Central Bank of Kenya

Banking Sector Innovation Survey 2025 Report

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1.0 FOREWORD

It gives me great pleasure to present the results of the Kenyan Banking Sector Innovation Survey 2025 conducted in February 2026. The banking sector has continued to ramp up innovation efforts with an aim to enhance service delivery to customers, create new markets, and achieve operational efficiency.

Against this backdrop, the Central Bank of Kenya (CBK) conducts an annual innovation survey to understand the trends and impact of digitization in the banking sector to inform appropriate policy decisions. The aim of the survey, therefore, was to collect current and forward-looking information on Fintech developments to establish the state of innovation in the Kenyan banking sector as of December 31, 2025. The survey serves as a follow-up to the 2018 – 2024 Innovation Surveys.

The 2025 Innovation Survey findings underpinned three broad themes:

First, commercial banks shifted innovation efforts towards operational and third-party risks, which were identified as the second highest key innovation risk after cyber risk. This was a shift from focus on compliance risk in 2024. The focus on operations and third-party risks by commercial banks is primarily because banks are becoming more digital, interconnected, and fast-moving, while the systems and processes needed to support that complexity are increasingly harder to manage.

Second, the banking sector has maintained a high rate of innovation initiatives in climate risk mitigation and Sustainable Development Goal (SDG) 13 on Climate Action. The continued innovation in climate change is attributed to the ongoing efforts of CBK and the banking sector towards greening of the financial system. Key initiatives in this area are CBK's issuance of the Guidance on Climate-Related Risk Management in 2021, and the Draft Climate Risk Disclosure Framework for the Banking Sector in 2024. The Kenya Green Finance Taxonomy and the final Climate Risk Disclosure Framework, issued in 2025, will further enhance climate risk mitigation in the banking sector.

Third, there is a continued interest in the opportunities presented by Virtual Assets (VAs), given the establishment of a legal and regulatory framework for Virtual Asset Service Providers (VASPs) in 2025. The National Policy on VAs and VASPs, finalised in March 2025, and the Virtual Asset Service Providers Act, 2025 (Act No. 20 of 2025), will pave the way for harnessing the benefits of VAs while minimising their risks.

The information collected through the survey will enable CBK to better understand the impact of Fintech on current operating models, including the emergence of new business models and the evolving and emerging risks. The information will also provide CBK with an informed basis for evidence-based public policy decisions on Fintech going forward. Further, the survey findings will keep customers abreast of emerging technologies and enable them to make informed choices when selecting banking services. Finally, the survey findings will inform the banking sector, technology service providers, investors, and the fintech ecosystem as they craft their innovation strategies and identify opportunities for growth and investment.

Dr. Kamau Thugge, CBS
Governor

2.0 BACKGROUND

2.1 Survey Methodology

- The survey collected data on the state of innovation as of December 31, 2025, from 37 commercial banks, 1 mortgage finance institution and 14 microfinance banks (MFBs).
- The survey was issued in February 2026.
- Questions in the 2025 survey were classified into 5 sections:
  - **Section A** – Institution Innovation Activities.
  - **Section B** – Context for Innovation.
  - **Section C** – Public Support for Innovation.
  - **Section D** – CBK Innovative Initiatives.
  - **Section E** – Impact and Challenges.

2.2 Summary of Findings

i) Institutions' Business Strategies towards Financial Innovation

- 67 percent of the respondents indicated that they had a dedicated function that spearheaded innovation activities compared to 65 percent in the 2024 Innovation Survey. The slight increase in institutions with a dedicated innovation function was attributed to an increase in dedicated innovation teams in Commercial Banks from 68 percent in 2024 to 74 percent in 2025, largely due to increasing need for innovation for market competition and the growth of fintechs.
- Majority of the institutions noted that the key role of the innovation function was to modernize banking platforms, enhance customer experience through digital channels and implement innovative solutions to improve operational efficiency.
- On average, in 2025, most institutions operated very lean innovation teams with majority operating cross-functional teams instead of dedicated units. In most institutions, innovation teams averaged 5 percent of the total staff. This was a large drop from the 25 percent witnessed in 2024, with 64 percent male and 36 percent female.
- 42 percent of financial institutions surveyed indicated that they had set up innovation hubs to promote innovation activities.

