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FY25 KENYA BANKING SECTOR REPORT

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SECTOR CONTEXT

FY25 closed out roughly two years of tailwind-driven earnings in Kenyan banking. From mid-2023 through early 2024, the combination of high rates and FX volatility masked underlying operational realities. Banks didn't need to be particularly well-run; favourable macro filled the gap.

By the end of 2025, the tailwinds had reversed. The CBR was down to 8.75% after ten consecutive cuts, the shilling had stabilised following its 26.8% depreciation in 2023, and T-bill yields had dropped from above 16.0% to under 8.0%. The next phase depends on what each bank actually built beneath the tailwinds.

I. Macro Backdrop — Easing Arrived, Transmission Lagged

CBK's rate cuts from August 2024 to February 2026, ten consecutive reductions from 13.00% to 8.75%, mark the longest uninterrupted easing cycle in CBK's post-liberalisation history. The cumulative 425 basis-point reduction brought the CBR back to levels last seen before the post-pandemic tightening cycle began, and the Monetary Policy Committee accomplished it without triggering either inflation or exchange rate instability.

Table 1: CBK Rate-Cutting Cycle — Oct 2023 to Feb 2026

MPC Meeting	CBR After Cut	Cut (bps)	Key Context
Oct 2023 (peak)	13.00%	—	Highest since 2012; inflation 6.8%; KES under pressure
Apr 2024	13.00%	—	Rate held; KES depreciation risk persisted
Aug 2024	12.75%	–25	First cut; KES regained stability; inflation easing
Oct 2024	12.00%	–75	Accelerated cut; KES appreciated ~17% from 2023 trough
Dec 2024	11.25%	–75	Inflation below 5%; fiscal pressures easing
Feb 2025	10.75%	–50	Private sector credit contracting –2.9% YoY Jan 2025
Apr 2025	10.00%	–75	Aggressive easing; credit recovery emerging
Jun 2025	9.75%	–25	Private sector credit at +0.2% — barely positive
Aug 2025	9.50%	–25	7th consecutive cut; KESONIA launched 1 Sep 2025
Oct 2025	9.25%	–25	Credit growth 5.0% YoY; GDP 4.9%–5.0%
Dec 2025	9.00%	–25	9th cut; lending rates ~14.82%; KES stable ~129
Feb 2026	**8.75%**	–25	10th cut; inflation 4.4%; sector NPL avg ~15.5%

Source: CBK Monetary Policy Statements (Aug 2024–Feb 2026); Kenya Wallstreet; Trading Economics.

Macro Watch for FY26

Credit growth sustainability: The 5.0% private sector credit recovery remains below historical averages.

Whether loan volume growth continues to offset yield compression is the primary NII question for FY26.

Pending Bills: Government contractor payment delays remain the dominant structural NPL driver in construction and real estate.

Policy uncertainty: CBK's February 2026 statement explicitly flagged global trade policy as an external risk. Kenya's export revenues (tea, horticulture, coffee) and remittance inflows are exposed to demand-side slowdowns. Any deterioration in the current account, which widened to 2.4% of GDP in 2025, would pressure FX reserves.

II. KESONIA and the New Pricing Architecture

The KESONIA launch is the first structural overhaul of loan pricing since the 2019 removal of interest rate caps. Where banks previously set rates using internal benchmarks, they now must disclose the spread over a publicly observable reference rate. Under the RBCPM, the lending rate equals KESONIA (or CBR, at the bank's election) plus a customer-specific risk premium plus disclosed fees, replacing opaque internal loan pricing mechanisms.

Bank	Reference Rate Elected	Repricing Mechanism
Co-operative Bank	KESONIA	Daily — tracks interbank liquidity continuously
Kingdom Bank KCB	KESONIA	Daily
KCB Group	CBR	At each MPC meeting — quarterly maximum
Equity Group	CBR	At each MPC meeting
NCBA Group	CBR	At each MPC meeting
ABSA Bank Kenya	CBR	At each MPC meeting
Diamond Trust Bank	CBR	At each MPC meeting

Source: Bank RBCPM customer notices; CBK Risk-Based Credit Pricing Model directive; Kenyan Wall Street (Jan 2026).

