Debt. |

# CBK eyes Sh20bn from reopened bonds

Charles Mwaniki

The Treasury has opened a tap sale on the July bond, looking to mop up the Sh13.2 billion that it left on the table in the initial sale which raised Sh38.6 billion.

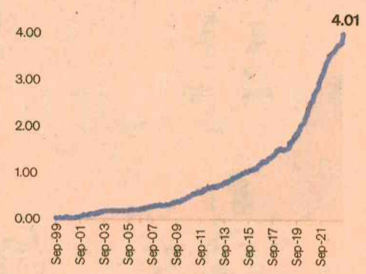
This sale, which runs until tomorrow (Friday), is seeking an additional Sh20 billion, which would take the net borrowing from bonds this month to Sh58.6 billion if the full amount is realised.

This would see the government achieve about 10 percent of its full fiscal year domestic borrowing target of Sh586.5 billion.

The pro-rated borrowing target for July stands at Sh48.9 billion, meaning that the State is looking to front-load on debt on the domestic front, largely with an eye on potential interest rate increases down the road.

**Outstanding treasury bonds (Sh Trn)**

The value of outstanding treasury bonds hit Sh4trn in June




SOURCE: CBK

In the initial sale of the dual tranche bond, which comprises a reopened 10-year paper first sold in 2016 and a new five-year offering, investors demanded an average 16.6 percent and 17.03 percent respectively for the two tranches.

The coupon rate for the 10-year reopening (which has three years to maturity) eventually settled at 15.04 percent, while the five-year is paying 16.84 percent. These coupons are now applicable to bids on the tap sale.

Analysts expect the government will come under pressure to take up even more expensive offers from investors going forward, given the concerns about the performance of the economy whose slowdown would hurt tax revenue. "In the coming Treasury bond bidding sessions, we foresee investors testing CBK's resolve on accepting rates higher than 17 percent," said analysts at AIB AXYS Africa, a city based investment bank.

The elevated domestic borrowing target of Sh586.5 billion this year (against Sh475 billion last year) also means that the State cannot afford to ignore an opportunity to take up funds.

It also has to take into account the need to roll over maturing debt, as well as interest payments that eat up revenue.

While there are no Treasury bond maturities due this month, the State is still spending Sh173 billion to service debt via Treasury bill maturities, and interest payments on T-bills and bonds. By frontloading on this year's borrowing, the government is also keeping an eye on potential hiccups down the road should market conditions turn sour.

This situation was seen in the previous fiscal year, when the Treasury was on course to miss its target until the oversized performance of the June infrastructure bond that raised Sh213 billion closed the gap at the last minute.

Prior to that sale, the State's borrowing performance from the local market was just above 50 percent.

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## Traders count losses on day of protests

Officers fight a fire at Jua Kali in Kisumu yesterday. This was the second blaze in as many weeks during the anti-government protests in the area where mechanics and other traders are based.
ONDARI OGEGA

Flights. |

# Airport hotels register full booking on protest woes

Diana Mwango

Airport hotels are fully booked as travellers fear anti-government protests and blocked roads may cause missed flights.

Nairobi has only two hotels located at Jomo Kenyatta International Airport (JKIA). Guests started booking hotel rooms on Tuesday evening, the eve of the three-day planned protests that started yesterday to avoid being caught up in the chaos.

Matthew Ochieng', the group director of marketing at Crowne Plaza Nairobi Airport Hotel said they are full yet more guests are making enquiries about accommodation.

"We're fully booked owing to the protests which are also happening during a high tourist arrivals season," he said. However, many hoteliers fear the new wave of demonstrations set to continue today (Thursday) and tomorrow will impact the country's tourism, which is reeling from hard Covid times if guests start cancelling.

Last year, Kenya received 1.48 million international visitors from the 870,465 the previous year.

At Four Points by Sheraton Nairobi Airport, Boniface Mulandi, who is in charge of sales and marketing, said the protests may have contributed to the bookings but thanks to the high tourist season, the hotel was almost booked to capacity.

As airport hotels record good business, those in the city centre are counting losses as a majority of Kenyans remain indoors and tourists avoid them for fear of violence breaking out.

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Borrowing. |

# Insurance clients tap Sh6.5 billion policy loans

Patrick Alushula

Outstanding insurance customer loans tapped from listed insurers hit Sh6.46 billion last year, up from Sh6.09 billion the previous year, pointing to the sustained appetite for the facilities that rely on policies as the collateral.

Filings by the five insurers listed on the Nairobi Securities Exchange show that fresh loans tapped against life insurance covers during the year ended December were highest in Britam Insurance where customers borrowed Sh2.22 billion to take the policyholders' loan book to Sh2.64 billion from Sh2.29 billion.

**Sh6.09bn**
The policy loans recorded last year

The popularity of insurance policy-backed loans started gaining relevance at the height of Covid-19 pandemic, as customers facing economic fallout opted to tap the loans and avoid pulling out of their policies.

Jubilee Insurance's policy loan book rose by 14.9 percent to Sh1.62 billion as it issued fresh loans valued at Sh252.1 million during the year.

The insurer says it advances such loans to policy holders who have attained cash or surrender value after three years. "The loans are of two types: automatic premium loans, which are loans to update the policy, and policy loans. There is no exposure on credit risk with respect to loans which are pegged and do not exceed the cash surrender value," says Jubilee in the latest annual report.

Liberty's policy loan book, part of which includes loans to staff, retreated from Sh1.65 billion to Sh1.4 billion in the year that CIC Insurance saw such borrowings rise from Sh594.7 million to Sh658.8 million.

CIC says its policyholder loans were priced at eight percent last year, which is lower than the commercial banks' average 13 percent.

Sanlam Kenya also dropped from Sh154.98 million to Sh146.29 million.

Insures rarely make provision for losses against policy loans since they are usually secured by the premiums.

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