

EQUITY RESEARCH

KENYAN BANKING SECTOR VALUATION UPDATE | LISTED BANKS

**CBK proposes enhanced capital requirements for domestic systemically important banks:
Coverage Earnings Jump 17.2% y/y in 1H26 as Credit Recovers**

Review of banking sector multiples

Bank	Mkt Cap \$ mn	EPS 1H25	EPS 1H26	% change	ROaE 1H25 (%)	ROaE 1H26 (%)	EPS - FY25	P/E	P/B	Total DPS FY24 - KES	Total DPS FY25 - KES	Dividend s % growth y/y	Dividend Yield %	Interim DPS 1H25	Interim DPS 1H26	Interim Dividend % growth y/y	Price - KES (as of 9th October 2026)	Price change - YTD	Recommendation	Fair Value Estimate - KES As of Oct 2026
Absa	1,381.8	2.15	1.94	-9.8%	28.8%	22.5%	4.2	7.8	1.8	1.75	2.05	17.1%	6.2%	0.20	0.50	150.0%	33.05	33.8%	HOLD	32.95
Co-op Bank	1,668.8	2.40	3.07	28.0%	19.9%	22.0%	5.0	7.3	1.3	1.50	2.50	66.7%	6.8%				36.95	124.6%	HOLD	37.22
DTB	411.1	17.04	22.86	34.1%	11.6%	13.3%	33.7	5.7	0.5	7.00	9.00	28.6%	4.7%				191.00	176.8%	BUY	258.06
Equity Group	3,021.2	8.83	11.61	31.5%	28.2%	29.5%	19.1	5.5	1.1	4.25	5.75	35.3%	5.5%				104.00	115.3%	BUY	122.26
Family Bank	358.4	1.75	2.23	27.0%	20.8%	25.4%	3.9	7.1	1.4	0.85	1.20	41.2%	4.3%				28.00	55.6%	HOLD	26.09
I&M Group	1,172.0	4.44	5.35	20.3%	17.2%	18.0%	10.8	8.1	1.3	3.00	3.75	25.0%	4.3%				87.50	141.4%	HOLD	87.18
KCB Group	2,219.8	9.80	11.23	14.5%	23.0%	21.7%	20.8	4.3	0.8	3.00	7.00	133.3%	7.8%	2.00	3.00	50.0%	89.75	115.7%	BUY	113.08
NCBA	1,125.5	6.71	7.52	12.2%	20.1%	19.8%	14.2	6.3	1.1	5.50	7.10	29.1%	8.0%	2.50	3.75	50.0%	88.75	84.1%	HOLD	98.74
Stanbic Holdings**	838.4	16.56	16.71	0.9%	20.7%	19.4%	34.7	7.9	1.6	20.83	22.35	7.3%	8.1%	3.80	1.64	-56.8%	275.50	100.7%	HOLD	283.05
StanChart	925.6	21.40	17.80	-16.8%	24.9%	20.8%	32.5	9.8	1.9	45.00	31.00	-31.1%	9.7%	8.00	8.50	6.3%	318.25	13.8%	HOLD	341.53
					21.5%	21.3%		7.0	1.3				6.5%							

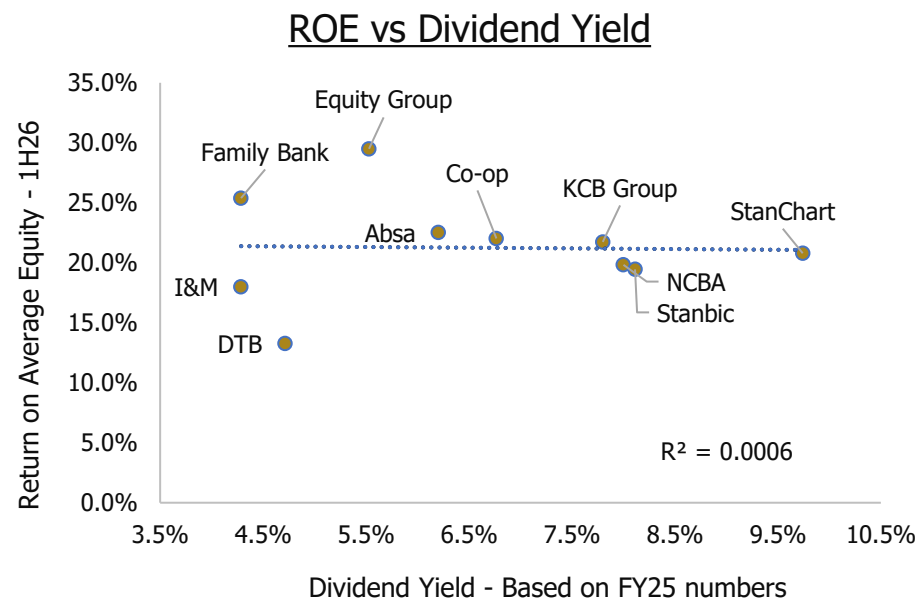
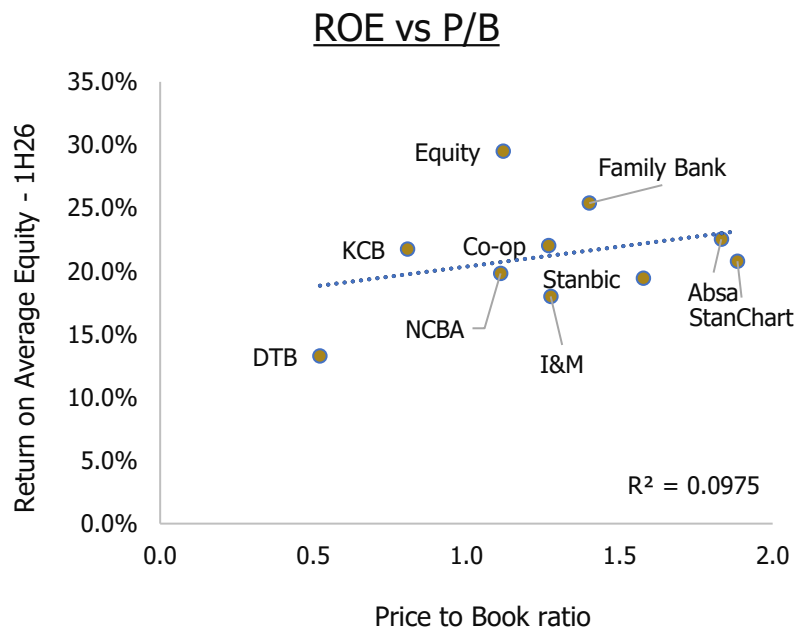
Source: NSE, Company filings, SIB Estimates, Bloomberg, Data as at 9th October 2026

- Compared against the Family Bank listing at an introduction price of KES 18.00
- KES USD rate = KES 129.91
- Fair value estimate updates consider 1H26 numbers

Definitions:

- ROE:** Measures how efficiently a company is generating income from the equity investments of its shareholders; >10% is considered healthy; the higher the better; median ROE for banks under coverage is 21.3%
- EPS:** Measure of a company's profitability that indicates how much profit each outstanding share of common stock has earned.
- Dividend yield:** Represents the dividend amount a company pays annually compared to its share price.
- Payout ratio:** Calculated by dividing the total dividends by the total net income of a company.
- P/E:** The price an investor is willing to pay for each shilling of a company's earnings.
- P/B:** Calculated by dividing a company's market price by its book value of equity (shareholders' equity per share). A ratio below one indicates that a company is undervalued, while a ratio above one indicates that the company's stock is trading at a premium.

Review of banking sector multiples



- Looking at market multiples as of 9th October 2026, Equity Group, KCB Group, and Co-operative Bank emerge as the most attractive counters, with above-coverage average return on average equity (ROaE) in 1H26 (average of 21.3%, Equity at c.29.5%, KCB at c.21.7% and Co-op at c.22.0%) and below-coverage mean P/B (average of 1.3x; Equity at 1.1x, KCB at 0.8x, Co-op Bank at 1.3x). Though Family Bank reported an above-average ROaE relative to our coverage (estimated at 25.4% in 1H26), it is currently trading at a P/B of 1.4x, with its dividend yield emerging amongst the lowest in our coverage (c.4.3%).
- Standard Chartered Kenya trades at the highest P/B multiple (1.9x), which we link to its impressive dividend payout ratio and industry-leading dividend yield (c.9.7%). Stanbic Bank (c.8.1%), NCBA (c.8.0%), and KCB Group (c.7.8%) follow suit; however, KCB Group reported a special dividend in 2025 following the sale of NBK. DTB remains the most discounted listed bank in our coverage (lowest P/B at 0.5x), with a relatively low dividend yield (c.4.7%) and return on average equity (c.13.3%) compared to peers (average div yield of c.6.5%, ROaE of 21.5%).

Stock Recommendations Summary

Absa	- Absa reported a double-digit decline in net earnings, driven by a lower-rate environment, with yields on loans and government securities dropping during the period, coupled with thin FX trading margins. - NIMs are expected to remain largely stable, with possibly higher loan volumes in the coming quarters (loan book momentum picked up in 2Q26, spurred by lending to priority sectors such as infrastructure, trade, asset finance, real estate (affordable housing), etc.), should economic conditions remain conducive. - Indeed, management foresees double-digit asset book growth in 2H26. We believe that the lender’s ambitions to scale its new businesses, expand its physical and digital distribution channels, partner with strategic providers, diversify its product offerings and revenue lines, and leverage its ecosystem propositions are still on track. - Continued investment in automation and robotics is expected to help the lender contain operating expenses and increase efficiency in the long term (target of investing KES c. 3.0 bn annually in deepening its digital strategy). - Absa Group announced a voluntary tender offer to acquire additional shares (an extra 16.5% stake at KES 34.50) in Absa Kenya PLC in 2Q26, with the offer having closed on 11th August 2026. Notably, the transaction fell short of its maximum target, raising the parent company's ownership from 68.5% to 71.99%.	Fair Value Estimate: KES 32.95 Recommendation: HOLD 1H26 earnings commentary here
Co-op Bank	- Co-operative Bank achieved laudable results in 1H26, driven by resilient earnings and growing volumes, as it continues to implement its "Good to Great" 2025–2029 Strategic Plan - The Group's asset quality is performing well, with enhanced IFRS coverage (80.7% vs. 69.9% in 1H25) and lower cost of risk (1.8% vs. 2.4% in 1H25), pointing to softer provisioning drag on earnings in 2H26. - Furthermore, diversified revenue streams are anticipated to support Group earnings in the long term, on the back of growth of deeper insurance penetration across its customer base, increased capital market activity, and growth in its fund management business (AUM at KES 505.2bn, up c.9.5% y/y). - Overall, the lender has a target of reaching KES 1.0tn in total assets by aggressively deepening its dominance in Kenya and the region. Furthermore, the Group recently announced plans to restructure to a Holding Company structure, offering a platform for scalable expansion into diversified financial services and new markets in the region. - Interim dividend anticipated in 3Q26.	Fair Value Estimate: KES 37.22 Recommendation: HOLD 1H26 earnings commentary here
Diamond Trust Bank	- The Group 1H26 earnings were lifted by lower interest expenses, contained operating costs (excluding provisions), and resilient interest income against the backdrop of a growing loan book. - The Group continues to leverage its business strategy to grow both conventional and digital customer numbers through accelerated digital transformation coupled with telco partnerships, expanded branch network, and scaling of ecosystem banking in its target key sectors (new target sectors, i.e., agriculture, education, public sector, technology/fintech). - As the Group makes headway in asset quality, management has reported that it is targeting an NPL ratio of c.6.0% - 10.0% in the medium term (single-digit NPL ratio by 2027) as it leverages reinforced credit underwriting & monitoring, as well as recovery mechanisms. We note the ramp-up in loan loss provisions in 1H26, possibly pointing to management caution on the near-term outlook as commodity prices rise and geopolitical tensions remain at play - Discounted P/B ratio, consistent revenue & dividend growth, and expansion efforts provide much-needed confidence in the stock as a long-term play. The group’s ROE underperforms the sector by a wide margin, though we see opportunities for improvement in the coming years as it continues to implement its strategic plan.	Fair Value Estimate: KES 258.06 Recommendation: BUY 1H26 earnings commentary here

Stock Recommendations Summary

Equity Group	- The Group reported commendable performance in 1H26, with Equity Kenya doing some heavy lifting, coupled with revenue inflows from its regional subsidiaries (Total PAT by subsidiaries up 27% y/y). - Equity Group’s Insurance business is tracking well, propelled by its life, general, and health underwriting licenses as it leverages cross-selling opportunities across its captive client base, with the Insurance business’ gross written premiums jumping by 24% y/y to KES 6.4bn (PBT up 34% y/y to KES 1.2bn). - We see the diversification of revenue streams and the Group’s regional footprint as a tailwind to Group earnings, as it leverages its extensive branch network, payment systems, and tech capabilities to cross-sell its bundled solutions, as well as the robust economic momentum in its operating markets such as DRC, Rwanda, and Tanzania. - Ample liquidity (liquidity ratio up to 60.9% from 58.6% in 1H25) provides the Group with headroom to lend to clients across the Group as credit demand momentum picks up. - Management forecasts the reduction in the Group’s NPL ratio to between 7.0% and 9.0% in 2026 through the resolution of pending bills, court litigation, and recoveries.	Fair Value Estimate: KES 122.26 Recommendation: BUY 1H26 earnings commentary here
Family Bank	- Family Bank reported strong performance in 1H26, lifted by resilient interest income and contained interest expenses, which partly offset the slowdown in non-funded income. - We see sustained demand for credit amongst the Group’s target clientele (should local and global conditions remain favourable), supported by comparatively lower industry lending rates, short sales cycles, ecosystem partnerships, and strategic impact funding partnerships with DFIs that allow Family Bank to offer loans at single-digit rates (in foreign currency), to certain target sectors. - We anticipate the CTI to remain elevated in the near term as it implements its strategic growth initiatives (the Group sees phased KES 3.0bn in investments over its 2025 to 2029 strategic period). - Though capital levels remain robust, we note that the maturity of Family Bank’s medium-term note in December 2026 (outstanding amount of KES 3.7bn), double-digit y/y growth in lending, and expansion initiatives may slightly weigh on capital levels in the near term (total asset to risk asset ratio at 17.2% in 3Q25, 19.6% in FY25, 18.6% in 1Q26 and 18.2% in 1H26)	Fair Value Estimate: KES 26.09 Recommendation: HOLD 1H26 earnings commentary here
I&M Group	- I&M Group reported resilient performance in 1H26 as private sector lending gradually picked up on easing interest rates, with management projecting a loan book growth rate of c.12.0% - c.18.0% in 2026 (achieved +15% y/y in 1H26). - Furthermore, I&M’s target segments are expected to continue supporting revenue performance via growing customer numbers, regional diversification, strategic partnerships, ecosystem focus, and growth of its non-banking subsidiaries. The lender’s bancassurance and asset management businesses are progressing well, with assets under management up 81% y/y to KES 127bn and 49% y/y growth to KES 527bn in bancassurance premiums as of 1H26. - As the Group culminates the final year of its Imara 3.0 strategy, operating expenses are expected to remain elevated in the near term as the lender grows its branch presence and invests in digital capabilities. Risks to the outlook remain, driven by ongoing geopolitical developments, climate risks and regulatory changes, as well as their potential impact on the markets it operates in. - The Group’s capital levels remain sturdy, having successfully raised KES 13.0bn in May 2026 through the first tranche of its KES 20.0bn medium-term note, which strengthened its Tier II capital levels. - Interim dividend anticipated in 3Q26.	Fair Value Estimate: KES 87.18 Recommendation: HOLD 1H26 earnings commentary here

Stock Recommendations Summary

KCB Group	- The Group’s 1H26 performance demonstrated resilient growth momentum despite the impact of the sale of National Bank of Kenya, lower CBR rates across the region during the period, and dynamic economic conditions in its operating markets. - While pressure on asset yield margins remains, we anticipate the Group’s NIM will benefit from lower interest expenses, as it continues to reprice expensive deposits and as loan volumes grow. - The improvement in Group asset quality is a welcome development, and management sees a gradual decline in gross NPLs in the coming quarters (target Gross NPL ratio of between 14.0% and 16.0% in FY26; already at 15.1% as of 1H26) through the continued payment of pending bills, enhanced recovery initiatives, full and final settlements, and rehabilitations. - We anticipate that growing customer numbers, rising digital loans, enhanced channel optimization, and commercialization of tech investments (awaiting the completion of the acquisition of strategic payment providers, Pesapal) will serve as a tailwind to NFI in the near term. - On the back of the Group’s business performance, the Board of Directors has recommended an interim ordinary dividend of KES 3.00 (+50.0% y/y; the Group had a one-off special interim dividend of KES 2.00 in 2025 following the sale of NBK).	Fair Value Estimate: KES 113.08 Recommendation: BUY 1H26 earnings commentary here
NCBA	- NCBA Group’s 1H26 performance was partly supported by a sharp decline in interest expenses, accompanied by a gradual recovery in interest income and non-funded income (both rising by 7.6% y/y). The lender recorded an impressive recovery in loan volumes (+20.1% y/y) as demand for private sector credit ticked up over the period, - The Group’s diversified business model is progressing well, with regional operations in Uganda, Tanzania, and Rwanda delivering a combined profit before tax (PBT) of KES 1.6bn, supported by income momentum (+11% y/y), strong loan growth (+25% y/y) and recoveries, according to management. - In addition, the Group’s nonbanking subsidiaries (NCBA Investment Bank, NCBA Insurance, Leasing and Bancassurance) collectively reported profits before tax of KES 1.1bn (+40% y/y) in 1H26. - The Nedbank tender offer closed on 10th July 2026, attracting strong shareholder support, leading to a 121% subscription rate. Following completion of the transaction (approved by the Central Bank of Kenya on 28th August 2026), NCBA will become a subsidiary of Nedbank. - The entry of Nedbank is anticipated to bring with it an advanced cross-border infrastructure, access to global markets, and expertise in corporate and investment banking as it supports NCBA’s digital ecosystem. - The Group’s Board of Directors has recommended an interim dividend of KES 3.75 (+50.0%y/y; payout ratio of c.49.9%)	Fair Value Estimate: KES 91.43 Recommendation: HOLD 1H26 earnings commentary here

Stock Recommendations Summary

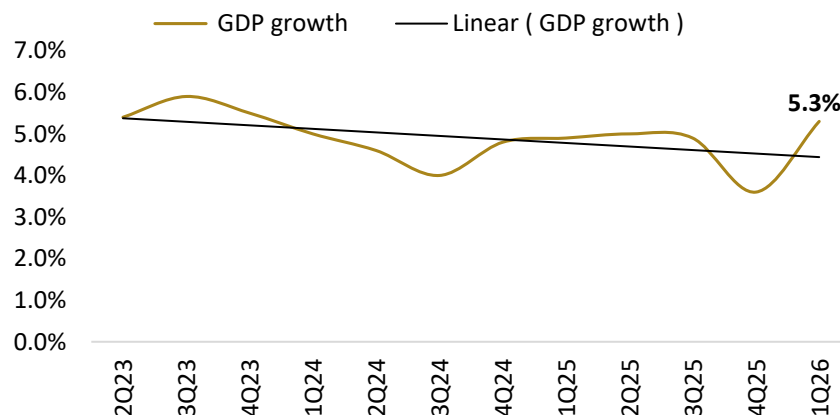
Stanbic Holdings	- Stanbic Holdings experienced a stable earnings performance in 1H26. However, its top-line revenue performance reflected the continued normalisation of interest income performance, dampened by the impact of the CBR cuts during the period, coupled with stable currency movements. - We see potential for long-term growth with a solid diversification of revenue streams (PAT for Bancassurance up 17% y/y to KES 84m, SBG securities up >100% y/y to KES 80m and South Sudan up >+100% y/y to KES 503m) and a pick-up in NII as loan volumes expand. - Stanbic aims to scale high-growth areas such as investment banking, private banking, SME banking, asset management, and ecosystem banking, supported by investments in digital infrastructure, automation, and artificial intelligence. - The lender is targeting to expand infrastructure financing, sovereign advisory, SME and agriculture lending, wealth management, and climate-aligned financing, while leveraging regional trade via the Pan-African Payment and Settlement System (PAPSS) and the African Continental Free Trade Area agreement (AfCFTA), deepening affluent offerings, and embedding sustainability across lending. - The Group’s Board of Directors has recommended an interim dividend of KES 1.64 (-56.8% y/y), as the lender opted to preserve capital to support the rapid expansion of risk assets.	Updated Fair Value Estimate: KES 283.05 Recommendation: HOLD 1H26 earnings commentary here
StanChart	- While StanChart experienced a sustained downswing in net earnings in 1H26, the pace of decline is moderating (-16.8% in 1H26 vs -26.3% in 1Q26, -38.0% in FY25, -38.2% in 3Q25) as loan volumes tick up and as recovery in non-funded income buoys the top line. - We view the lender’s commendable asset quality (Gross NPL ratio of c.5.0% in 1H26; significantly lower than the industry average of 15.3% as of May 2026), cross-border network services, diversified investment options and non-banking revenue lines, Affluent Business pivot, access to capital, digital and sustainability proposition, and its global presence as key tailwinds to the Group’s revenue performance in the long term. - Furthermore, the low-cost deposit base (CASA ratio at 95%) amid lower interest rates (StanChart fully transmitted the CBR cut benefit to its clients; CBR is stable at 8.75% at the moment) may help StanChart support its net interest margins as the operating environment shifts and as lending picks up (loan book expanded by c.11.1% y/y in 1H26). - Standard Chartered continues to adopt an asset-light approach, and we see continued investments in its digital strategy in line with its parent company’s global target to leverage artificial intelligence and automation to significantly reduce operational costs and increase efficiency. - StanChart remains a dividend play, given its attractive dividend payment policy, provided that it meets its capital adequacy requirements (5-year average payout of c.81.8%); The lender’s Board of Directors has recommended an interim dividend of KES 8.50 (up 6.5% y/y).	Updated Fair Value Estimate: KES 341.53 Recommendation: HOLD 1H26 earnings commentary here

