surplus of KES 1.59 (-42.8% m/m) as the Government slowly builds up its buffers. Notably, without this contribution, Super Petrol prices would have dropped to c.KES 180.92;

iii. Crude oil prices in December 2025 declined to USD 65.79 (-6.3% m/m, -12.1%y/y) from USD 70.22 in November 2025, as shown below:



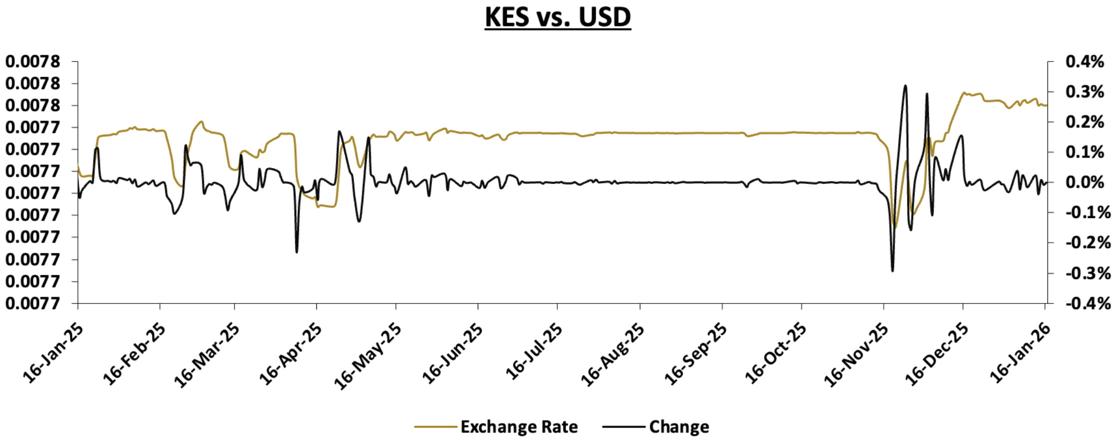
Source: EPRA, Chart: SIB

The January 2026/February 2026 fuel review cycle has not generated significant shifts, even as fuel prices inched lower. A combination of relatively stable forex rates and moderating global crude price trends suggests a cautious but stable petroleum price environment over the medium term, unless disrupted by external shocks (such as heightened geopolitical tensions, increased drawdown of inventories) 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).

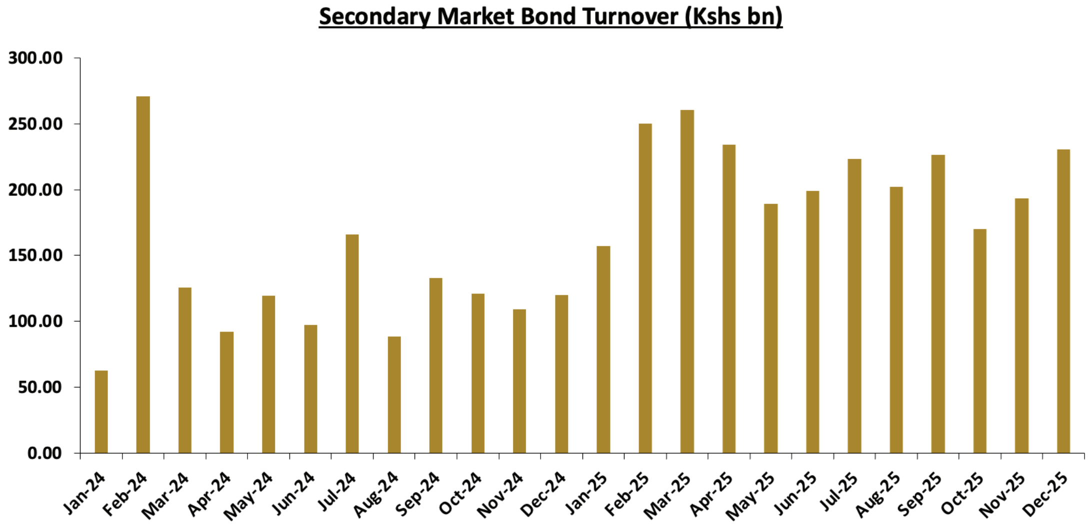
BACKGROUND CHARTS

KES/USD Performance



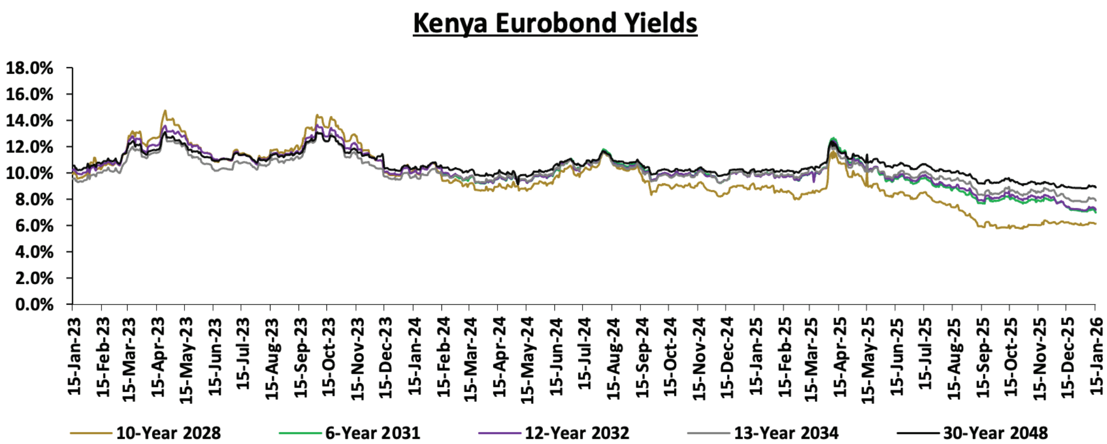
Source: Central Bank of Kenya (CBK)

Bond Turnover



Source: Central Bank of Kenya (CBK)

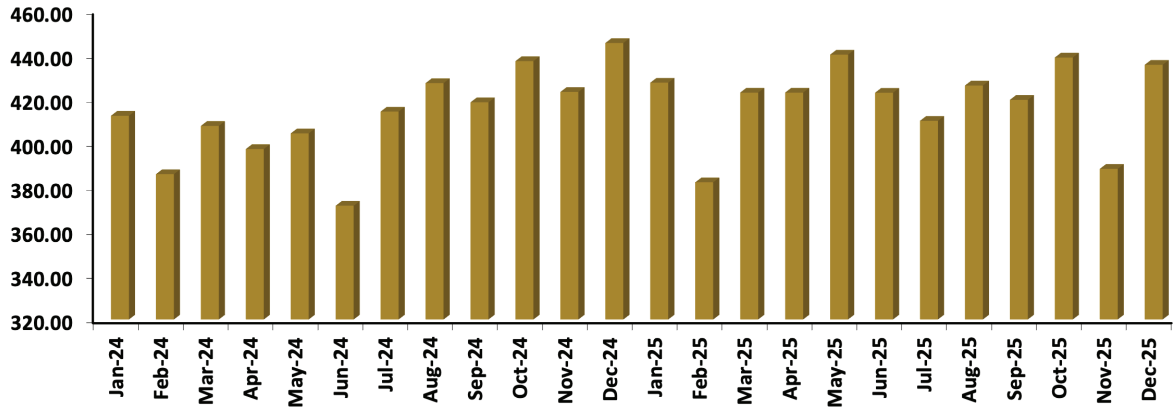
Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Diaspora Remittances

Diaspora Remittances (USD mn)



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

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