ii) Innovation Priorities

- Payments, clearing, and settlement services was the functional area where most commercial banks introduced an innovative product in the period January 1 - December 31, 2025, with 66 percent of commercial banks innovating in this area. However, MFBs maintained innovative products in credit, deposit, and capital-raising services at 64 percent similar to 2024.
- Additionally, payments, clearing and settlement services experienced a decrease among MFBs introducing an innovative product in the period January 1 - December 31, 2025, with 29 percent of MFBs innovating in this area. This was a large decline from 64 percent in the period January 1 – December 31, 2024.
- 79 percent of the commercial banks considered payments, clearing and settlement services as the most important operations and service areas to innovate in the short to medium-term strategies compared to 71 percent of MFBs.
- Conversely, 79 percent of MFBs considered credit, deposit and capital-raising services as the most important operations and service areas to innovate in the short to medium-term strategies compared to 66 percent of commercial banks.
- In 2025, 96 percent of the institutions had adopted or developed a mobile banking solution to assist in its administration of banking and customer-relationship services, compared with 98 percent in the 2024 Innovation Survey findings.
- 46 percent of the institutions surveyed had products tailored for women, 54 percent had products tailored for youth, and 13 percent had products tailored for persons with disability.

- 15 percent of the institutions noted that Accounts opening is the least digitized area of their institution's operations. The highlighted areas included loan application, credit appraisal, credit approval, disbursement, and repayment and collection processes.

iii) Innovation Risks

- Cyber-risk turned out to be the key risk area for institutions in their innovation endeavours, similar to the findings of the 2018-2024 Innovation Surveys. 82 percent of commercial banks and 93 percent of MFBs identified it as one of the top three innovation-related risks.
- Operational and third-party risks were identified as the second highest key innovation risks by 61 percent of commercial banks, a shift from focus on compliance risk, which was the second-highest risk for commercial banks in 2024. The focus on operations and third-party risks by commercial banks is primarily because banks are becoming more digital, interconnected, and fast-moving, while the systems and processes needed to support that complexity are harder to manage. These changes increase the chances of system failures, process errors, or poor integration between old (legacy) and new systems.
- 57 percent of MFBs identified operational risk as the second highest key risk area, consistent with the 2024 survey findings.
- However, compliance risk decreased to third-highest innovation risk area as identified by 53 percent of commercial banks, while 50 percent of MFBs identified compliance and strategic risks as the third-highest innovation-related risks.
- Third-party management risk was considered the fourth-highest innovation-related risk by 43 percent of MFBs consistent with 2024 innovation survey findings.
- Strategic risk was considered the fourth highest innovation-related risk by 34 percent of commercial banks. The shift to operational risk by both commercial banks and MFBs led to the shift in priorities from compliance related risk.

iv) Technological Developments

- Based on the 2025 Survey findings and consistent with the 2024 Innovation Survey findings, APIs had been adopted by most institutions with a 84 percent and a 79 percent adoption rate by banks and MFBs respectively, which aggregate to 83 percent. This was followed by Big Data and Data Analytics, Cloud Computing, Biometrics Technology and Optical Character Recognition with an adoption rate of 42 percent, 38 percent, 37 percent, and 31 percent respectively across all financial institutions.

v) Public Support, Policy and Regulation

- Institutions indicated that the top four forms of public support based on the 2025 survey were: direct funding support (58 percent), provision of infrastructure and services (56 percent), demand-side support (54 percent), and fiscal incentives (46 percent).
- The institutions identified digital innovation, cybersecurity and data privacy, and fintech-friendly regulations as the policy focus areas that regulatory agencies need to address.

vi) Climate Action and Sustainability

- Of the institutions surveyed, 61 percent of commercial banks and 36 percent of microfinance banks indicated that they had innovated or were in the process of innovating a climate change related product. This was similar to the 2024 survey findings at 61 percent for commercial banks and 36 percent for the microfinance banks. The steady approach to innovation for the institutions is indicative of a desire for continuous growth, awareness and commitment within the financial sector to address environmental challenges.

