SIB Standard Investment Bank

16TH FEBRUARY 2026

"Central Bank raises KES 100.5bn in an offer 427.5% oversubscribed, 364-day T-bill rate falls to sub 9.0% territory"

WEEKLY FIXED INCOME REPORT

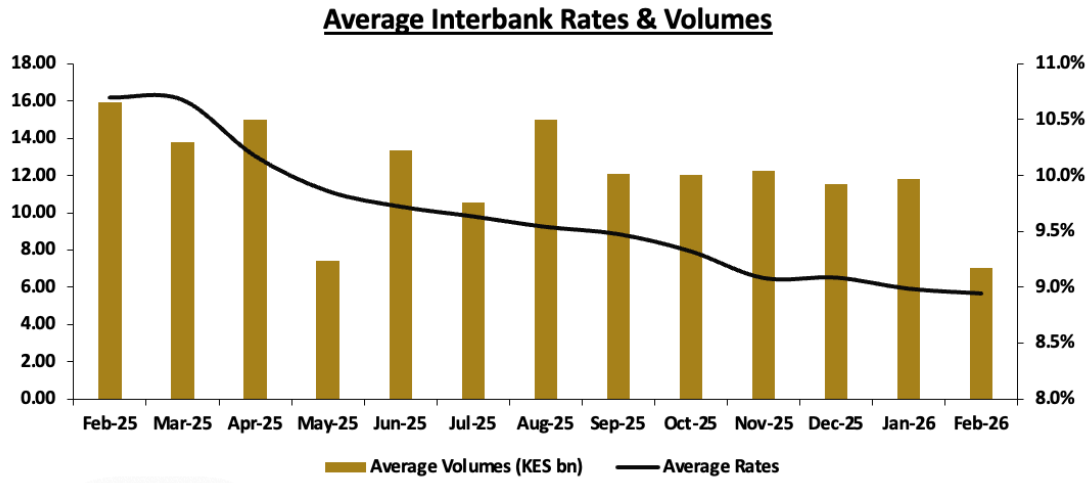
CBK MPC cuts base rate by 25bps to 8.75% to spur private sector lending; asset quality exhibits steady recovery

MONEY MARKET STATISTICS

Liquidity conditions remained largely stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) easing by 6.05 bps w/w to an average of 8.92% as industry players priced in the recent 25 bps rate cut by CBK. Interbank lending notched higher, with average traded volumes rising by 11.6% w/w to KES 7.45bn, from KES 6.68bn in the prior week. The slowdown was mirrored by a higher transaction count (+85.7% w/w to 26). Find the summary below:

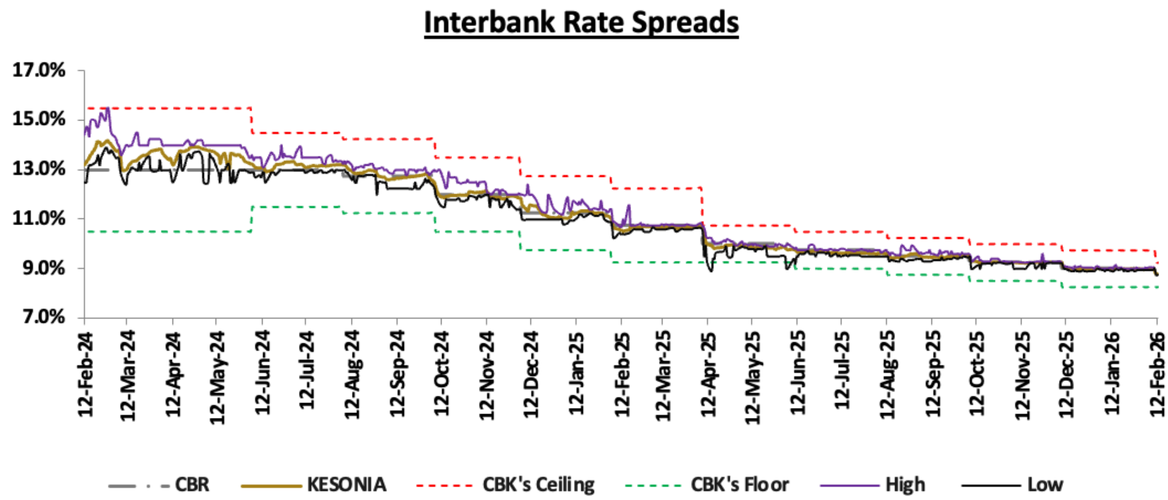
Average	Previous Week – ended 5th February 2026	Current Week – ended 12th February 2026	w/w change
Interbank Deals	14.00	26.00	**85.71%**
Inter-Bank volumes (KES bn)	6.68	7.45	**11.56%**
KESONIA (bps)	8.98%	8.92%	**(6.05)**
Window Borrowing Volumes (KES bn)	-	-	**n/a**

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 soared, with the overall subscription rate climbing to 308.8% from 267.8% in the previous week. Investors submitted bids totalling KES 74.11bn, of which the fiscal agent accepted 60.5%. This amount was higher than the maturity amounts, resulting in a net borrowing of KES 17.66bn. In absolute terms, the 364-day paper received the highest demand, garnering c.81.0% of the total submitted bids and a notable subscription rate of 600.5% as investors sought to lock in yields following the 25-bps rate cut in the week. The 91-day paper recorded a performance rate of 179.5%, while the 184-day paper came in at 68.8%. Overall, KES 44.80bn was accepted, with the weighted average rate of accepted bids at 7.61% (-2.04bps w/w), 7.77% (-1.80% bps w/w), and 8.98% (lowest since November 2021, -22.44bps w/w) for the 91-day, 182-day, and 364-day papers, respectively. Below is a visual summary;

KES Bn

16-Feb-26	91-day	182-day	364-day	Totals
	18-May-26	17-Aug-26	15-Feb-27	
Amount offered	4.00	10.00	10.00	24.00
Bids received	7.18	6.88	60.05	74.11
Subscription rate (%)	179.5%	68.8%	600.5%	308.8%
Amount accepted	**7.16**	**6.86**	**30.78**	**44.80**
Acceptance rate (%)	99.7%	99.7%	51.3%	60.5%
Of which: Competitive Bids	4.93	5.80	28.45	39.19
Non-competitive bids	2.23	1.06	2.33	5.61
Rollover/Redemptions	6.58	7.70	12.86	27.14
New Borrowing/(Net Repayment)	**0.58**	**-0.84**	**17.92**	**17.66**
Weighted Average Rate of Accepted Bids	7.61%	7.77%	8.98%	
Inflation	4.4%	4.4%	4.4%	
Real Return	**3.2%**	**3.4%**	**4.6%**	

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

T-Bonds:

In the primary market, the fiscal agent successfully raised KES 100.5bn via two reopened bonds: FXD3/2019/015 and FXD1/2018/025. Notably, the Government opted to absorb double its target of KES 50.0bn (pointing to funding pressures) while rejecting KES 113.2bn (likely due to aggressive bidding). The auction garnered bids worth KES 213.7bn, resulting in an impressive subscription rate of 427.5%. Contrary to recent auction trends, FXD3/2019/015 received the highest demand, indicating investor preference for a shorter duration despite a comparatively lower return. In particular, the paper recorded a subscription rate of 267.6% vs 159.9% recorded by FXD1/2018/025.

