KINGDOM SECURITIES LIMITED

A Subsidiary of the Co-operative Bank of Kenya Ltd

FIXED INCOME AND MACRO REPORT

Week ending 21st August 2026

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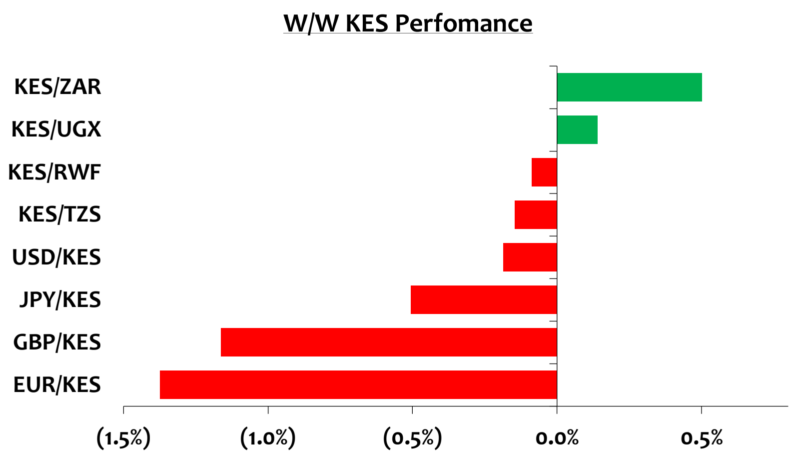
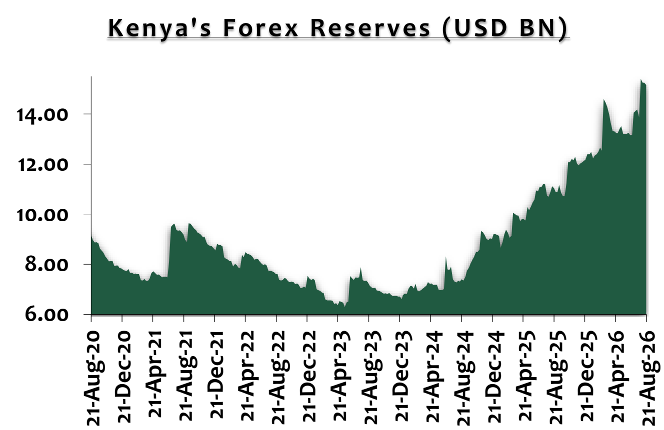
MACRO LENS

Foreign Exchange:

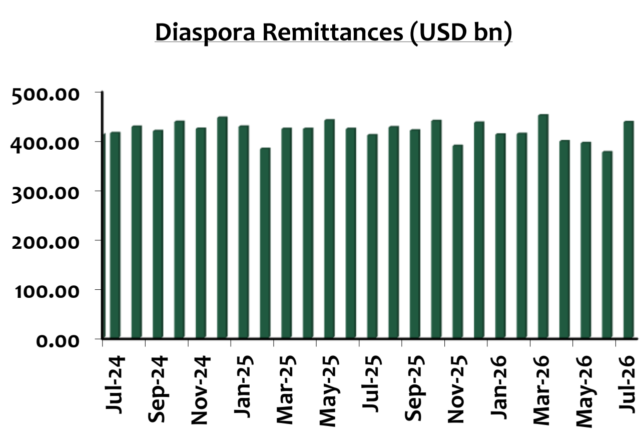
The Kenyan Shilling exhibited mixed performance against regional and major currencies during the week, appreciating only against the South African Rand and the Ugandan Shilling. Meanwhile, forex reserves remained largely stable closing at USD 15.16Bn, offering 6.3 months of import cover. See the charts below for the week-on-week and YTD performance:

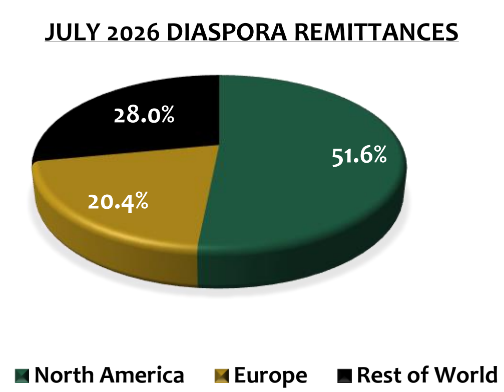




Source: CBK | Chart: KSL

On diaspora remittances, Kenya received a total of USD 436.58Mn in July 2026, a 16.2%m/m and 6.5%y/y growth from USD 375.60Mn and USD 410.09Mn in June 2026 and July 2025. 51.6% of the remittances came from North America, an increase from 50.7% in June but a decline from 58.8% in July 2025. See the charts below:





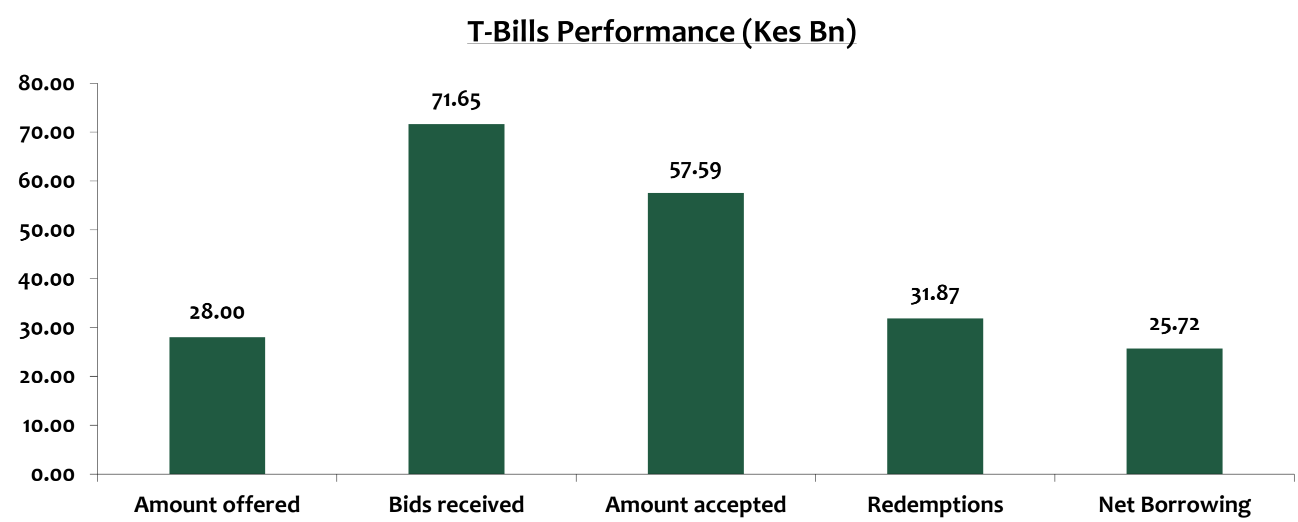
Source: CBK | Chart: KSL

FIXED INCOME PULSE

Primary Market Activity:

Demand for Treasury bills surged, with the overall subscription rate rising to 255.9% from 145.7% in the previous auction – marking a more than six months high. Demand remained concentrated on the 91-day paper, which recorded a 470.9% subscription rate, while the 182- and 364-day papers closed at 185.7% and 154.1% subscription rates.

In total, the government received bids worth KES 71.65Bn and accepted KES 57.59Bn, translating to an 80.4% acceptance rate. After accounting for KES 31.87Bn in maturities, the auction resulted in net borrowing of KES 25.72Bn. See the chart below;



Source: CBK | Chart: KSL

The yields on the short-term papers were on a downward trajectory, with the 91-day, 182-day, and 364-day papers printing at 8.77% (-0.34bps), 8.95% (-0.20bps), and 9.04%(-0.09bps).

During the week, interbank market activity remained relatively stable, with average traded volumes holding steady at KES 16.46Bn. We note that some players tapped into the CBK discount window, drawing KES 11.50Bn during the week, significantly higher than the KES 2.50Bn advanced in the previous week. Meanwhile, the average interbank rate remained unchanged at 8.75%.

Treasury Bonds

In the bond market, CBK's switch offer, is still open and closes today. The government targets FXD1/2012/15 and treasury bills maturing on 7th September 2026.

