

The Central Bank of Kenya, in its capacity as a fiscal agent for the Republic of Kenya, is offering an opportunity to participate in the Re-opened bond **FXD1/2018/15 AND FXD1/2022/25** seeking to raise **KES 30.0Bn** for budgetary support.

NCBA Investment Bank Ltd is an authorized placing agent.

WHY INVEST IN THE BOND?

1. Opportunity to lock in **attractive coupons** paid semi-annually.
2. The bond qualifies for statutory liquidity ratio requirements for commercial banks and Non-Banking Financial Institutions as stipulated in the Banking Act CAP 488 of the Laws of Kenya.
3. An opportunity to make **capital gains** in the future.

BIDDING GUIDE

Our recommended bidding range is:

Issue	FXD1/2018/15 Re-opened	FXD1/2022/25 Re-opened
Tenor to Maturity	8.3 Yrs	22.8 Yrs
Coupon Rate	12.65%	14.19%
Offered Amount (KES Bn)	30.00	
Period of Sale	13th Dec 2024 to 15th Jan 2025	
Value Date	20th Jan 2025	
Minimum Bidding Amount	KES 50,000.00	
Taxation	10.00%	
Our Bidding Range	14.00% - 14.50%	15.20% to 15.70%

Source: NSE, NCBA IB Research

Comparable Papers:

Re-opened FXD1/2018/15

	Tenor to Maturity	Outstanding Amount Shs'M.	Fixed Coupon Rate	Implied Yield To Maturity
FXD1/2023/010	8.0 years	73,595.17	14.1510%	13.9700%
FXD2/2018/015	8.8 years	33,411.70	12.7500%	13.7760%

Re-opened FXD1/2022/25

	Tenor to Maturity	Outstanding Amount Shs'M.	Fixed Coupon Rate	Implied Yield To Maturity
FXD1/2021/025	22.7 Yrs	20,773.50	14.1880%	15.6000%

Source: NSE, NCBA IB Research

INVESTMENT CASE

Demand

The auction performance will be driven by investors' interest rate expectations and the government's appetite for funds to plug into the financial year budget.

We expect strong investor demand for the issuance, driven by the prevailing preference to secure higher interest rates and capitalize on the attractive coupon rate.

Interest rates

The Monetary Policy Committee met on December 5th and decided to **lower** the Central Bank Rate (CBR) by 75bps to **11.25%**. The committee noted that overall inflation was expected to remain below the midpoint of the target range in the near term, supported by low fuel inflation, stable food inflation, and exchange rate stability.

Yields on treasury bills recorded an overall decline with the exception of the 182- day which saw a marginal uptick by 0.3bps, in January with the 91-day rate declining by 30bps, the 364-day rates by 7.5bps High subscription rates were recorded underpinning demand for short term papers as investors looked to mitigate duration risk. We believe investors will bid at moderate rates in the current interest rate environment.

Prevailing rates	Jan-25	Dec-24	M/M change (bps)
91 Day	9.594%	9.895%	(30.11)
182 Day	10.025%	10.022%	0.37
364 Day	11.334%	11.410%	(7.53)

Source: CBK, NCBA IB Research

Prevailing rates	Week 02	Week 01	W/W change (bps)
91 Day	9.59%	9.83%	(23.17)
182 Day	10.03%	10.03%	(0.06)
364 Day	11.33%	11.37%	(3.69)