The weighted average rate of accepted bids stood at 12.18% (slightly lower than our estimate range) and 13.36% (within our estimated outcome range) for FXD3/2019/015 and FXD1/2018/025, respectively. Given the outsized quantum rejected by the Central Bank, the Government may opt to conduct a tap sale to mop up the rejected bids. See a summary of the performance below:

16-Feb-26	FXD3/2019/015	FXD1/2018/025	Totals
Due Date	**10-Jul-34**	**25-May-43**	
Amount offered (KES 'Mn)			50,000
Bids received (KES 'Mn)	133,792.5	79,943.4	213,736
Subscription rate (%)	267.59%	159.89%	427.47%
Amount accepted	**54,786.72**	**45,748.83**	**100,535.55**
Acceptance rate (%)	40.95%	57.23%	47.04%
Of which: Competitive Bids	33,700.8	36,008.2	69,709.0
Non-competitive bids	21,085.9	9,740.6	30,826.5
Bid to Cover ratio	2.44	1.75	2.13
Redemptions	0.00	0.00	0.00
New Borrowing/(Net Repayment)			**100,535.6**
Market weighted average rate of accepted bids	12.18%	13.36%	
Coupon Rate	12.34%	13.40%	
Price per KES 100 at average yield	101.74	102.52	
Inflation	4.40%	4.40%	
Real Return	**7.94%**	**9.00%**	

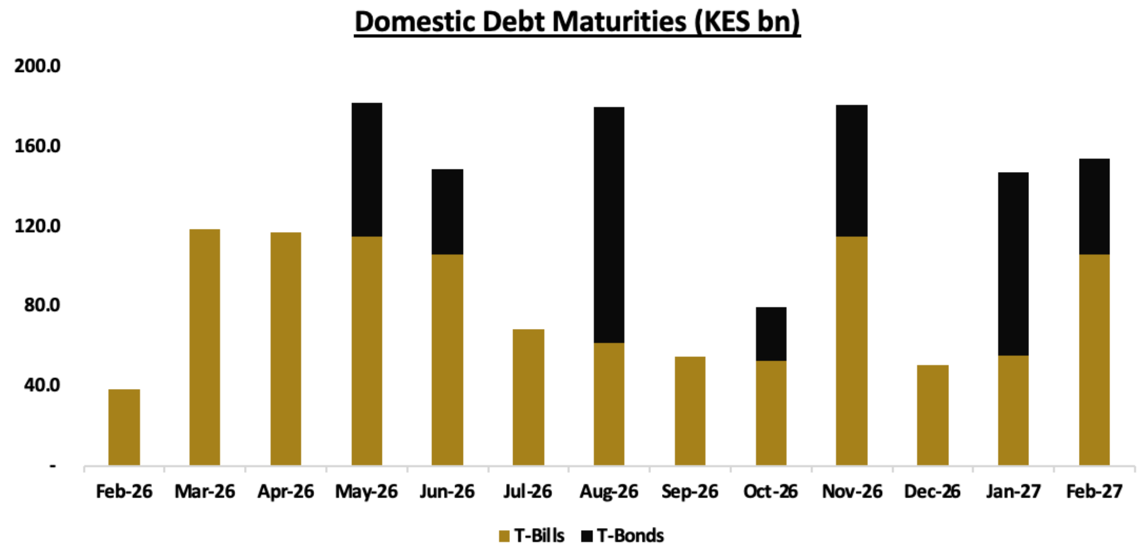
Source: Central Bank of Kenya (CBK), Table: SIB

Secondary bond market turnover edged higher to KES 63.1bn (+9.74%w/w) from KES 57.5bn in the prior week.

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

As of this week, the Government's outstanding maturities to February 2027 are at c.KES 1,061.40bn in T-Bills and c.KES 460.21bn in T-Bonds. When we factor in coupons, the total maturity profile comes in at c.KES 2.2tn. Notably, the next bond maturity is expected in May 2026 (c.KES 66.9bn), affording the government much-needed breathing space on its repayment schedule.

See the chart below;

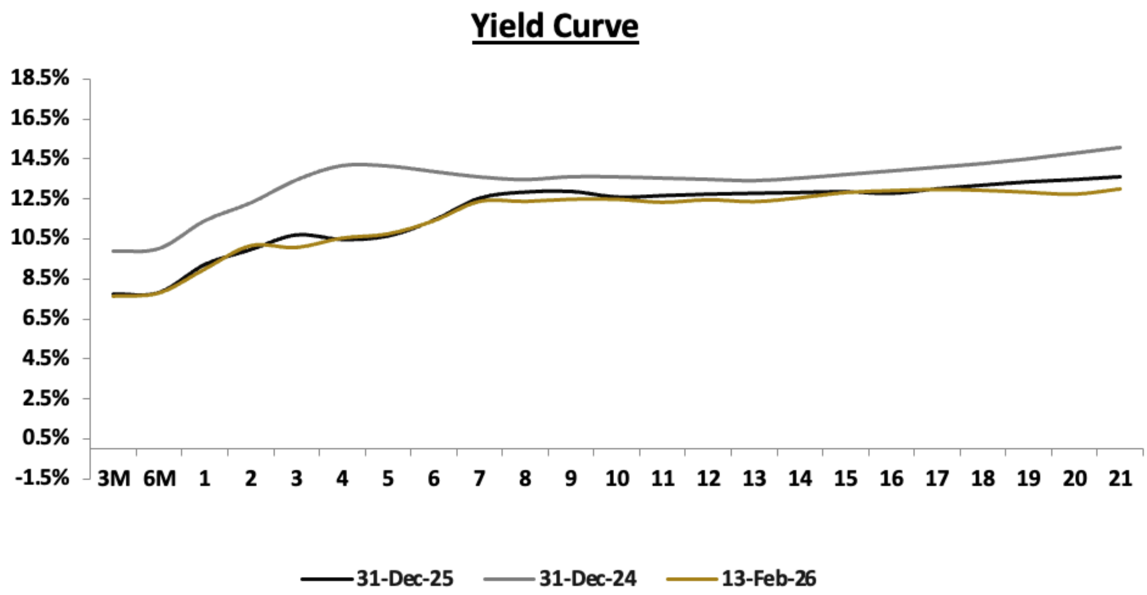


Source: Nairobi Securities Exchange (NSE), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES c.680.2bn, above the prorated target (performance rate of c.166.5%).

