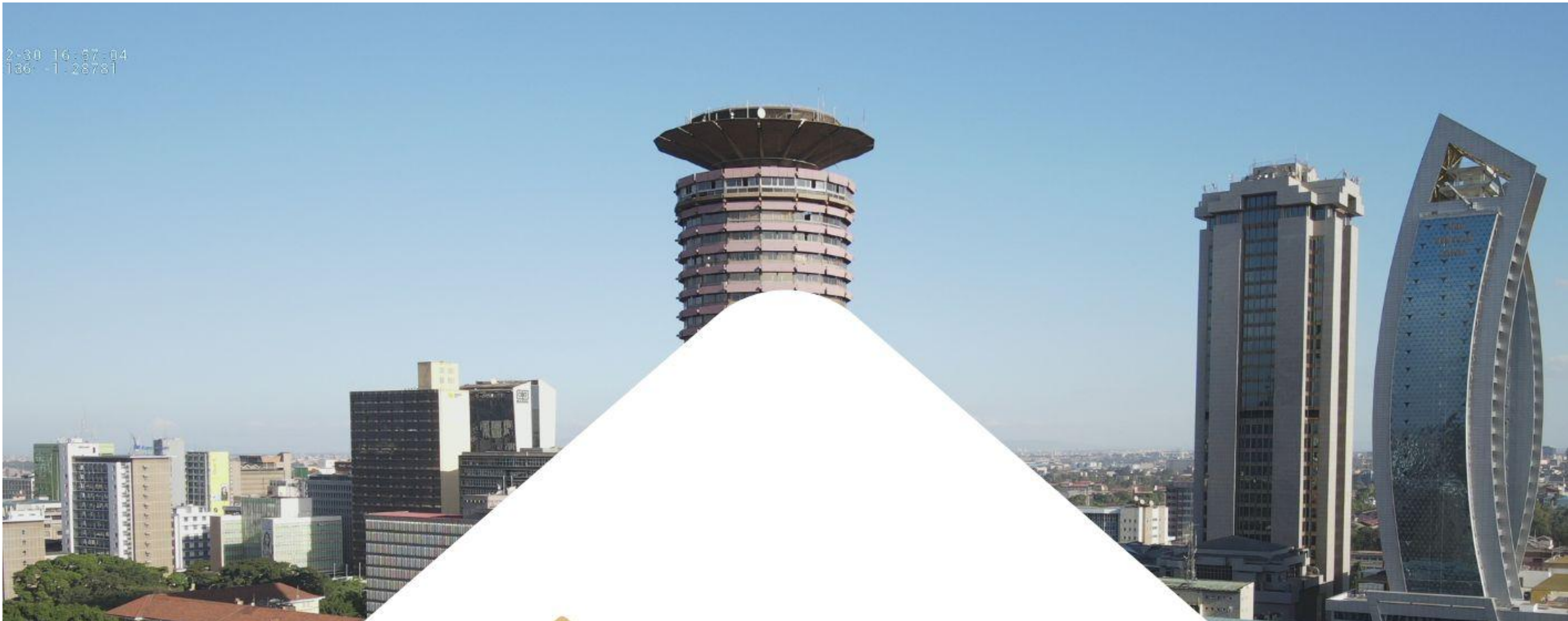


ROCK ADVISORS

PRIMARY BOND AUCTION NOTE

November 2025

Primary Bond Auction Note

November 2025

Overview

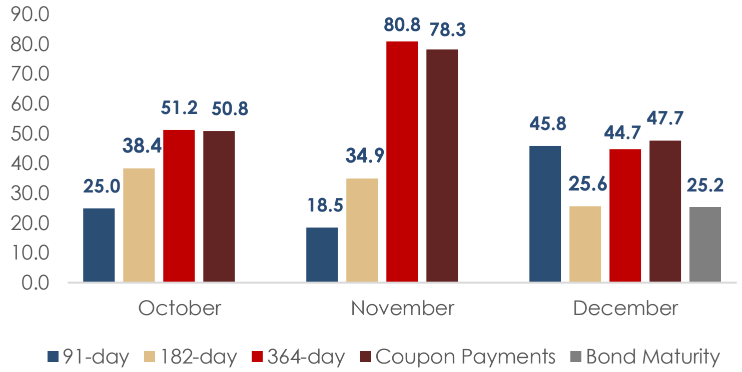
The Government of Kenya, through the Central Bank, is re-opening two fixed income bonds; **FXD1/2012/020** and **FXD1/2022/015**, targeting KES **40.00Bn** for budgetary support in the FY 2025/26.

