KINGDOM SECURITIES

Pre—Auction Note
August 2026 Bonds

Stellar Swakei
sswakei@co-opbank.co.ke

Chrisanthus Lunani
clunani@co-opbank.co.ke

Kingdom Research
Kingdomresearch@co-opbank.co.ke

The Central Bank of Kenya (CBK) is seeking to raise Kes 150Bn through three reopened infrastructure bonds. The details of the issuance are shown below:

	Capital Raising		
	Re-openings		
Paper	IFB1/2019/16	IFB1/2021/18	IFB1/2021/21
Maturity Date	08-Oct-35	21-Mar-39	18-Aug-42
Effective Tenor (Years)	9.2	12.6	16.1
Amount Floated (Kes. Bn)	150.00		
Amount Outstanding (Kes. Bn)	71.03	81.79	106.74
Coupon/WAR	11.75%	12.67%	12.74%
Sale Period	Up to 12th August 2026		

Source: CBK | Chart: KSL

Notably, we had anticipated an infrastructure bond (IFB) issuance in August given the sizeable maturities falling due. However, we commend the government's choice of bonds, which reflects a prudent approach to managing borrowing costs. We expect the longer-tenor paper to attract stronger investor demand, supported by its attractive coupon rate, and therefore anticipate the offer will be oversubscribed.

Given the amortizing redemption structure of the IFB, investors may realize lower cumulative interest income over the life of the instrument compared with a fixed deposit offering the same tenor and headline rate. Consequently, the IFB may require a yield premium over comparable fixed deposit rates to provide a sufficiently competitive risk-adjusted return.

That said, our bidding estimates are as follows, considering the effective tenors:

Bond	Bidding Estimates
IFB1/2019/16	**12.58% - 12.68%**
IFB1/2021/18	**12.91% - 13.01%**
IFB1/2021/21	**13.27% - 13.37%**

August has maturities worth Kes 118.14Bn and interest payments of Kes 94.97Bn, bringing the total debt servicing obligation to Kes 213.10Bn. All the papers are expected to mature next week Monday, 17th August 2026, coinciding with the settlement dates of the infrastructure bonds.

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Research Department		
Stellah Swakei	sswakei@co-opbank.co.ke	+254711049152
Chrisanthus Lunani	clunani@co-opbank.co.ke	+254711049973
Sales Team		
Moffat Asena	amoffat@co-opbank.co.ke	+254 711049663
Gloria Ohito	gohito@co-opbank.co.ke	+254711049993
Client Service and Operation		

Office: 0711049016 Email: 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