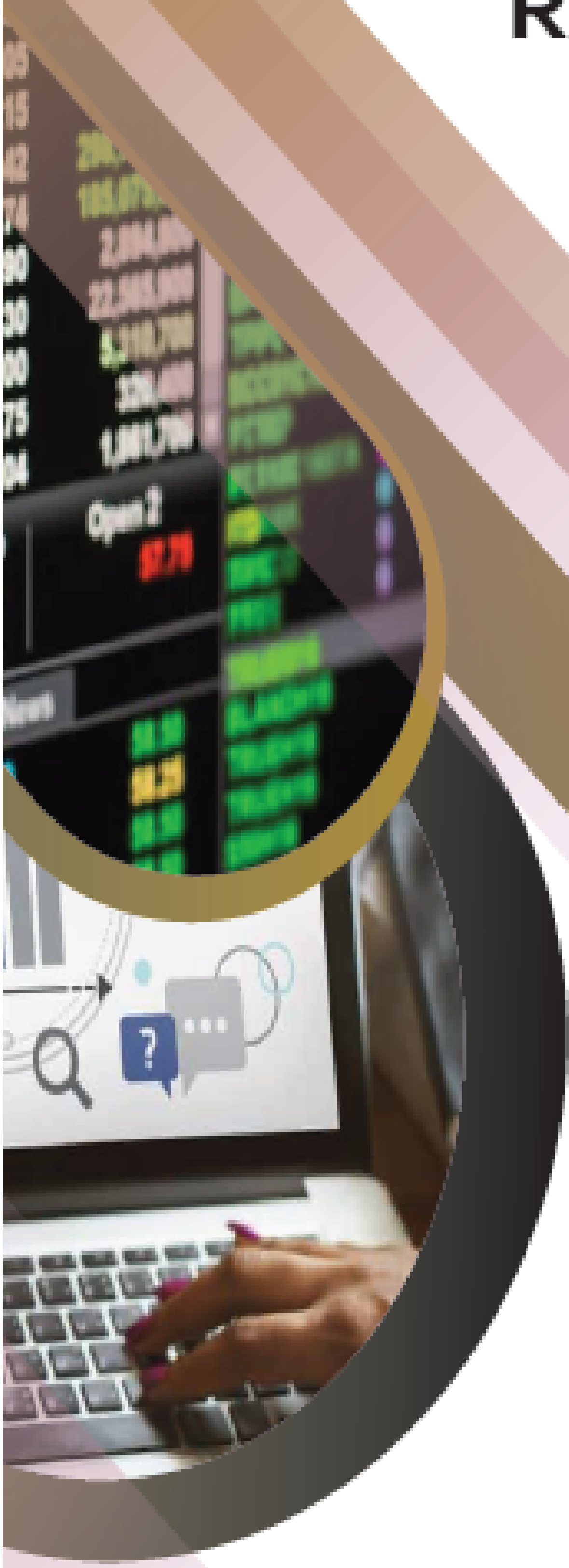
CAPITAL MARKETS
RESEARCH UPDATE
(CMRU)



Markets Update

- KMRC's KShs.3Bn Green Bond Draws KShs.9.4Bn in Bids
- I&M Bank's Corporate Bond Begins Trading on the NSE
- Inflation Pressure Persists at 6.7 percent in May 2026
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CAPITAL
MARKETS AUTHORITY

KMRC's KShs.3Bn Green Bond Draws KShs.9.4Bn in Bids

Kenya Mortgage Refinance Company (KMRC) raised KShs.3 billion through its second sustainability bond after attracting KShs.9.38 billion in bids, achieving a 312.8 percent oversubscription rate. The eight-year amortising green bond, issued under its KShs.10.5 billion Medium-Term Note programme, was priced at a 12.2 percent coupon, payable semi-annually. Proceeds will refinance green and social housing mortgages under KMRC's sustainable finance framework with listing on Nairobi Securities Exchange Fixed Income Securities Market expected on 25th May 2026.[1]

I&M Bank's Corporate Bond Begins Trading on the NSE

I&M Bank has listed the first tranche of its Kenya Shilling-denominated Medium-Term Note (MTN) Programme on the Nairobi Securities Exchange (NSE) following a successful offer that attracted KShs.23.23 billion in bids against a KShs.10 billion target. The bond will support the bank's long-term funding while providing investors with a new fixed-income investment option. The listing reflects strong investor demand and continued growth in Kenya's corporate bond market.[2]

Inflation Pressure Persists at 6.7% in May 2026

The annual consumer price inflation as measured by the Consumer Price Index (CPI) was 6.7 per cent in May 2026. The core inflation stood at 3.2 per cent in May 2026, contributing 3.8 points to the overall inflation while the rate of non-core inflation was 16.0 per cent, contributing 2.9 points.[3]