Maturity schedule

In the month of November, the government faces a total bond coupon obligations and treasury bill maturities of approximately KES 212.50 billion, a notable uptick from KES 165.40 billion in the previous month. This significant rise reflects the exchequer's heavier refinancing burden, potentially impacting its decision to consider overly aggressive bids. As a result, investors will be looking to take advantage of the government's continued refinancing needs by placing more aggressive bids.

However, following the receipt of USD 872 million (KES 112.62 billion) in proceeds from the recently issued Eurobond, after the partial buyback of the 2028 note, the exchequer's financial position has strengthened in the medium term. This development is expected to create a push-and-pull dynamic in the market, with investors seeking to capitalize on elevated maturities through more aggressive bids, while the exchequer's improved liquidity position reduces rollover risks. Consequently, the government is less likely to accommodate aggressive pricing, a factor we believe will keep yield deviations contained in this and upcoming auctions in the near term.

Governmnent Obligations Q4 2025 in KES Bn



Source: CBK, Rock Advisors Research

Auction Highlights

Issuer	Republic of Kenya
Amount	KES 40.00 Bn
Objective	Budgetary Support FY 25/26
Tenor	**FXD1/2012/020 –** 7.0 years **FXD1/2022/015 –** 11.4 years
Tax Structure	**FXD1/2012/020 –** 10% withholding tax **FXD1/2022/015 –** 10% withholding tax
Coupon Rates	**FXD1/2012/020 –** 12.0000% **FXD1/2022/015 –** 13.9420%
Redemption Structure	**FXD1/2012/020 –** full redemption (100%) by 1st Nov 2032. **FXD1/2022/015 –** full redemption (100%) by 6th April 2037.
Maturity Dates	**FXD1/2012/020 –** 1st Nov 2032 **FXD1/2022/015 –** 6th Apr 2041.
Period of Sale	23rd October 2025 – 5th November 2025
Settlement Date	Wednesday, 10th November 2025
Non-competitive Bids	KES 50,000 (Min) – KES 50 Mn (Max) per CSD Account
Competitive Bids	KES 2 Mn. Minimum per CSD Account per Tenor
Rock Advisors Bidding Recommendation	**FXD1/2012/020 – 12.37% - 12.57%** **FXD1/2022/015 – 13.13%- 13.33%**

Primary Bond Auction Note

November 2025

Fiscal Perspective

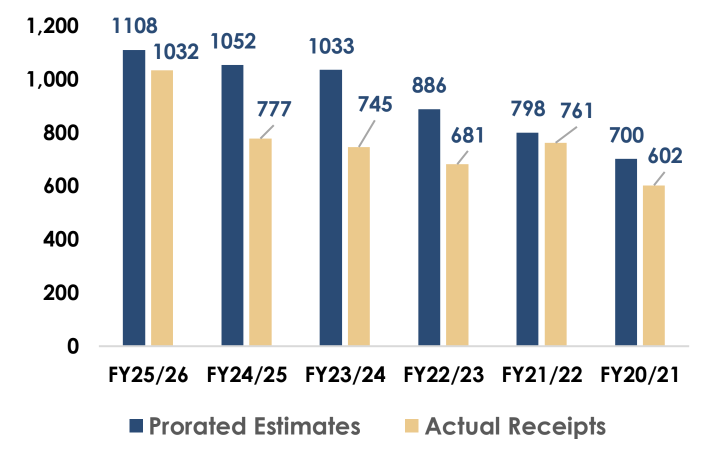
Total revenue receipts for September rose by 32.8% year-on-year to KES 1.03 trillion, supported by strong tax performance and elevated domestic borrowing. Tax revenues increased by 5.3% y/y to KES 553.67 billion, reflecting sustained resilience in collections amid stable economic activity. Meanwhile, domestic borrowing surged by 77.6% y/y to KES 425.74 billion, emerging as a key driver in meeting the government's growing recurrent financing needs.