Kenya's GDP growth hits 5.3% in 1Q26 as external pressures mount

Real GDP growth (y/y, percent)

	Weight (2009–2025)	2021 Act.	2022 Act.	2023 Act.	2024 Act.	2025 Act.	2026			2027
							Q1 Act.	Q2 Proj.	Annual Proj.	Annual Proj.
1. Agriculture	19.8	-0.4	-1.5	6.6	4.4	3.1	4.9	1.9	2.9	4.3
2. Non-Agriculture (o/w)	80.2	9.5	6.3	5.5	4.7	4.9	5.3	5.1	5.3	5.6
2.1 Industry	17.8	7.5	3.9	2.0	1.1	4.7	5.4	4.8	5.1	4.8
Mining & Quarrying	1.1	18.0	9.3	-6.5	-7.8	14.9	9.1	9.6	9.6	9.6
Manufacturing	9.1	7.3	2.6	2.2	3.0	2.0	4.4	2.2	2.9	3.1
Electricity & water supply	2.6	5.6	5.5	3.2	2.7	5.2	4.3	5.6	5.5	5.1
Construction	5.1	6.7	4.1	3.0	-0.7	6.8	6.6	7.5	7.3	6.1
2.2 Services	53.8	9.8	7.0	7.0	6.0	5.3	5.5	5.3	5.5	5.9
Wholesale & Retail Trade	8.2	8.0	3.5	3.3	4.0	3.6	4.0	3.8	3.9	4.7
Accommodation & food services	1.1	52.6	26.8	33.6	25.9	15.6	14.7	12.5	14.4	12.8
Transport & Storage	9.8	7.4	5.8	5.5	4.3	3.7	3.6	3.1	3.5	4.4
Information & Communication	2.7	6.1	9.0	10.3	7.1	4.8	5.0	5.4	5.2	6.8
Financial & Insurance	7.8	11.5	12.0	10.1	7.5	6.5	6.3	6.3	6.5	6.5
Public administration	5.7	6.0	5.1	5.0	8.7	8.3	5.7	5.8	5.8	5.5
Professional, Admin & Support Services	3.0	7.1	9.5	9.9	6.4	5.0	2.4	6.5	5.6	6.7
Real estate	9.5	6.7	4.5	7.3	5.3	3.9	5.0	5.3	5.2	6.4
Education	4.7	22.8	5.2	2.9	4.8	2.8	6.2	4.5	5.0	5.1
Health	2.1	8.9	3.4	4.5	6.0	5.5	4.3	5.5	5.4	5.3
Other services	2.4	12.5	6.5	4.3	4.5	2.6	2.1	2.9	3.2	4.2
FISIM	-3.0	5.3	0.2	2.7	9.7	0.2	-4.1	2.2	0.5	3.4
2.3 Taxes on products	8.6	11.9	6.7	3.2	3.3	3.1	4.3	3.7	4.0	4.5
Real GDP Growth	100.0	7.6	4.9	5.7	4.7	4.6	5.3	4.4	4.9	5.3

Source: Kenya National Bureau of Statistics and Central Bank of Kenya



Kenya grows by 5.3% in 1Q26

- In the first quarter of 2026, Kenya's real GDP expanded by 5.3% year-on-year, up from 4.9% in 1Q25, demonstrating positive performance across all major sectors of the economy. Accommodation and Food Services (+14.7%), Mining and Quarrying (+9.1%), Construction (+6.6%), Financial and Insurance (+6.3%), and Agriculture (+4.9%) led sectoral expansion, alongside an acceleration in Manufacturing (+4.4% vs. 2.8% in 1Q25). Macroeconomic drivers were underpinned by monetary easing, which helped spur an 8.5% growth in private sector credit. Despite the overall growth momentum, mixed macroeconomic conditions posed challenges. Inflation rose to 4.35%, largely due to increased food prices. Additionally, the local currency experienced depreciation against major currencies such as the Euro and Sterling, while the current account deficit widened to KES 120.9bn.

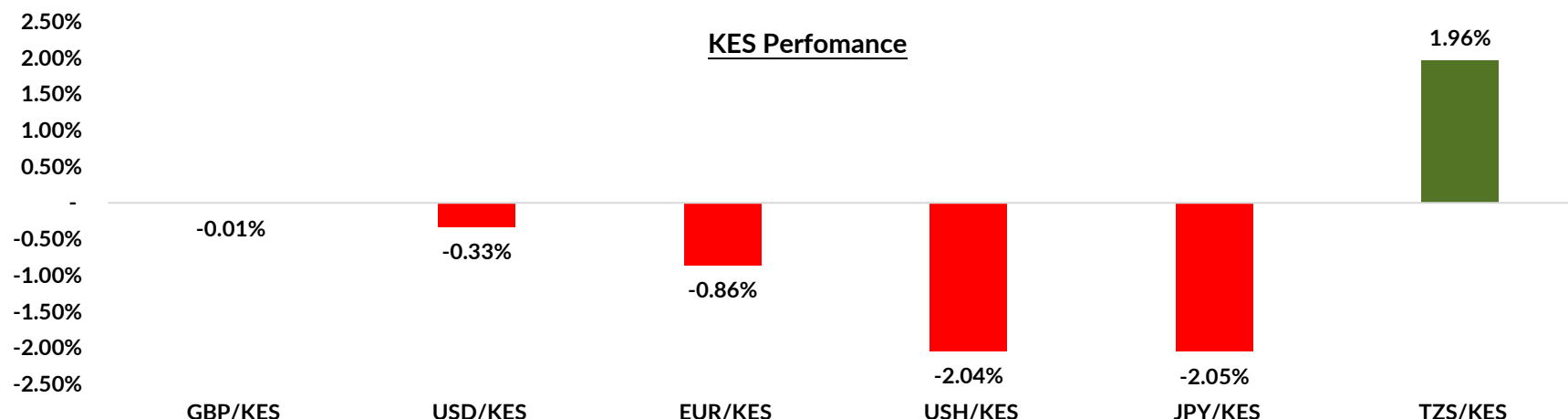
World Bank revises growth outlook to 4.6% in 2026

- The World Bank revised its projected growth rate of the Kenyan economy in 2026 to 4.6% from 4.4% previously, citing stronger economic activity at the start of the year, but expects growth to slow to 4.4% in 2027. The latest projection marks an improvement from the lender's April outlook, when it cut Kenya's 2026 growth forecast amid concerns over rising geopolitical tensions in the Middle East, higher energy costs, potential trade disruptions, and a squeeze in inflows like diaspora remittances.

CBK upgrades GDP growth estimate to 5.0% for 2026

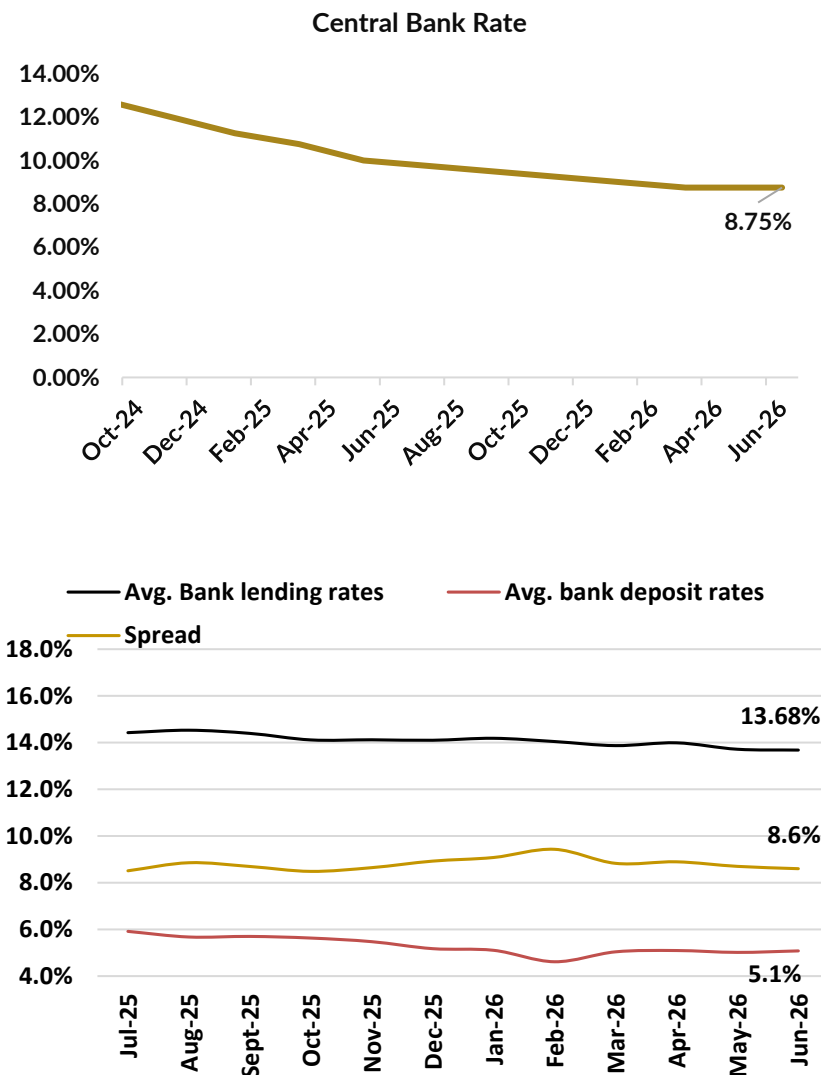
- The Central Bank set the 2026 GDP growth estimate to 5.0% vs. previous projections of 4.9% in June 2026, mainly reflecting stronger industry and services sectors. Economic growth projections are subject to continued uncertainty and the implications of the conflict in the Middle East on the performance of some key sectors of the economy, as well as the potential adverse impact of the El Niño weather phenomenon.
- Agricultural sector growth remains fundamentally reliant on prevailing weather conditions. Conversely, the industrial sector is positioned for strong expansion, buoyed by targeted government initiatives, ongoing infrastructure projects, the systematic clearance of pending bills, and the strategic implementation of Public-Private Partnerships. The services sector is projected to remain resilient, anchored by rapid digitization and ongoing technological innovation.

Local unit records mixed performance in 2Q26; holds steady against the US dollar



- The shilling exhibited mixed performance in the quarter against the currencies we track, though it remained relatively stable against the U.S. dollar. For nearly a year, the USD/KES exchange rate has remained anchored around the resistance level of 128–129. This sustained stability is largely attributed to reduced dollar demand and strong foreign exchange reserves, which afford the Central Bank the flexibility to intervene in the market when necessary. The reserve build-up, supported by proceeds from the USD 2.25bn Eurobond issuance and partial privatization of the Kenya Pipeline Company (KPC) and the 15% government stake sale of Safaricom, has significantly enhanced the Central Bank of Kenya's (CBK) capacity to stabilize the shilling and meet external obligations. Kenya has also secured a JPY 25 billion Samurai Bond facility from Japan to diversify its sovereign debt as part of funding to boost domestic manufacturing and reduce electricity system losses.
- The USD 16.0bn, 700,000 barrels a day Dangote East Africa Petroleum Refinery & Petrochemicals SEZ in Kenya's port city of Lamu is anticipated to boost manufacturing GDP from 7% to more than 10%. Apart from improving energy security in the region, the facility will allow Kenya to settle a major portion of its domestic fuel bill in shillings rather than foreign currency while generating foreign reserve inflows by exporting refined fuel to neighboring East African nations and foreign direct investment (FDI) flows. Beyond foreign reserve accumulation, the project is expected to anchor the LAPSET Corridor, boost throughput at the Port of Lamu, create direct and indirect jobs, lower agricultural and industrial input costs through local fertilizer and petrochemical production, and feed surplus power from its integrated plant back into Kenya's national grid.

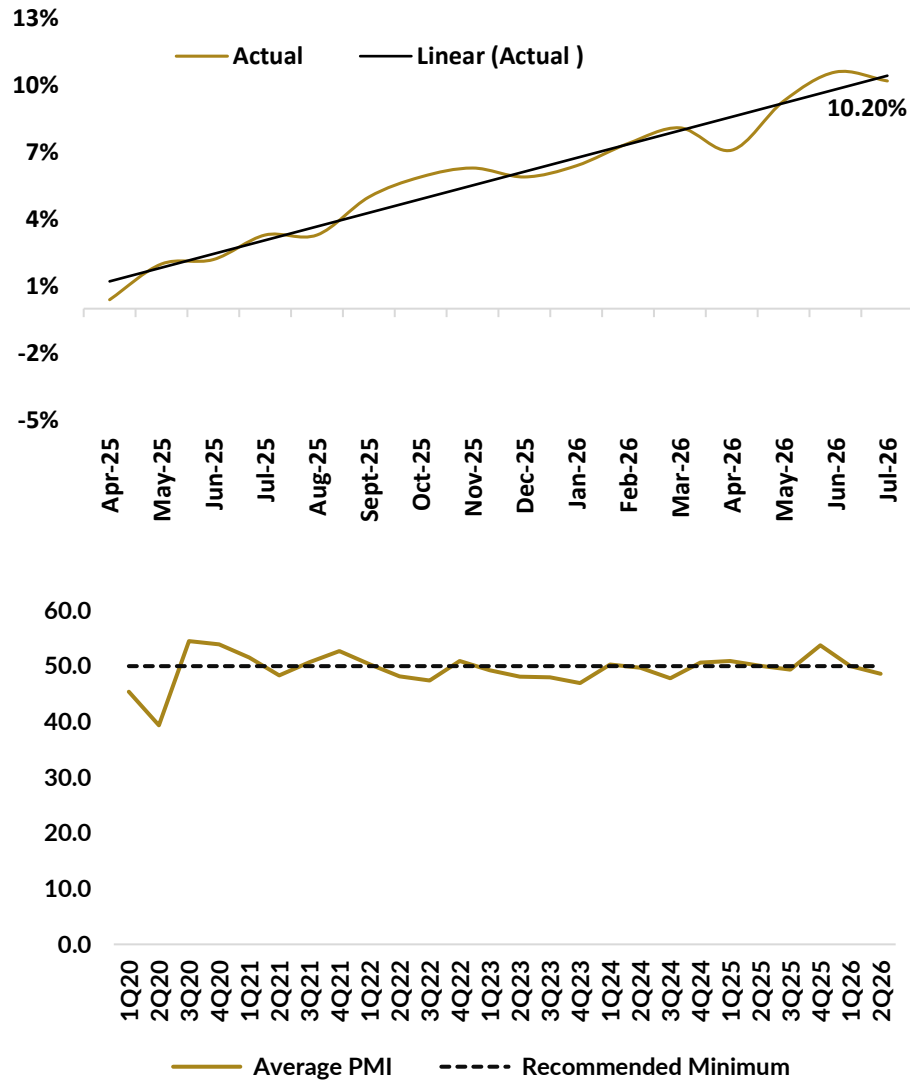
CBK MPC maintains base rate at 8.75% in 2Q26



Source: CBK data, Charts: SIB, Source: SIB Fixed Income and Economic Report - 2Q26

- The Monetary Policy Committee met twice during the second quarter. It held the benchmark rate at 8.75%, citing recent inflationary spikes as driven by temporary supply-side shocks rather than stronger consumer demand. Because core inflation remains well-contained, the Committee opted for a "wait-and-see" stance, expressing confidence that inflation will naturally stabilize within the target boundary over the medium term. Notably, overall industrywide commercial banks' lending rates (including overdraft rates) began to decline gradually (average of 13.8% in 2Q26 vs. 14.6% in 2Q25). Furthermore, savings and term deposit interest rates softened to an average of 5.1% in 2Q26, down from 6.1% in 2Q25.
- In the second quarter of 2026, the yield curve remained upward sloping, with a slight hump observed in the medium-term tenors. This structure reflected prevailing monetary conditions and investor expectations alongside robust investor demand for long-dated government securities.
- In 2Q26, headline inflation averaged 6.2% from 4.4% recorded in 1Q26, largely driven by a surge in fuel inflation, which translated into higher transport and logistics costs. This quantum, however, remained below the upper bound of CBK's target of 7.5%. Transport inflation averaged 14.2% in 2Q26, up from 4.2% recorded in 1Q26, while food inflation increased to 8.9% from 7.4% over the same period. However, government interventions, including subsidies, the temporary reduction of VAT on fuel, and a stable exchange rate, are helping to mitigate imported inflation pressures.
- S&P Global Ratings affirmed Kenya's 'B/B' sovereign rating with a Stable Outlook in August 2026, citing stronger external buffers and resilient economic growth, while highlighting high interest costs, slower fiscal consolidation, and elevated external financing needs as key constraints.

Private sector credit recovers in 2Q26 despite weaker market sentiments



- Private sector credit growth stood at 10.6% in June 2026 (average of c.10.0% in 2Q26 to c.+1.5% in 2Q25), compared to a muted rise of 2.2% in June 2025, partly reflecting increased credit demand with a continued decline in lending rates, coupled with the implementation of the revised risk-based pricing model and resilient performance of key economic sectors. Additionally, the stable shilling tempered the exchange rate valuation effects on FCY-denominated loans.
- Asset quality exhibited signs of improvement, coming in at 14.8% in June 2026 compared to 17.6% as at June 2025, linked to a decline in NPLs in the manufacturing, building and construction, trade, agriculture, and real estate sectors.
- Nonetheless, caution is warranted on private sector credit growth, as several headwinds may impede faster credit expansion. These include external shocks, upcoming 2027 elections, government borrowing crowding out the private sector, narrower margins, potential impact of ongoing geopolitical tensions, and more cautious lending behavior by banks.
- The private sector business environment weakened in 2Q26, when PMI declined to 48.7 from 50.0 in 1Q26. The slowdown reflected higher input costs, particularly fuel-related expenses, as well as softer demand conditions that affected business activity during the quarter.

Source: CBK MPC presentation, Stanbic PMI report, SIB Fixed Income and Economic Report - 2Q26

CBK proposes enhanced capital requirements for domestic systemically important banks

Indicator	Component	Component Weight	Indicator Weight (%)
a. Size	Total assets plus off-balance sheet items	100%	40
b. Interconnectedness	Deposits and balances due from local banking institutions	50%	30
	Deposits and balances due to local banking institutions	50%	
c. Substitutability	Loans to households	30%	15
	Loans to trade sector/SMEs	30%	
	Payments cleared and settled through payment systems	40%	
d. Complexity	Financial securities	40%	5
	Financial derivative assets	30%	
	Financial derivative liabilities	30%	
e. Importance to the domestic economy	Customer deposits	50%	10
	Bank size relative to GDP	50%	
Total weight			100

- In August 2026, the Central Bank of Kenya developed a draft framework for the identification, regulation, and supervision of Domestic Systemically Important Banks (D-SIBs) in Kenya in line with the Basel Committee on Banking Supervision requirements.

- In this framework, the indicator-based measurement approach, as well as the bucketing approach and supervisory judgement, will be used by CBK to determine D-SIBs in Kenya. The **indicator-based method** measures and ranks financial institutions according to their degree of systemic importance, with reference to five indicators from bank-level data, i.e

a. Size: Larger banks risk greater damage from failure. The framework will assess a bank's Leverage Ratio exposure compared to the total Leverage Ratio exposure of all banks in Kenya's banking sector.

a. Interconnectedness: A bank's systemic impact depends on its interconnectedness with other financial institutions, measured by its intra-financial system assets, liabilities, and short-term financing in interbank and money market operations.

a. Substitutability (including considerations related to banking sector concentration): Assesses a bank's substitutability based on its share of RTGS payment settlements and its lending to the household and trade sectors, which represent the largest economic segments funded by Kenyan bank loans.

a. Complexity (including additional complexities from cross-border activity): Measured by banks' holdings in derivative assets/liabilities as well as financial securities, which comprise both speculative, short-term dealing securities and longer-term available-for-sale or held-to-maturity investment securities;

a. Importance to the domestic economy: To assess a bank's domestic importance when identifying D-SIBs, the framework evaluates its total assets relative to the country's GDP and the bank's customer deposit base.

Total Score for bank = $0.4 * (a) + 0.3 * (b) + 0.15 * (c) + 0.05 * (d) + 0.1 * (e)$

Source: Draft CBK framework for identification, regulation, and supervision of domestic systemically important banks in Kenya – August 2026

CBK proposes enhanced capital requirements for domestic systemically important banks

Domestic Systemically Important Banks bucketing approach

Bucket	Total Score Range	Category Score Range	HLA requirement (additional CET1 requirement as a percentage of RWA)
3	>0.25	>0.3	2.50%
2	>0.15 - ≤0.25	>0.2 - ≤0.3	1.50%
1	>0.05 - ≤0.15	>0.1 - ≤0.2	0.50%

Source: Draft CBK framework for identification, regulation, and supervision of domestic systematically important banks in Kenya – August 2026

Summary Capital Requirements

Item	Minimum requirement (%)	Composition/ Notes
CET1 ratio	8	
Tier 1 ratio	10	CET1 + AT1 capital
Total Pillar 1 capital ratio	12	Tier 1 and Tier 2 capital
Capital Conservation Buffer (CBB)	2.5	Must be met with CET1 capital; applies above the minimum requirements
Domestic systemic important bank (DSIB) buffer	0 - 2.5	Must be met with CET1 capital; only for systemically important institutions
Pillar 2 specific capital requirement	Determined by supervisor	Institution - specific additional capital based on risks not considered or not fully captured under Pillar 1

* CET1 - Common Equity Tier 1 capital

* AT1 - Additional Tier 1 capital

Source: Guideline on Capital Adequacy CBK/PG/03 - Draft Prudential Guidelines – August 2026

- Under the **D-SIB bucketing approach**, the Central Bank will group systemically important banks into categories based on their overall scores from the total score assessment and category scores.
- Based on the annual assessment, the HLA will be allocated into three different buckets based on the total scores and the category scores. The HLA capital requirements shall range from 0.5% to 2.5% additional Common equity tier 1 capital, presented as a percentage of risk-weighted assets (RWA). Key considerations as a result of the enhanced requirements for D-SIBs include:
 - Restriction on expansion of their operations or the introduction of new products** whose effect may enhance the systemic risk of the bank,
 - Likely higher reporting and compliance costs** due to heightened supervision and disclosures,
 - D-SIBs will be required to **maintain higher liquidity ratios** than non-D-SIBs, depending on the prevailing funding and liquidity risks,
 - Capital preservation mandates may limit immediate cash dividend payouts** for banks needing to build up their CET1 buffers,
 - CBK to enforce **local capital surcharges on Kenyan subsidiaries of foreign banks**, ensuring they remain self-sufficiently capitalized regardless of parent strength.
- Under the proposed draft prudential guideline on capital adequacy, **banks are required to maintain a capital conservation buffer of 2.5%, comprised of CET1**, above the regulatory minimum capital requirement, with capital distribution constraints imposed on a bank when capital levels fall within this range.