See a summary below:

	Switch Offer				
	Source Bond				Destination Bond
Paper	2685/091	2646/182	2574/364	FXD1/2012/15	FXD4/2019/10
Maturity Date	07-Sep-26			06-Sep-27	12-Nov-29
Effective Tenor (Years)	0.1	0.1	0.1	1.1	3.3
Amount Floated (Kes. Bn)	15.0				
Amount Outstanding (Kes. Bn)	67.07			90.94	89.97
Coupon/WAR	8.56%	7.82%	9.58%	11.00%	12.28%
Sale Period	Up to 24th August 2026				

Secondary Market

Secondary bond market activity improved during the week, with turnover rising by 146.3% to KES 122.82Bn, from 49.86Bn in the previous week.

This was in tandem with a 127.1% increase in the number of deals. See the table below:

	Previous Week	Current Week	Change
Turnover in Bonds (Kes Bn)	49.86	122.82	146.3%
Number of Deals	635	1442	127.1%

Source: NSE | Table: KSL

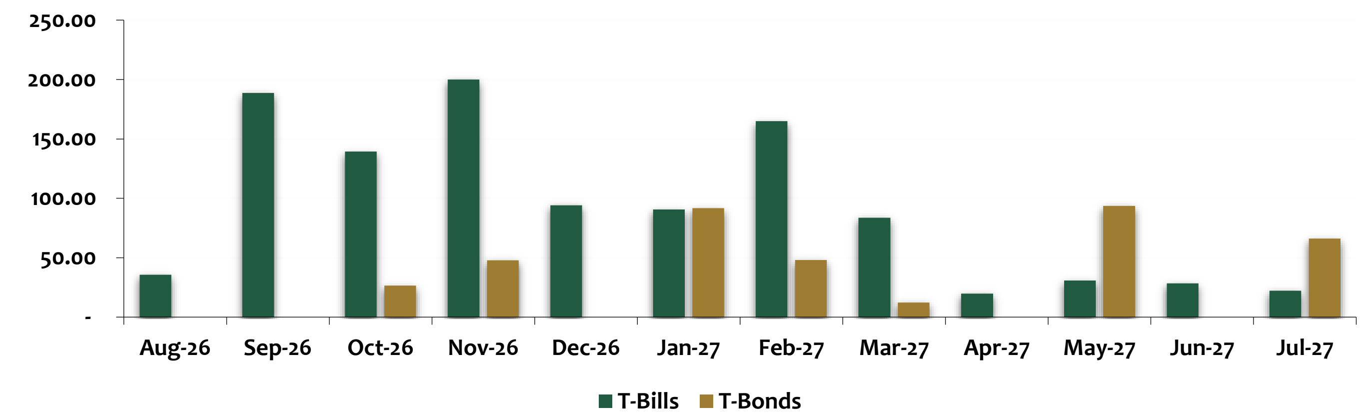
Domestic Debt Service Schedule:

The maturity profile for the next one year is as follows:

i. KES 1,098.26Bn in Treasury Bills;
ii. KES 385.55Bn in Treasury Bonds;
iii. KES 711.16Bn in coupon payments;

See the chart below for a visual presentation:

T-Bill vs. T-Bond Maturities (Kes. Bn)

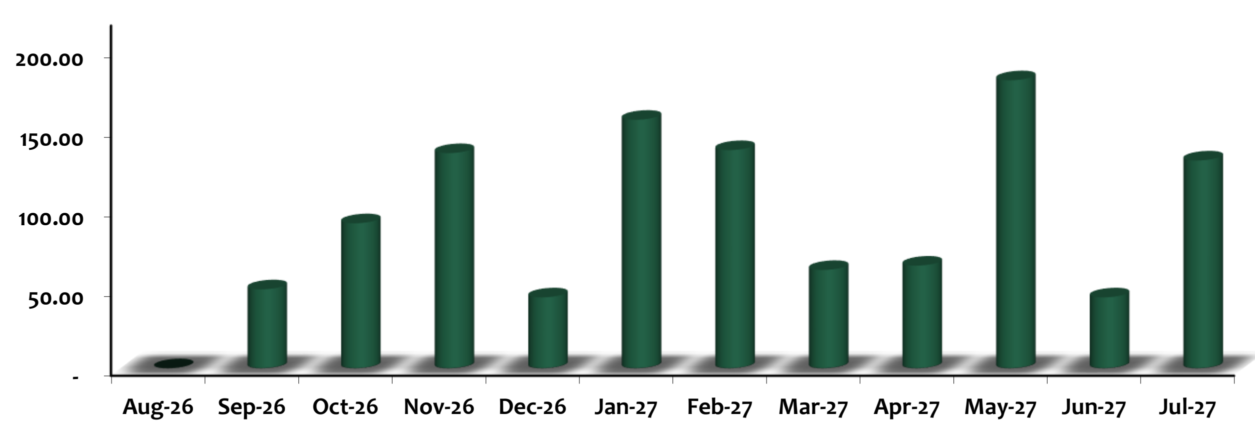


Source: CBK, NSE | Chart: KSL

Further, the chart below illustrates upcoming bond debt-servicing obligations, including both principal repayments and coupon payments.