Yield Curve:

Week-on-week, yields remained largely stable (average 1.3 bps decrease), with slight upticks observed 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 remained steady in the week, with rates increasing by an average of c.2.4bps for the week dated 5th February 2026 to 12th February 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%
05-Feb-26	**6.1%**	**6.7%**	**7.0%**	**7.8%**	**8.7%**
06-Feb-26	6.1%	6.8%	7.0%	7.9%	8.7%
09-Feb-26	6.1%	6.7%	7.0%	7.8%	8.7%
10-Feb-26	6.1%	6.7%	7.0%	7.8%	8.7%
11-Feb-26	6.1%	6.7%	7.0%	7.8%	8.7%
12-Feb-26	6.1%	6.7%	7.0%	7.8%	8.7%
Weekly Change	**(0.010%)**	**0.050%**	**(0.010%)**	**0.050%**	**0.040%**
YTD Change	**0.0%**	**(0.4%)**	**(0.2%)**	**(0.1%)**	**(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 local unit weakened by 2.3% and 0.3% against the Japanese Yen and British Pound, respectively. Additionally, the Kenyan Shilling tapered by 0.5% against the Euro and the Ugandan Shilling. On the other hand, the Kenyan shilling gained by 0.8% w/w against the Tanzanian Shilling, while remaining largely flat against the US dollar, keeping with recent trends.

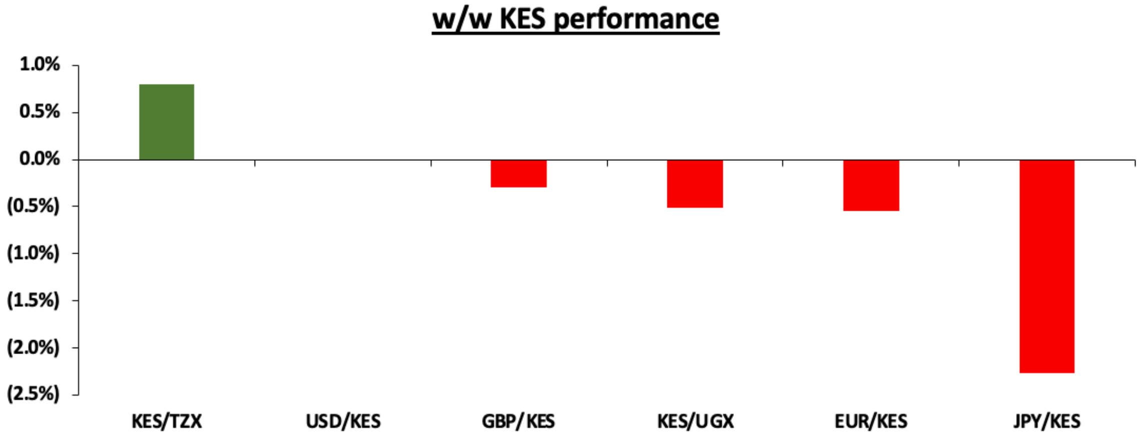
See the table below;

Currencies	31 Dec 2025	Previous Week	Current	w/w Change	YTD change – 31st Dec 2025
KES/TZX	19.03	19.95	20.11	**0.8%**	5.7%
USD/KES	129.01	129.02	129.02	**0.00%**	(0.0%)
GBP/KES	173.65	175.02	175.53	**(0.3%)**	(1.1%)
KES/UGX	28.06	27.59	27.45	**(0.5%)**	(2.2%)
EUR/KES	151.43	152.22	153.05	**(0.5%)**	(1.1%)
JPY/KES	82.39	82.31	84.18	**(2.3%)**	(2.2%)

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

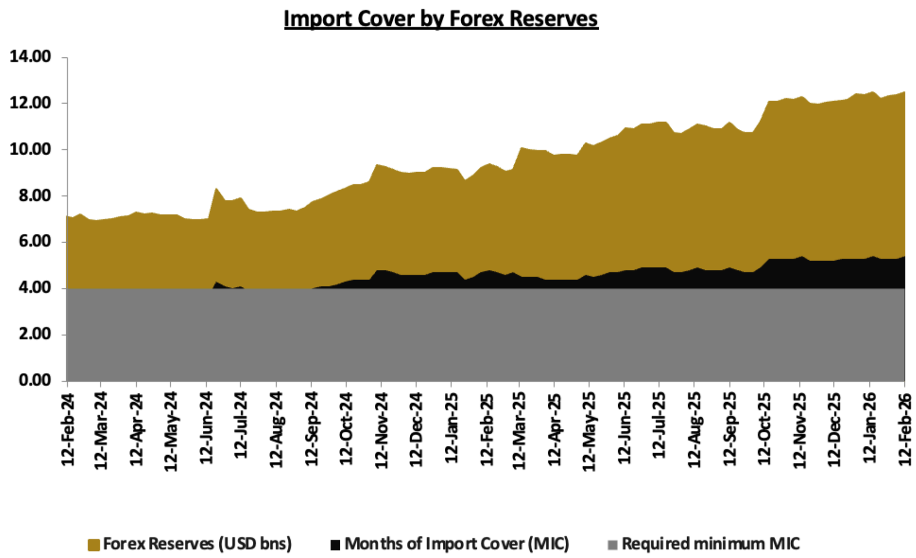
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

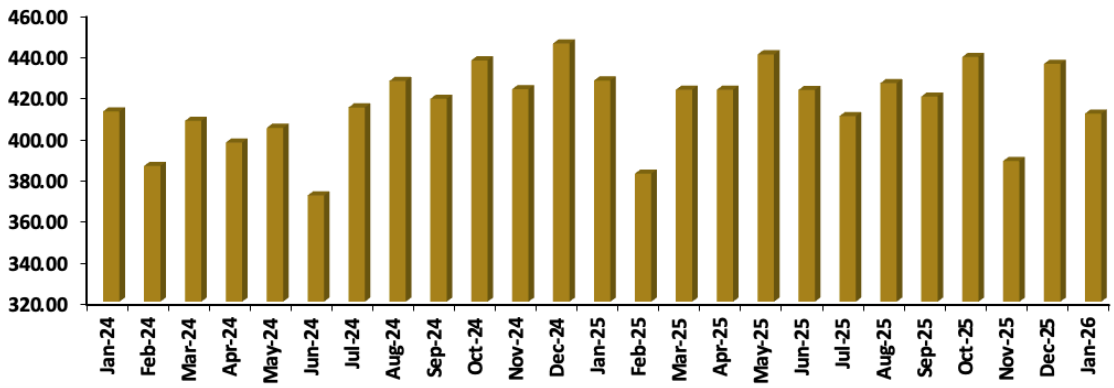
Kenya's foreign exchange reserves rose to a record high of USD 12.49bn (+0.8% w/w), maintaining the import cover at 5.4 months. See the chart below for a visual summary.