III. Capital Recapitalisation — First Threshold Cleared

The Business Laws (Amendment) Act, 2024, mandated a tenfold increase in minimum core capital from KES 1bn to KES 10bn by December 2029. The KES 3.0bn end-2025 deadline was cleared across the Tier-1 cohort. Ten smaller banks carried a combined shortfall of KES 14.4bn as at end-September.

Deadline	Mini-Core Capital	Tier-1 Status	Sector-Wide Picture
End 2025	KES 3.0bn	Compliant	10 banks below threshold as at Sep 2025; combined shortfall KES 14.4bn
End 2026	KES 5.0bn	Compliant	The forcing function. Consolidated Bank (negative core capital ~KES 701mn) is the starkest case.
End 2027	KES 6.0 bn	Well Above	Secondary consolidation wave among Tier-2/3 banks
End 2028	KES 8.0 bn	Expected	Pressure shifts fully to Tier-2/3 and subscale foreign operations
End 2029	KES 10.0 bn	Well above	License revocation or mandatory downgrade to MFB for non-compliant banks

IV. The Foreign Acquisition Wave

Transaction	Structure	Premium / Value	Analytical Significance
Access Bank / NBK (May 2025)	100% acquisition by Access Bank (Nigeria) from KCB Group	USD 109.6mn	Removes KES 30–40bn NPL overhang from KCB
Nedbank / NCBA (Jan 2026)	66% stake acquisition by Nedbank (South Africa)	**USD 855.0mn (~1.4× book)** for 66% stake.	Sets the sector M&A pricing floor at 1.4× book
Zenith Bank / Paramount (Jan 2026)	100% acquisition by Zenith Bank (Nigeria)	Undisclosed	Confirms West African banks' view of Kenya's recapitalisation mandate as an entry catalyst

Source: Techcabal; Ecofin Agency; Business Daily Africa; Who Owns Kenya; Kenyan Wallstreet.

INCOME STRATEGY

I. NII and NFI Growth Rate Drivers

The FY25 cohort divides into two NII trajectories. Volume-driven NII compounders Co-operative Bank, Equity, and KCB expanded net interest income through loan book growth, before the easing cycle gathered momentum in H2. Yield-normalisation casualties: Standard Chartered, Stanbic, and, to a lesser extent, ABSA contracted as peak-rate NII unwound simultaneously with the FX trading reset.

NFI vs NII Share of Total Operating Income — FY25

Bank	NII Share	NFI Share
Equity Group	58.3%	41.7%
KCB Group	70.2%	29.8%
Co-operative Bank	68.4%	31.6%
NCBA Group	60.0%	40.0%
StanChart Kenya	68.3%	31.7%
ABSA Bank Kenya	70.6%	29.4%
Stanbic Holdings	62.6%	37.4%
I&M Holdings	76.2%	23.8%

Equity: NFI base exceeded KES 90.8bn, driven by DRC cross-border remittances, Uganda transaction volumes, and intra-group payments.
ABSA: NFI climbed 12.2% to KES 18.1bn, pulled up by a 19% jump in Timiza digital loan revenue and the newly launched ABSA Wealth proposition.
KCB: NFI/TOI fell to 29.8%, the lowest in the cohort, as FX trading income reset permanently with KES stabilisation, and Vooma has yet to fill that gap.

II. JAWS Ratio and Cost Efficiency

Bank	JAWS FY22	JAWS FY23	JAWS FY24	JAWS FY25	CIR FY24	CIR FY25
Equity Group	–11.3pp	–26.3pp	+4.2pp	**+17.9pp**	68.7%	**57.7%**
KCB Group	+0.3pp	–33.7pp	+18.8pp	+6.3pp	60.0%	53.9%
Co-operative Bank	+7.0pp	+6.7pp	–5.2pp	+2.6pp	57.9%	56.6%
StanChart Kenya	+16.8pp	–9.6pp	+19.6pp	**–29.9pp**	44.3%	60.2%
ABSA Bank Kenya	+6.9pp	–4.2pp	+8.7pp	**+10.7pp**	52.3%	**46.7%**
Stanbic Holdings	n/a	n/a	n/a	n/a	44.4%	46.2%
I&M Holdings	+0.2pp	–7.3pp	+2.3pp	+2.9pp	47.3%	46.8%

JAWS = Revenue growth % minus Opex growth %. Source: Company annual reports FY22–FY25.

