

## Pre—Auction Note February 2026 Bonds

In the primary bond market, the Central Bank of Kenya (CBK) has reopened two bonds for February issuance: FXD3/2019/25 and FXD1/2018/25, with effective tenors to maturity of 8.5 years and 17.3 years, respectively. Through this reopening, the fiscal agent seeks to raise Kes 50.0Bn.

FXD3/2019/25 was last reopened in November, where it underperformed due to a concurrent issuance that carried a higher coupon. We anticipate a similar dynamic in the upcoming auction, with investor preference skewed toward the higher-yielding FXD1/2018/25.

FXD3/2019/25 carries a 12.34% coupon and has an outstanding amount of Kes 74.11Bn, while FXD1/2018/25 offers a higher 13.40% coupon and an outstanding amount of Kes 165.65Bn. The latter was reopened twice in 2025 and performed relatively well compared to concurrent issuances. In the secondary market, FXD3/2019/25 is currently trading at a discount, while FXD1/2018/25 is trading at a premium, further reinforcing the yield-driven preference.

Against a backdrop of declining interest rates, both bonds present attractive opportunities for duration investors and secondary market participants, particularly for those seeking capital gains rather than holding to maturity.

That said, our bidding estimates for the two bonds are as follows:

Bond	Base Case Estimates	Aggressive Estimates
FXD3/2019/15	12.45% - 12.55%	12.60% - 12.70%
FXD1/2018/25	13.32% - 13.42%	13.45% - 13.55%

For the shorter tenor, bids are likely to cluster around 12%, leaning closer to 12 than 13. The longer tenor, meanwhile, reflects a firm 13-handle environment, with pricing skewed toward the middle of the range. While redemption pressures remain limited, elevated interest payment obligations continue to weigh on overall funding needs.

As such, we expect an oversubscription of the offer.

	Reopening	
<b>Paper</b>	<b>FXD3/2019/015</b>	<b>FXD1/2018/025</b>
<b>Maturity Date</b>	10-Jul-34	25-May-43
<b>Effective Tenor (Years)</b>	8.4	17.3
<b>Amount Floated (Kes. Bn)</b>	50.0	
<b>Amount Outstanding (Kes. Bn)</b>	74.11	165.65
<b>Coupon</b>	12.34%	13.40%
<b>Sale Period</b>	Up to 11 <sup>th</sup> February 2026	

Source: CBK | Chart: KSL

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### Research Department

Stellah Swakei	<a href="mailto:sswakei@co-opbank.co.ke">sswakei@co-opbank.co.ke</a>	+254711049152
Chrisanthus Lunani	<a href="mailto:clunani@co-opbank.co.ke">clunani@co-opbank.co.ke</a>	+254711049973

### Sales Team

Dennis Langat	<a href="mailto:dlangat@co-opbank.co.ke">dlangat@co-opbank.co.ke</a>	+254 711049592
Moffat Asena	<a href="mailto:amoffat@co-opbank.co.ke">amoffat@co-opbank.co.ke</a>	+254 711049663
Gloria Ohito	<a href="mailto:gohito@co-opbank.co.ke">gohito@co-opbank.co.ke</a>	+254711049993

### Client Service and Operation

Office: 0711049016 Email: [info@kingdomsecurities.co.ke](mailto:info@kingdomsecurities.co.ke)

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th floor, P.O Box 48231 - 00100 Nairobi, Kenya