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

Meanwhile, diaspora remittances remained resilient, with January 2026 inflows declining by 3.8% y/y to USD 411.3m from USD 427.4m in January 2025 (down 5.6% m/m from USD 435.5m in December 2025). Notably, the 12-month cumulative inflows from January 2026 came in at USD 5,020.6m, up 1.2% y/y from USD 4,960.2m in 2025. The United States remains the top source of Kenya's remittances at over c.51.3%, providing crucial support to foreign exchange reserves and the current account. Though Kenya has not been singled out by the US visa bans (skilled and documented migration continues), tighter enforcement plus higher remittance costs may potentially slow the growth rate of formal US–Kenya remittances relative to recent highs. On the other hand, the CBK estimates that diaspora inflows from Saudi Arabia will recover in 2026, where labour law policy changes drove a fall in inflows in 2025. See the chart below for a visual summary.

Diaspora Remittances (USD mn)

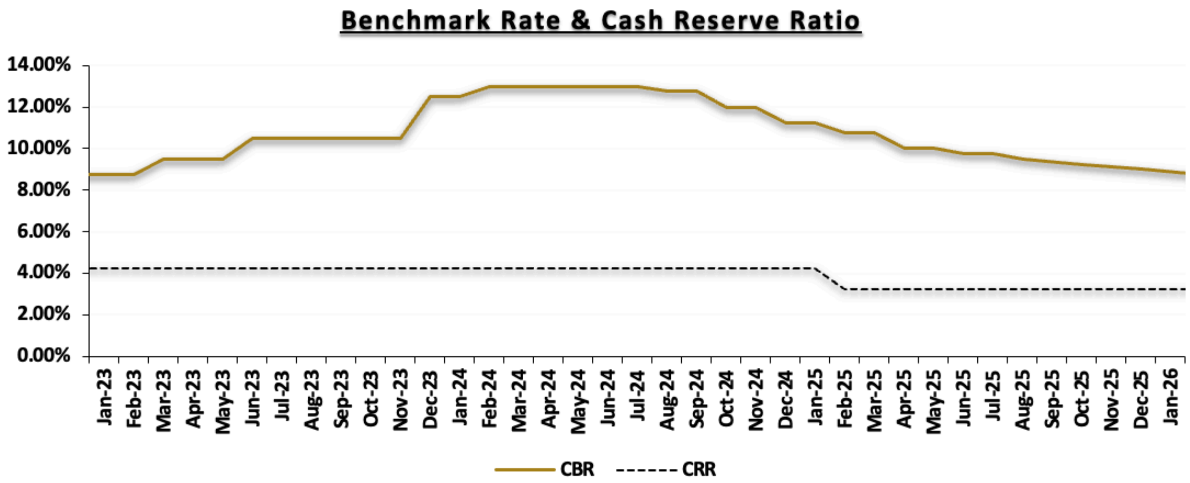


Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

1. CBK MPC cuts base rate by 25bps to 8.75% to spur private sector lending

The Central Bank of Kenya's (CBK) Monetary Policy Committee (MPC) convened on Tuesday, 10th February 2026, kicking off the year by cutting the Central Bank Rate (CBR) by a further 25 bps to 8.75%. The latest adjustment brings the cumulative reduction in the benchmark rate to 425bps, down from 13.0% in 2024, the tenth 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 remaining comfortably within the CBK's target band. To further strengthen the effectiveness of the monetary policy implementation framework and enhance monetary policy transmission, the MPC approved a narrowing of the interest rate corridor around the Central Bank Rate (CBR) from the current ±75 basis points to ±50 basis points. This is expected to support the alignment of the Kenya Shilling Overnight Interbank Average (KESONIA) with the CBR.

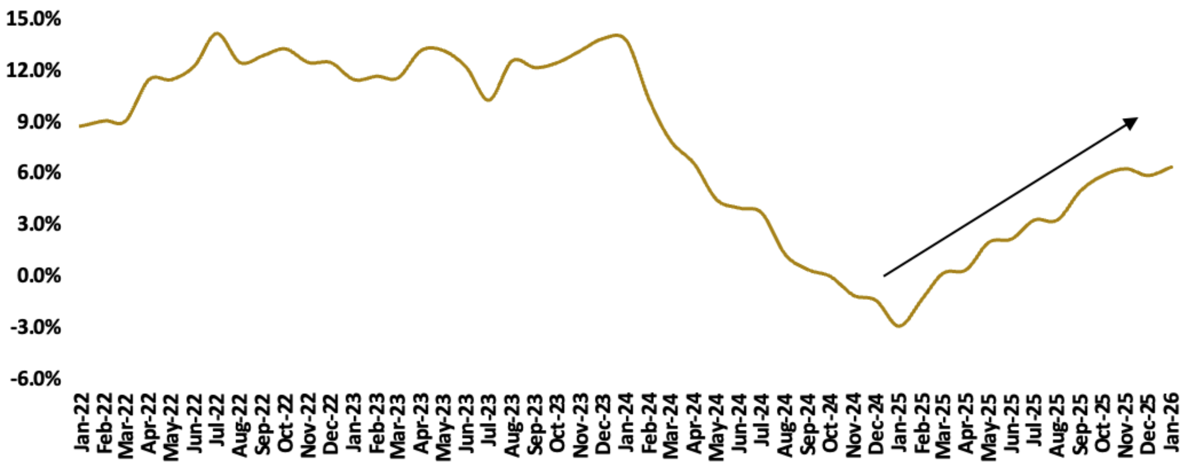
According to the CBK, short-term inflation expectations are expected to remain well contained (below the midpoint of the target range of 5.0±2.5%), further supported by stable prices of processed food items and energy and stability in the exchange rate. However, seasonal dry-weather effects may temporarily lift some food prices. Non-core inflation fell to 10.3% from 11.2%, driven by lower prices of vegetables such as tomatoes and onions, while core inflation edged up slightly to 2.2% from 2.0% on account of higher prices for some processed foods, particularly maize flour. Overall, headline inflation softened to 4.4% in January 2026, from 4.5% in December 2025.