ABSA standout: JAWS of +10.7pp, the only positive JAWS generated through expense discipline. Total income fell 1.4%, yet operating expenses fell 5.1% to KES 28.6bn. With 94% of transactions processed digitally, the marginal cost of each additional Timiza customer is near-zero.
StanChart caution: JAWS of –29.9pp is a revenue collapse problem. NII (–13%) and NFI (–23%) contracted simultaneously, compounded by a non-recurring KES 2.6bn pension charge. Stripping that charge, the underlying CIR is approximately 54%.

III. Subsidiary Performance

Equity Group's regional subsidiaries crossed the 50.0% PBT threshold for the first time, contributing 51.0% of banking profit before tax and 48.0% after tax. DRC (Equity BCDC) alone contributed approximately 30.0% of group PBT, with profit growing 58.0% to KES 24.7bn.

Bank / Subsidiary	**Key Metric** % of	**FY25 Performance ~30%; profit**
Equity — DRC (BCDC)	Group PBT	**+58% to KES 24.7bn**
Equity — Uganda	PAT Growth	+500% to KES 3.6bn
Equity — Tanzania	Loan Growth	+61% YoY
Equity — Rwanda	PAT	KES 5.4bn; +22% loan growth
KCB — Tanzania	PBT Growth	+25%
KCB — Uganda	PBT Growth	+58%



ASSET QUALITY & PROVISIONING

I. Asset Quality — Kenya vs. East Africa

The sector-wide NPL ratio closed FY25 at approximately 15.5%, and even that improved figure is 12.2 percentage points above every East African peer.

Market	NPL Ratio	Gap vs. Kenya	Primary Driver
Kenya (sector avg)	**15.5%**	Reference	Legacy portfolios; rate cycle; real estate/construction distress; government payables
Tanzania	3.3%	–12.2pp	Conservative underwriting; smaller retail book; strong collateral regime
Uganda	3.7%	–11.8pp	Lower corporate exposure; conservative post-COVID lending posture
Rwanda	4.1%	–11.4pp	Government-supported restructurings; higher state backstop

Source: CBK; Bank of Tanzania; Bank of Uganda; National Bank of Rwanda.

Table 5: NPL Ratio by Bank — FY19 to FY25 (%)

Bank	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Equity Group	9.6%	11.5%	8.6%	8.4%	12.1%	13.6%	**11.5%**
KCB Group	11.1%	14.8%	16.6%	17.0%	17.0%	19.8%	**16.9%**
Co-operative Bank	11.2%	18.7%	14.6%	14.0%	16.2%	17.0%	**15.7%**
NCBA Bank	12.6%	14.7%	16.0%	13.0%	12.3%	11.5%	**11.0%**
StanChart Kenya	13.9%	16.0%	16.0%	14.2%	9.7%	7.4%	**5.5%**
ABSA Bank Kenya	6.6%	7.7%	7.9%	7.5%	9.8%	12.6%	**11.5%**
Stanbic Holdings	11.8%	14.4%	11.3%	11.2%	9.5%	9.1%	**8.0%**
I&M Holdings	11.8%	14.4%	9.5%	9.7%	4.3%	11.5%	**9.8%**

Source: Company annual reports FY2019–FY2025.

StanChart (5.5%): Improvement from a peak NPL ratio of 16.0% in FY20 was a deliberate portfolio repositioning and systematic exit from SME and retail lending toward corporate and institutional clients, combined with an aggressive recoveries programme that cut gross NPLs by 26.5% to KES 8.8bn in FY25 alone.
Co-op (15.7%): Construction sector NPL concentration at 52.9% and real estate at 39.7% remain unresolved. Co-op's cooperative mandate means it carries this exposure as a franchise feature, not a credit management failure.



