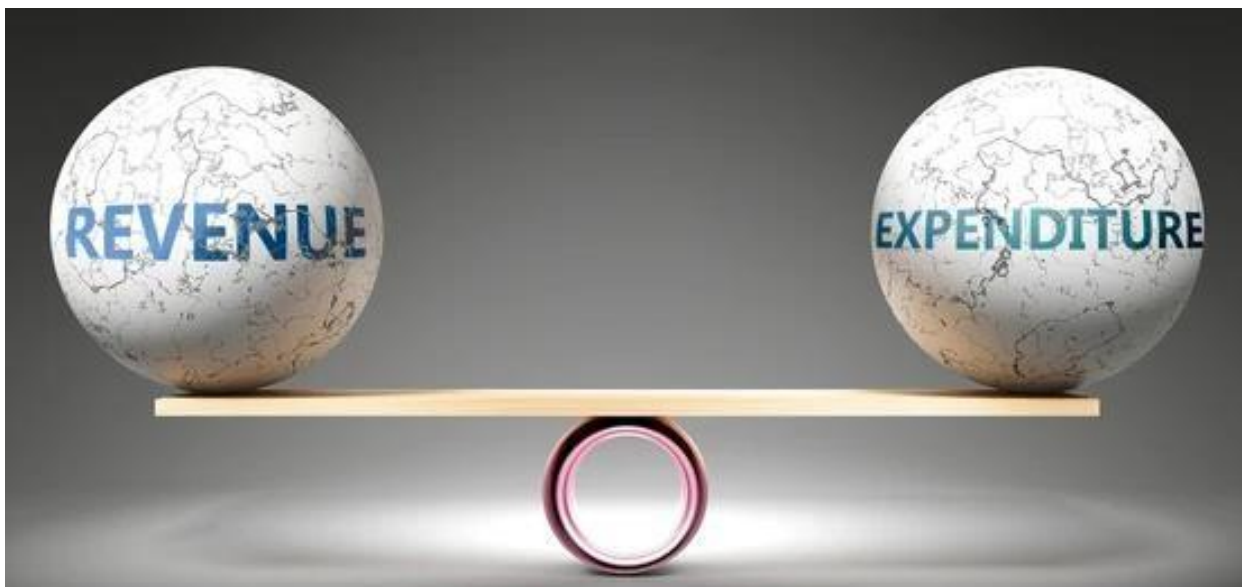


Actual Revenues and Exchequer Issues for the First Ten Months of FY25/26

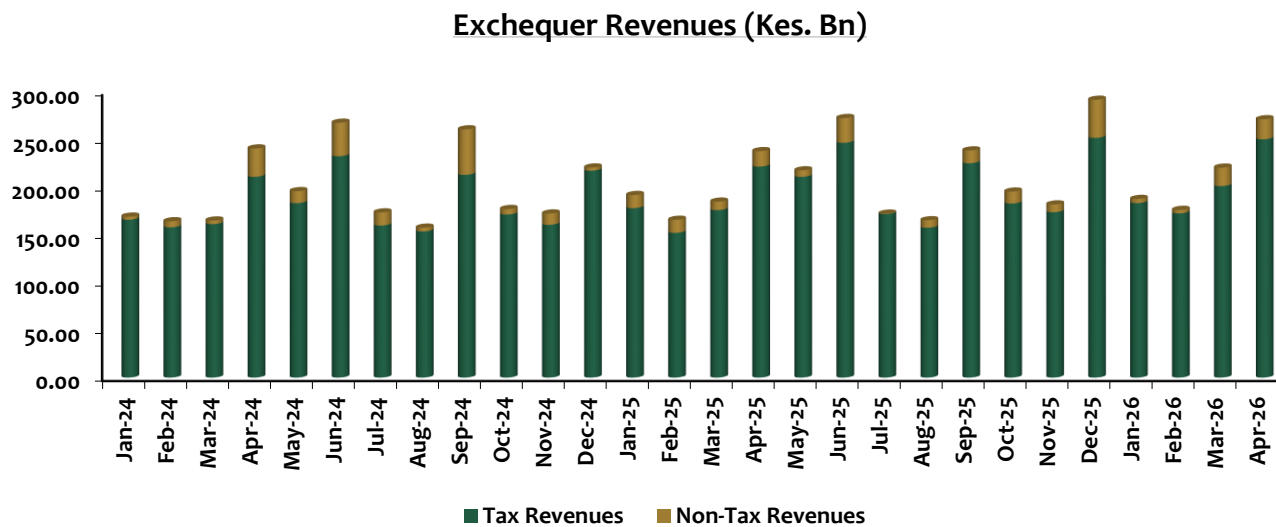


Fiscal Pressures and Future Paths

20th May 2026

Exchequer Revenues – First 10 Months of FY25/26:

During the first ten months of FY25/26, cumulative exchequer revenues rose to Kes. 2,097.92Bn, reflecting an 8.2% y/y increase from Kes. 1,939.28Bn recorded over the corresponding period in FY24/25. The performance translates to 90.4% of the prorated target of Kes. 2,320.35Bn and 75.3% of the revised full-year revenue estimates of Kes. 2,784.41Bn. The improvement was largely supported by stronger tax collections, which continued to anchor government revenues despite persistent underperformance relative to targets. See the visual below:

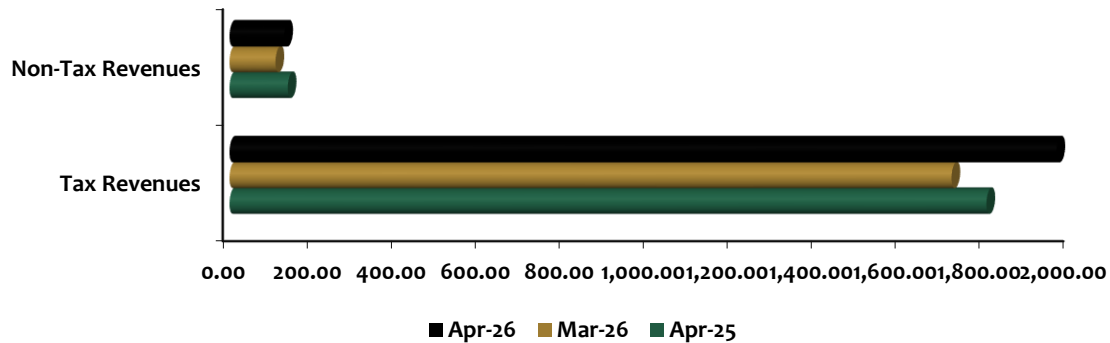


Data: National Treasury | Chart: KSL

Tax revenues grew by 9.3% y/y to Kes. 1,967.66Bn in April 2026, from Kes. 1,800.82Bn in April 2025, supported by improved economic activity, enhanced tax administration measures, and sustained compliance efforts. On a monthly basis, tax revenues increased by 14.6% from Kes. 1,717.63Bn in March 2026, reflecting stronger remittances at the start of Q4 FY25/26. However, collections still fell short of the prorated target of Kes. 2,167.31Bn, implying a performance rate of 90.8%.