- Commercial banks cited the CBK Guidance on Climate-Related Risk Management issued in 2021, as well as the Draft Climate Risk Disclosure Framework for the Banking Sector issued in 2024 as influential in their sustainability practices.
- Some of the climate change-related initiatives included Environmental, Social, and Governance (ESG) frameworks, green financing for renewable energy and climate-smart solutions, sustainable credit cards, and partnerships for sustainable practices and programmes such as environmental conversation.

vii) CBK Innovative Initiatives

- Institutions surveyed recommended that the following solutions would transform the banking sector and should be incorporated in the CBK Innovative Initiatives:
    - Data Analytics and AI.
    - Virtual Asset Technologies and Central Bank Digital Currencies (CBDCs).
    - Open Finance and Banking as a Service (BaaS).
    - Cross-border Payment Platforms.
    - Mobile Money and Financial Inclusion.
    - Shariah-Compliant Banking.
    - Sustainable Financing.
    - Cybersecurity.
    - Regulatory Technology (RegTech).
    - Digital Identity.
    - Distributed Ledger Technology (DLT).
    - Interoperability.

2.3 Changes from Innovation Survey 2024

- In the 2024 Innovation Survey that covered the period January 1, 2024 – December 31, 2024, 75 percent of the respondents considered themselves as “better banks”, 11 percent as “distributed banks” and 10 percent as “new banks”. However, in the 2025 Innovation Survey, 71 percent of the institutions considered themselves as “better banks”, 17 percent as “distributed banks” and 8 percent as “new banks”. [1]
- 89 percent of commercial banks introduced an innovative product during the period January 1 to December 31, 2025, an increase from 79 percent in 2024, while microfinance banks experienced a decline to 64 percent from 79 percent in 2024.
- Investment management and custodial services remained the functional area with the least innovation during the period, with 18 percent of commercial banks. In the same period no single microfinance bank introduced an innovative product in this area.
- The 2025 Innovation Survey sought to understand the views of respondents in the emerging area of virtual assets and their thoughts on investing in the virtual assets. Financial institutions indicated their

[1]***Better Bank*** *– An institution seeks to become a ‘better bank’ by leveraging on enabling financial technologies (Fintech) to digitize and modernize its operations and business practices. Its market knowledge and Fintech investment will significantly improve its banking services and products offering.*

New Bank *– An institution seeks to become a ‘new bank’ by creating a ‘built for digital’ banking platform. The institution shall apply advanced Fintech to provide banking services, minimize operational costs, improve customer experience, and market their products through social media.*

Distributed Bank *– An institution seeks to become a ‘distributed bank’ through collaboration and partnership with Fintech start-ups. The institution seeks to compete for the ownership of the customer relationship by providing niche banking services. Such joint ventures will allow consumers to use multiple financial service providers, through a ‘plug and play’ digital interface.*

Relegated Bank *– An institution seeks to become a ‘relegated bank’ by allowing Fintech start-ups and third-parties to provide and manage direct customer relationships through ‘frontend’ digital platforms. The institution will be relegated to offering commoditized banking functions such as deposit-taking, lending and risk management, to the digital platforms that own and manage the customer relationships.*

interest in virtual assets, noting the potential opportunities of virtual assets in enhancing financial access to the unbanked by providing alternative payment and investment channels, improving transaction speed, and reducing transaction costs. Conversely, they highlighted that virtual asset bear risks such as challenges in enforcing AML, CFT and CPF controls, cybersecurity risks, fraud, and high volatility among others. 35 percent of respondents indicated that developing innovations in virtual assets is highly important.

- 13 percent of the institutions indicated that they had spent more than Ksh.200 million in 2025, on secure software development and database related activities. This was a slight decrease from 14 percent in 2024.
- During the period January 1 – December 31, 2024, 26 percent of commercial banks and 21 percent of MFBs introduced an innovative product in the area of market support services such as consumer protection, customer identification and authentication. This was constant for commercial banks and a decrease for MFBs which had 26 percent and 50 percent introducing new products in this area in 2024, respectively. The steady focus of innovation by commercial banks in this area highlighted the continuous focus by commercial banks in enhancing compliance with Know Your Customer (KYC) requirements.
- Operational and third-party risks were both identified as the second highest key innovation risk by 61 percent of commercial banks, a shift from focus on compliance risk, which was the second-highest risk for commercial banks in 2024. The focus on both operational and third-party risks by commercial banks is primarily because innovation has made their systems more interconnected and vulnerable, so ensuring stability and continuity has become just as important as growth.
- Third-party management risk was considered the second-highest innovation-related risk by 61 percent of commercial banks, while it was considered the fourth highest by 43 percent of MFBs. In 2024, it was the fourth highest for both commercial banks and MFBs. The shift to operational risk by both commercial banks MFBs led to the shift in priorities from compliance risk.
- Institutions considered **Sustainable Development Goal (SDG) 1: No Poverty** as the top SDG with the most potential for innovation-related activities tied to digital finance (96 percent). This was followed by **SDG 5 on Achieving gender equality and empower all women and girls at** 56 percent and **SDG 9 on Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation at** 48 percent.
- Comparatively, in 2024, the top 3 SDGs with the most potential for innovation-related activities tied to digitalization of finance were **SDG 1** at 67 percent, **SDG 8 on Quality Education** at 62 percent, and **SDG 13** at 66 percent
- The analysis of the 2025 and 2024 surveys reveals similar trends in the preferred forms of public support for innovation activities among financial banks. Notably, direct funding and provision of infrastructure and services emerged as the most favoured forms of support in 2025, with 58 percent and 56 percent of respondents respectively indicating their importance, marking a decrease from 62 percent reported in 2024 for both. The perceived importance of demand-side support decreased slightly from 56 percent in 2024 to 54 percent in 2025.