CBK proposes enhanced capital requirements for domestic systemically important banks

Comparators	Kenya (CBK)	South Africa (Prudential Authority / SARB)	Mauritius (Bank of Mauritius)	Nigeria (CBN/NDIC)
Assessment methodology (indicators & weights)	Indicator-based + bucketing + supervisory judgement. Uses size (40%) , interconnectedness (30%) , substitutability (15%) , complexity (5%) , and Importance to the domestic economy (IDE (10%))	The primary assessment categories and standard indicator weightings include: Size (40% weight) , interconnectedness & Substitutability (40% combined weight) , Global / Cross-Border Activity (10% weight) , and complexity (10% weight) . While driven by quantitative scoring models, the SARB retains the power to apply economically justifiable qualitative supervisory judgment to capture hidden systemic risks.	Indicator-based with a GDP screen first : banks with Segment A (domestic) assets ≥ 3.5% of GDP are assessed on size, exposure to large groups, interconnectedness, complexity, substitutability , and “Exposure to large groups” (an explicit Mauritius-specific indicator). Each has an equal weighting of 20%.	Indicator-based + supervisory judgement. Factors: size (30%) , substitutability (30%) , complexity (25%) , and interconnectedness (15%) ; Nigeria’s Sectoral and Complexity Indicators weigh branch network density and foreign subsidiary footprints alongside large borrower concentration reviews
Thresholds to be designated D-SIB	Total score > 0.25 and/or any category score > 0.05 triggers designation and supervisory response.	Designation is supervisory/PA-driven under the D-SIB buffer framework; South Africa publicly reports a small set of D-SIBs (e.g., major banks) and calibrates buffers accordingly.	Two-step: Segment A assets ≥ 3.5% of GDP , then scoring its systemic importance is evaluated and scored across five key indicators. The score of the potential systemically important banks is calculated each year based on their June figures	Cumulative score ≥ 5% ; or practical rule-of-thumb: total assets ≥ 5% of industry and minimum total credits & deposits ≥ 6% each for six months.
Higher Loss Absorbency (HLA) / capital surcharge	0.5%–2.5% additional CET1 (bucketed). Bucket 1: 0.5%, Bucket 2: 1.5%, Bucket 3: 2.5%. Must be met at the standalone and consolidated level.	D-SIB buffer (HLA) up to 3.5% of total capital (with CET1 composition rules); PA also caps combined Pillar 2A + HLA at 3.5% of RWA for planning purposes. A 2025 directive adds a leverage-ratio buffer = 50% of HLA on top of the minimum leverage ratio.	Capital surcharge 1.0%–2.5% of RWA, met with CET1 , calibrated by category after scoring.	Minimum CAR for D-SIBs and international banks: 15% plus an additional capital surcharge of 1.0% . The HLA should be fully met with CET1 capital.

CBK proposes enhanced capital requirements for domestic systemically important banks

Comparators	Kenya (CBK)	South Africa (Prudential Authority / SARB)	Mauritius (Bank of Mauritius)	Nigeria (CBN/NDIC)
Liquidity / leverage add-ons specific to D-SIBs	CBK may impose higher liquidity ratios and other macroprudential tools case-by-case; framework explicitly lists “liquidity surcharges” as a possible measure.	Leverage-ratio buffer mandatory for D-SIBs: 50% of HLA (Directive D3/2025, effective 1 July 2025), in addition to the minimum leverage ratio.	Liquidity standards apply under the broader Basel III-aligned regime.	Liquidity ratio applies as for all banks; framework emphasizes quarterly stress tests and enhanced monitoring rather than a D-SIB-specific leverage surcharge.
Dividend Payment Restrictions	Applies to all banks under proposed prudential guidelines (both DSIBs and those not qualified as DSIBs); A capital conservation buffer of 2.5%, comprised of CET1, is established above the regulatory minimum capital requirement. Capital distribution constraints will be imposed on a bank when capital levels fall within specific ranges.	If a bank’s capital ratios fall below the required minima, and no other remedial measures acceptable to the Prudential Authority (PA) are available, the PA will impose capital conservation measures that restrict discretionary payments such as dividends; these restrictions tighten as capital approaches the minimum thresholds and remain in force until the required ratios are restored	If a D-SIB breaches the additional loss absorbency requirement/progresses to a bucket requiring a higher loss absorbency requirement and, after this grace period, the bank does not meet the additional loss absorbency requirement, it will be subject to limitations on dividend payout and to other restrictions as may be required	Regardless of the type of authorization and the level of CET 1 ratio, no dividend shall be paid where: a. a) The non-performing loans (NPL) ratio is great than 10%, or, b. b) The Composite Risk Rating (CRR) is High, or c. c) The leverage ratio is below the minimum threshold
Powers to Restrict Cross-Border / Activity Expansion	Under the CBK’s proposed D-SIB regulatory framework, D-SIBs may be formally restricted from expanding operations or launching new high-risk products if such activities amplify overall systemic risk to Kenya’s financial sector.	The PA can impose Pillar 2 capital add-ons, liquidity restrictions, or outright prohibitions on domestic or cross-border expansion if a D-SIB's recovery and resolution plans, risk concentration, or cross-border contagion exposure are deemed unsafe.	The BOM applies D-SIB classifications with calibrated additional loss absorbency (HLA) requirements and capital surcharges, giving the central bank discretion to curb risk-taking, scale back overseas commitments, or mandate localized subsidiarization to isolate domestic stability from foreign shocks	Applies to all banks regardless of type and authorization; The CBN enforces a strict regulatory cap that restricts a bank's total equity investment in overseas subsidiaries to a maximum of 10% of shareholders' funds

WSA ETF: Kenya's first local Exchange Traded Fund on the horizon

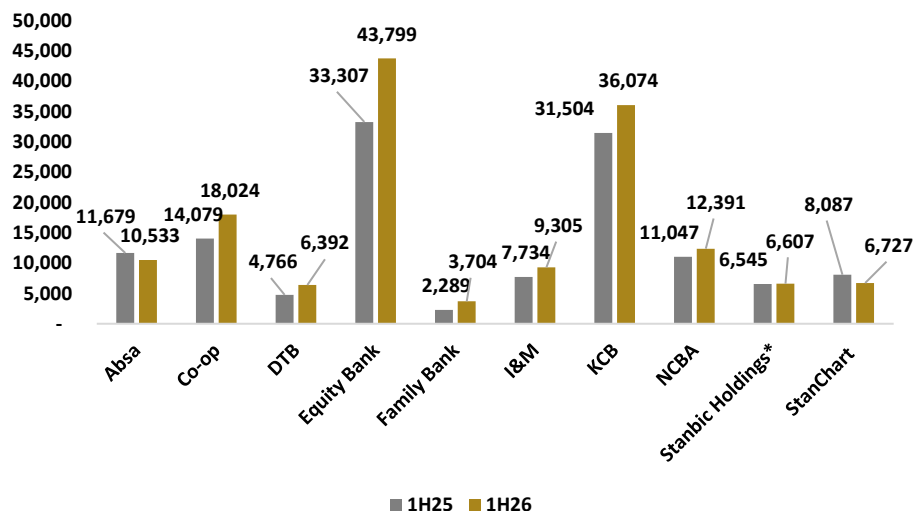
Constituents
Absa Bank
BK Group
Co-operative Bank
Diamond Trust Bank
Equity Group
HF Group
I&M Group
KCB Group
NCBA Group
Stanbic Holdings
Standard Chartered Bank Kenya

- The Capital Markets Authority (CMA) provided Wall Street Africa, in partnership with Tradium Asset Managers, conditional approval for its WSA Banking Index Exchange Traded Fund (ETF), making it the third ETF on the NSE after Absa NewGold ETF and the Satrix MSCI World Feeder ETF, but the first to be locally domiciled. The fund is expected to list on the NSE's Main Investment Market Segment, subject to completion of the remaining listing and operational requirements.
- The ETF will be structured as an open-ended scheme (a fund that can continuously issue and redeem shares based on investor demand, with no fixed limit on the number of shares) and seeks to replicate the NSE Banking Index by investing in its constituent banking shares, allowing investors to gain diversified exposure to the sector through a single exchange-traded security.
- The Index will have 11 constituents, with Family Bank having to complete at least six months of trading on the NSE before becoming eligible for consideration.

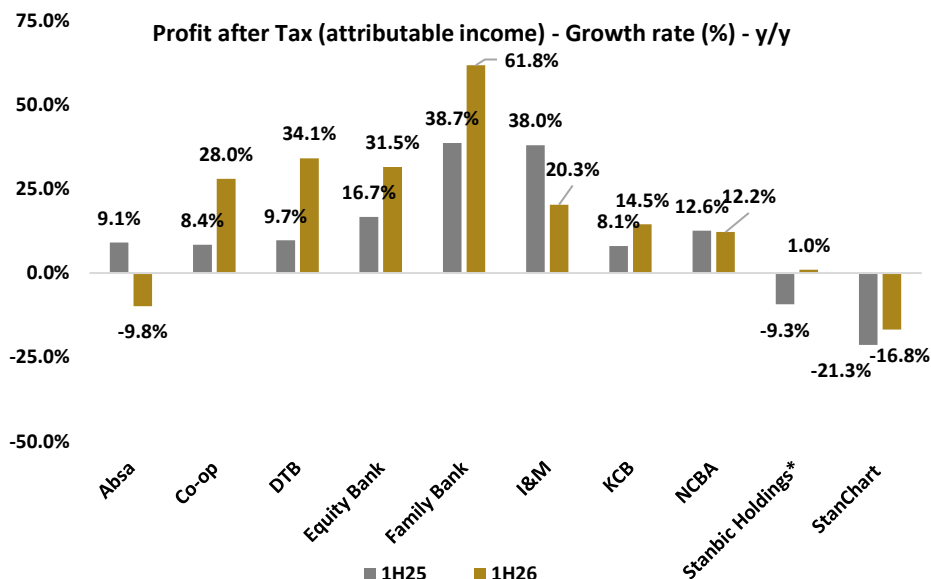
- **What is an ETF?** An Exchange Traded Fund (ETF) is a listed investment product that tracks a specific index - such as the NSE 20 or Banking Sector Index—or a selected basket of assets like stocks, bonds, or commodities.
- **How does it work?** Trading on stock exchanges in real time like conventional equities, ETFs offer everyday investors intraday liquidity on the secondary market. Behind the scenes in the primary market, a continuous creation and redemption process acts as a system of checks and balances between ETF sponsors and Authorized Participants (APs).
- **What are the benefits?** Investors can gain exposure to a wide variety of securities or assets without having to buy each of the underlying constituents individually. Although owning an ETF does not give direct ownership of the underlying securities of the index being tracked, owners of an ETF are still eligible to receive dividends should the securities in the tracking index pay dividends. Ease of entry and exit - ETFs are bought and sold throughout the day when the markets are open. ETFs typically do not have minimum investment requirements beyond the price of a single share, making them accessible to investors with varying levels of capital.
- **What are the considerations?** Concentration risk - Niche ETFs may face single-sector vulnerability; market risk - An ETF may lose value if the underlying asset class experiences a downturn; tracking error - The fund manager of the ETF may not be able to exactly replicate the performance of the specific benchmark due to various fees, investment constraints, timing differences, and other factors; The net asset value (NAV) of the ETF may itself be different from the market price, which is affected by demand and supply.

Coverage net earnings jump by 17.2% y/y on lower interest expenses and diversified revenue streams

Profit after Tax (attributable income) - in KES.Mn



Profit after Tax (attributable income) - Growth rate (%) - y/y



Overall

- Kenya's banking sector PBT (core banking business) came in at KES 172.4bn, according to data from the CBK credit officers survey, up 16.4% y/y.
- Coverage PAT (including non-controlling interest) hit KES 153.5bn (+17.2% y/y); coverage net interest income notched higher by 11.4% y/y, as overall interest income grew by 5.9% y/y, with interest expenses softening by 5.4% y/y.
- Total non-funded income across our coverage expanded to KES 159.1bn (+17.2% y/y), as FX trading income recovered across most banks (+12.2% y/y) on higher volumes despite a stable currency. Overall fee and commissions income also soared 17.3% y/y to KES 103.3bn.
- A single-digit rise in coverage loan loss provisions to KES 41.6n (+1.3% y/y) despite higher OPEX (excluding provisions; +c.10.5% y/y to KES 215.8bn) helped to buffer the coverage bottom line.

Lender specific

- Family Bank reported the fastest PAT growth across our coverage (c.61.8% y/y). The lender's performance was driven by 40.7% y/y growth in net interest income (NII) to KES 9.8bn, propelled by strong interest income returns (+25.9% y/y to KES 14.3bn), while interest expenses remained largely flat (+2.6% y/y to KES 4.6bn).
- In terms of quantum, Equity Group reported the highest net earnings at KES 43.8bn (+31.5% y/y).
- DTB, Co-op Bank, I&M Group, KCB Group and NCBA Group posted double-digit rise in attributable income, up by 34.1% y/y, 28.0% y/y, 20.3% y/y, 14.5% y/y, and 12.2% y/y.
- Notably, StanChart and Absa's 1H26 performance took a beating, squeezed by lower net interest income as asset yields came under pressure, with StanChart down by 16.8% y/y and Absa inching lower by 9.8% y/y. In addition, Stanbic Holdings' earnings remained flat at KES 6.6bn (+1.0% y/y).

Regional growth helps drive revenue diversification as Equity Group holds its top spot

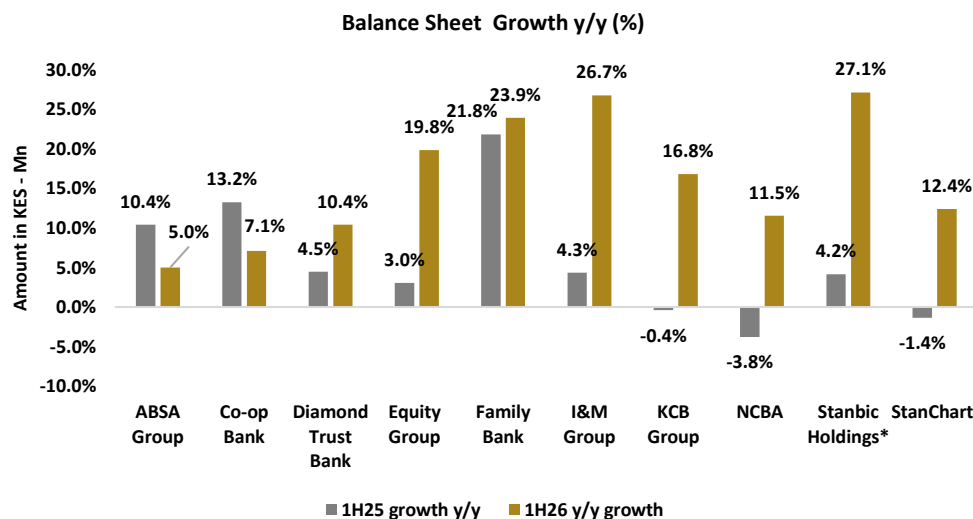
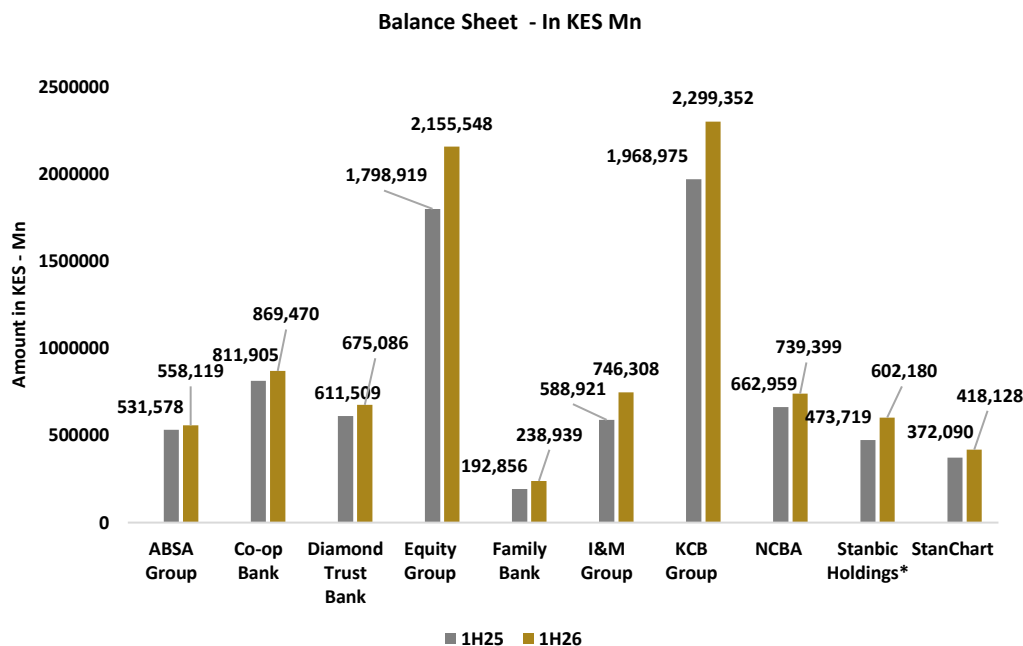
Select 1H26 Regional performance - in KES Mn	UG	%Y/Y	TZ	%Y/Y	Burundi	%Y/Y	RW	%Y/Y	DRC	%Y/Y	SSD	%Y/Y	Mauritius	%Y/Y	Total - In KES Mn	Estimated subsidiary % contribution of Group PBT - 1H26
KCB Group - PBT	1,361	18.0%	2,567	22.0%	451	-29.0%	2,760	5.0%	5,968	7.0%	867	34.0%			13,974	28.3%
NCBA Group - PBT**	844	-6.1%	332.0	65.2%			421	-43.0%							1,597	10.3%
Equity Group - PBT	2,300	5.0%	2,800	100.0%			4,000	11.0%	16,900	48.0%	200	200.0%			26,200	45.4%
DTB - PBT	1,082	205.4%	2,656	73.0%											3,738	38.0%
I&M Group - PBT	700	225.0%	600	8.0%			2,400	53.0%					900	-3.0%	4,600	39.3%
Stanbic - PBT											503	+100%			503	7.6%
Coop Bank - PBT											224	293.5%			224	1.0%

50,836

**both core banking and digital banking subsidiary income

- Equity Group recorded the highest contribution from its regional subsidiaries, with profits before tax (PBT) coming in at KES 26.2bn (+c.42% y/y) in 1H26, with commendable growth registered by its DRC, Rwanda, Tanzania, and South Sudan units. Notably, the Group's regional banking subsidiaries contributed c.49.3% of overall PBT in 1H26.
- KCB Group followed closely, with its regional subsidiaries generating profits before tax of KES 13.9bn, with its subsidiaries recording positive growth save for Burundi. Overall, operations outside KCB Bank Kenya contributed c.27.7% of the Group's Profit Before Tax.
- On the other hand, NCBA's regional units (a combination of both core banking and digital banking subsidiaries – excluding Ghana and Loop) experienced mixed performance in PBT in 1H26, with cumulative PBT coming in at KES 1.6bn (c.-15.2% y/y).
- At the country level, DRC took the lion's share of the contribution to PBT by regional subsidiaries.