This marked the highest fiscal revenue recorded in the past five years, largely driven by increased domestic borrowing, underscoring the government's continued front-loading of its debt profile. Despite the growth, revenues achieved only 93.1% of prorated targets, slightly below August's 96% performance. Nonetheless, the current revenue inflows, though marginally under target, provide a healthy fiscal buffer enabling the government to comfortably meet its recurrent obligations. This stronger liquidity position is likely to temper investor expectations, as the exchequer may be less inclined to accept aggressive bidding in upcoming auctions.

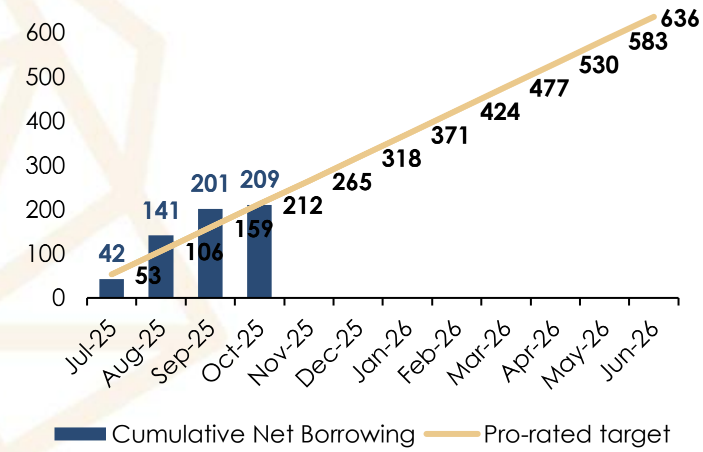
T-bill Market Analysis

In the T-Bill markets, investor activity softened in October, with the average subscription rate easing from 118.94% in September to 97.63%, reflecting a shift in investor preference toward the medium to long-end of the yield curve as they continue seeking higher returns. This trend was particularly evident as the 91-day paper continued to slip further below 8%, following the additional 25bps policy rate cut that lowered the Central Bank Rate to 9.25% in October.

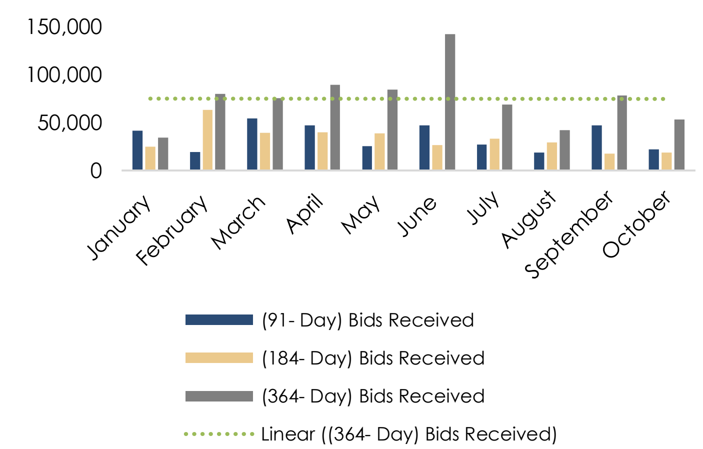
The move toward longer tenors is expected to exert upward pressure on short-term yields as the exchequer accommodates more competitive bidding to attract demand, while sustained demand for longer maturities could compress yields further in medium- to long-term issues amid increased investor competition for higher returns.



Source: Treasury, Rock Advisors Research



Source: Treasury, Rock Advisors Research



Source: CBK, Rock Advisors Research

Interbank Market

Interbank lending activity declined by 9.46% m/m in October, extending the slowdown observed in September, with average interbank rates easing by 16bps to 9.32%. The continued drop in trading volumes reflects ample liquidity in the market, as banks have reduced the need to borrow for short-term funding. This elevated liquidity is likely to temper investor aggressiveness in upcoming auctions, with excess funds expected to flow into government securities—prompting banks to accept lower yields for their bids to be successful. The sustained decline in interbank rates further underscores the abundance of liquidity within the banking sector, a trend reinforced by the recent 25bps policy rate cut.