3.0 SURVEY FINDINGS

3.1 Institutions' Innovation Activities

3.1.1 Institutions' Business Strategy towards Financial Innovation

- According to their business strategies, 71 percent of the institutions considered themselves as a “better bank”, 17 percent as a “distributed bank” and 8 percent as a “new bank”.
- The number of institutions that considered themselves a “better bank” slightly reduced from 75 percent in 2024, to 71 percent in 2025.
- In the 2024 Innovation Survey that covered the period January 1 – December 31, 2024, 11 percent of the respondents considered themselves as “distributed banks”. This number increased to 17 percent in the 2025 Innovation Survey.
- Institutions that considered themselves as a “new bank” decreased from 11 percent in the 2024 Innovation Survey to 8 percent in the 2025 Innovation Survey.
- 68 percent of the commercial banks considered themselves as a “better bank”, 21 percent as a “distributed bank” and 5 percent as a “new bank”.
- Comparatively, 79 percent of MFBs considered themselves as a “better bank”, 14 percent as a “new bank” and 7 percent as a “distributed” bank.

Figure 1: Institutions’ Business Strategies on Financial Innovation

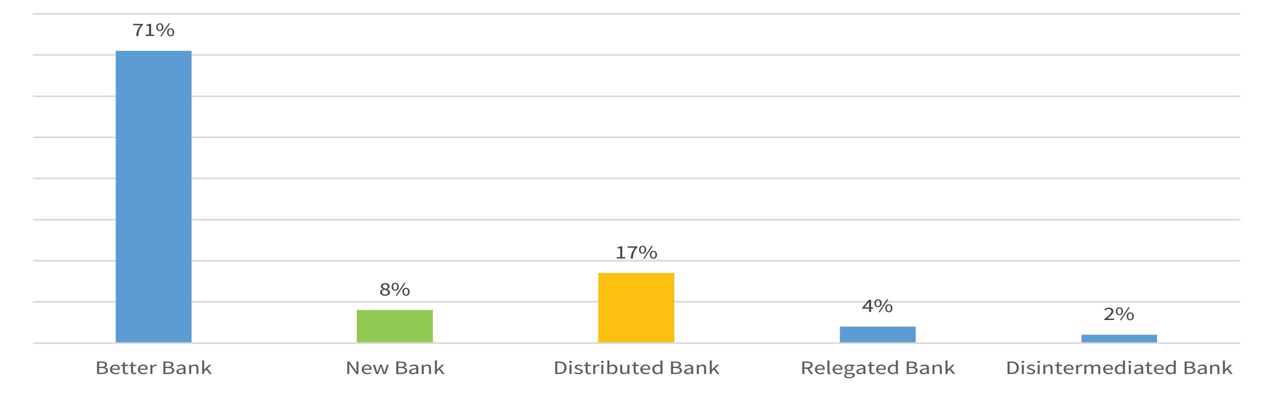
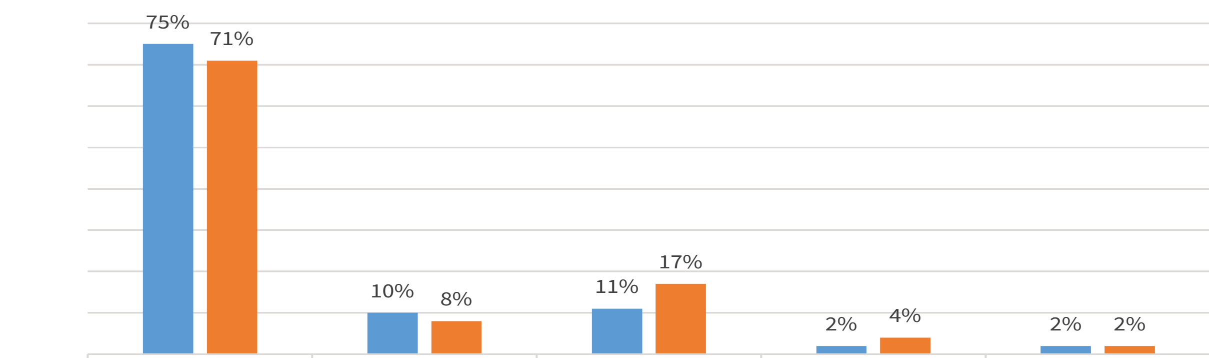