The CBK estimates Kenya's full-year 2025 growth at 5.0% in 2025 compared to its earlier projection of 5.2%, mainly reflecting a slowdown in the agriculture sector performance in 3Q25. In terms of outlook, 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 remain, i.e., 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 6.1% y/y increase in exports, outpaced by a 9.1% y/y rise in imports. Consequently, the current account deficit expanded to 2.4% of GDP, up from 1.3% 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 2.2% of GDP in 2026 and 2027, and is expected to be financed by financial account inflows.

Credit conditions continue to gradually improve, with private sector credit growth rising to 6.4% in January 2026 from 5.9% in December 2025 (-2.9% in January 2025) on the back of declining lending interest rates in line with the continued reductions in the CBR rate. Average commercial banks' lending rates stood at 14.8% in January 2026, down from 15.0% in October 2025 and 17.2% in November 2024. In particular, growth in credit to the building and construction, trade, and consumer durables sectors remained strong in January 2026, reflecting improved demand for credit in line with the declining lending interest rates. Markedly, asset quality continued to improve, with the Gross NPL ratio standing at 15.5% in January 2026, down from 16.7% in October 2025 and 17.6% in August 2025. The CBK noted that a decline in NPLs was noted in the real estate, manufacturing, trade, building and construction, and personal and household sectors. We expect private sector credit uptake to continue gaining traction, further supported by Government initiatives to resolve pending bills in key sectors.

Private Sector Credit Growth



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, 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. Concerning the capitalization of banks, the CBK Governor pointed out that all banks are expected to have met the KES 3.0bn core capital deadline by March 2026, with some expected to receive a boost from M&A transactions. Lastly, the MPC Committee noted the ongoing implementation of the FY2025/26 Budget and the planned fiscal consolidation strategy to reduce debt vulnerabilities over the medium term. Indeed, the IMF is anticipated to conduct its staff visits this month to cover Article 4 discussions as well as a new IMF support programme.

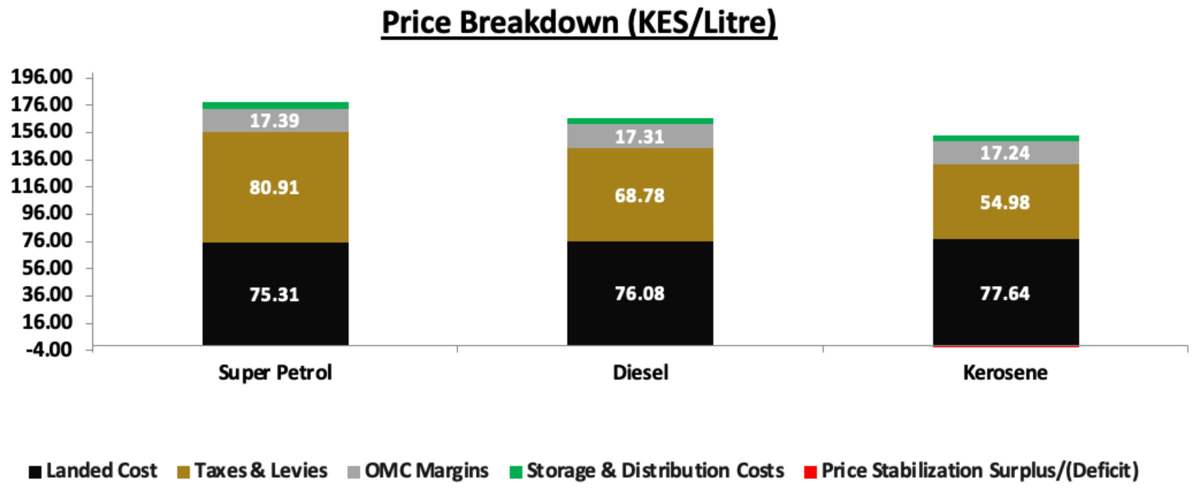
Given that the CBK is targeting a double-digit private-sector growth rate (above 10.0%), we see possible headroom for the Committee to cut rates further this year (though the apex bank is approaching the neutral part of the rate cycle). Additionally, the Governor highlighted that the country still has an output gap, thereby providing the CBK with some space to lower the CBR rate without being inflationary.

The committee will meet again in April 2026.

2. EPRA adjusts fuel prices downwards in its latest cycle review, amidst lower landing costs

The Energy and Petroleum Regulatory Authority (EPRA) released fuel prices for the pricing cycle running from 15th February to 14th March 2026. Petrol, Diesel, and kerosene pump prices decreased by KES 4.24 per litre, KES 3.93 per litre, and KES 1.00 per litre from the previous cycle to KES 178.28, KES 166.54, and KES 152.78 per litre, respectively, in Nairobi over the review period.

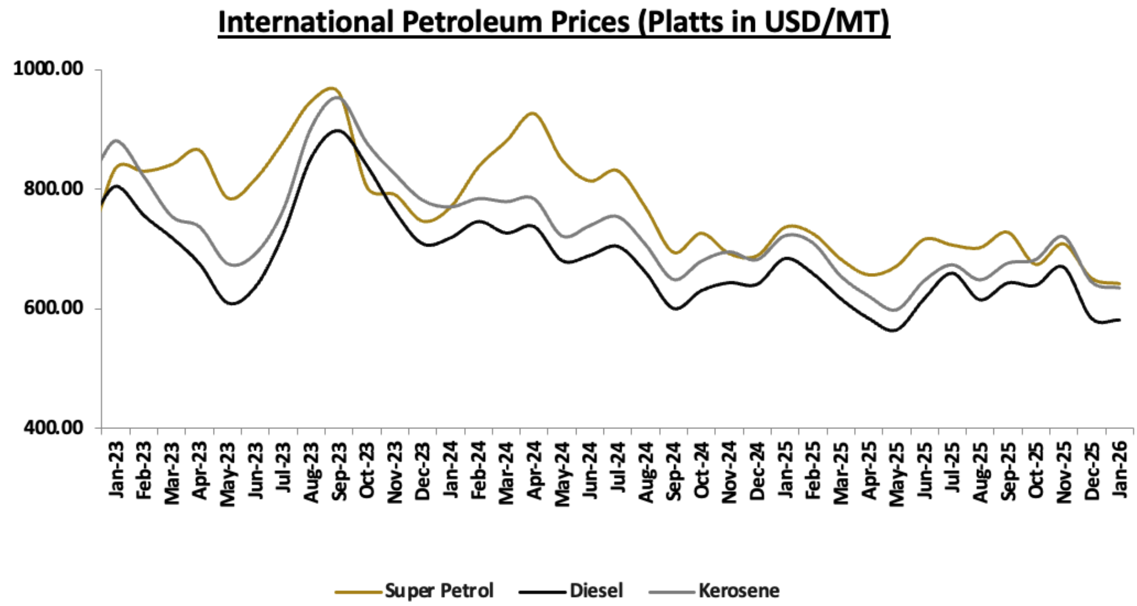
See below the price breakdown;