Source: CBK, NCBA IB Research

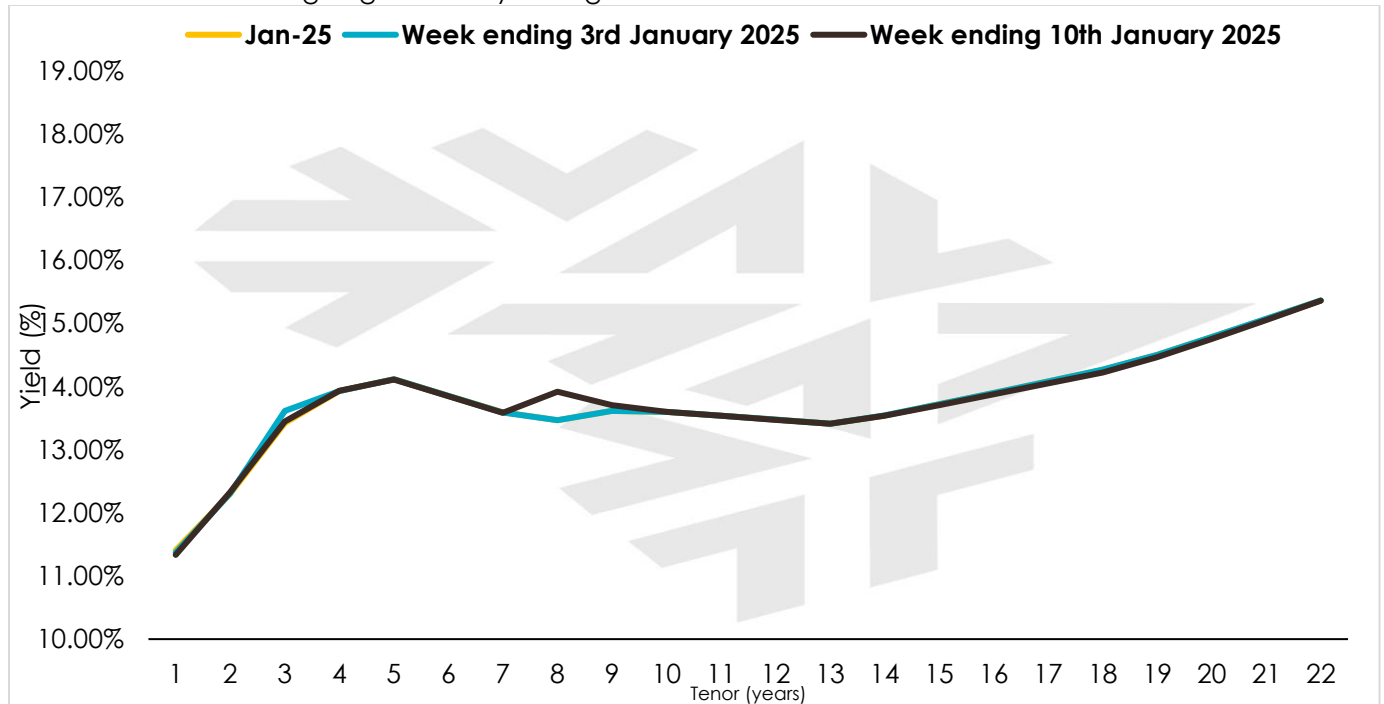
Annual consumer prices at the headline level rose to 3.00% in December 2024 from 2.80% in November 2024.

Statistic	Current	Previous	Change (bps)
CBR	11.25%	12.00%	(75.0)
Inflation	3.00%	2.80%	20.0

Source: CBK, NCBA IB Research

Looking ahead, we expect the annual inflation rate to remain stable and within the midpoint of CBK's target range supported by stability in food prices and aided by declining global fuel prices.

The yields on government securities have continued to decline, this trend is expected to persist as CBK maintains its ongoing monetary easing measures.

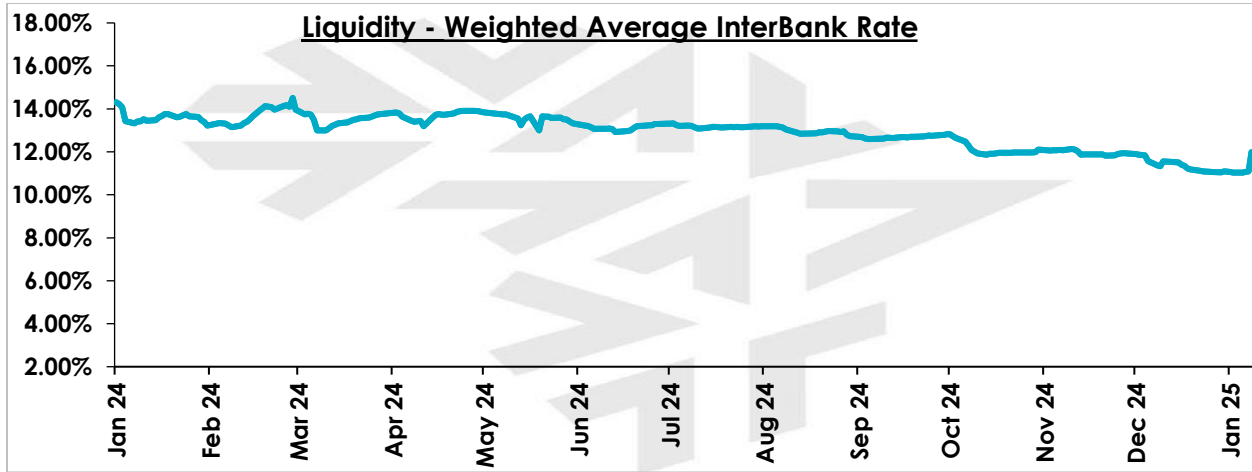


Source: NSE, NCBA IB Research

Liquidity

Liquidity conditions in the interbank space tightened. Indicatively, the overnight average interbank rate increased marginally by 0.21% week on week to close at 11.27%.