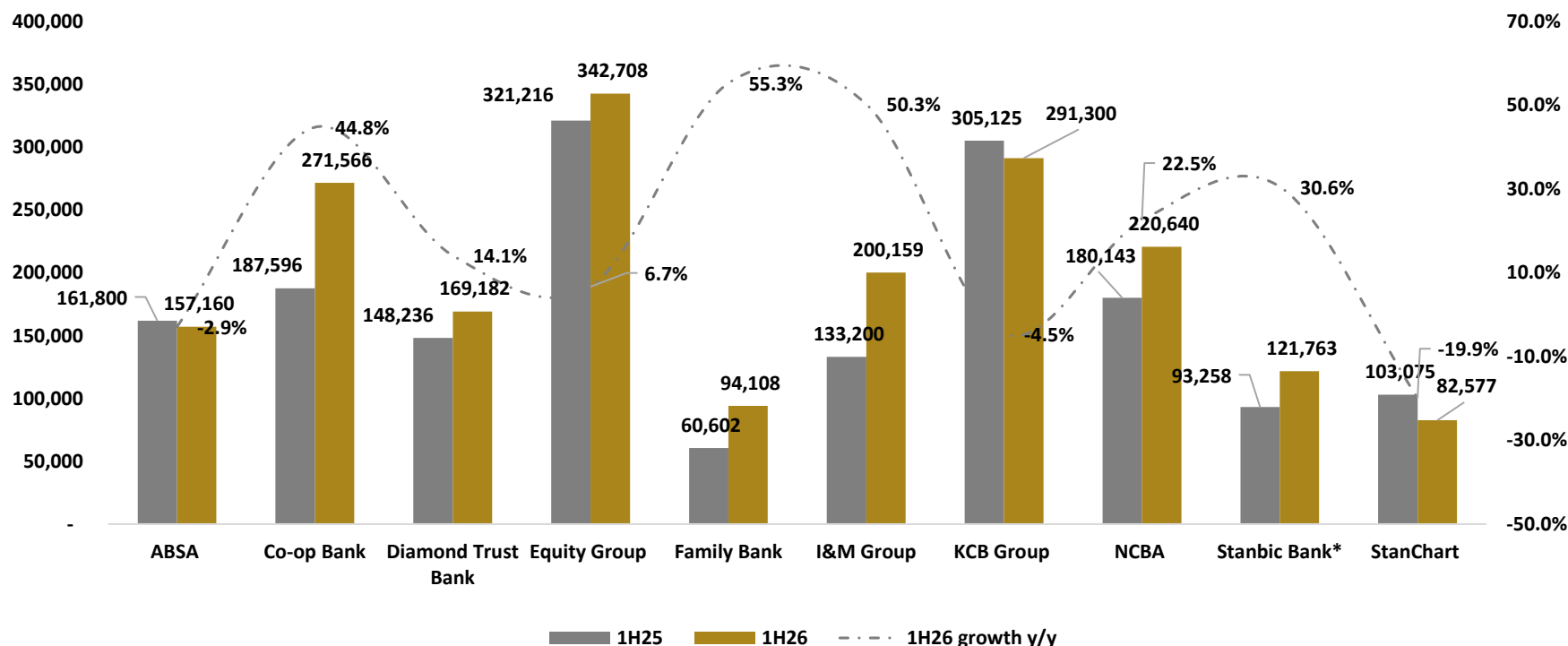
Coverage balance sheet swells by 16.1% y/y as loans and deposits tick up



- Balance sheet growth in our coverage (+16.1% y/y to a total of KES 9.3tn) was partly driven by growth in both customer deposits and loans, with some banks increasing their exposure to Kenya government securities as they parked their excess liquidity.
- In particular, Stanbic Bank, I&M Group, Family Bank, Equity Group, KCB Group, StanChart, NCBA Group and DTB saw their balance sheets grow by 27.1% y/y, 26.7% y/y, 23.9% y/y, 19.8% y/y, 16.8% y/y, 12.4% y/y, 11.5% y/y, and 10.4% y/y, respectively. Meanwhile, Co-op and Absa recorded single-digit growth of 7.1% y/y and 5.0% y/y, respectively.
- In terms of quantum, KCB takes the lead, coming in at KES 2.3tn, followed by Equity Group at KES 2.0tn.
- Total loans (+15.7% y/y) grew at a comparatively faster pace than total deposits (+15.2% y/y), with loan growth being attributed to improving credit demand.
- Investment in Kenyan government securities (including held for trading) came in at KES 1.9tn (+15.2% y/y) across our coverage, as lenders parked their liquidity in these assets amid prudent lending.

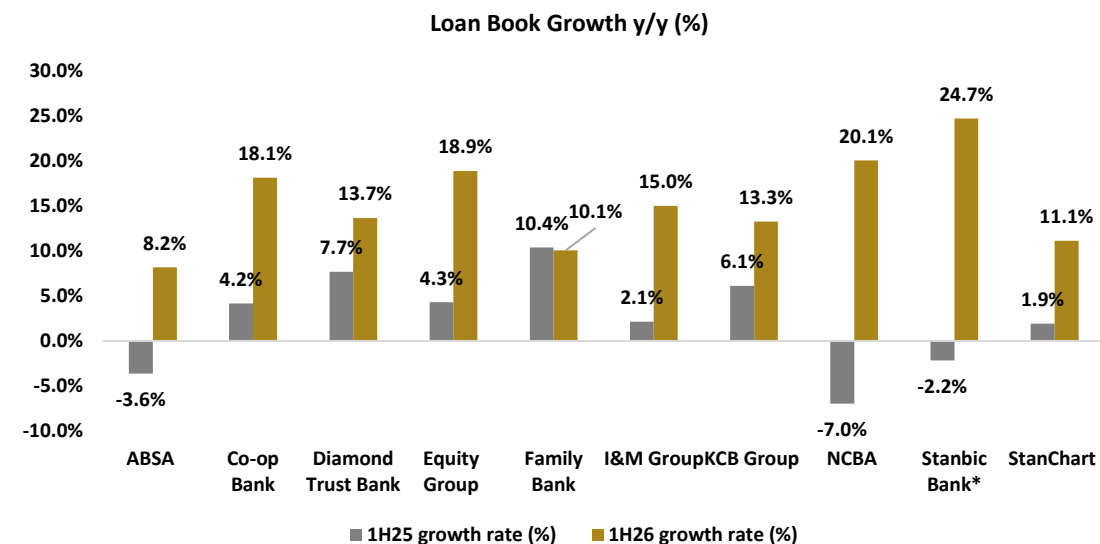
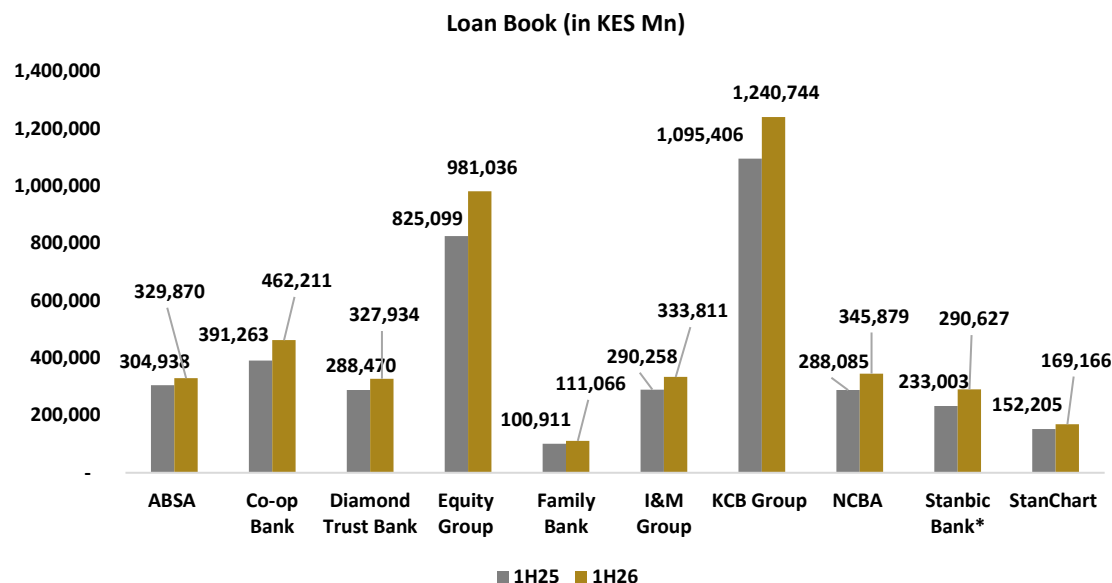
Government securities rise by 15.2% y/y as lenders prioritize yield and risk mitigation

Kenya Government Securities - Investment Securities (in KES Mn) - includes held for trading



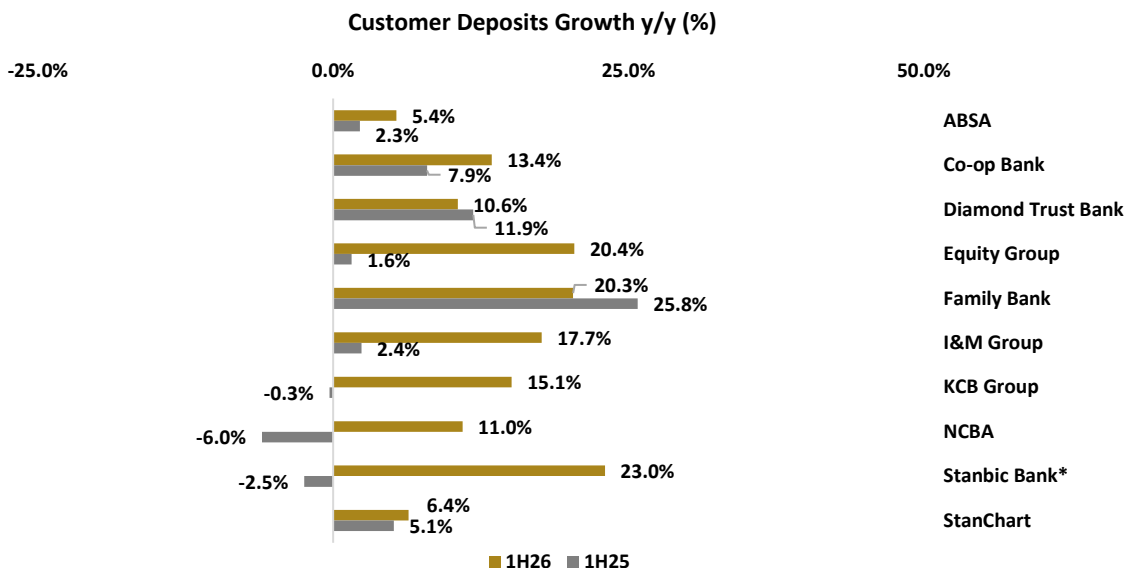
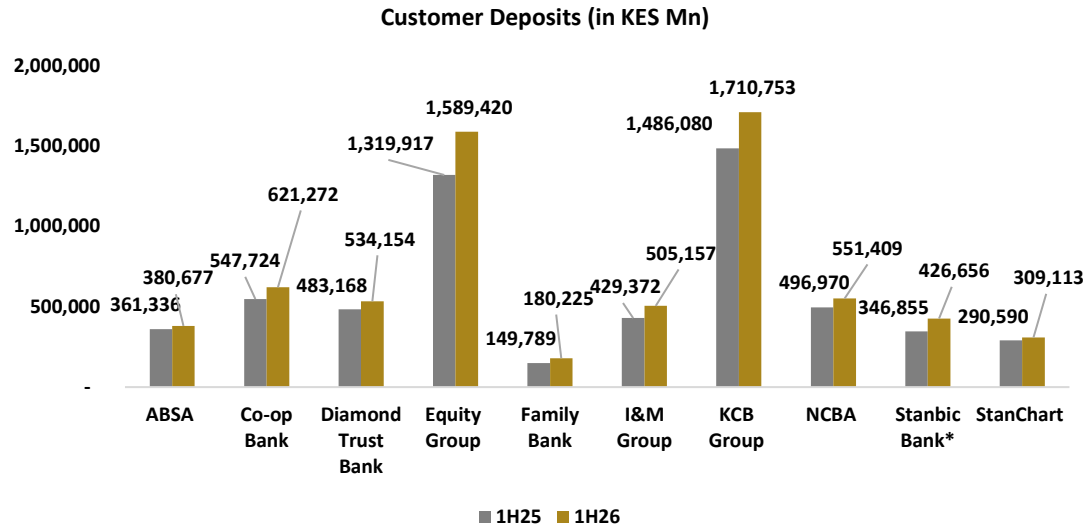
- Family Bank posted the quickest jump in investment in Kenyan government securities, including held-for-trading (+55.3% y/y), while Absa, KCB Group and StanChart recorded a contraction of 2.9% y/y, 4.5% y/y and 19.9% y/y, respectively, in 1H26.
- Additionally, I&M Group, Co-op Bank, Stanbic Bank, NCBA Group, and DTB increased their investment in Kenyan government papers by an estimated 50.3 y/y, 44.8% y/y, 30.6% y/y, 22.5% y/y, and 14.1% y/y, respectively.
- Equity Group printed the highest quantum at KES 342.7bn (+c.6.7% y/y) across our coverage.
- Overall, total government securities (including those held for trading) surged by 15.2% y/y to KES 1.95tn.

Coverage loan book surges by 15.7% y/y as private sector credit recovers



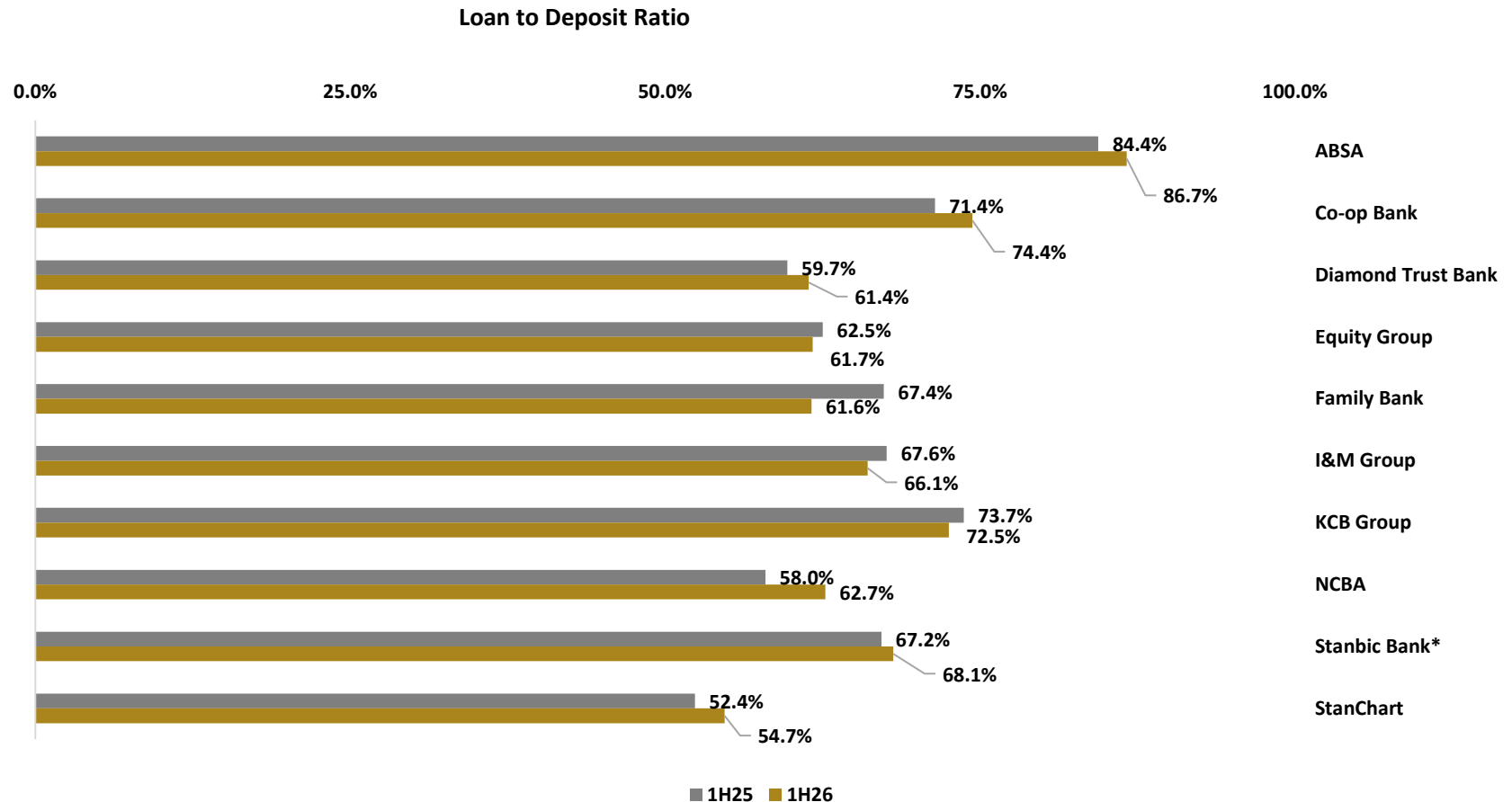
- Total lending rose by c.15.7% y/y to KES 4.6tn across banks in our coverage (average increase of c.15.3% y/y vs c.2.4% in 1H25) as credit to the private sector gradually recovered against a backdrop of declining borrowing costs and implementation of the risk-based pricing model.
- Stanbic Bank recorded the fastest loan growth rate in our coverage in 1H26, up by c.24.7% y/y (compared to a decline of c.2.2% y/y in 1H25); we partly link this to the lumpiness of Stanbic's G-2-G business.
- NCBA Group recorded the second-highest jump at 18.6%y/y to KES 345.9bn, propelled by resilient corporate business (loan book up 19.8% y/y to KES 194bn), coupled with growth in digital disbursements.
- Equity Group, Co-op Bank, I&M Group, DTB, KCB Group, StanChart, Family Bank, and Absa saw their loan books increase by 18.9% y/y, 18.1% y/y, 15.0% y/y, 13.7% y/y, 13.3% y/y, 11.1% y/y, 10.1% y/y, and 8.2% y/y, respectively.

Customer deposits expand as banks target low-cost funds amid deposit mobilization initiatives



- Total deposits across our coverage jumped to KES 6.8tn (+15.2% y/y) in 1H26, as lenders maintained their focus on cheap deposits to rein in interest expenses on customer deposits. Furthermore, the sector experienced an uptick in mobile banking usage and expanded digital wallet services as banks continued implementing deposit mobilization initiatives.
- In particular, Stanbic Bank Kenya recorded the strongest growth in customer deposits in 1H26 (up by 23.0% y/y), on the back of targeted deposit mobilization efforts.
- Equity Group (+20.4% y/y), Family Bank (+20.3% y/y), I&M Group (+17.7% y/y), KCB Group (+15.1% y/y), Co-op Bank (+13.4% y/y), NCBA Group (+11.0% y/y) and DTB (+10.6% y/y) printed double-digit growth in customer deposits in the period as they mobilised liabilities.
- NCBA Group (+6.4% y/y) and Absa (+5.4% y/y) experienced a slower uptick in deposits over the period, as some clients likely shifted their deposits to the asset management proposition and as banks released expensive deposits.
- In terms of quantum, KCB Group's deposit book maintained its lead at KES 1,710.8bn, supported by new-to-bank customers across corporate & retail segments.

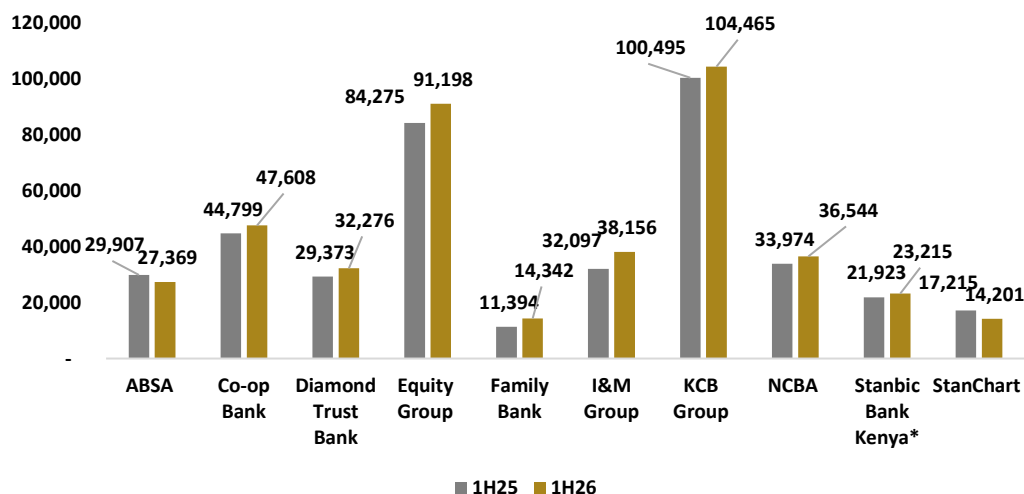
Customer deposits expand as banks target low-cost funds amid deposit mobilization initiatives



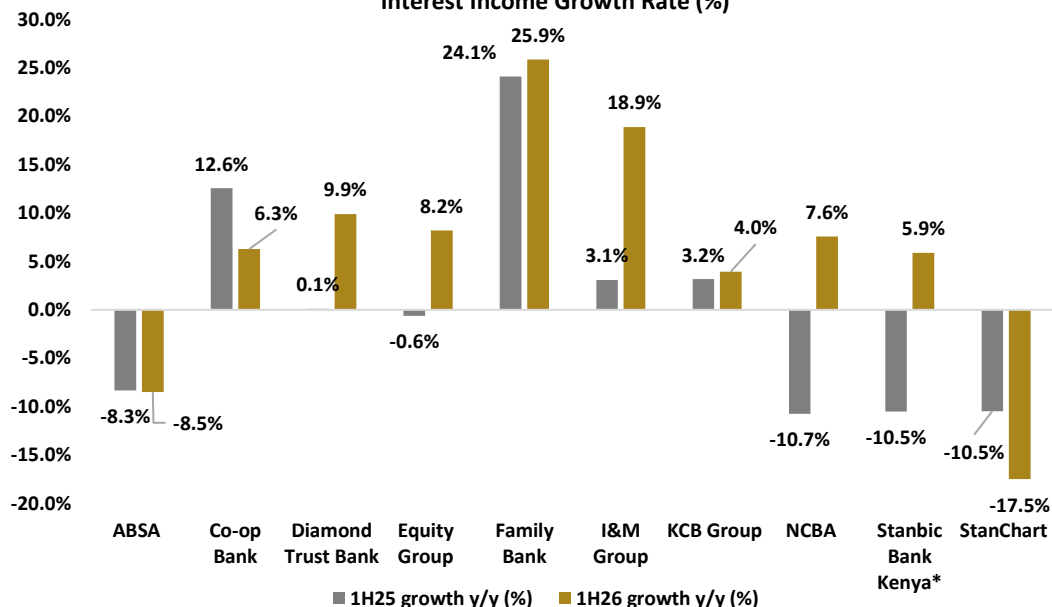
- Overall, the loan-to-deposit (LDR) ratio edged higher to c.67.0% in our coverage, up from 66.4% in 1H25.
- Absa reported the highest LDR ratio at c.86.7%. In comparison, StanChart printed an LDR ratio of c.54.7% (slightly higher than 52.4% recorded in 1H25).