Figure 2: Business Strategies Comparison between 2024 and 2025 Innovation Surveys



	Better Bank	New Bank	Distributed Bank	Relegated Bank	Disintermediated Bank
2024	75%	10%	11%	2%	2%
2025	71%	8%	17%	4%	2%

Figure 3: Banks' Business Strategies on Financial Innovation

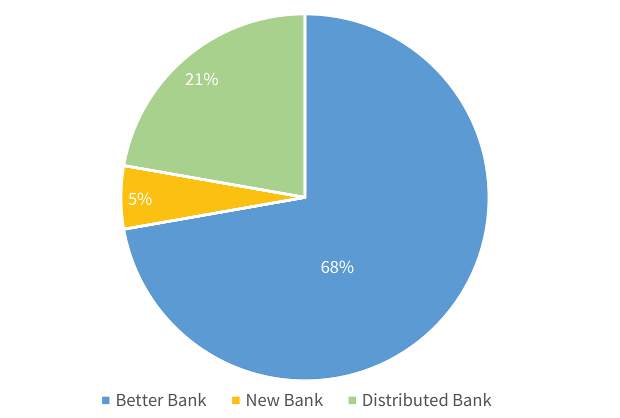


Figure 4: MFBs' Business Strategies on Financial Innovation

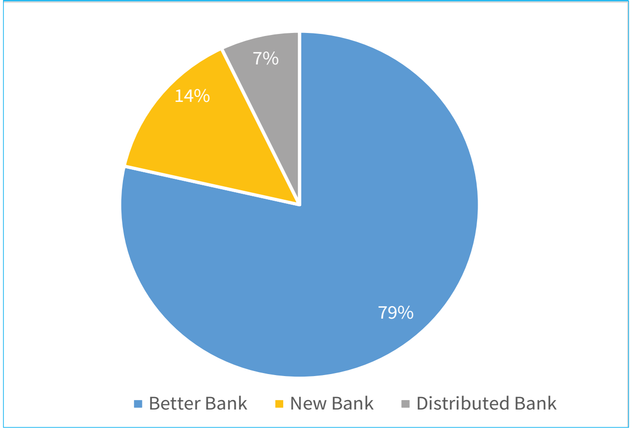
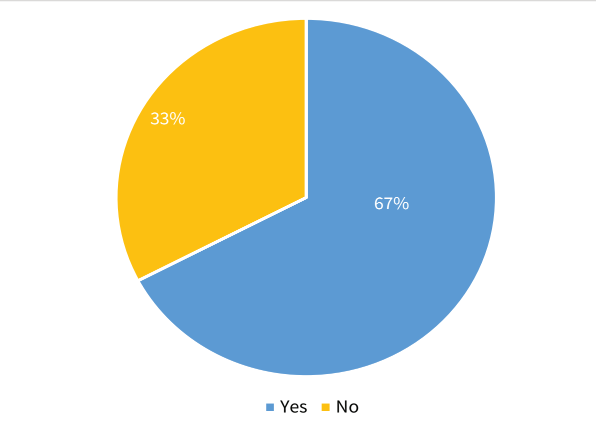