Apart from coupon payments, the next notable maturity pressure, in our view, will emerge in January. However, given the strong demand witnessed in recent auctions and the prevailing liquidity conditions, we are confident that the government should be able to comfortably refinance the upcoming maturities. See a summary below:

Debt Service Obligations (Kes Bn)



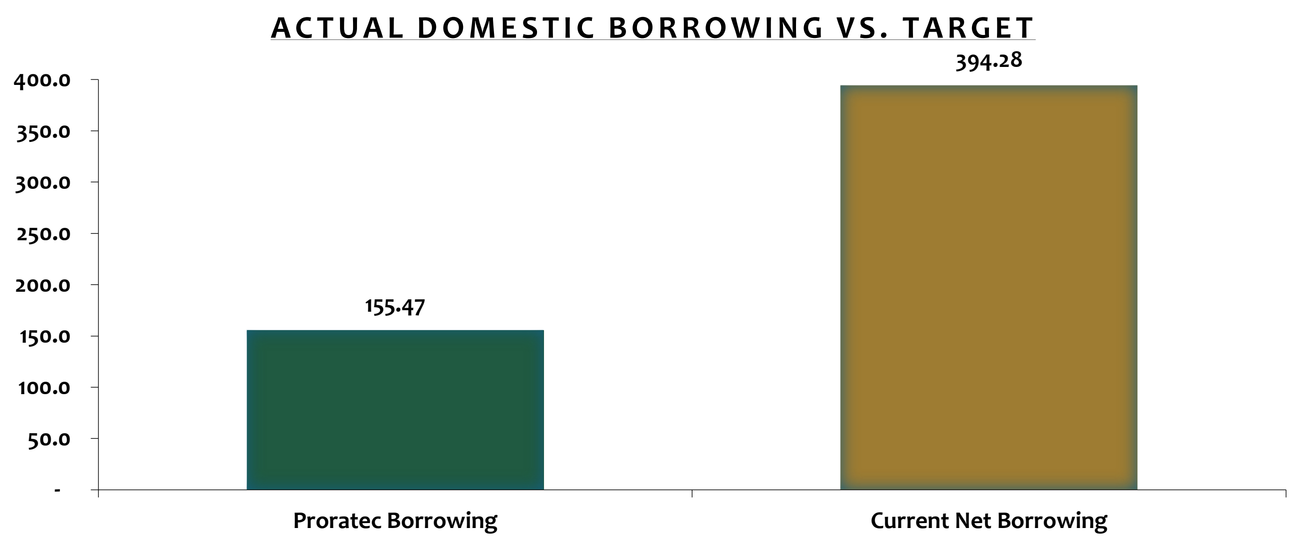
Source: CBK, NSE | Chart: KSL

FY26/27 Government Borrowing Position:

For the domestic borrowing target, the government has achieved 38.3% of the FY2026/27 target, having raised KES 394.28Bn against the full-year target. The amount is significantly above the pro-rated target of KES 155.47Bn, reflecting a strong start to the borrowing programme. However, this does not concern us at this stage, given the front-loading of borrowing and the government's need to take advantage of favourable liquidity conditions in the market. See the progress bar below:

Source: CBK, Treasury | Chart: KSL

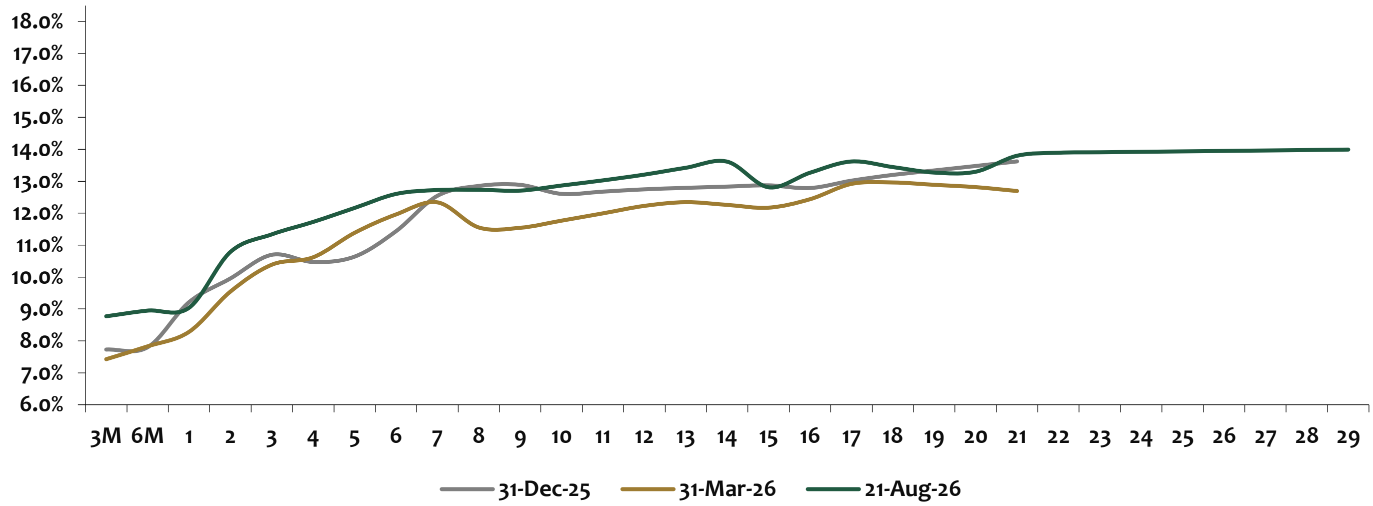
See below a summary of the domestic borrowing:



Local & International Yields

The local yield curve edged lower on average, with only a few tenors along the belly recording gains. Although the curve remains above end-2025 and 1Q26 levels, it continues to trend downwards gradually. However, downside risks to the trend persists as geopolitical tensions in the middle East remain volatile. See the chart below:

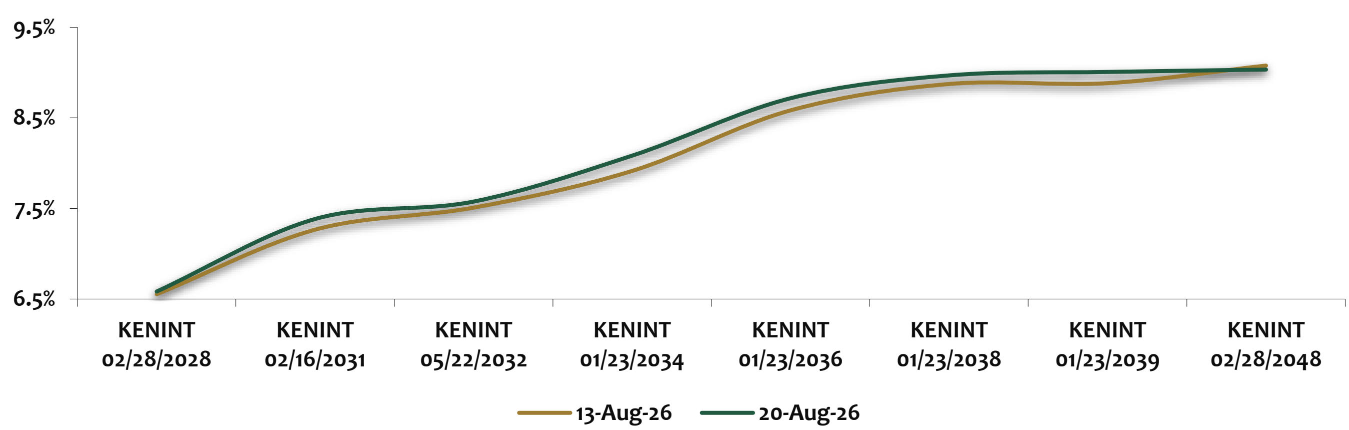
NSE Yield Curve



Source: NSE | Chart: KSL

The yields on Kenyan Eurobonds were on an upward trajectory, during the week, although the tail of the curve slightly eased as shown below:

Kenyan Eurobond Yields



Source: CBK | Chart: KSL

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