Interest income improves despite asset yields facing continued pressure

Interest Income (in KES Mn)



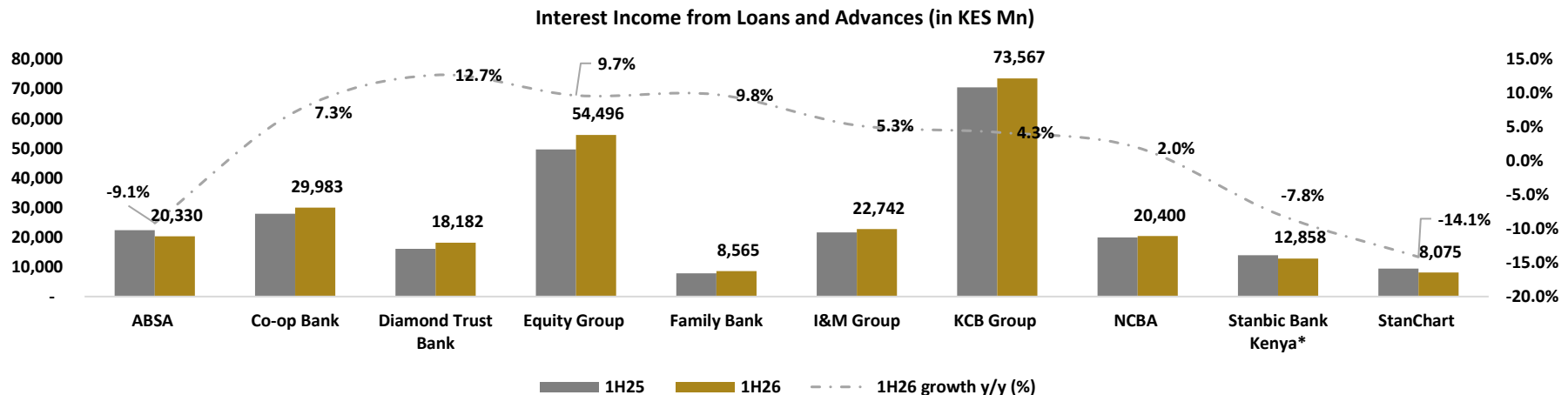
Interest Income Growth Rate (%)



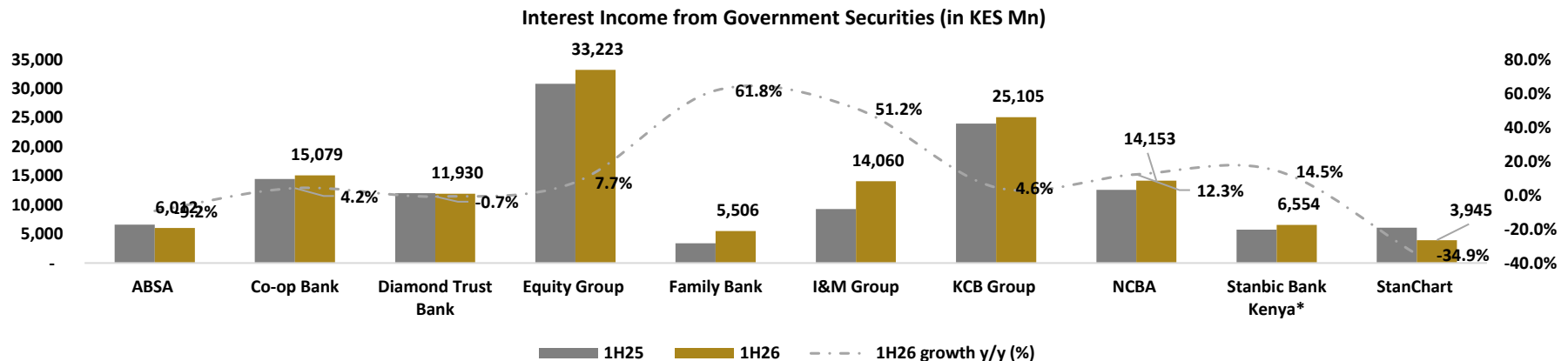
- Total interest income rose marginally across our coverage (+5.9% y/y to KES 429.4bn). We believe this is partly linked to loan repricing, as banks factored in changes to the CBR despite a growing loan book and lower bond yields during the period.
- Family Bank printed the quickest jump, with interest income up 25.9% y/y, partly driven by a surge in interest from government securities (+61.8% y/y) and growth in the loan book (interest income from loans and advances up 9.8% y/y).
- On the other hand, StanChart and Absa reported a 17.5% y/y and 8.5% y/y decline in interest income, respectively, as their asset yields came under pressure.

weighted average interest rate on loans - estimated	FY24	FY25	1Q25	1H25	1Q26	1H26	BPS Y/Y
ABSA	16.6%	13.8%	14.5%	14.4%	13.0%	12.8%	-160.0
Co-op Bank	14.9%	15.1%	14.6%	14.6%	14.2%	14.1%	-50.0
Diamond Trust Bank	10.9%	10.9%	11.9%	11.6%	12.1%	11.8%	20.0
Equity Group	12.6%	12.4%	12.7%	12.3%	12.7%	12.1%	-22.7
Family Bank	16.3%	16.3%	16.6%	16.2%	16.3%	16.2%	-5.9
I&M Group	16.8%	15.4%	14.3%	15.0%	14.4%	14.6%	-46.7
KCB Group	14.7%	13.9%	13.9%	13.3%	12.8%	12.6%	-67.1
NCBA	14.6%	12.8%	13.5%	13.4%	13.0%	12.9%	-51.4
Stanbic Bank Kenya*	14.6%	10.8%	11.5%	11.8%	10.1%	9.8%	-202.2
StanChart	14.5%	11.1%	15.6%	12.5%	10.3%	10.1%	-242.7
	14.7%	13.2%	13.9%	13.5%	12.9%	12.7%	

Interest income improves despite asset yields facing continued pressure cont....



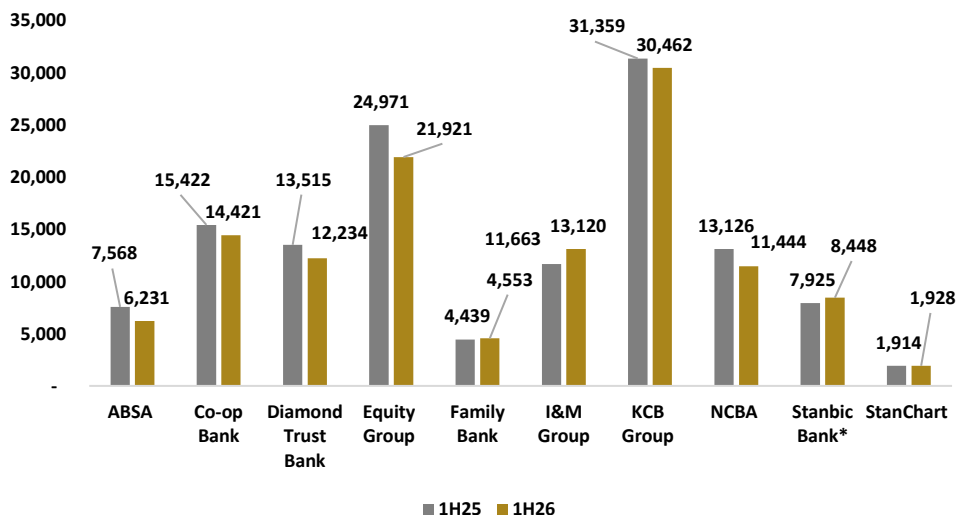
* Total interest income in loans and advances improved slightly over the period, reported at KES 269.2bn (+3.8% y/y), as lending picked up despite lower loan yields. DTB recorded the quickest jump at 12.7% y/y, while StanChart posted the sharpest descent (-14.1% y/y).



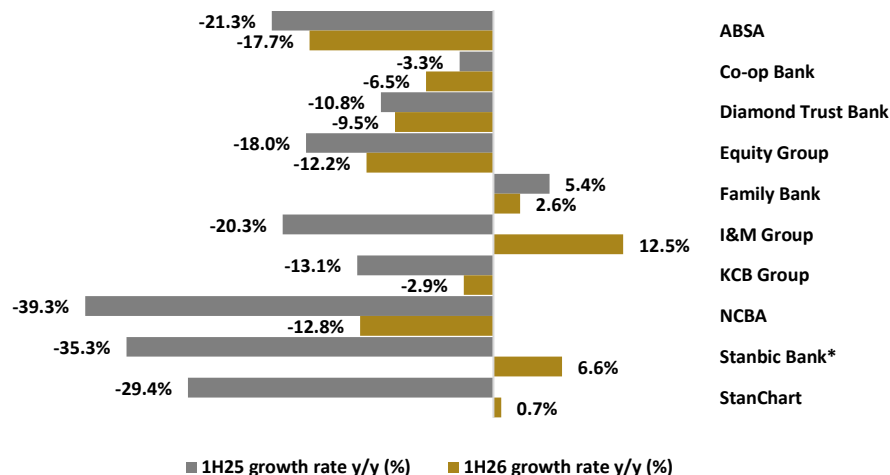
* Family Bank posted the quickest jump in interest income from government securities (+61.8% y/y) following a surge in Kenyan government securities (+55.3 % y/y). Conversely, StanChart, Absa, and DTB reported declines in interest income from government securities: -34.9% y/y, -9.2% y/y, and -0.7% y/y, respectively.

Interest expenses continue their descent on cheaper deposits

Interest Expenses - in KES Mn



Interest Expenses Growth rate y/y (%)



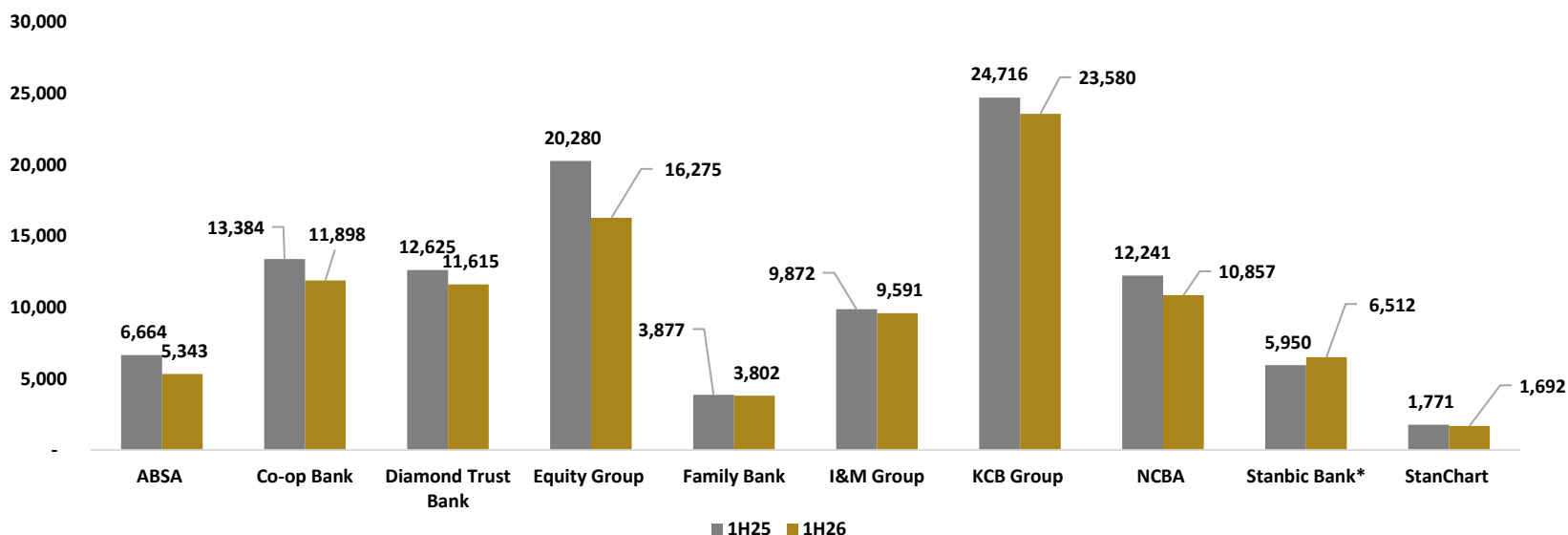
- Lenders in our coverage experienced mixed trends concerning interest expenses in 1H26, with total interest expenses at KES 124.8bn (-c.5.4% y/y) buoyed by cheaper deposits in response to a decline in treasury yields over the period.
- In particular, total interest expense on customer deposits contracted to KES 101.2bn across our coverage (an average decline of -7.4% y/y vs -13.8% y/y in 1H25).
- Absa reported the steepest decline in interest expenses in our coverage (-17.7% y/y), despite a 5.4% y/y rise in customer deposits. We link the easing of interest expense to lower funding costs, given that the estimated average deposit interest rate tapered to c.2.9% vs c.3.7% in 1H25.
- Notably, I&M Group (+12.5% y/y), Stanbic Bank Kenya (+6.6% y/y), Family Bank (+2.6% y/y) and StanChart (+0.7% y/y) recorded an uptick in interest expenses.
- KCB Group announced the highest interest expense quantum (KES 30.5bn) across our coverage. However, it recorded a contraction in interest expenses in 1H26 (-2.9% y/y), partly due to contained interest expenses on customer deposits (-4.6% y/y) as deposit interest rates eased over the period.
- Total interest from other expenses (including borrowings) and total interest expenses on deposits and placements leaped by 14.5% y/y and 15.4% y/y to KES 11.1bn and KES 12.5bn, respectively, in 1H26.

Interest expenses continue their descent on cheaper deposits cont.....

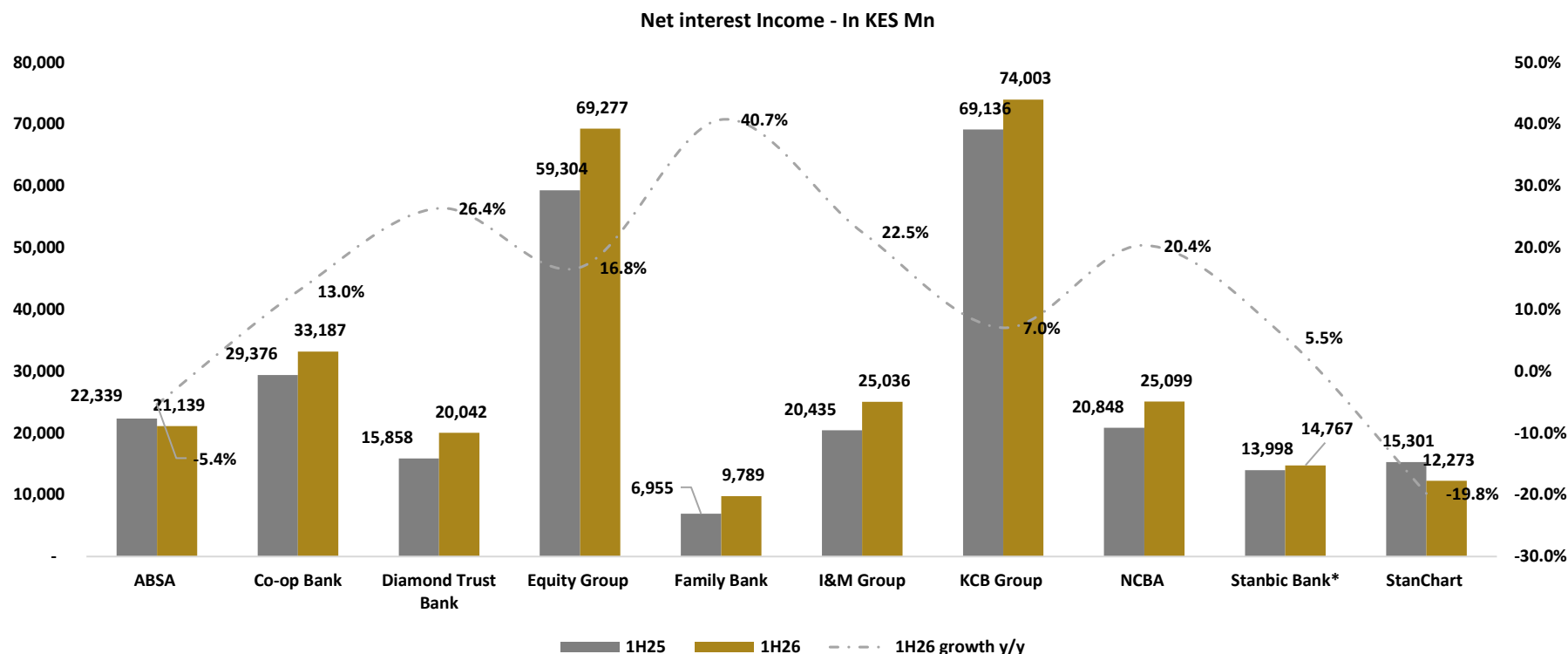
weighted average interest rate on customer deposits - estimate	FY24	FY25	1Q25	1H25	1Q26	1H26	bps change y/y
ABSA	4.9%	3.4%	3.7%	3.7%	2.8%	2.9%	(83)
Co-op Bank	6.1%	4.6%	5.5%	5.1%	4.3%	4.1%	(100)
Diamond Trust Bank	5.4%	5.1%	5.9%	5.5%	4.7%	4.6%	(95)
Equity Group	3.5%	2.5%	3.6%	3.1%	2.3%	2.2%	(85)
Family Bank	7.0%	5.5%	6.3%	5.8%	5.0%	4.6%	(116)
I&M Group	6.1%	4.3%	5.2%	4.7%	4.2%	4.1%	(55)
KCB Group	3.6%	3.3%	3.5%	3.3%	3.0%	3.0%	(37)
NCBA	7.1%	4.3%	5.0%	4.8%	4.0%	4.1%	(63)
Stanbic Bank Kenya*	6.4%	3.0%	3.9%	3.6%	3.1%	3.2%	(35)
StanChart	1.4%	1.3%	1.4%	1.2%	1.1%	1.1%	(12)

- The overall decline in interest expenses was mainly driven by easing short-term interest rates due to lower CBR rates over the period, thereby softening borrowing pressure on the Government. In addition, lenders were intent on achieving a more optimal & better-priced funding mix by unwinding expensive deposits, leveraging digital banking to mobilize cheaper deposits, and targeting transactional deposits.
- Absa reported the highest decrease in interest expenses on customer deposits (-19.8% y/y), while Stanbic was the only lender to experience a rise in its quantum (+9.4% y/y following the double-digit surge in deposits).
- StanChart remains the industry leader concerning the cost of deposits, offering the lowest average rate in our coverage (c.1.1%) and boasts a high CASA ratio (c.95% as of 1H26).

Interest Expenses on Customer Deposits - in KES Mn

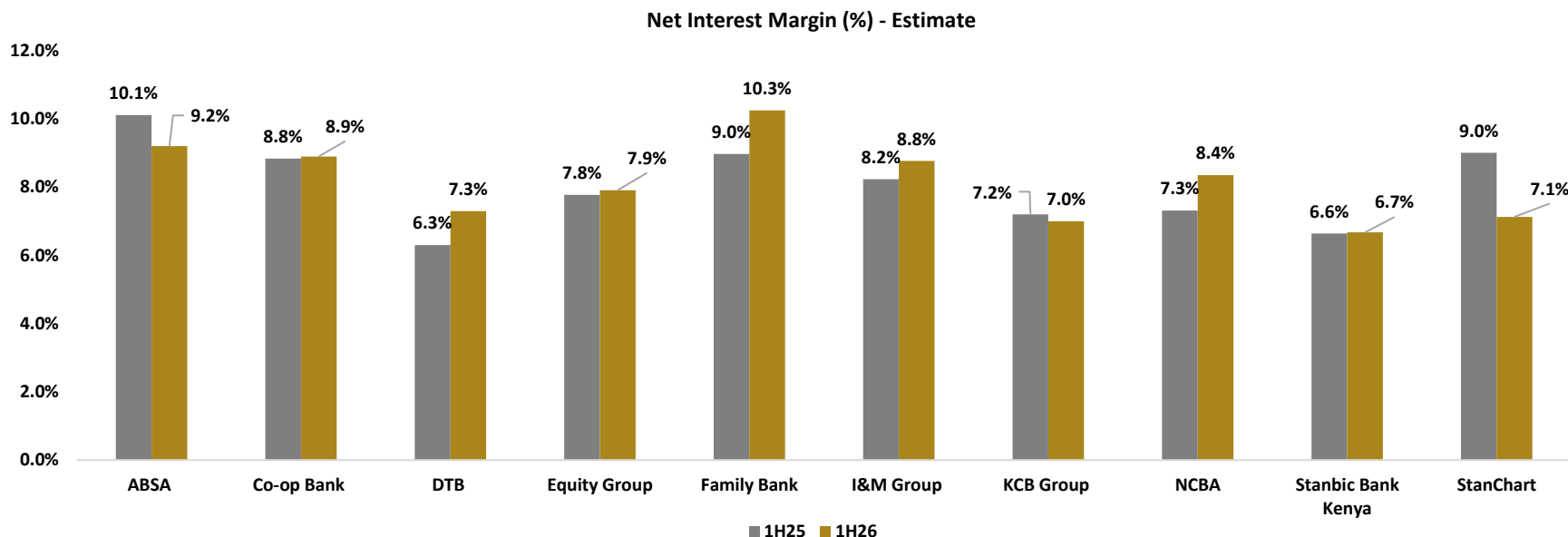


Net interest income ticks higher as contained interest expenses offer reprieve



- According to our estimates, only 2 out of the 9 lenders in our coverage recorded a contraction in net interest income, i.e., StanChart (-19.8% y/y) and Absa (-5.4% y/y), respectively, as their interest income slowdown outpaced that of their interest expenses.
- Family Bank reported the quickest jump in net interest income to KES 9.8bn (+40.7% y/y), propelled by higher interest income from government securities (+61.8% y/y) and interest income from loans and advances (+9.8% y/y).
- In addition, DTB, I&M Group, NCBA, Equity Group and NCBA's net interest income jumped by 26.4% y/y, 22.5% y/y, 20.4% y/y, 16.8% y/y and 13.0% y/y, respectively.
- KCB Group boasts the highest net interest income quantum at KES 74.0bn (+7.0% y/y), closely followed by Equity Group at KES 69.3bn (+16.8% y/y).