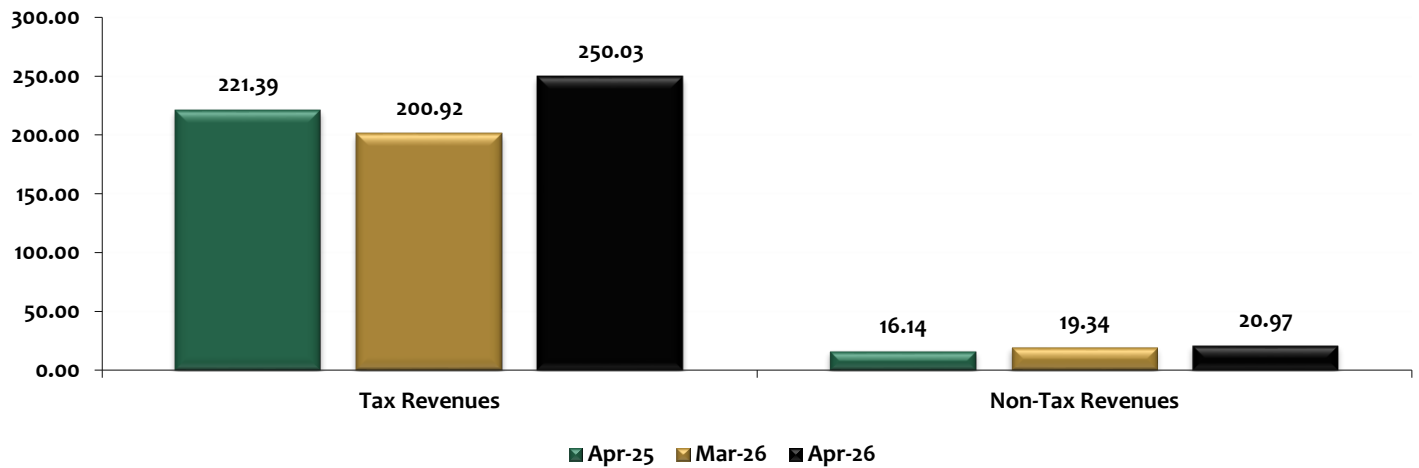
Non-tax revenues declined by 5.9% y/y to Kes. 130.25Bn from Kes. 138.45Bn in April 2025, despite recording a 19.2% m/m increase from Kes. 109.28Bn in March 2026. The underperformance relative to the prorated target of Kes. 153.04Bn raises concerns over the sustainability of non-tax revenue streams, especially following the upward revisions to revenue expectations in the supplementary budget.

Cumulative Tax & Non-Tax Revenues (Kes. Bn)



Consequently, total revenues in April 2026 amounted to Kes. 271.0Bn, marking a 14.8% m/m increase and an 8.2% y/y rise. Tax revenue rose by 12.9% to Kes 250.03Bn, from Kes 221.39Bn, over the same period in FY24/25. See the chart below:

Exchequer Revenue Collections (M/M, Y/Y Comparison)



Data: National Treasury | Chart: KSL

We expect monthly revenue collections in May to soften, largely due to business disruptions arising from strikes and demonstrations, which are likely to weigh on economic activity and dampen tax-generating transactions. Additionally, the elevated cost of living continues to pressure household incomes, encouraging consumers to prioritize essential spending over discretionary consumption, ultimately constraining VAT and other consumption-linked revenue streams.

Expenditure:

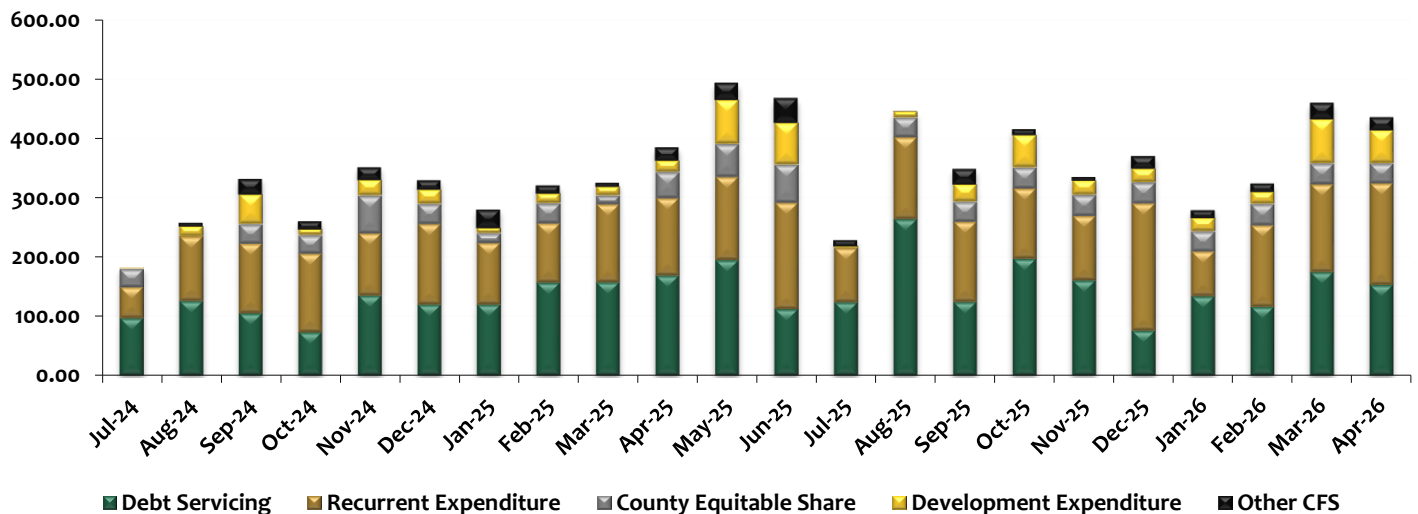
Cumulative expenditure during the first ten months of FY25/26 rose to Kes. 3,642.51Bn, representing a 20.4% y/y increase from Kes. 3,026.26Bn recorded in a similar period last year. This translates to 84.7% of the prorated expenditure target of Kes. 4,299.31Bn. The increase continues to reflect elevated recurrent spending, rising debt servicing obligations, and accelerated development expenditure disbursements.