II. Provisioning and Coverage Ratios

Bank	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Equity Group†	45.3%	47.5%	42.6%	43.8%	37.2%	42.3%	**67.7%**
KCB Group	59.5%	59.8%	42.6%	43.8%	51.5%	51.6%	**56.0%**
Co-operative Bank	35.6%	38.0%	49.9%	54.3%	49.5%	56.8%	**59.8%**
StanChart Kenya	39.9%	39.7%	43.4%	44.9%	44.7%	44.7%	**48.0%**
ABSA Bank Kenya	57.8%	56.9%	65.1%	59.3%	49.3%	49.0%	**44.5%**
Stanbic Holdings	35.9%	39.3%	39.2%	43.1%	48.1%	52.5%	**60.5%**

† Equity Group FY25 coverage of 67.7% is on an IFRS 9 basis, inclusive of interest-in-suspense. KCB 56.0% is IFRS 9; regulatory coverage is approximately 74%. Source: Company annual reports.

Co-op (59.8%): Product of a deliberate conservative posture steadily adding provisions against construction and real estate NPLs that management accepts will take time to resolve.

Stanbic (60.5%): Building coverage while NPL ratio sits at 8.0%, one of the better-positioned banks to report stable earnings through any macrodeterioration in 2026.



PROFITABILITY

I. Earnings Per Share

EPS growth in FY25 ranged from –38.0% at StanChart to +55.0% at Equity, a spread that tells a story not of operational winners and losers, but of base effects and structural transitions playing out at different speeds across the cohort.

Bank	FY19	FY21	FY22	FY23	FY24	FY25 (KES)	YoY
Equity Group	6.00	10.38	11.20	7.95	12.30	**19.07**	+55%
KCB Group	7.80	10.60	12.70	11.26	18.70	**20.80**	+11%
Co-operative Bank	2.10	2.80	3.70	3.90	4.30	**5.04**	+17%
StanChart Kenya	24.00	24.00	31.47	36.17	52.65	**32.47**	–38%
ABSA Bank Kenya	—	2.00	2.69	3.01	3.80	**4.22**	+11%
Stanbic Holdings	16.10	18.20	22.90	30.80	34.70	**34.70**	Flat
NCBA Bank	—	6.20	8.40	13.00	13.30	**14.20**	+7%
I&M Holdings	16.10	4.92	6.77	7.63	9.30	**10.79**	+16%

EPS in KES. Source: Company annual reports FY2019–FY2025.

Equity (+55%): Driven by DRC subsidiary profit surging 58% to KES 24.7bn, Uganda PAT growing 500% to KES 3.6bn, and a 28% decline in loan loss provisions.

StanChart (–38%): Permanent reset of FX trading income as KES stabilised, compounded by a non-recurring KES 2.6bn pension settlement. Stripping out the pension charge, the underlying EPS is approximately KES 40–42.

Co-op (+17%): Most underappreciated result in the cohort generated against the backdrop of the highest NPL concentration and a CIR of 56.6%, protected by the lowest cost of funds in the Tier-1 cohort.

II. Return on Average Equity (ROaE)

The ROaE spread is the widest it has been in five years. Equity (26.4%) and ABSA (24.7%) are pulling away at the top, while StanChart (18.0%) and Stanbic (18.0%) have both compressed sharply from their FX-peak levels. That 8 percentage-point gap reflects structurally different income models, not a cyclical fluctuation.