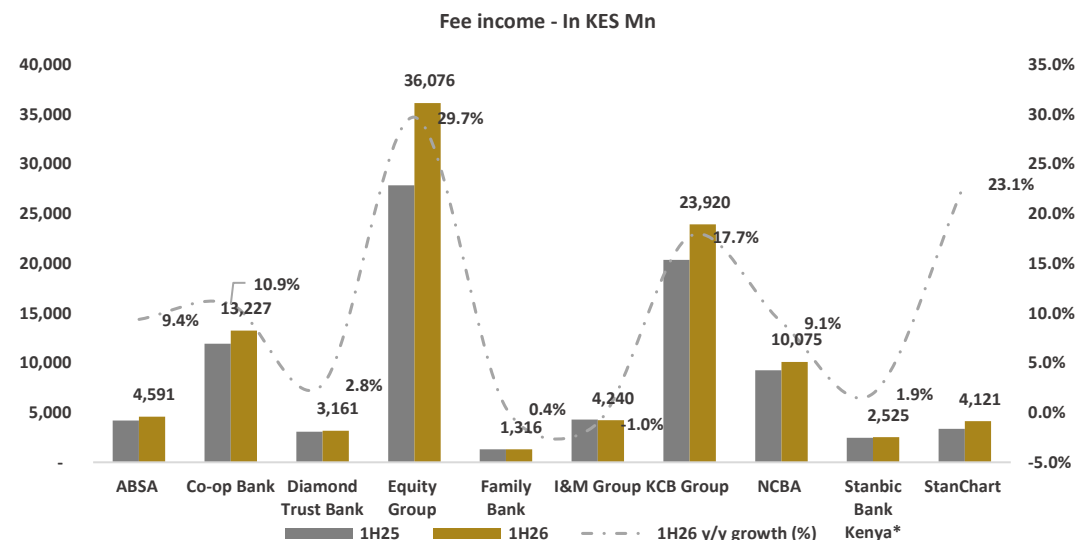
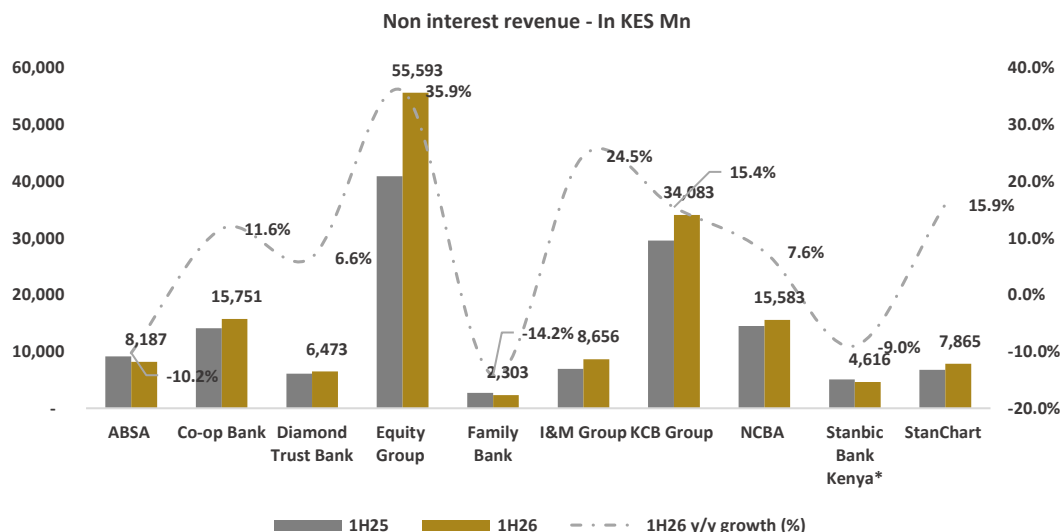
Cheaper customer liabilities fuel NIM resilience



- According to our estimates, only 3 out of the 10 lenders in our coverage recorded a contraction in net interest margin (i.e., Absa, StanChart, and KCB Group).
- Family Bank took the lead, with the highest interest margin at c.10.3% as of 1H26. Conversely, Stanbic Bank Kenya reported the lowest net interest margin (6.7%) over the period.
- The fastest NIM expansion was experienced by Family Bank, followed by NCBA and DTB.

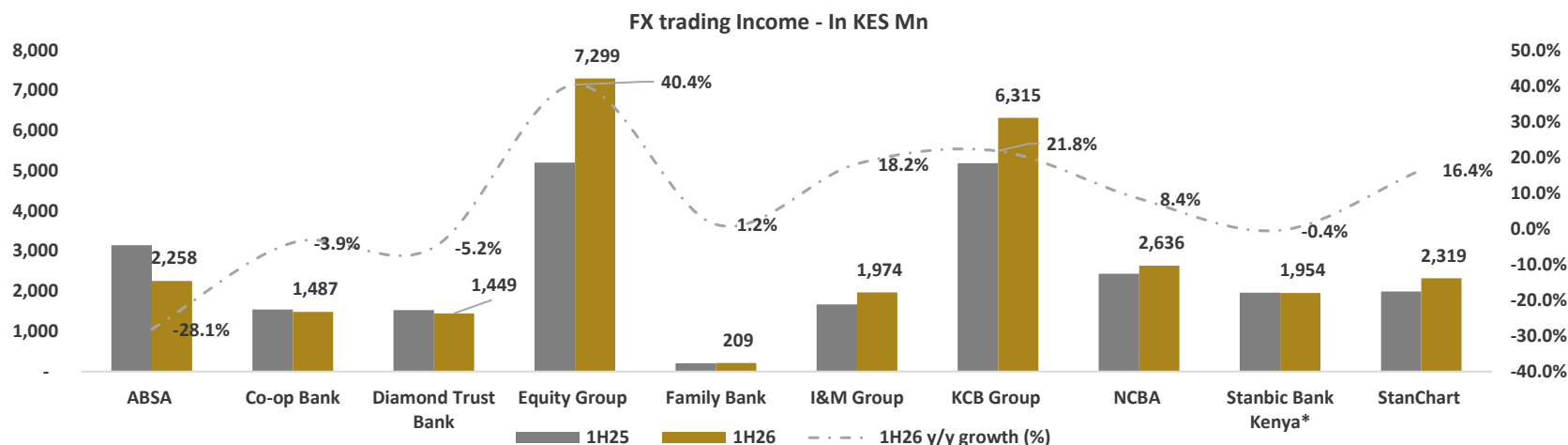
Net Interest Margin - Estimated							
Bank	FY24	FY25	1Q25	1H25	1Q26	1H26	bps y/y
ABSA	10.1%	9.9%	9.7%	10.1%	9.3%	9.2%	-91
Co-op Bank	8.3%	9.2%	8.7%	8.8%	8.8%	8.9%	6
DTB	6.1%	7.5%	6.2%	6.3%	7.5%	7.3%	100
Equity Group	7.8%	8.5%	7.8%	7.8%	7.9%	7.9%	14
Family Bank	7.9%	9.5%	9.2%	9.0%	10.5%	10.3%	128
I&M Group	7.6%	8.5%	7.6%	8.2%	8.6%	8.8%	53
KCB Group	7.6%	7.7%	8.1%	7.2%	7.1%	7.0%	-20
NCBA	5.1%	6.9%	7.0%	7.3%	8.1%	8.4%	104
Stanbic Bank Kenya	5.7%	5.6%	6.8%	6.6%	6.9%	6.7%	3
StanChart	9.6%	8.6%	9.9%	9.0%	7.4%	7.1%	-187

Resilient transaction volumes and digital channel growth drive non-funded income expansion

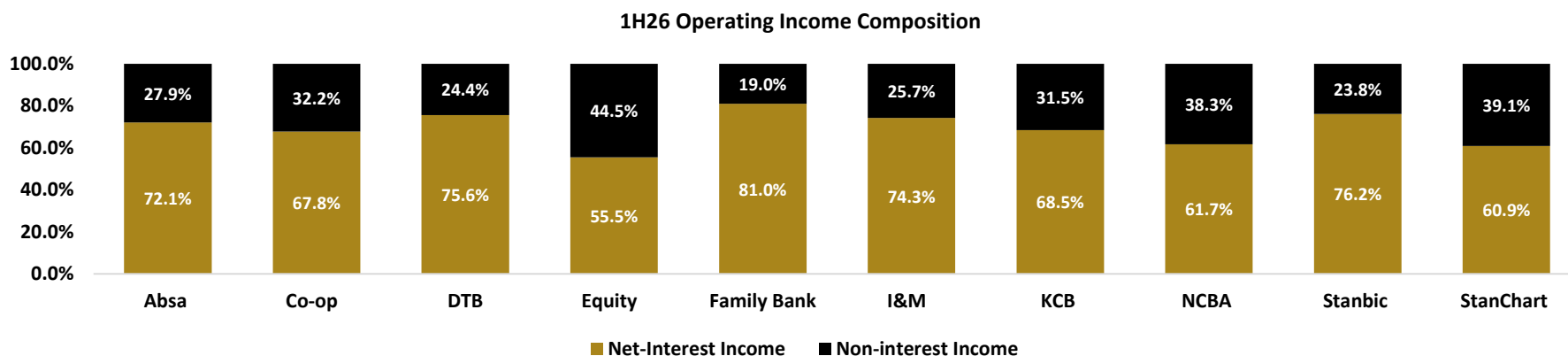


- Overall, total non-funded income jumped to KES 159.1bn (+c.17.2%y/y) in our coverage, as total fee income and other income recorded a double-digit upsurge to KES 103.3bn (+c.17.3%) and KES 28.0bn (+22.4% y/y), respectively.
- In addition, FX trading income advanced by c.12.2% y/y to KES 27.9bn, likely linked to higher trading volumes and broader product offerings given that FX margins remained largely stable over the period.
- However, the average contribution of NFI to total operating income across our coverage tapered slightly to c.30.6% vs c.31.1% in 1H25.
- Family Bank (-c.14.2% y/y), Absa (-10.2% y/y), and Stanbic Bank Kenya (-c.9.0% y/y) experienced a decline in non-funded income over the period, mostly due to comparatively lower FX trading income.
- Equity Group printed the highest jump in NFI in 1H26 (+c.35.9% y/y), buoyed by a laudable 40.4% y/y increase in foreign exchange trading income to KES 7.3bn (Equity Kenya printed a c.30.0% y/y upsurge in FX trading income). Total fees and commissions income broadened to KES 36.1bn (+29.7% y/y), with fees and commissions income on loans & advances and other fees and commissions income up by 19.3% y/y and 32.2% y/y, respectively.
- In terms of quantum, Equity Group took the lead at KES 55.6bn (+35.9% y/y), followed by KCB Group at KES 34.1bn (+15.4% y/y).

Resilient transaction volumes and digital channel growth drive non-funded income expansion



- Total FX trading income expanded by 12.2% y/y to KES 27.9bn across our coverage (compared to an average slump of c.38.3% y/y in 1H25), with half of the banks in our coverage reporting an increase in FX trading income in the period i.e. Equity (+40.4% y/y), KCB Group (+c.21.8% y/y), I&M Group (+c.18.2% y/y), StanChart (+16.4% y/y) and Family Bank (+c.1.2% y/y). We portend that the improvement was attributable to higher transaction volumes despite tighter margins due to currency stability and currency availability.
- Conversely, Absa (-c.28.1% y/y), DTB (-c.5.2% y/y), Co-op (-3.9% y/y), and Stanbic Bank Kenya (-c.0.4%) recorded declines in their foreign exchange trading income.



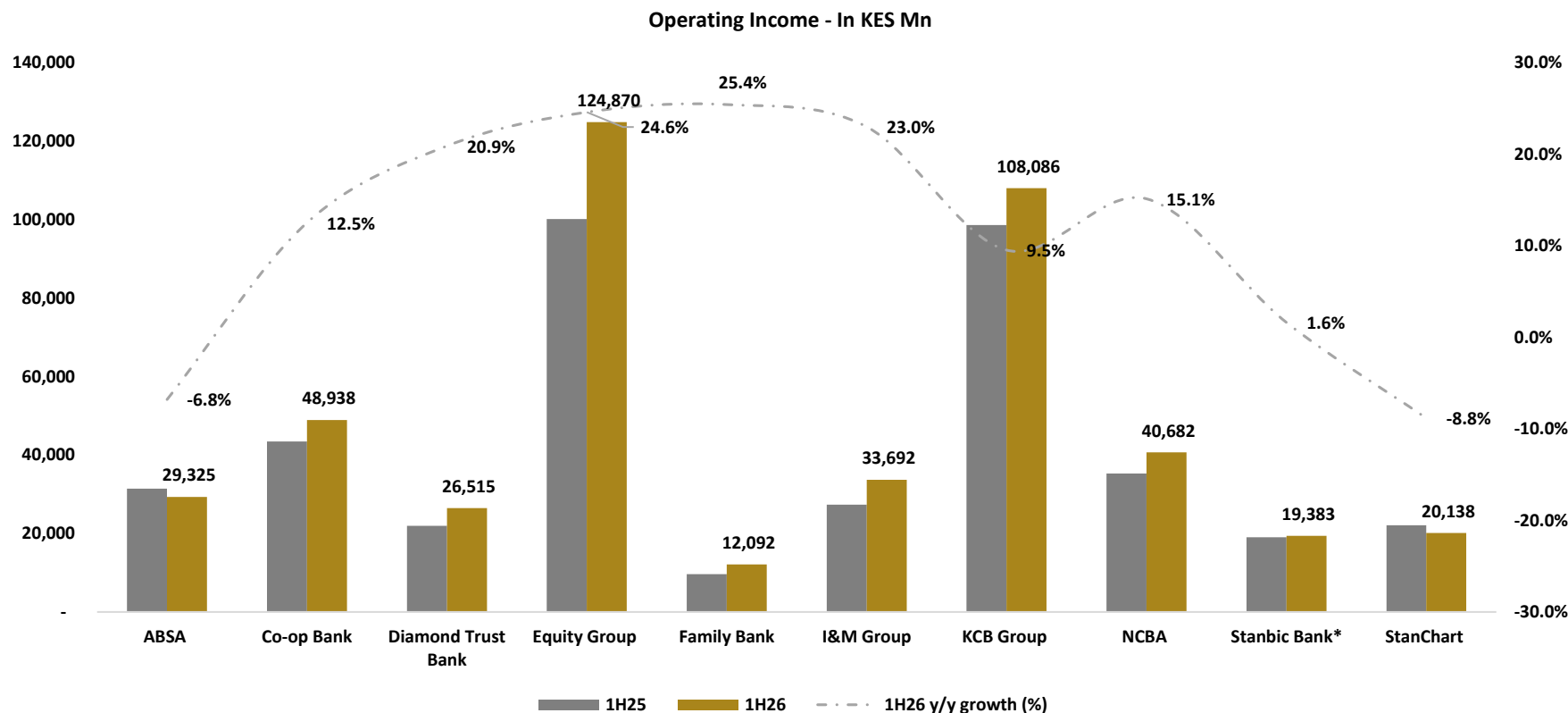
Select non-banking subsidiaries bolster the top line as demand for diversification grows

Select 1H26 Non-Banking Subsidiaries Performance

KCB Group - PBT		
1H26 (In KES' Mn)	% change y/y	
1. KCB Bancassurance	336	-47%
2. KCB Investment Bank	503	227.0%
3. KCB Corporate Trustee	142	80.0%
Equity Group - PBT		
1H26 (In KES' Mn)	% change y/y	
1. Equity Bank Insurance Group	1,250	34%
2. EIB (Equity Investment Bank)	110	-6%
3. Finserve	940	394%
4. Equity Bank Insurance Limited	160	-53%
Absa - PBT		
1H26 (In KES' Mn)	% change y/y	
1. Bancassurance	1,100	8.0%
NCBA Group - PBT		
1H26 (In KES' Mn)	% change y/y	
1. Investment Bank	607	56%
2. Bancassurance	135	68%
3. Insurance	92	-49%
4. Leasing LLP	292	87%
DTB - PBT - estimate		
1H26 (In KES' Mn)	% change y/y	
1. DTB Bancassurance Intermediary	212	10%
Family Bank		
1H26 (In KES' Mn)	% change y/y	
1. FBL Bancassurance Intermediary	172	-1%
Standard Chartered - PBT		
1H26 (In KES' Mn)	% change y/y	
1. Standard Chartered Investment Services	1,605	81.1%
Stanbic Bank - PBT		
1H26 (In KES' Mn)	% change y/y	
1. Stanbic Bancassurance	84	17.0%
2. SBG Securities	80	>100%
I&M Group - PBT		
1H26 (In KES' Mn)	% change y/y	
1. Bancassurance	425	56.0%
2. I&M Capital	399	173%
Co-operative Bank - PBT		
1H26 (In KES' Mn)	% change y/y	
1. Co-op Trust Investment Services Ltd	641	77.5%
2. Co-op Bancassurance Intermediary Ltd	813	2.8%
3. Kingdom Securities Ltd	78	23.3%
4. Kingdom Bank	873	77.8%

- Non-banking subsidiaries reported mixed growth rates, partly driven by:
 - a) Increased client demand for diversified asset classes, as the declining interest rate environment played a key role in driving investment into these asset classes (growth in offshore funds, special funds, unit trusts, and collective investment funds),
 - a) An uptick in large corporate deals as well as synergies with the banking business (including regional syndication and advisory opportunities),
 - a) Higher trading income and trading flows related to securities trading (the Kenyan capital market has been on a recovery path since 2024)*,
 - a) Growth in underwritten premiums through increased penetration in their client bases, product bundling, and targeted expansion of the bancassurance business. Notably, some lenders recorded a decline in bancassurance revenues due to the IRA directive on prescribed thresholds on fees),
 - a) Digital adoption, strategic partnerships, and regional diversification that helped boost product uptake,
 - a) Growth in the custody business, spurred by rapid expansion in domestic institutional assets, especially pensions and collective investment schemes.
 - a) Lenders leveraging their existing retail and corporate customer bases to distribute non-banking products.

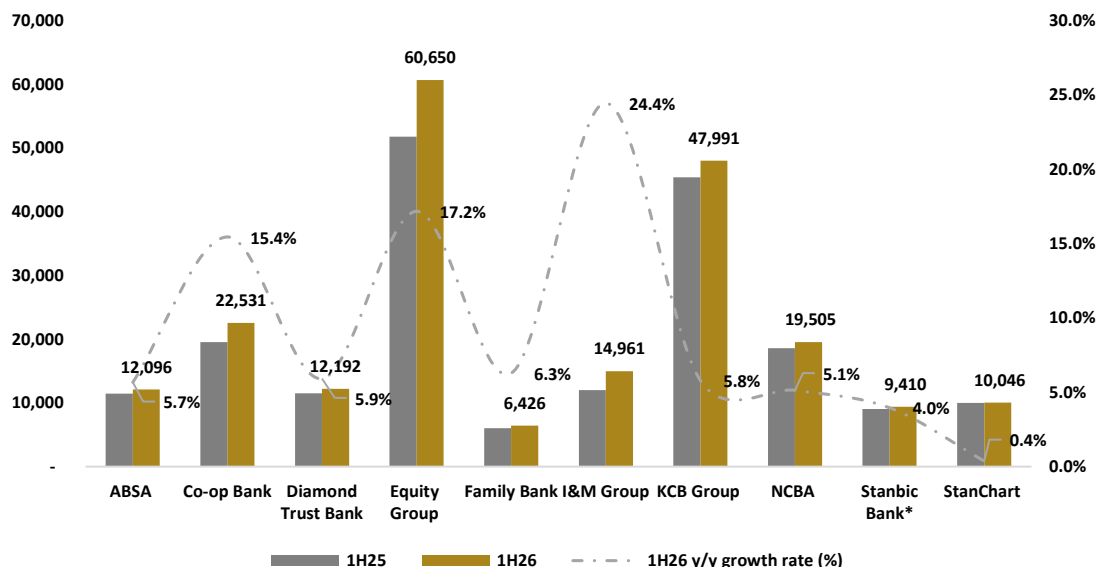
Coverage operating income expands by c.13.3% y/y on lower interest expense pressure



- Total operating income in our coverage totaled KES 463.7bn (+c.13.3% y/y), with the highest jump in operating profit experienced by Family Bank (+25.4% y/y), followed by Equity Group (+24.6% y/y), I&M Group (+23.0% y/y), DTB (+20.9% y/y), NCBA Group (+15.1% y/y), Co-op Bank (12.5% y/y), KCB Group (+9.5% y/y) and Stanbic Bank Kenya (+1.6% y/y), as interest expense pressure eased.
- On the other hand, StanChart (-c.8.8% y/y) and Absa (-c.6.8% y/y) operating incomes contracted over the period, primarily driven by lower asset yields.