Source: EPRA, Chart: SIB

On the key pricing metrics, we note the following:

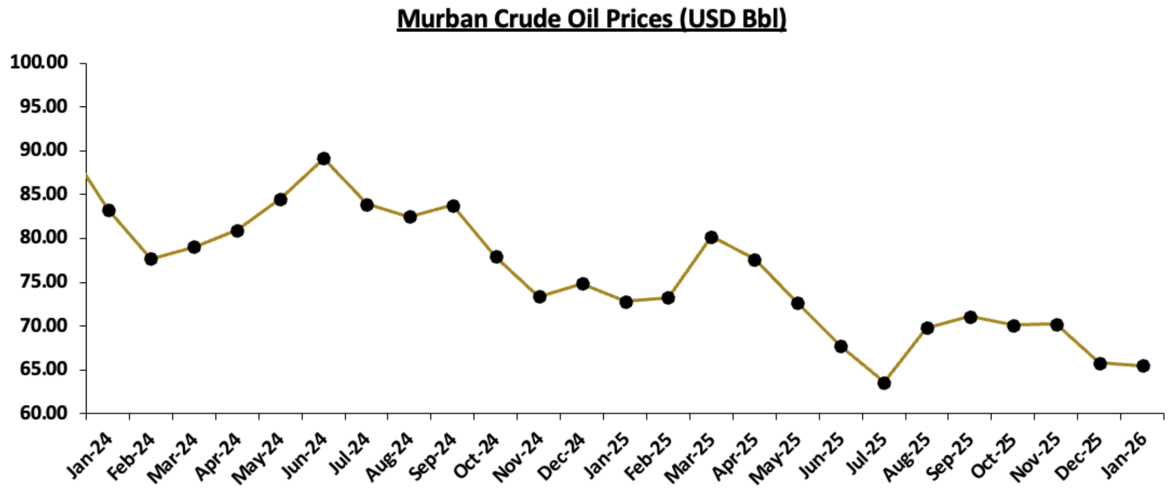
i. Landed costs per litre tapered in the period, with those for Petrol, Diesel, and Kerosene declining by 2.7%, 6.4%, and 1.4% to USD 576.34 per cubic metre, USD 586.80 per cubic metre, and USD 598.8 per cubic metre, respectively. Notably, Platts prices softened slightly by 1.4% m/m for Petrol, 0.5% m/m for Diesel, and 1.6% m/m for Kerosene as illustrated below;



Source: EPRA, Chart: SIB

ii. The Government slashed its utilization of the price stabilisation component in the period, with only Kerosene subsidized by KES 1.43 per litre (-11.2% m/m).

iii. Crude oil prices in January 2026 remained largely stable (-0.4% m/m, -10.0%y/y) to USD 65.53 per barrel, from USD 65.79 per barrel (Bbl) as shown below:



Source: EPRA, Chart: SIB

The February 2026/March 2026 fuel review cycle is expected to provide consumers with modest relief, following the slight decline in fuel prices. A combination of relatively stable forex rates and largely stable 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 Central Bank 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).

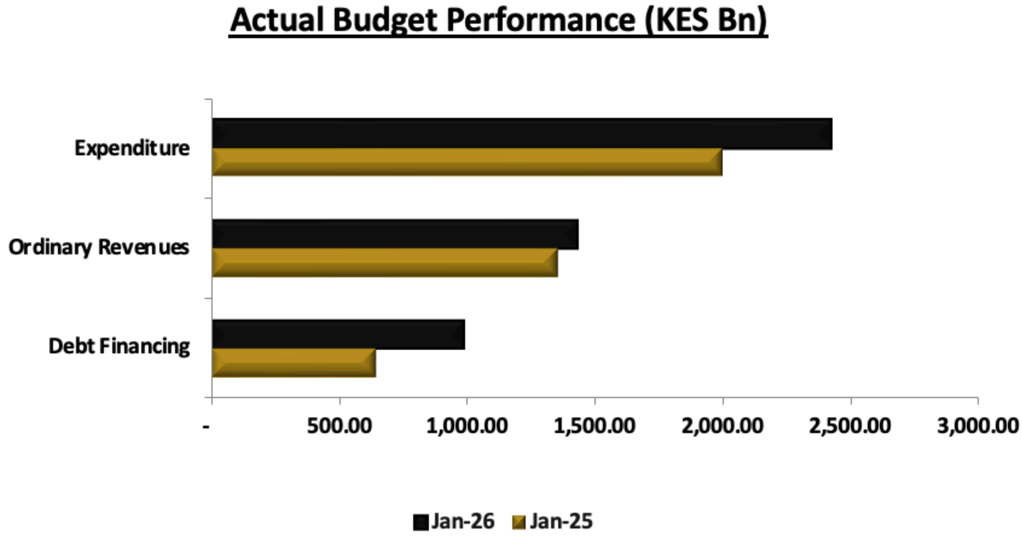
Given the rapid adoption of electric vehicles in Kenya, the Government is reportedly exploring alternative revenue sources for road maintenance, as lower fuel consumption may affect the sustainability of the current Road Maintenance Levy Fund. These include the potential introduction of new road charges, road-use fees, or levies linked to EV ownership, e.g., distance-based levies. This development comes as the Government plans to securitise an additional KES 5.0 per litre of the Roads Maintenance Levy, bringing the total securitised amount to KES 12.0 per litre (including the initial KES 7.0 per litre securitisation). According to the Government, the securitization of the Roads Maintenance Levy has been necessitated by pending bills attributable to the roads sector, as well as the significant funding gap faced in road works.

3. Cumulative Tax Revenues to January 2026 rise by 7.4%y/y to KES 1,344.36bn, as non-tax revenues remain muted

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

a. Year-on-year Performance

- Overall, the Government collected KES 1,430.77bn in ordinary revenues, reflecting a 5.9% y/y increase from KES 1,351.68bn collected during the same period in FY2024/25. Within this, cumulative tax revenues rose by 7.4% y/y, reaching KES 1,344.36n, up from KES 1,251.88bn during a similar period last year. Notably, non-tax revenue remained tepid, down 13.4% y/y to KES 86.41bn.
- Total expenditure stood at KES 2,423.23bn, marking a 21.5% y/y uptick from KES 1,944.8bn in the corresponding period of FY2024/25. This performance was partly attributable to a 31.0% y/y and 20.4% y/y rise in CFS Exchequer issues and development expenditure to KES 1,164.3bn and KES 167.8bn, respectively.
- The total borrowings amounted to KES 988.9bn, representing an 53.8% y/y jump from KES 772.8bn recorded in FY2024/25 over the same period. See the chart below for a quick summary.