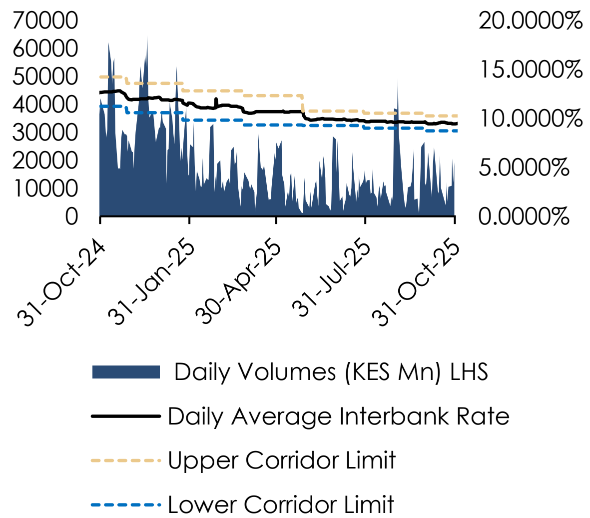
Yield Curve Dynamics

Yields declined across most segments of the curve in October, reflecting the impact of the recent CBK policy rate cut that lowered the Central Bank Rate to 9.25%. By month-end, year-to-date changes stood at -209.19bps on the short end, -159.22bps on the medium term, and -198.01bps on the long end. However, the decline was concentrated on the short end, while yields in the medium- to long-term segment registered a slight uptick. We believe this shift reflects investors seeking higher returns from the exchequer amid continued issuance of longer-dated bonds, capitalizing on the government's increasing financing needs. Although the rise is modest, it may signal emerging upward pressure on medium- to long-term yields in upcoming auctions as investors position for more attractive returns before committing funds to the government.

Real Rates Analysis

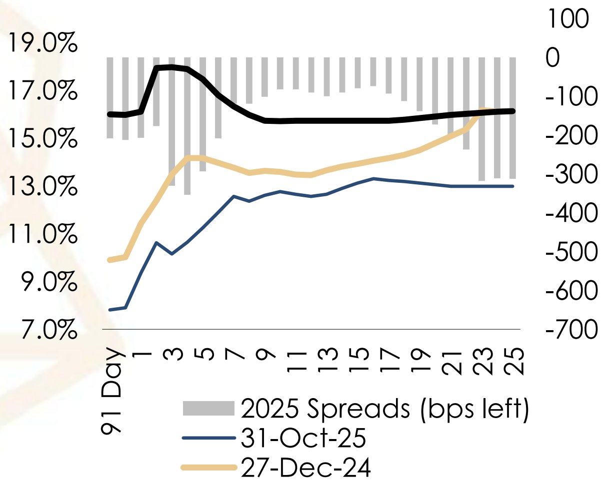
Real rates continued to remain under pressure in October following CBK's implementation of an additional 25bps rate cut, bringing the policy rate down to 9.25%. This has driven real rate of return to below 5.0%, a steep contrast to October 2024's peak at 9.3%. This continued erosion of real returns is expected to temper the appeal of bonds in primary auctions, potentially resulting in undersubscriptions. While this may encourage the exchequer to entertain slightly more aggressive bids to maintain auction participation, we expect the effect to be muted in the near term, supported by the government's strengthened liquidity position.

Interbank Rate and Volumes



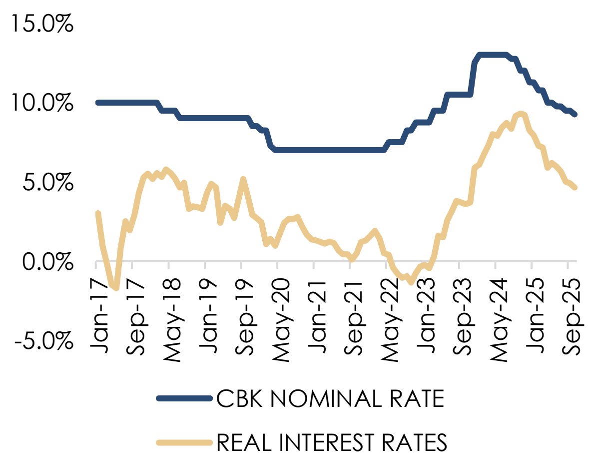
Source: CBK, Rock Advisors Research

Yield Curve Evolution



Source: CBK, Rock Advisors Research

Real Returns



Source: CBK, Rock Advisors Research

Primary Bond Auction Note

November 2025

Recommendation

Based on our analysis of the prevailing market liquidity levels, upcoming coupon payments, and investor bids at past auctions we recommend investor bid at the following ranges:

- **FXD1/2012/020**: 12.37% -12.57%
- **FXD1/2022/015:** 13.13% - 13.33%

	Offered Amount (KES, Mn)	Paper(s)	Duration at Issuance (yrs)	Performance Rate	Coupon Rate (%)	Market Average Yield (%)	Accepted Average Yield (%)	Deviation from Yield Curve
Jan-25	30,000	FXD1/2018/015 Re-opened	8.3		12.650%	14.329%	14.210%	75
		FXD1/2022/025 Re-opened	22.8	**196.7%**	14.188%	15.743%	15.683%	8
Feb-25	70,000	IFB1/2022/014 Re-opened	11.8		13.938%	14.086%	13.978%	27
		IFB1/2023/017 Re-opened	15.1	**277.0%**	14.399%	14.416%	14.281%	118.5
Mar-25	25,000	FXD1/2018/025 Re-opened	18.3	**188.1%**	13.400%	13.938%	13.803%	51
Apr-25	70,000	FXD1/2020/015 Re-opened	9.9		12.756%	13.671%	13.665%	82.39
		FXD1/2022/015 Re-opened	12.1		13.942%	13.837%	13.828%	124.3
		FXD1/2022/025 Re-opened	22.6	**102.5%**	14.188%	14.237%	14.234%	65.33
	10,000	FXD1/2020/015 Tap-sale	9.9	**132.4%**	12.756%			
May-25	50,000	FXD1/2022/015 Re-opened	12.0		13.942%	13.942%	13.913%	145.42
		FXD1/2022/025 Re-opened	22.5	**114.2%**	14.188%	14.636%	14.538%	130.24
	30,000	FXD1/2012/020 Re-opened	7.6	**181.3%**	12.000%	13.733%	13.649%	137.9
Jun-25	50,000	FXD1/2020/015 Re-opened	9.7		12.756%	13.606%	13.487%	70.9
		SDB1/2011/030 Re-opened	15.7	**202.7%**	12.000%	14.181%	13.998%	152.55
Jul-25	50,000	FXD1/2018/020 Re-opened	12.8		13.200%	13.945%	13.899%	140.19
		FXD1/2018/025 Re-opened	18.0	**153.8%**	13.400%	14.435%	14.348%	137.85
Aug-25	90,000	IFB1/2018/015 Re-opened	7.5		12.500%	13.530%	12.993%	39.34
		IFB1/2022/019 Re-opened	15.6	**359.4%**	12.965%	14.237%	13.999%	109.52
	50,000	IFB1/2018/015 Tap-sale	7.5		12.500%			
		IFB1/2022/019 Tap-sale	15.6	**414.9%**	12.965%			
Sep-25	20,000	SDB1/2011/030 Re-opened	15.5	**40.4%**	12.000%	14.371%	13.964%	168.86
	40,000	FXD1/2018/020 Re-opened	12.5		13.200%	13.724%	13.583%	139.73
		FXD1/2022/025 Re-opened	22.2	**243.2%**	14.188%	14.246%	14.142%	169.23
Oct-25	50,000	FXD1/2018/015 Re-opened	7.7		12.650%	12.780%	12.652%	22.24
		FXD1/2021/020 Re-opened	15.9	**237.8%**	13.444%	13.614%	13.529%	97.37
Average*	**47,917**		**14.4**	**191.4%**	**13.268%**	**14.056%**	**13.926%**	**100.585**

*Source: CBK, Rock Advisors Research, * - Year average results excludes tap sales*

Primary Bond Auction Note

November 2025

Disclaimer

This document has been prepared for informational purposes only and does not constitute an offer, solicitation, or recommendation to buy or sell any financial instrument or to participate in any investment strategy. The views and opinions expressed herein are those of the author(s) and are subject to change without notice.

The information contained in this report is derived from sources believed to be reliable but is not guaranteed for accuracy or completeness. Any forecasts, projections, or yield estimates contained in this note are forward-looking statements and are not guarantees of future performance. Actual results may differ materially due to market developments and/or other factors.

Rock Advisors accepts no liability whatsoever for any direct or consequential loss arising from the use of this document and/or its contents.

4th Floor, Crawford Business Park,
State House Rd, Nairobi, Kenya.

www.rockadvisors.org

+254 111 055394
+254 111 055395

info@rockadvisors.org
head.research@rockadvisors.org

@RockAdvisors

Rock Advisors