Overall CTI ratio improves as the topline rises faster than OPEX (excluding provisions)

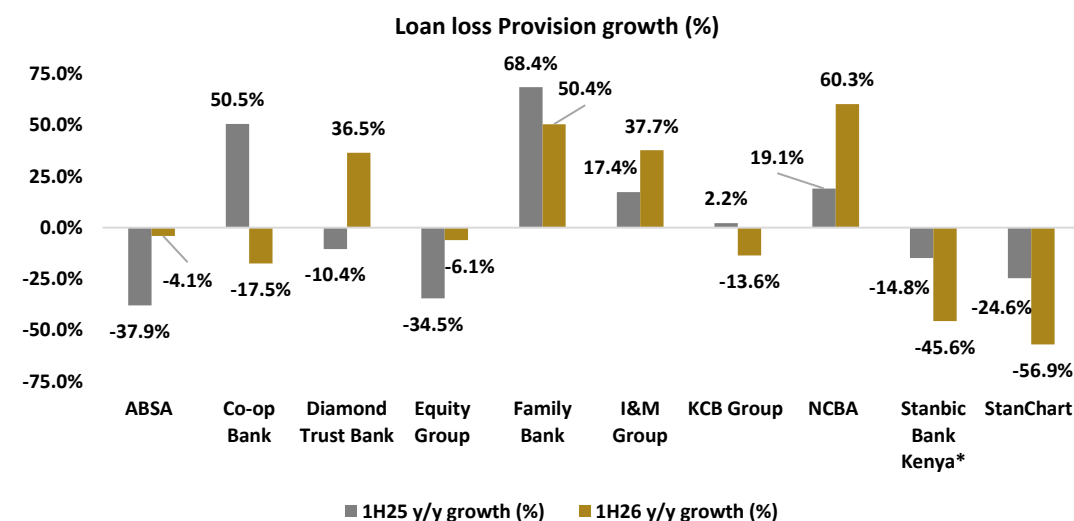
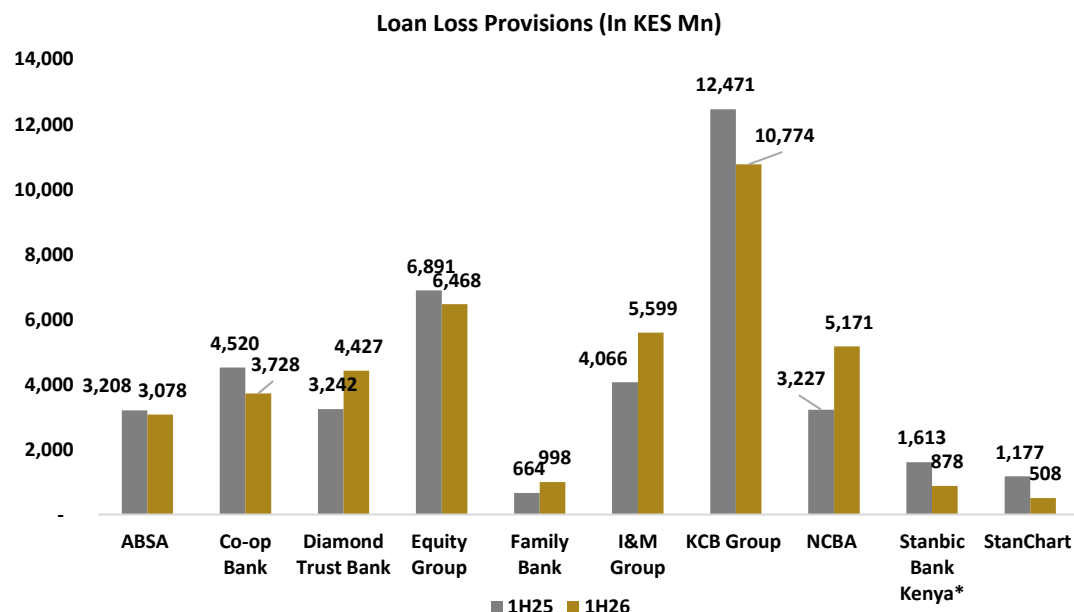
OPEX (less impairment provisions) - In KES Mn



Cost to Income Ratio (CTI) excluding loan loss provisions	FY24	FY25	1Q25	1H25	1Q26	1H26	bps y/y
ABSA	37.7%	36.5%	35.0%	36.4%	38.9%	41.2%	486
Co-op Bank	47.2%	46.3%	45.5%	44.9%	44.3%	46.0%	116
Diamond Trust Bank	51.8%	48.8%	53.7%	52.5%	45.6%	46.0%	(651)
Equity Group	58.2%	51.0%	54.2%	51.7%	50.6%	48.6%	(309)
Family Bank	69.2%	58.9%	63.0%	62.7%	54.7%	53.1%	(958)
I&M Group	45.9%	46.8%	43.9%	43.9%	45.2%	44.4%	51
KCB Group	45.4%	42.3%	45.8%	46.0%	45.3%	44.4%	(158)
NCBA	51.3%	51.2%	51.2%	52.5%	48.6%	47.9%	(457)
Stanbic Bank	43.4%	45.9%	48.2%	47.5%	47.0%	48.5%	108
StanChart	39.6%	55.5%	39.2%	45.3%	46.0%	49.9%	457
Average	49.0%	48.3%	48.0%	48.3%	46.6%	47.0%	

- Overall operating expenses (excluding loan loss provisions) inched upwards by +c.10.5% y/y to KES 215.8bn, slower than the rise in overall operating income (+c.13.3% y/y). Resultantly, the average coverage cost-to-income ratio (CTI) improved to c.47.0% vs c.48.3 in 1H25.
- Despite a notable deterioration in 1H26, Absa emerged as the most efficient bank in our coverage (CTI of c.41.2%), buoyed by contained OPEX costs (excluding provisions; up 5.7 y/y).
- Family Bank's cost-to-income ratio experienced the quickest improvement, with its CTI hitting 53.1% (-958bps) in 1H26 following a c.25.4% y/y decrease in operating income and a 6.3% y/y uptick in operating expenses excluding provisions (the lender has a significant one-off expense in 2025).
- DTB (-651bps y/y), NCBA (-457bps y/y), Equity Group (-309bps y/y), and KCB Group (158bps y/y) followed suit,
- Notably, Absa (+486bps), StanChart (+457bps), Co-op Bank (+116bps), Stanbic Bank Kenya (+108bps) and I&M Group (+51bps) reported some weakening in their CTI metrics.

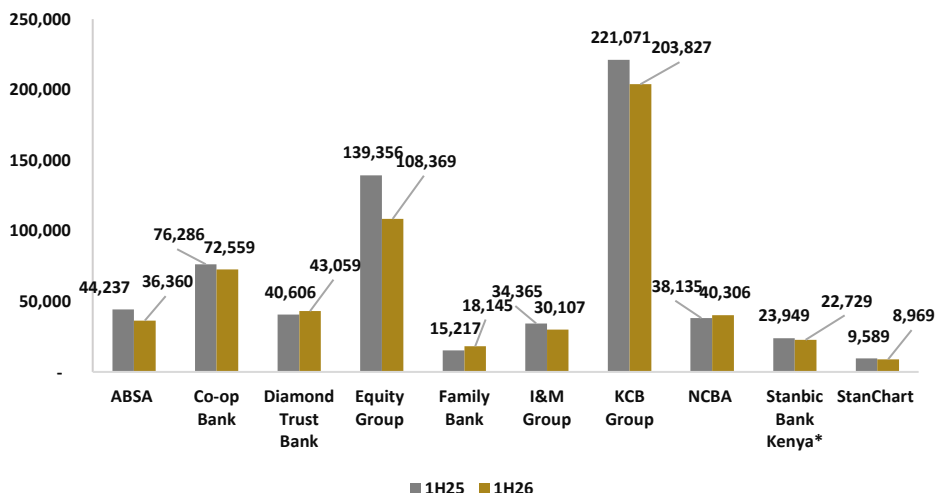
Single-digit growth in coverage loan loss provisioning as asset quality improves



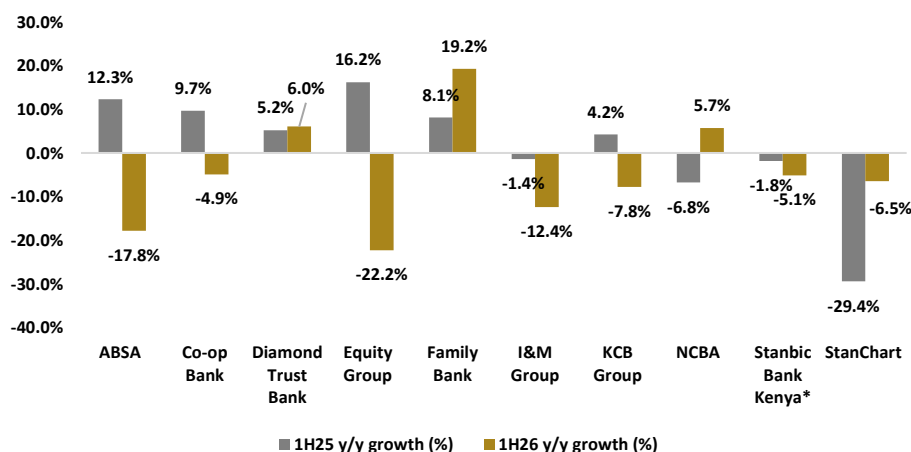
- Total loan loss provisions across our coverage held steady at KES 41.6bn (+1.3% y/y) in 1H26, as 6 out of the 10 lenders in our coverage recorded a downswing in loan loss provisions over the period.
- NCBA Group reported the highest increase in provisioning (+60.3% y/y) despite the lender's gross NPL stock rising by 5.7% y/y to KES 40.3bn. Family Bank, I&M Group and DTB ramped up provisions 50.4% y/y, 37.7% y/y and 36.5% y/y, respectively, as they adopted a cautious stance.
- On the contrary, StanChart (-56.9% y/y), Stanbic Bank Kenya (-45.6% y/y), Co-op Bank (-17.5% y/y), KCB Group (-13.6% y/y), Equity Group (-6.1% y/y) and Absa (-4.1% y/y) reduced their provisioning in 1H26, likely signalling management confidence in improving asset quality as the year progresses.
- We see the potential for the write-back of loan loss provisions and suspended interest expense (and thereby supporting the bottom line) should overall industry asset quality continue to improve.

Improving credit demand and comparatively lower loan rates drive asset quality improvement

Gross Non Performing Loans (in KES Mn)



Gross NPL growth rate (% y/y)



- Total Gross NPLs came in at KES 584.4bn for our coverage (-9.1%y/y; -2.3% q/q), with 7 out of the 10 banks reporting a decrease in gross non-performing loans. Indeed, the average Gross NPL ratio for our coverage improved to c.10.7% vs c.12.9% in 1H25 on the back of lower interest rates, expansion in gross loans, the continued payment of pending bills by the Government, recovery efforts, cautious lending, rehabilitation, write-offs, as well as full and final settlements.
- Decline in Gross NPLs by Equity Group (-22.2% y/y), Absa(-17.8% y/y), I&M Group (-12.4% y/y), KCB Group (-7.8% y/y), StanChart (-6.5% y/y), Stanbic Bank Kenya (-5.1% y/y) and Co-op Bank (-4.9%y/y) in the year provided an opportunity for lenders to reduce loan loss provisioning (save for I&M) and subsequently support their net earnings.
- In contrast, Family Bank (+19.2% y/y), DTB (+6.0% y/y), and NCBA (+5.7% y/y) witnessed an increase in their NPLs over the period.
- StanChart boasts the best asset quality in our coverage, reporting a Gross NPL ratio of 5.1% in 1H25, while KCB Group had the highest NPL ratio at 15.1% (a commendable improvement from 18.7% in 1H25).

Bank	Gross NPL ratio estimate							bps y/y
	FY23	FY24	FY25	1Q25	1H25	1Q26	1H26	
KCB Group	17.3%	19.2%	16.9%	19.3%	18.7%	16.6%	15.1%	-150.0
Co-op Bank	16.1%	16.8%	15.4%	17.0%	17.2%	14.5%	13.9%	-60.0
Family Bank	14.9%	14.2%	15.2%	14.2%	13.9%	14.6%	15.1%	48.8
Diamond Trust Bank	13.0%	12.3%	10.8%	13.9%	13.0%	11.8%	11.6%	-17.4
ABSA - estimate	9.6%	12.3%	11.4%	10.8%	13.0%	11.6%	10.1%	-147.5
NCBA Group	12.1%	11.2%	10.2%	11.9%	12.0%	10.9%	10.5%	-40.0
Equity Group	11.7%	12.2%	10.5%	14.0%	13.7%	10.6%	9.5%	-110.0
I&M Group	11.4%	11.8%	9.8%	11.2%	12.0%	9.3%	9.0%	-30.0
Stanbic Bank Kenya* - estimate	9.5%	9.1%	8.0%	8.7%	9.5%	8.4%	7.3%	-105.9
StanChart - estimate	9.7%	7.4%	5.4%	8.3%	6.0%	5.2%	5.1%	-9.5
Average	12.5%	12.7%	11.4%	12.9%	12.9%	11.3%	10.7%	

Liquidity buffers climb as banks park excess funds in liquid assets

Bank	Liquidity						bps change y/y
	FY24	FY25	1Q25	1H25	1Q26	1H26	
ABSA	42.5%	45.6%	46.9%	45.5%	53.2%	42.7%	(280)
Co-op Bank	59.9%	60.0%	61.3%	66.7%	63.4%	57.3%	(940)
Diamond Trust Bank	53.9%	53.4%	54.6%	56.6%	55.9%	54.2%	(240)
Equity Group	57.4%	64.7%	58.5%	58.6%	64.7%	60.9%	230
Family Bank	43.9%	60.9%	46.9%	53.1%	63.9%	61.3%	820
I&M Group	51.6%	59.7%	50.4%	54.0%	65.0%	64.9%	1,090
KCB Group	47.6%	50.8%	48.9%	47.2%	51.0%	49.9%	270
NCBA Group	54.1%	60.7%	55.8%	57.1%	63.9%	59.3%	220
Stanbic Bank Kenya*	50.5%	55.5%	48.3%	54.4%	61.0%	57.0%	260
StanChart	67.6%	64.4%	73.6%	64.5%	66.3%	60.9%	(357)
Average	52.9%	57.6%	54.5%	55.8%	60.8%	56.8%	

- We note an overall rise in liquidity buffers as banks continued their preference for maintaining a relatively liquid asset portfolio, with the average liquidity ratio across our coverage standing at c.56.8% in 1H26, up from c.55.8% in 1H25. This increase was likely driven by a robust rise in customer deposits during the period, along with investments in government securities that tend to provide stable returns while maintaining low credit risk and preserving liquidity buffers.
- While 4 out of 10 banks in our coverage saw a slight decline in their liquidity ratios, the remaining banks appear to have increased their investment in excess funds in liquid assets, awaiting deployment to various asset allocations.
- I&M Group recorded the quickest jump in liquidity levels (+1090bps y/y), as it opted to allocate part of its liquidity to Kenyan government securities (+50.3% y/y; includes held for trading). Notably, the Group successfully raised KES 13bn in May 2026.
- Co-op Bank reported the highest drop in its liquidity ratio to 57.3% from 66.7% (-940bps) in 1H25 (still considered quite healthy).

Robust capital buffers provide room for capital-intensive investments

	1Q25		1H25		1Q26		1H26		core capital y/y	total capital y/y
	Core Capital - In Mn	Total Capital - In Mn	core capital y/y	total capital y/y	Core Capital - In Mn	Total Capital - In Mn	core capital y/y	total capital y/y		
ABSA	75,273	88,687	76,856	89,585	84,775	95,822	84,338	94,354	9.7%	5.3%
Co-op Bank	126,251	144,852	129,702	147,161	141,841	156,252	146,604	159,836	13.0%	8.6%
DTB - Kenya	50,943	55,892	52,102	56,877	57,760	62,381	59,305	62,881	13.8%	10.6%
Equity Group	240,783	266,104	250,102	274,146	288,931	312,184	301,351	324,831	20.5%	18.5%
Family Bank	15,957	19,066	16,573	19,728	26,028	30,149	25,909	30,067	56.3%	52.4%
I&M Group	85,571	98,995	91,990	105,702	111,523	133,231	104,738	129,052	13.9%	22.1%
KCB Group	281,374	331,794	277,178	321,253	330,114	391,592	331,916	387,564	19.7%	20.6%
NCBA Group	104,802	105,101	107,779	108,092	111,491	111,802	114,949	115,296	6.7%	6.7%
Stanbic Bank Kenya*	57,587	72,809	59,018	73,198	63,230	78,284	64,098	79,089	8.6%	8.0%
StanChart	56,324	56,504	56,255	56,702	56,538	56,678	56,766	56,906	0.9%	0.4%
Equity Bank	135,257	152,910	140,449	157,032	125,720	144,481	134,095	153,742	-4.5%	-2.1%
KCB Bank	154,609.57	199,651.22	155,391	200,347	193,779.70	250,608.63	188,825.38	240,198.32	21.5%	19.9%

Total capital/risk weighted capital ratio (capital adequacy ratio)						
	FY25	1Q25	1H25	1Q26	1H26	bps change y/y
ABSA	21.0%	20.4%	20.5%	21.0%	19.4%	(110)
Co-op Bank	22.6%	22.8%	21.3%	23.2%	22.9%	160
DTB - K*	16.9%	17.0%	17.3%	16.6%	16.6%	(70)
Equity Group	20.5%	18.3%	18.1%	19.1%	18.7%	60
Family Bank	19.6%	15.8%	15.9%	18.6%	18.2%	230
I&M Group	20.1%	18.8%	19.8%	21.2%	21.8%	206
KCB Group	22.3%	19.7%	19.7%	21.6%	21.0%	130
NCBA	21.9%	21.6%	22.4%	21.8%	21.7%	(72)
Stanbic Bank	17.4%	18.6%	18.9%	18.1%	16.8%	(210)
StanChart	20.4%	20.6%	19.7%	18.9%	18.2%	(147)
Average	20.3%	19.4%	19.4%	20.0%	19.5%	

- All banks in our coverage recorded an increase in their total capital, with the overall total capital coming in at KES 1,439.9bn (+15.0% y/y), highlighting sturdy capital buffers.
- Family Bank's total capital experienced the fastest jump to KES 30.1bn (+c.52.4% y/y), followed by I&M Group at KES 129.1bn (+c.22.4% y/y). Notably, both firms raised funds during the period (Family Bank private placement and I&M MTN programme).
- Markedly, the average total capital/risk weighted capital ratio across our coverage remained largely stable (19.5% vs 19.4% in 1H25).

Reprieve for Tier II and Tier III banks as National Treasury extends KES 10.0bn deadline to 2032

Banks with core capital below KES 10.0bn			
Bank	Core Capital (in KES Bn)-Dec 2024	Core Capital (in KES Bn)- Dec 2025	Core Capital (in KES Bn)- 1H26
1 Gulf African Bank Ltd	8.2	9.5	9.9
2 Ecobank Kenya Ltd	5.0	9.0	9.3
3 SBM Bank Kenya Ltd	8.0	7.7	9.0
4 Victoria Commercial Bank Limited	7.8	8.4	8.7
5 Guaranty Trust Bank	6.9	7.7	7.7
6 Kingdom Bank	4.0	4.9	5.2
7 Habib AG Zurich	3.1	3.8	4.0
8 Guardian Bank	3.5	3.6	3.6
9 Bank of Africa	3.2	3.5	3.6
10 DIB Bank Kenya Limited	4.1	3.7	3.4
11 Paramount Bank	2.7	3.3	3.4
12 M-Oriental Commercial Bank	2.7	3.1	3.2
13 Middle East Bank	2.2	3.1	3.2
14 UBA Kenya	1.5	1.9	3.1
15 Premier Bank	2.5	3.1	3.1
16 ABC Bank	2.6	2.7	2.7
17 Development Bank of Kenya (DBK)	2.1	2.2	2.2
18 Credit Bank	1.3	1.2	1.3
19 Access Bank	1.5	1.1	0.9
20 Consolidated Bank	(0.7)	(0.5)	(0.5)
** excludes Spire Bank			

Source: financial results releases for various banks

- As of 1H26, approximately 20 of the 38 banks in Kenya have core capital levels below KES 10.0bn (excluding Spire Bank).
- Various lenders have utilized different capital-raising strategies since the announcement of the enhanced minimum capital requirements, such as private placements and rights issues, capital injections from parent companies, and acquisitions (e. g Access Bank acquisition of NBK, Acquisition of Paramount Bank by Zenith Bank, etc.), amongst others:
- In 2026, the following developments were noted:
 - Zenith Bank completed the acquisition of **Paramount Bank** in April 2026.
 - SBM Holdings of Mauritius made 2 capital injections in its subsidiary **SBM Bank Kenya** totaling KES 814mn in 2026.
 - Development Bank of Kenya** is reportedly planning to sell new shares to boost its capital levels.
 - The National Treasury has reportedly allocated KES 1.125bn to **Consolidated Bank of Kenya**.
 - UBA Kenya** received Sh1.1bn from its Nigerian parent, United Bank for Africa Plc, in February 2026.
 - The Central Bank of Kenya (CBK) approved the transfer of all assets and liabilities of **Access Bank (Kenya) Plc** to National Bank of Kenya Limited (NBK) in September 2026, helping Access Bank to meet its minimum capital requirements (NBK had core capital of KES 12.0bn as at June 2026).
- As outlined in the Finance Bill 2026, the National Treasury has made amendments to the timeline specified in the Business Laws (Amendment) Act of 2024 to **allow commercial banks to raise the minimum core capital to KES 10 billion by 31st December 2032, from 31st December 2029**, without annual milestones.

