KINGDOM SECURITIES

Pre—Auction Note
July 2026 Bonds

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The Central Bank of Kenya (CBK) is seeking to raise Kes 40.0Bn through the second tranche of July bonds, with the auction scheduled for 22nd July 2026, which also marks the bidding deadline. The fiscal agent is reopening FXD1/2019/20 and FXD1/2022/25.

The auction comes against a backdrop of ample banking sector liquidity and an accommodative monetary policy stance. However, inflation remains elevated at 6.4%, suggesting that investors are likely to continue demanding higher yields to compensate for inflationary pressures. Additionally, with an upcoming Treasury bond maturity of approximately KES 118.14 billion in August, the government is expected to intensify its domestic borrowing efforts to meet the redemption obligation. Consequently, we anticipate that the government may be more willing to accept slightly higher yields than it did during the first tranche in order to secure the required funding.

Our bidding estimates for the two bonds are as follows:

Bond	Bidding Estimates
FXD1/2019/20	**14.00% - 14.20%**
FXD1/2022/25	**14.48% - 14.58%**

The two bonds carry coupon rates of 12.87% and 14.19% for FXD1/2019/20 and FXD1/2022/25, respectively, with effective tenors to maturity of 12.7 years and 21.2 years. Both papers were last reopened together in January 2026, when the issue was oversubscribed, and the higher-coupon FXD1/2022/25 attracted stronger demand. While the most recent auction favored the shorter-dated paper, this coincided with a higher coupon, suggesting that investors remain primarily yield-driven rather than tenor-sensitive. Consequently, we expect FXD1/2022/25 to attract the strongest demand, with the overall auction supported by the lower borrowing target. See below the details of the bonds:

Paper	FXD1/2019/20	FXD1/2022/25
Maturity Date	21-Mar-39	23-Sep-47
Effective Tenor (Years)	12.7	21.2
Amount Floated (Kes. Bn)	40.00	
Amount Outstanding (Kes. Bn)	163.42	216.16
Coupon	12.87%	14.19%
Sale Period	Up to 22nd July 2026, 10.00am	
Bidding Range	**14.00% - 14.20%**	**14.48% - 14.58%**

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