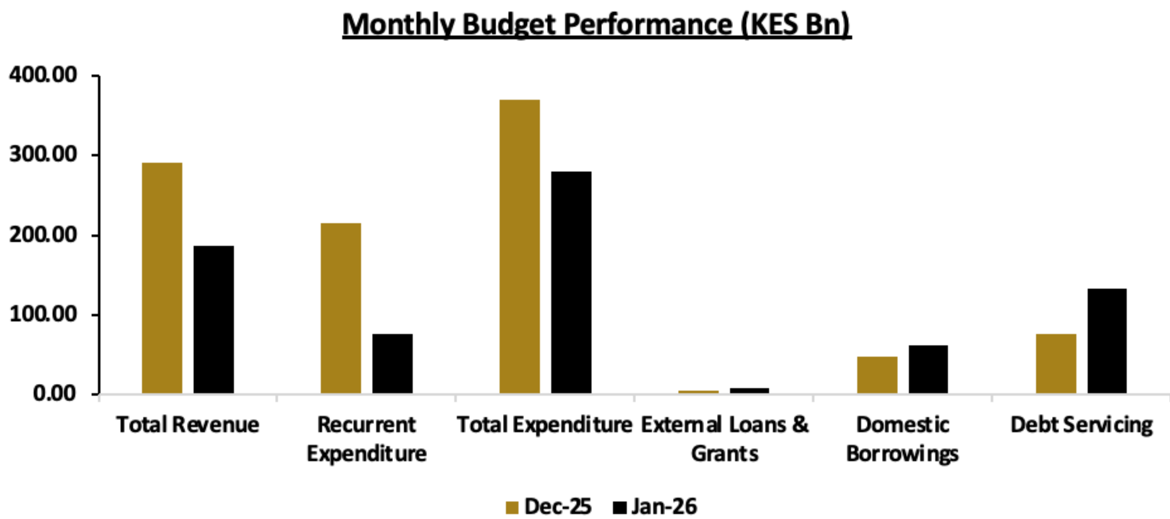
Source: Treasury, Chart: SIB

Overall, debt servicing increased by 39.1% y/y to KES 1,075.1bn, up from KES 772.8bn over the same period in FY24/25. Below, we provide a breakdown of the m/m performance.

b. Month-on-month Performance

- Total expenditure for January 2026 softened by 24.5% m/m to KES 279.6bn, from KES 370.53bn in December 2025. The performance was largely on a c.64.3% m/m deceleration in recurrent expenditure to KES 76.5bn. On the other hand, CFS Exchequer issuances rose to KES 147.1bn (+50.9% m/m).
- Domestic borrowing for the same period increased to KES 62.1bn (+30.1% m/m), compared to the KES 47.8bn borrowed in December 2025. External financing increased to KES 7.9bn, up 59.3% m/m from KES 4.9bn in December 2025. Overall, the total financing rose marginally to KES 70.0bn (+3.1% m/m) in the month. On the other hand, debt servicing obligations jumped by 75.7% m/m to KES 133.4bn.
- Meanwhile, the total revenue performance for January 2026 recorded a 35.7% m/m dip to KES 187.4bn, from KES 291.45bn in December 2025, weighed down by a 27.2%m/m and 89.2% m/m decline in Tax revenue and non-tax revenue, respectively.

See the chart below for a summary.



Source: Treasury, Chart: SIB

c. Tax Revenue Performance

Over the first seven months of FY25/26, cumulative tax revenue grew by 7.4%y/y. In January 2026 alone, collections came in at KES 183.07bn, marking a 3.0%y/y rise from KES 177.8bn in FY24/25 (-27.2% m/m from December 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	183.07
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**	**1,344.36**

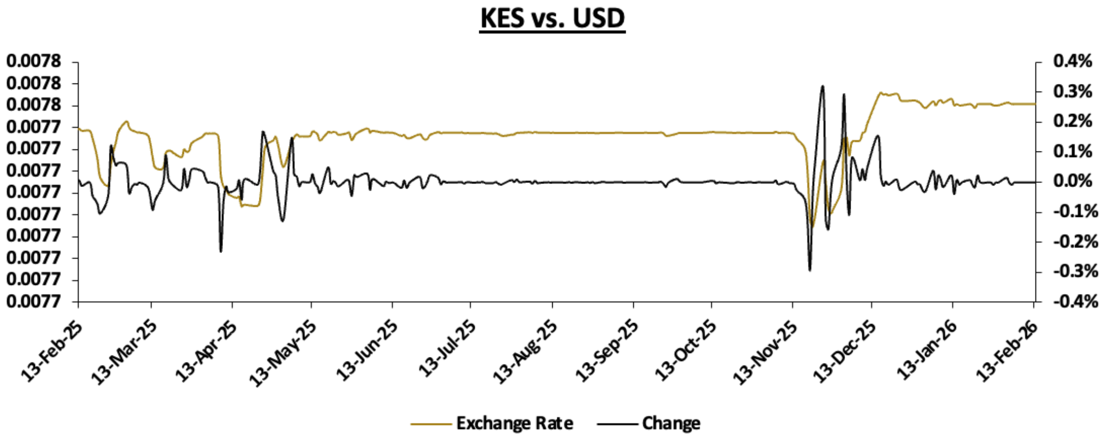
Source: Treasury, Table: SIB

As of 30th January 2026, total financing accounted for 40.8% of total expenditure for FY25/26 (up from 32.2% in FY24/25), while recurrent expenses accounted for 36.6% (38.0% in FY24/25). Additionally, the CFS exchequer issues share took 48.0%, while development projects received a modest 6.9%. More than half of Kenya's ordinary revenues are still allocated to debt servicing (c.75.1% of ordinary revenue, c.44.4% of total expenditure), with a sizeable portion of the remaining funds directed towards recurrent expenditure. Notably, the next bond maturity is expected in May 2026, leaving the government to focus more on interest payments than on principal, allowing it to shore up reserves and benefit from more favourable domestic market rates. Notably, the National Treasury is expected to table the Supplementary Estimates I for the 2025/26 financial year to address revenue underperformance (cumulative tax revenue shortfall of KES 188.1bn as of January 2026) and additional expenditure pressures.