Bank	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Equity Group	22.0%	16.5%	26.6%	23.3%	21.9%	22.1%	**26.4%**
KCB Group	20.7%	14.4%	21.7%	21.8%	16.9%	23.9%	**22.5%**
Co-operative Bank	19.2%	12.7%	17.3%	21.2%	21.0%	19.7%	**19.1%**
NCBA Bank	17.7%	11.1%	15.4%	17.2%	23.9%	21.1%	**19.7%**
StanChart Kenya	17.5%	11.0%	17.4%	22.1%	23.5%	30.1%	**18.0%***

Bank	FY19	FY20	FY21	FY22	FY23	FY24	FY25
ABSA Bank Kenya	16.7%	13.5%	21.1%	24.3%	24.6%	27.0%	**24.7%**
Stanbic Holdings	16.0%	17.9%	27.3%	15.3%	18.6%	19.3%	**18.0%**
I&M Holdings	16.0%	17.9%	9.0%	14.9%	14.3%	15.7%	**18.0%**

**StanChart FY25 ROaE of 18.0% reported (incl. KES 2.6bn pension charge). Underlying ROaE excl. pension: ~21%. Source: Company annual reports.*

III. Return on Average Assets (ROaA)

In FY25, only two banks, ABSA (4.4%) and Equity (4.0%), consistently cleared the 3.5% strong threshold. Every other reporting bank sits in the 2.8%–3.8% range, with Stanbic at 2.75% the outlier, warranting the closest monitoring given four consecutive quarters of ROaA decline.

Bank	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Equity Group	3.6%	2.4%	3.5%	3.1%	2.6%	2.7%	**4.0%**
KCB Group	3.1%	2.1%	3.2%	3.0%	1.9%	2.9%	**3.3%**
Co-operative Bank	3.3%	2.2%	3.0%	3.7%	3.6%	3.6%	**3.8%**
NCBA Bank	2.7%	1.5%	2.1%	2.3%	3.2%	3.1%	**3.4%**
StanChart Kenya	2.8%	1.7%	2.7%	3.4%	3.4%	4.9%	**3.3%**
ABSA Bank Kenya	2.1%	1.1%	2.7%	3.2%	3.3%	4.1%	**4.4%**
Stanbic Holdings	2.5%	2.4%	3.8%	2.6%	2.8%	3.1%	**2.75%**
I&M Holdings	—	—	2.3%	2.7%	2.5%	2.7%	**3.2%**

Source: Company annual reports. Stanbic FY25 ROaA: total assets +18.9% to KES 541.3bn; net profit KES 13.7bn.



DIVIDENDS

I. Dividend Per Share (DPS)

Bank	DPS FY21	DPS FY22	DPS FY23	DPS FY24	DPS FY25	Payout FY25
Equity Group	KES 3.00	KES 4.00	KES 4.00	KES 4.25	**KES 5.75**	30.2%
KCB Group	KES 2.00	KES 3.00	—	KES 3.00	**KES 7.00***	33.7%*
Co-operative Bank	KES 1.00	KES 1.00	KES 1.50	KES 1.50	**KES 2.50**	49.6%
NCBA Bank	KES 2.25	KES 5.50	KES 5.25	KES 4.75	**KES 7.10**	50.0%
StanChart Kenya	KES 19.00	KES 22.00	KES 29.00	KES 45.00	**KES 31.00**	**95.5%**
ABSA Bank Kenya	KES 1.10	KES 1.35	KES 1.55	KES 1.75	**KES 2.05**	48.6%
Stanbic Holdings	KES 9.00	KES 12.06	KES 15.35	KES 20.83	**KES 22.35**	64.4%
I&M Holdings	KES 1.50	KES 2.25	KES 2.55	KES 3.00	**KES 3.75**	34.8%

**KCB FY25 total DPS of KES 7.00 includes KES 4.00 special dividend from NBK disposal proceeds. Sustainable ordinary run-rate absent further asset disposals: ~KES 3.00–4.00. Source: Company annual reports FY2021–FY2025.*

StanChart: Remains the cohort's anchor income stock despite the first DPS cut in five years. KES 31.00 payout still represents a 95.5% payout ratio and a dividend yield of approximately 9–10% at current NSE prices.
Stanbic: KES 22.35 total payout the 7.3% DPS increase comes from actual earnings growth, not special items. The rising sequence FY21–FY25 (KES 9.00 → KES 22.35) is a compounding income story not yet fully priced by the NSE.
NCBA: First post-Nedbank dividend declaration is the most important policy signal of 2026. A cut below KES 4.75 signals platform reinvestment priority; a hold or increase signals yield-generating intent under new ownership.