The demand for funds increased, with daily traded volumes averaging KES 34.58Bn from KES 22.71Bn observed in the previous week.



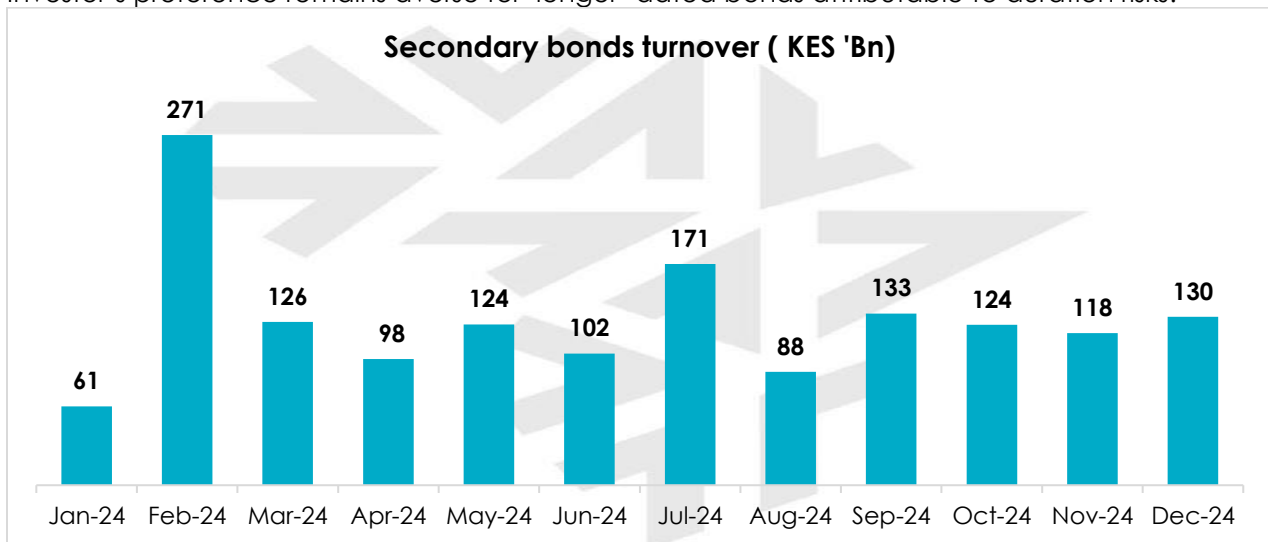
Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, total bond turnover increased to KES 130Bn in December 2024 compared to KES 118Bn in November 2024 partially attributable to increased primary bond activities.

Trading is still concentrated on **short to medium term papers** as investors seek to minimize duration risk.

Investor's preference remains averse for longer- dated bonds attributable to duration risks.



Source: CBK, NCBA IB Research

Source: CBK, NCBA IB Research

Kenya Government Debt Maturities Schedule – January 2025:

The government has total domestic debt maturities of **KES 127.70Bn** in the month of January 2025 compared to **KES 207.71Bn** in December 2024. We expect robust government activity in the local market.

Coupon payments					
Issue No.	Next Coupon Payment Date	Maturity date	Outstanding Amount KES 'Mn	Fixed Coupon Rate	Coupon payment KES 'Mn
FXD1/2024/003	13-Jan-25	11-Jan-27	91,555.15	18.39%	8,416.39
FXD1/2023/005	13-Jan-25	10-Jul-28	144,534.30	16.84%	12,172.68
FXD1/2017/010	20-Jan-25	19-Jul-27	65,974.90	12.97%	4,277.15
FXD1/2019/015	20-Jan-25	9-Jan-34	79,096.85	12.86%	5,084.74
FXD3/2019/015	20-Jan-25	10-Jul-34	53,919.80	12.34%	3,326.85
FXD2/2018/020	20-Jan-25	5-Jul-38	89,198.60	13.20%	5,887.11
IFB1/2018/015	20-Jan-25	10-Jan-33	41,169.47	12.50%	2,573.09
IFB1/2021/016	20-Jan-25	5-Jan-37	80,958.35	12.26%	4,961.53
Total					46,699.55

Treasury Bills	
Payment Date	Amount KES 'Mn
January 6, 2025	23,169.20
January 13, 2025	17,562.72
January 20, 2025	16,646.95
January 27, 2025	23,625.79
Total	81,004.66

Source: CBK, NCBA IB Research

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