Recurrent expenditure increased by 19.7% y/y to Kes. 1,343.20Bn, while development expenditure surged by 67.4% y/y to Kes. 318.75Bn, indicating a stronger implementation pace for infrastructure and development projects compared to the previous fiscal year. County equitable share disbursements also rose marginally by 3.3% y/y to Kes. 309.18Bn.

Debt servicing remained one of the largest expenditure components, increasing by 21.0% y/y to Kes. 1,517.35Bn from Kes. 1,254.00Bn in April 2025. On a monthly basis, debt servicing rose by 11.2% from Kes. 1,364.69Bn in March 2026, underscoring the persistent pressure exerted by Kenya’s debt obligations on public finances. Notably, debt servicing alone consumed approximately 72.3% of total revenues collected during the period, significantly constraining fiscal flexibility and limiting allocations toward productive sectors of the economy.

See the chart below:

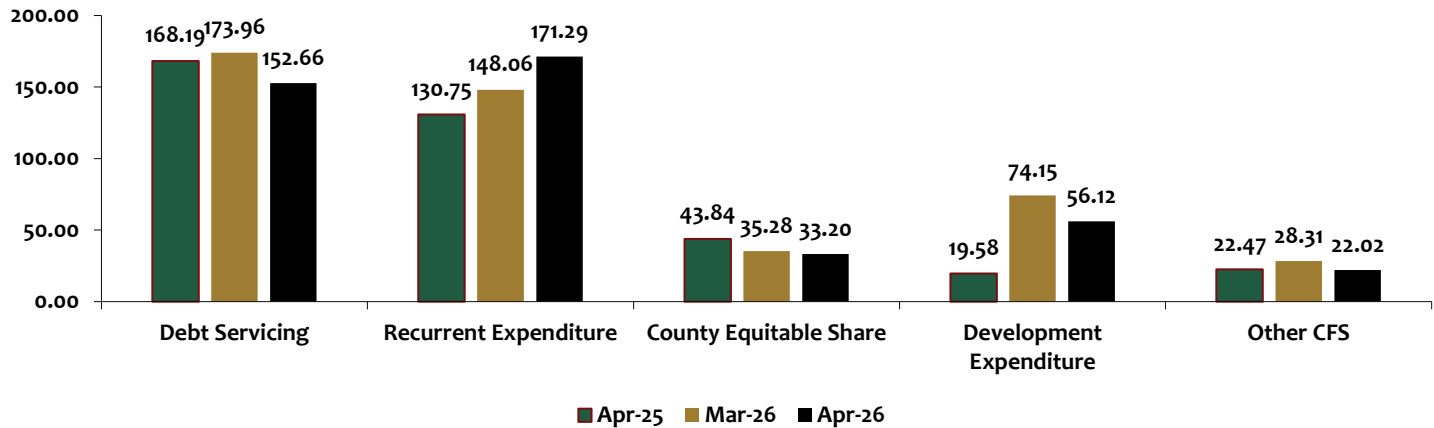
Monthly Expenditure Breakdown(Kes. Bn)



Data: National Treasury | Chart: KSL

In April 2026 alone, total expenditure stood at Kes. 435.29Bn, representing a 13.1% y/y increase from Kes. 384.83Bn in April 2025 and a 5.3% m/m decrease from Kes. 459.75Bn recorded in March 2026. The increase was mainly driven by higher recurrent expenditure, and continued implementation of development projects.