II. Dividend Watch — Three Signals to Track in H1 2026

- StanChart FY25 DPS at or above KES 31 confirms the dividend is sustainable on a normalised earnings base. Anything below reopens the valuation question for income investors.
- NCBA first post-Nedbank dividend: binary signal on acquisition intent. A cut below KES 4.75 signals platform reinvestment and should be read as a bullish operational signal, not income risk. A hold or increase signals that Nedbank is comfortable with the current capital position.
- KCB FY26 interim dividend guidance: the quantum of the ordinary dividend (ex-special) will reveal whether the board's capital allocation philosophy has shifted post-NBK disposal, or whether the conservative retention policy (14% payout ex-special) is the new baseline.

CONCLUSION

I. Bank-by-Bank Profiles at a Glance

Bank	EPS (KES)	ROaE	ROaA	NPL	DPS	Standout
Equity Group	19.07	26.4%	4.0%	11.5%	5.75	DRC drives 51% of group PBT; provision tailwind
KCB Group	20.80	22.5%	3.3%	16.9%	7.00*	NBK hive-out cleans balance sheet; NPL on track
Co-op Bank	5.04	19.1%	3.8%	15.7%	2.50	Lowest funding cost buffer; RE/construction risk
NCBA Bank	14.20	19.7%	3.4%	11.0%	7.10	Nedbank acquisition — binary dividend signal 2026
StanChart Kenya	32.47	18.0%	3.3%	**5.5%**	31.00	Best NPL in sector; pension charge distorts FY25
ABSA Bank Kenya	4.22	**24.7%**	**4.4%**	11.5%	2.05	Cleanest result; 94% digital; efficiency leader
Stanbic Holdings	34.70	18.0%	2.75%	8.0%	22.35	ROaA trending down; remittance gains encouraging
I&M Holdings	10.79	18.0%	3.2%	9.8%	3.75	Improving trajectory; FY25 annual results pending

**KCB FY25 total DPS includes a KES 4.00 special dividend from NBK disposal. Sustainable ordinary run-rate: KES 3.00–4.00.*

II. Three Themes That Define the Sector in 2026

Theme 1: Rate compression is the primary earnings test

With the CBR at 8.75% and KESONIA now the lending anchor for two banks, yield compression on repricing books is the dominant FY26 earnings variable. Banks that built volume, KCB (+15% loan growth), Co-op (+12.7%), have an offset. Banks that were yield-dependent and didn't build volume face the compression unanswered. The rate cycle has done its job; now the question is about what was built underneath it.

Theme 2: Asset quality divergence is structural, not cyclical

The 10pp spread between StanChart (5.5% NPL) and KCB (16.9%) is not a temporary aberration; it reflects fundamentally different credit underwriting philosophies. Resolution for KCB and Co-op depends on government payment clearing (construction) and private sector demand recovery (real estate). Those are fiscal and macro variables outside bank management control.



Theme 3: The foreign acquisition wave is repricing the sector's floor

The Nedbank/NCBA transaction at 1.4× book has set a market price discovery event for Kenyan banking assets. Zenith Bank's acquisition of Paramount, Access Bank's acquisition of NBK, and Nedbank's move into NCBA all confirm that Tier-1 Nigerian and South African banks view Kenya as a core strategic market. That floor matters for equity investors pricing the sector.

III. The Sector Is Repricing Itself

FY25 was the year the tailwinds stopped. The FY26 question is simpler: which banks grew their loan books fast enough to offset the yield compression, and which ones didn't? The data is in. ABSA's ROaA of 4.4% and Equity's 26.4% ROaE are not flukes; they reflect income models that held up when the tailwinds reversed. Whether the market has priced that in is a separate question; KCB has a credible NPL recovery path; StanChart's pension charge normalises; Stanbic's ROaA slide is the most important number to track. The sector is repricing itself, and the Nedbank/NCBA transaction at 1.4× book is the reference point against which every other valuation will be measured.

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