The National Treasury published the final version of the Budget Policy Statement 2026, which sets the FY26/27 Budget at KES 4,703.9bn (KES 62.0bn higher than the previous projections, partly due to an increase in recurrent expenditure and county transfers vs a decline in development financing and Contingency Fund allocation). Furthermore, total revenue for FY26/27 is projected at KES 3,533.7bn (up KES 46.7bn from KES 3,487.0bn in previous estimates). Markedly, the National Treasury aims to collect higher appropriations in aid (KES 631.8bn vs KES 585.1bn in prior estimates), signalling continued focus on tax administration and compliance efforts. Notably, ordinary revenue projections for FY26/27 remained unchanged at KES 2,901.9bn. Lastly, the National Treasury is now expected to borrow KES 890.4bn compared to KES 1,006.6bn provided in the prior estimates, with external funding now at KES 225.5bn vs the earlier projected KES 99.5bn. We believe this adjustment was likely influenced by recent favourable credit rating actions, as the country prepares to raise funds in the global capital markets.

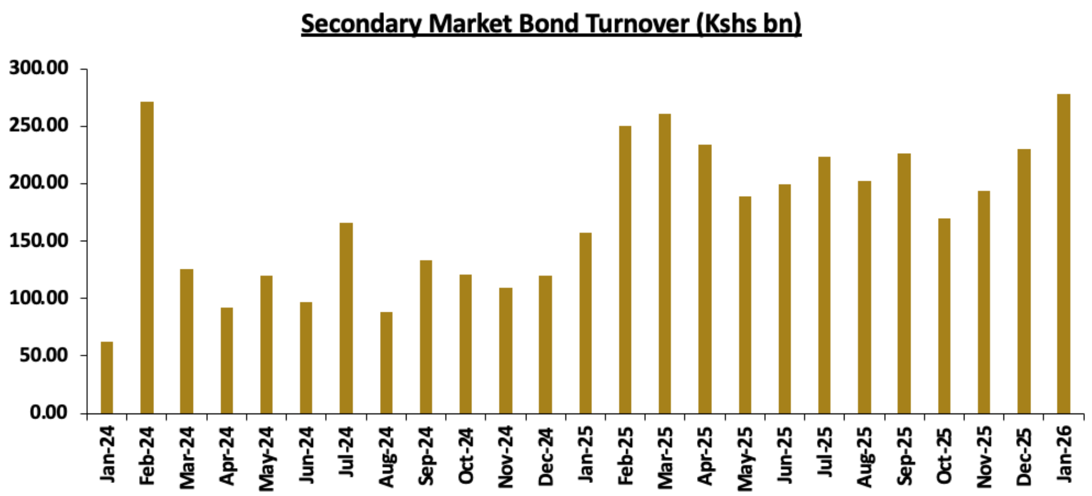
BACKGROUND CHARTS

KES/USD Performance



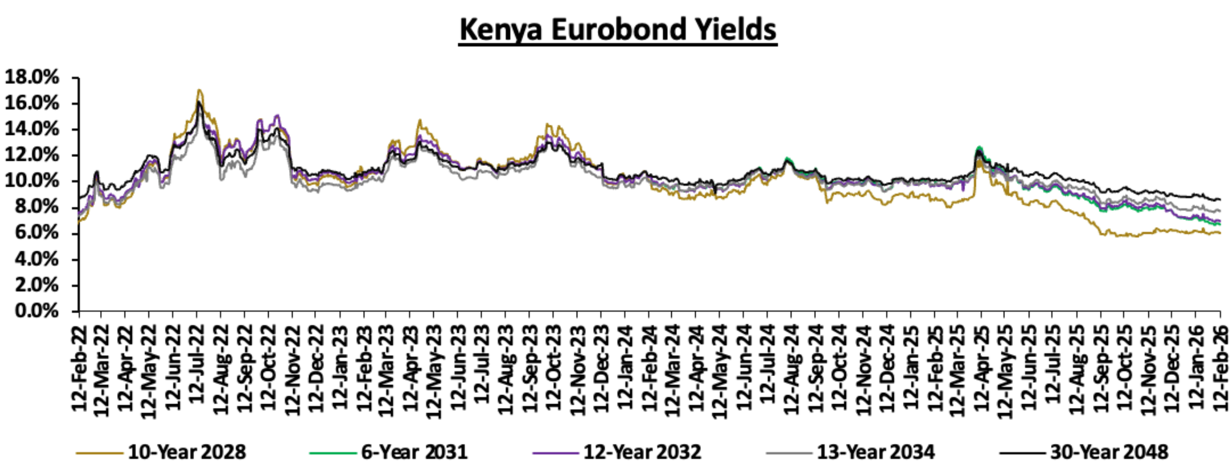
Source: Central Bank of Kenya (CBK)

Bond Turnover



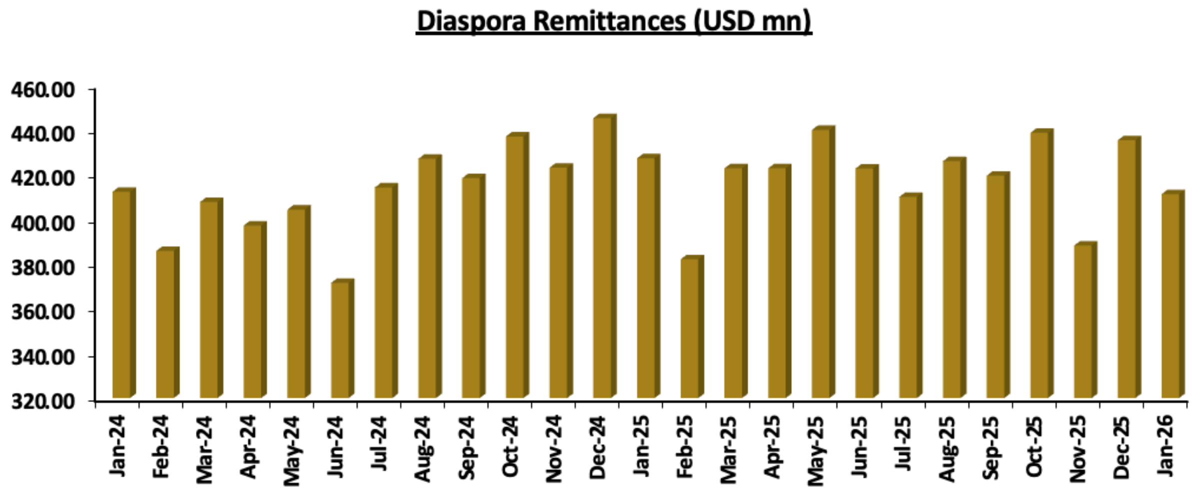
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Central Bank of Kenya (CBK)

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