Expenditure Comparison (Kes. Bn)



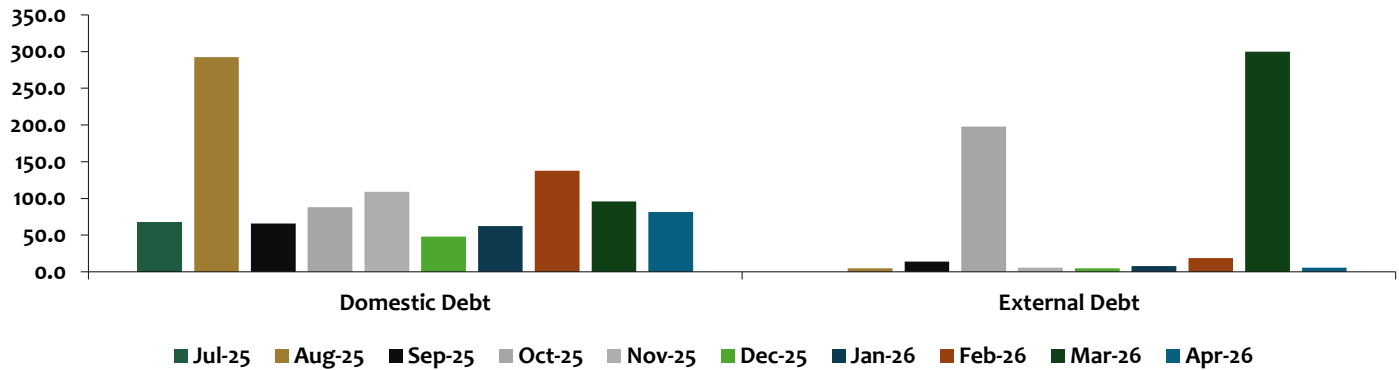
Data: National Treasury | Chart: KSL

Financing:

To finance the widening fiscal deficit, total financing during the first ten months of FY25/26 increased by 38.5% y/y to Kes. 1,614.82Bn from Kes. 1,166.26Bn recorded during a similar period in FY24/25. However, financing performance stood at 81.6% of the prorated target of Kes. 1,978.97Bn, suggesting continued constraints in fully meeting budgeted financing assumptions. See the visual representation below:

Domestic borrowing remained the dominant source of financing, accounting for Kes. 1,047.16Bn, equivalent to 64.8% of total financing. Domestic borrowing rose by 24.8% y/y, reflecting the government’s continued preference for the domestic market amid constrained external funding conditions. External loans and grants increased sharply by 73.1% y/y to Kes. 559.14Bn, largely supported by renewed external inflows and multilateral financing.

Debt Financing (Kes. Bn)



Data: National Treasury | Chart: KSL

Nevertheless, exchequer revenues financed only 62.3% of total expenditure during the month, highlighting the government’s continued reliance on debt financing to bridge the fiscal gap. Although this represented an improvement from the 47.9% recorded in March 2026, it remains below levels required to sustainably support government operations without additional borrowing. Cumulatively, revenues have financed 56.5% of the expenditure for the first 10 months of the fiscal year as shown below:

Debt-Revenue Mix (First 10 Months of FY25/26)



Data: National Treasury | Chart: KSL

Overall, the fiscal position continues to point to mounting debt dependence, with a substantial share of government expenditure financed through borrowing amid rising debt servicing costs. While revenue performance has shown resilience, persistent shortfalls against targets and elevated expenditure pressures continue to weigh on fiscal sustainability.

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Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th floor, P.O Box 48231 - 00100 Nairobi, Kenya
Office: 0711049016 Email: info@kingdomsecurities.co.ke

Research Department

Stellah Swakei	sswakei@co-opbank.co.ke	+254711049152
Chrisanthus Lunani	clunani@co-opbank.co.ke	+254711049973

Sales and Dealing Team

Dennis Langat	dlangat@co-opbank.co.ke	+254 711049592
Moffat Asena	amoffat@co-opbank.co.ke	+254 711049663
Gloria Ohito	gohito@co-opbank.co.ke	+254711049993

Client Service and Operation

info@kingdomsecurities.co.ke