Salient Sector Developments

- **Development and issuance of the Kenya Green Finance Taxonomy and the Climate Risk Disclosure Framework.** Institutions are expected to apply the taxonomy in assessing the degree to which their business activities are aligned with the taxonomy's guiding principles. Kenya launched the National Carbon Registry in February 2026
- **The Banking (Penalties) Regulations, 2025, were made pursuant to section 55 of the Banking Act to strengthen the compliance culture in institutions licensed under the Act.** The Regulations are intended to promote integrity within the banking sector, foster discipline in the conduct of banking business, and encourage compliance with the Banking Act and the Prudential Guidelines. They also establish an elaborate sanctions framework that is effective, proportionate, and dissuasive.
- The Central Bank of Kenya announced that, with effect from July 1, 2025, it will **lift the moratorium on licensing of new commercial banks**, with new banks expected to demonstrate that they can meet the enhanced minimum capital requirements of KES 10.0bn. The moratorium has been in place since November 17, 2015.
- **Issuance of the revised risk-based pricing model** in August 2025, with the full implementation being completed by February 2026.
- **Implementation of the Internal Liquidity Coverage Adequacy Assessment (ILAAP) process** by issuing guidelines on Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and Leverage Ratio (LR) for the banking sector, effective October 2025. The guidelines aim to strengthen the banking sector's liquidity and capital frameworks.
- **Gazettement of the Virtual Asset Service Providers Regulations, 2026** in July 2026, pursuant to the Virtual Asset Service Providers Act, 2025 (Act No. 20 of 2025), to operationalize the Act, whose objective is to provide for the legal framework for licensing and regulating the activities of Virtual Asset Service Providers in and from Kenya.
- **Acquisition of 100 percent of the shareholding of Paramount Bank Limited (PBL) by Zenith Bank PLC (Zenith),** following approval by CBK on March 9, 2026.
- **Development of the draft of Kenya's Financial Consumer Protection Framework.** The framework has been developed to establish the overarching standards for fair treatment, transparency, product suitability, protection of consumer assets, responsible business conduct, and enhanced market conduct supervision across Kenya's financial sector.
- **Family Bank raised KES 8.0bn via an oversubscribed issue in December 2025 – with listing in June 2026.** The lender was listed in the main market by introduction on the Nairobi Securities Exchange on 23rd June 2026 following a private placement which was oversubscribed.

Salient Sector Developments

- I&M closed the **first tranche of its Medium-Term Note programme in May 2026, with KES 23.2bn in bids against a KES 10.0bn target. The amount allotted for this Tranche 1, after accommodating the greenshoe option, was KES 13.0bn.** The proceeds of the issuance are for onward lending, long-term funding for growth and expansion, and strengthening of the Bank's Tier II capital.
- Development of the proposed **Draft Kenya Deposit Insurance (Contribution by Institutions) Regulations, 2026**, which introduces a new formula for how banks and financial institutions contribute to the insurance fund (marks a shift to a differential Premium System (DPS), a risk-sensitive framework for calculating deposit insurance premiums).
- **Development of the Artificial Intelligence Bill, 2026**, aimed at safeguarding human rights, data protection, and public welfare. It also aims to address gaps in existing laws, including the Science, Technology, and Innovation Act and the Data Protection Act. A key proposal of the proposed law is the establishment of the Office of the Artificial Intelligence Commissioner, which will act as the primary regulator overseeing AI systems in Kenya.
- **The Central Bank of Kenya partnered with Clearstream in June 2026** to launch a new domestic market link via Standard Chartered Bank Kenya, granting international and local investors efficient access to settle and safekeep Kenyan government securities through the DhowCSD.
- **The Central Bank of Kenya (CBK) announces the acquisition of up to 66 percent of the shareholding of NCBA Group PLC(NCBA) by Nedbank Group Limited (Nedbank).** This follows the approval by CBK on August 28, 2026, under Section 13 (4) of the Banking Act.
- The Central Bank of Kenya (CBK) announced the licensing of an additional 25 Digital Credit Providers (DCPs) in July 2026. This is pursuant to Section 59(2) of the Central Bank of Kenya Act (CBK Act). **This brings the number of licensed DCPs to 252 following the licensing of 32 DCPs announced in April 2026.** CBK has received more than 800 applications since March 2022.
- **Absa Group launched the tender offer at KES 34.50 per share targeting an additional 16.5% stake (to reach 85%).** The offer ran from June 30 to August 11, 2026. It achieved a 21.14% take-up rate (~189.38 million shares) worth KES 6.53 billion. Consequently, Absa Group's stake increased from 68.5% to 71.99%.
- **Approval of the Central Bank of Kenya (Amendment) Act, 2026 (Amendment Act), published on 10th July 2026.** The amendments strengthen the CBK's prudential oversight role, establish a formal Emergency Liquidity Assistance (ELA) regime, and give the CBK power to deal in precious metals in addition to gold, etc.

Salient Sector Developments

- **Gazettement of the Banking (Fees) Regulations, 2026 (Legal Notice 81 of 2026)**, with effect from 8 May 2026. Introduces a revenue-based annual fee structure under which banking institutions, financial institutions and mortgage finance companies must pay annual fees calculated as a percentage of gross annual revenue, at the rate of 0.13% in 2026, 0.14% in 2027 and 0.15% from 2028 onward.
- **Establishment of the National Cybersecurity Agency (NCSA)**, under the State Corporations Act, which will coordinate national cybersecurity efforts and strengthen the protection of critical digital infrastructure as cyber threats become more sophisticated.
- **Issuance of revised draft CBK Prudential Guidelines, Risk Management Guidelines, Guidance Notes and Framework for Domestic Systemically Important Banks** in September 2026. This review forms part of CBK's ongoing efforts to strengthen the regulatory framework, enhance the resilience of the banking sector, and align Kenya's supervisory framework with international standards and emerging best practices.
- **Planned Banking Sector Exchange Traded Fund (ETF)** - The Nairobi Securities Exchange conditional approval for WSA (Wall Street Africa) Banking ETF, Kenya's first locally domiciled ETF, in September 2026. Could unlock ETFs as a new growth asset class.
- **Absa Group (parent company of Absa Bank Kenya), has agreed to sell its controlling interests in First Assurance Company and Absa Life Assurance Kenya to First Assurance Investments, based on an Absa notice.** The transaction covers Absa's reported 63.32% stake in each insurer and remains subject to regulatory approvals. Existing insurance distribution through Absa Bank Kenya is expected to continue.
- **KCB Group unveiled a KES 300.0bn Sustainability Bond Framework** to mobilize long-term capital for green, blue, and social projects across East Africa in August 2026. Initial tranche in 2026 is expected to be KES 100Bn.
- The High Court **temporarily suspended Section 44 of the Banking Act in August 2026**, removing the requirement for commercial banks to obtain prior approval from the Treasury Cabinet Secretary before increasing loan interest rates.
- **The Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Suppression of Terrorism) Regulations, 2026 were officially published as Legal Notice No. 172 in the Kenya Gazette on 7 September 2026.** Commercial banks will likely face higher operational costs, stricter audit scrutiny, and potential exposure to severe penalties or loss of correspondent banking relationships if they fail to implement effective real-time monitoring controls.
- **Development of the draft National Payment System Policy and National Payment System Bill, 2026.** The policy aims to establish a modern, safe, secure, efficient, affordable, accessible, and inclusive national payment system that supports seamless interoperability, financial inclusion, innovation, economic growth, and Kenya's integration into regional and global payment systems.

2H26 Sector Outlook

- **We anticipate that the CBR rate will be held steady in the near term** as the CBK assesses the potential fallout from the US-Israel-Iran geopolitical tensions and their impact on inflation. We see the **possibility of an accretive inflation lag**, with some prices remaining sticky for items such as food and transport despite the potential for easing fuel prices should the US-Israel-Iran tensions ease. Markedly, core inflation ticked higher to 4.0% in September 2026 from 3.4% the month prior.
- **Private sector credit growth maintains a solid recovery trajectory**, expanding at high single digits (reported at 10.6% in September 2026, 10.2% in July 2026 and 10.6% in June 2026), supported by increased credit flows to key sectors of the economy, coupled with improving asset quality, providing banks with headroom to lend more. Lower base rates alongside targeted intervention schemes continue to lift credit uptake across retail, trade, and manufacturing sectors relative to the negative growth experienced in early 2025.
- As such, **lending rates are expected to remain largely stable in the near term** (average of 14.4% in Sept 2026, 14.3% in June 2026 and 14.4% in March 2026); however, asset quality and the premium “K” applied will determine the overall lending rate for lenders according to their risk rating. Overall, asset yields are expected to moderate due to comparatively lower yields on government securities (though this depends on the balance sheet allocation of funds to government securities and market rate movements) and placements at lower market interest rates.
- We anticipate that **deposit rates will remain contained in the near term** (depending on government borrowing pressure, revenue performance, and geopolitical tensions), supported by lower T-Bill rates. Notably, the 91-day T-bill rate has been on an uptick over the year, coming in at 8.77% as at 11th September 2026, from 7.42% as of 27th March 2026 (8.14% as at 30th June 2025), which we believe can squeeze margins further as the CBR remains flat. As such, we opine that the pace of decline in deposit expense will moderate in 2H25.
- While banks enjoyed a reprieve as deposit costs fell faster than loan repricing, **Net Interest Margins (NIMs) are expected to continue to experience some tightening in 2H26**. Commercial lending rates (including overdraft) have averaged 13.7% as of June 2026, down from 14.4% in June 2025. Banks are expected to rely on aggressive volume growth to offset the thinner margins. Though short-term interest rates have declined in line with recent reductions in the CBR, Treasury bill rates have begun adjusting upwards, as mentioned above.
- **Gradual recovery in FX trading income for select banks** despite improved currency availability, reduced volatility, and thin margins, on the back of strong regional trade funding, increased foreign-currency lending, higher transaction volumes as they enhance their payment platforms to leverage self-service propositions, and cross-border subsidiary contributions. Furthermore, **we see increased demand for FX hedging and risk management solutions** amid global tensions and global market volatility.

2H26 Sector Outlook

- **The acceleration of embedded payments and digital financial services** is expected to provide a steady stream of fee revenue, further supported by high-volume, low-cost digital channels (such as mobile apps). We expect banks to **continue leveraging non-banking subsidiaries** (e.g., insurance, asset management, custody business, etc.) and digitization initiatives to enhance their value propositions, leverage cross-selling opportunities to their client base, and grow non-funded income.
- We see **continued recovery in asset quality in 2H26** on account of intensified loan recovery efforts/restructuring, growing loan volumes as lenders leverage digital lending to scale disbursements, continued resolution of pending bills, lower debt servicing burden on account of contained lending rates, and tighter credit requirements. Risks, however, remain due to geopolitical friction in the Middle East and global trade routes, potential secondary spikes in fuel/logistics costs, and margin pressures on key economic sectors.
- **Lenders are likely to face higher regulatory and operational expenses** driven by the introduction of regulatory and compliance requirements such as the introduction of a gross revenue-based annual licensing fee, strict real-time counter-terrorism transaction monitoring mandates, revised Central Bank of Kenya (CBK) risk management guidelines for Domestic Systemically Important Banks (D-SIBs), and risk-adjusted deposit insurance premiums. These compliance burdens—coupled with ongoing capital outlays for digitization, generative AI integration, and cybersecurity—are expected to push up operating expenses. **Notably, loan loss provisions may sustain their downward trend**, should asset quality continue to improve in 2H26.
- **Growing focus on sustainable finance and energy transition** as a commercial opportunity for lenders by providing advisory opportunities in relation to issuance of sustainability-linked instruments, e.g., medium-term note - Safaricom's green bond; KMRC Sustainability Bond; TRIFIC USD Green I-REIT, etc.; opportunities for carbon credit generation and offsetting activities by clients. It also provides **avenues for lenders to raise capital via climate-linked financing instruments**, e.g., KCB Group launched a KES 300.0bn Sustainability Bond Framework in August 2026 to fund green, blue, and social projects across East Africa. Public Interest Entities (PIEs), including both listed and unlisted companies, will be required to publish sustainability disclosures aligned with IFRS S1 and IFRS S2 from 1 January 2027.
- **Potential pick-up in M&A and capital-raising activities** in Kenya as Tier 2 and Tier 3 banks race to hit the KES 10.0bn minimum capital requirement by 2032 (lenders have been offered a reprieve following the 3-year extension as well as removal of yearly milestones). In addition, the Kenyan banking sector has witnessed increased interest from South African lenders seeking to strengthen their foothold in the East African Region.
- Continued efforts on **strategic partnerships for trade support (cross-border payment systems), onward lending, as well as funding** for both local and regional infrastructure projects as governments ramp up infrastructure spending (e.g., opportunities to mobilize capital and position themselves to fund infrastructure projects through the National Infrastructure Fund in Kenya).

Outlook Risks

- **Geopolitical tensions**, such as the US-Israel-Iran tensions (deal in the works, though there may be a lagging effect on fuel prices), which may impact commodity prices and worsen supply chain shocks, in turn leading to imported inflation. Supply chain shocks could also impact certain export customers as well as remittance flows,
- **Lower-than-expected economic growth**, which may limit loan demand, constrain customer wallets, and reduce borrowers' ability to repay debts, especially if the monetary policy committee considers a potential increase in CBR rates in response to higher inflation in view of global circumstances; Some major central banks have begun raising rates in 2026 largely driven by an energy price shock following the Middle East conflict, e.g., the Fed, ECB, and BoJ. Furthermore, mid-to-large corporates may also hold back on long-term capital expenditure on the back of the **2027 election overhang**, with increased pre-election government spending potentially widening fiscal deficits, forcing greater domestic debt issuance and intensifying crowding-out pressures,
- **Increased adoption of AI and digital growth** has led to smarter fraud, including sophisticated cyberattacks requiring banks to tighten digital controls. In addition, the sector still struggles with shortages in risk analytics, digital strategy, compliance, and ESG expertise,
- Traditional lenders are facing **increased margin competition from non-bank fintech entities and embedded finance platforms**,
- **Ecosystem and Third-Party Risks**: As banks, telcos, and fintechs increasingly integrate, the reliance on third-party cloud providers, payment processors, and software vendors introduces concentration and dependency risks. System outages or breaches at partner organizations directly threaten a bank's operational resilience,
- **Rising compliance costs** driven by banks' adherence to evolving international standards, as well as compliance with new local and regional regulatory changes (Kenya is still on the FATF Grey List). In addition, regulatory scrutiny is intensifying concerning data privacy and governance, with enforcement actions taken against non-compliance,
- Though banks remain the primary source of credit for firms, **corporates are increasingly turning to private credit for faster, more flexible funding** (e.g., DFI offerings, blended finance and credit-enhanced issuance propositions, rise of private credit funds) in response to tighter bank lending standards and capital rules,
- **Increased reliance on domestic borrowing** by the government to meet rising expenditure needs, leading to a "crowding-out" effect. This may stifle expected credit demand. Furthermore, the rise in rates by developed countries' central banks may point to higher debt servicing costs,
- **Decline in NPLs, still high by regional standards** - while the sector shows resilience with record profits in some areas, the NPL ratio, despite a gradual improvement in 2026 (The ratio of gross non-performing loans to gross loans stood at 13.9% in September 2026, down from 14.6% in July 2026, 15.4% in April 2026 and 17.6% in August 2025), remains high by regional and historical standards and,
- **Evolving climate-related risks (e.g., anticipated Super El Niño)** that could impact lending practices and certain sectors, with increasingly demanding regulatory requirements. In addition, the economy may face potential supply chain disruptions, with risks to food prices due to the envisaged El Niño effect.

Regional developments in the East African Region

- **South Sudan:** Surge in minimum paid-up capital requirement to USD 30mn by the close of 2026; USD 25mn by the end of June. The Bank of South Sudan (BoSS) officially launched the country's National Instant Payment System (NIPS) and the Interbank Payment and Settlement System (SSIPS). South Sudan's Economic Cluster has lifted restrictions on cash withdrawals from commercial banks, reversing a policy introduced in 2024 that capped withdrawals at 10 million South Sudanese pounds (SSP), as part of efforts to improve access to deposits and restore confidence in the banking sector.
- **Rwanda:** Foreign Exchange Regulation (No. 89/2025) issued May 23, 2025, provides for better clarity on foreign currency invoicing, pricing in contracts, and defining resident vs. non-resident status; Fitch affirmed Rwanda's 'B+' sovereign rating with a Stable Outlook, citing strong medium-term growth prospects, concessional financing access and relatively strong governance. S&P affirmed Rwanda's 'B+/B' sovereign ratings with a Stable Outlook, supported by resilient economic growth, strong official support and a largely concessional debt structure. Launch of e-kash, Rwanda's instant payment system, in July 2026. The country secured a new 3-year \$250m deal with the IMF; agreed in April and approved in June 2026.
- **DRC:** The Central Bank announced a ban on foreign-currency cash payments, effective April 9, 2027, forcing foreign currency transactions into digital formats like bank transfers to strengthen the local franc. In April 2026, the DRC successfully raised USD 1.25bn in its debut Eurobond. Signing of an MOU between EAC and the DRC on currency convertibility and the repatriation of foreign currency. DR Congo has revived plans to create a bank deposit guarantee, with the government approving a draft decree on 11/09/26 that would establish a system to protect depositors and support financial stability in the banking sector. The Central Bank of Congo formally joined the African Payments and Settlement System (PAPS) in September 2026.
- **Tanzania:** Introduced the Financial Consumer Protection Amendments (2025) aimed at protecting consumers and introducing new liability for scams (and mandatory prompt refunds). Tanzania's 2026/27 budget and the subsequent Electronic Transactions Order, 2026 (Government Notice No. 158C) officially mandate digital payments for specified commercial sectors and make proof of electronic settlement a strict prerequisite for transferring major assets. Banks are set to accept movable assets as loan collateral under the proposed Secured Transactions (Movable Property) Bill, 2026. The Bank of Tanzania officially launched the Tanzania Sovereign Yield Curve on August 7, 2026, to serve as a daily benchmark for government securities ranging from under one month to 25 years. FX regulations were amended in August 2026 to allow non-resident investors to invest in T-Bills and T-bonds. In July 2026, the IMF completed the final reviews of Tanzania's Extended Credit Facility (ECF) and Resilience and Sustainability Facility (RSF) arrangements, unlocking approximately US\$443.9 million in financing. On 21 August 2026, Fitch affirmed Tanzania's sovereign rating at 'B+' and revised the outlook to Positive from Stable.
- **Uganda:** The Bank of Uganda has developed and is publishing the Uganda FX Swap Curve, strengthening transparency and price discovery. Benchmark reforms, including work toward a Risk-Based Credit Pricing Model, are also intended to lower the cost of credit, improve transparency in lending and strengthen the transmission of monetary policy. In addition, the Bank of Uganda has introduced over-the-counter cash withdrawal limits (UGX 50m daily) and halved interbank cheque thresholds across five currencies, effective 1 January 2027, to accelerate Uganda's shift to a digital, cash-lite economy. The CBK raised the cash reserve requirement for commercial banks to 13.5% from 11.0% in September 2026, a move that follows a sharp weakening of the local currency. Fitch Ratings affirmed Uganda's 'B' sovereign rating with a Stable Outlook, citing the country's record of macroeconomic stability and strong medium-term growth prospects, particularly with oil production expected to begin in 1H27.

Regional developments in the East African Region

- **Somalia:** The Central Bank of Somalia (CBS) officially inaugurated the Financial Stability Committee, which convened for its first meeting on 24 November 2025. Integration of the Somalia Instant Payment System (SIPS) with the Pan-African Payment and Settlement System (PAPSS) in March 2026. Issuance of Takaful (Islamic insurance) licenses to expand ethical, Sharia-compliant financial services alongside commercial banking. The country is reportedly moving closer to the reintroduction of the Somali currency, with key work including reforms underpinning the proposed Currency Board Arrangement, amendments to the Central Bank of Somalia Act currently before Parliament, and the Board's approval of reserve management regulations.
- **Burundi:** The Bank of the Republic of Burundi (BRB) officially launched BurundiPay, Burundi's instant payment system – a centralised platform enabling interoperability between all payment systems operated by commercial banks, microfinance institutions and payment institutions on 23rd April 2026. The cessation of BRB advances to the government since mid-2025 has significantly slowed money growth. The resulting reduction in government borrowing from the central bank has freed up liquidity in the banking system, according to the June 2026 IMF Staff Report. In addition, the report highlights that BRB's real policy rate is now slightly positive (compared to - 23% on average in 2025). Excess reserves, which contributed to interbank rates well below the policy rate in 2025, have declined, driven by the shift from monetary deficit financing to market financing, and BRB's FX sales to reduce banks' external arrears.
- **Ethiopia:** On 10th November 2025, the National Bank of Ethiopia (NBE) Risk-Based Capital Adequacy Requirement for Banks Directive No. SBB/95/2025 entered into force. Banks are required to move away from a flat capital requirement to a risk-based capital model. This is likely to trigger large numbers of rights issues as well as mergers in order to comply with the requirement. In September 2026, the National Bank of Ethiopia (NBE) has ordered banks to immediately stop the upfront payment of deposit interest and the compounding of such interest with principal before deposits reach maturity. Ethiopia's Securities Exchange has listed Wegagen Bank, Gadaa Bank, Awash Bank, Abay Bank, Bank of Abyssinia, and Sidama Bank on the country's Main Market. We see the potential for entry into Ethiopia by regional banks following sector liberalization in 2025 (either through greenfield investments or strategic acquisitions)*.

Central Bank Rates in the East African Region

Country	Central Bank Rate (CBR)	Effective Date
Burundi	10.00%	Feb-26
DRC	12.50%	Jul-26
Ethiopia	16.00%	Jul-26
Kenya	8.75%	Feb-26 (retained in Oct-26)
Rwanda	8.75%	Aug-26
Somalia	N/A	N/A
South Sudan	13.00%	Jun-25
Uganda	9.75%	Aug-26
Tanzania	6.25%	Jul-26

Source: central bank websites for the respective jurisdictions, TradingEconomics.com

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