Six Managers Secure CMA Approval for 16 New Funds

The Capital Markets Authority (CMA) approved 16 new collective investment funds across six asset managers in one of the largest single-batch approvals in recent years. The approvals span money market, fixed income, equity, multi-asset, private debt and alternative investment strategies, reflecting continued product diversification in the CIS market. Pergamon Investment Bank led with six sub-funds, followed by EDC Asset Management with five. The expansion comes as CIS assets under management rose to KShs.756.20 billion in December 2025, supported by strong industry growth and rising investor participation.[4]

Kenyan Shilling Remains Stable in May 2026

Currency	Apr-26	May-26	% Change
1 USD	129.19	129.55	0.28%
1 Sterling (£)	174.13	174.07	0.03%
1 Euro (€)	150.99	150.76	0.15%
1 SA Rand	7.73	7.98	3.23%
1 USHS	0.03	0.03	0.00%
1 TSHS	0.05	0.05	0.00%
1 Brazilian Real	25.73	25.53	0.78%
1 Russian Rubble	1.73	1.82	5.20%
1 Indian Rupee	1.36	1.35	0.74%
1 Chinese Yuan	18.89	19.13	1.27%

Red-Depreciate; Green- Appreciate; Source: CMA

In May 2026, the Kenyan Shilling remained broadly stable, appreciating against the Pound Sterling, Euro, Brazilian Real, and Indian Rupee. The currency was also unchanged against the Ugandan and Tanzanian Shillings, indicating steady regional exchange-rate conditions. While the Shilling slightly weakened against the U.S. Dollar, South African rand, Russian ruble, and Chinese yuan. Exchange rate stability remains important for capital markets as it helps reduce investment risk, supports foreign investor participation, and promotes confidence in domestic financial assets.

Equities Market Show Resilience

Indicators	Apr-26	May-26	%Δ
NSE 20 Share index	3,547.53	3,513.12	0.97%
NSE 25 Share Index	5,667.98	5,659.05	0.16%
NSE 10 Share Index	2,134.94	2,154.68	0.92%
Banking Sector Index	236.13	233.48	1.12%
NASI	205.34	205.69	0.17%
Mkt. Cap (Kshs. Bn)	3,405.29	3,411.28	0.18%
Volume (M)	653.60	386.32	40.89%
Equity Turnover (Kshs. Bn)	15.29	15.03	1.72%
% Foreign Participation to ET	35.76	37.61	5.18%
Bond Turnover (Kshs Bn)	236.98	139.13	41.29%
NSE Bond Index	1,174.18	1,160.43	1.17%
REITs Mkt. Cap (Kshs. Bn)	12.09	12.20	0.97%
ETFs Mkt. Cap (Kshs. Bn)	2.35	2.28	3.06%
Bond Mkt. Cap (Kshs. bn)	5,967.19	6,009.85	0.71%

Green- Increase, Red-Decrease; Source: CMA

In May 2026, the equities market demonstrated resilience despite mixed performance across key indicators. While the NSE 20, NSE 25, and Banking Sector indices declined, gains in the NSE 10 Share Index and NASI, coupled with higher market capitalization, reflected continued investor confidence and improved market valuation.

[1] KMRC KShs.3bn Green Bond Draws KShs.9.4bn in Bids
[2] I&M Bank's Corporate Bond Begins Trading on the NSE
[3] Consumer Price Indices and Inflation Rates for May 2026
[4] Six Asset Managers Win CMA Green Light for 16 New Funds

Capital Markets Outlook

Strong KMRC Green Bond Demand Set to Support Fixed Income Market Depth

The strong demand for KMRC's sustainability bond signals a sustained investor appetite for ESG-linked and fixed income instruments in Kenya's capital markets. The performance of the KMRC's Green Bond reflects a growing confidence in structured housing finance securities. Going forward, the performance of the Bond is likely to encourage more issuances of green and social bonds as issuers tap sustainable finance frameworks to attract both retail and institutional investors. The planned listing on the Nairobi Securities Exchange Fixed Income Securities Market is also expected to enhance secondary market activity and contribute to deeper bond market liquidity and broader market development.

I&M Bank MTN Listing to Strengthen Kenya's Corporate Bond Market

The successful listing of I&M Bank's Kenya Shilling-denominated Medium-Term Note (MTN) Programme on the Nairobi Securities Exchange demonstrate resilience in Kenya's capital markets. The strong demand for the Medium-Term Note reflects growing investor confidence and increasing demand for fixed-income investment opportunities. The transaction further demonstrates the importance of corporate bonds as a key financing channel for institutions and signals continued growth and positive investor sentiment within Kenya's capital markets.

Rising Collective Investment Fund Approvals

The Collective Investment Schemes (CIS) segment has seen continued expansion and product diversification reflecting ongoing innovation and a broader range of investment opportunities for both retail and institutional investors. The expansion of investment options is likely to enhance market participation, improve capital mobilization, and provide investors with greater opportunities to meet their diverse risk-return preferences. As the CIS industry continues to expand, sustained growth will require robust regulatory oversight to safeguard investor interests, maintain market integrity, and effectively monitor emerging products and risks. Strengthening supervisory capacity, risk-based oversight, and investor education will remain critical in ensuring that innovation and market development are accompanied by appropriate investor protection and confidence in the sector.