Figure 5: Institutions with Dedicated Innovation Functions



- 67 percent of the respondents indicated that they had dedicated functions that spearheaded innovation activities compared to 65 percent in the 2024 Innovation Survey. This constituted 74 percent of the commercial banks and 50 percent of the MFBs, who indicated that they had a dedicated function that spearheaded innovation activities. The slight increase in institutions with a dedicated innovation function was attributed to a slight increase in dedicated innovation teams in commercial banks from 68 percent in 2024 to 74 percent in 2025. This growth is largely attributed to the increasing need for banks to keep pace with rapid innovation and evolving market demands.
- Majority of the institutions noted that the key role of the innovation function was to modernize banking platforms, enhance customer experience through digital channels and implement innovative solutions to improve operational efficiency.
- Innovation teams constituted 15 percent of institutions overall staff component.
- On average, innovation function teams constituted 60 percent male and 40 percent female members, an improvement in male from 53 percent male and a decrease in female from 47 percent in 2024.
- Institutions that had not established a dedicated innovation function indicated that innovation is embedded in all business functions of the institution.
- Most of the institutions noted that ideas for product innovation originated from customer needs emanating from customer feedback and engagement. This is aligned with the Kenya Banking Sector Charter (KBSC). The Charter, which focuses on customer centricity among other key pillars, has prompted institutions to innovate products that consider the customer first.

- Other key factors considered by most institutions before innovating a product are:
    - Market research.
    - Competition.
    - Feasibility and technical viability.
    - Availability of resources and technology.
    - Stakeholder consultation.
    - Market demand and trends.
    - Regulatory requirements.
    - Strategic alignment.
    - Risk assessment.
    - Return on investment.
- Several institutions had established an innovation framework that guided the decision-making process of innovating a product and a committee that reviewed innovative product proposals before seeking Board approval.
- 8 percent of the institutions developed their products in-house, 8 percent through partnerships and collaboration with other entities, 2 percent by outsourcing development, and 81 percent used two or more of those approaches.
- 86 percent of commercial banks combined two or more of the highlighted approaches when developing products. None of the respondent indicated using in-house development approach. This underscores the role of third parties and collaboration in fintech innovations.
- Comparatively, 31 percent of MFBs responded to using an in-house development approach while 69 percent combined two of either in-house, outsourced or partnerships and collaboration approaches to develop innovative products.

Figure 6: Institutions' Approaches towards Development of Innovative Products

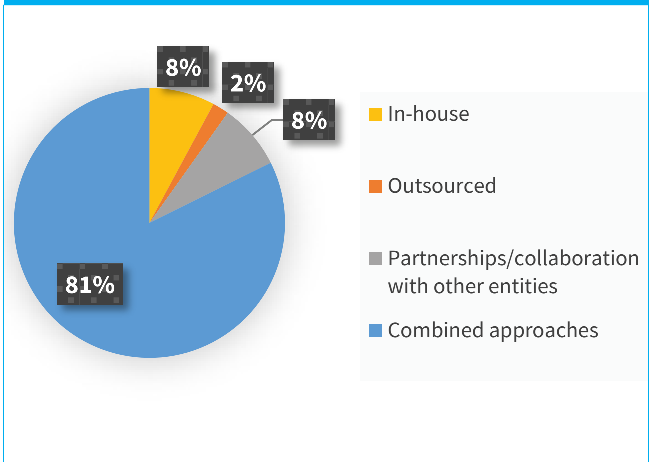


Figure 7: Banks' Approaches towards Development of Innovative Products

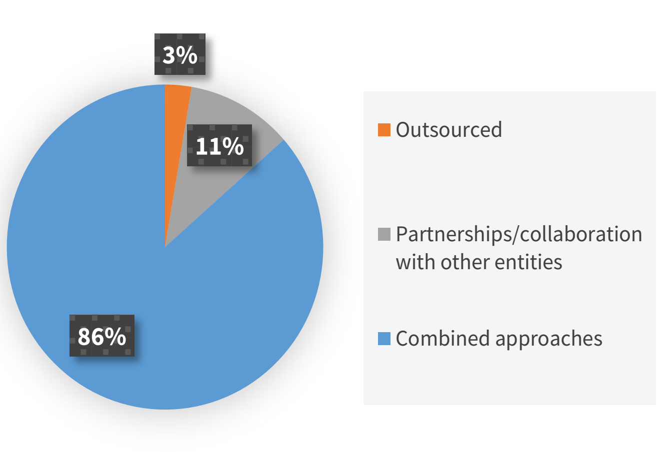
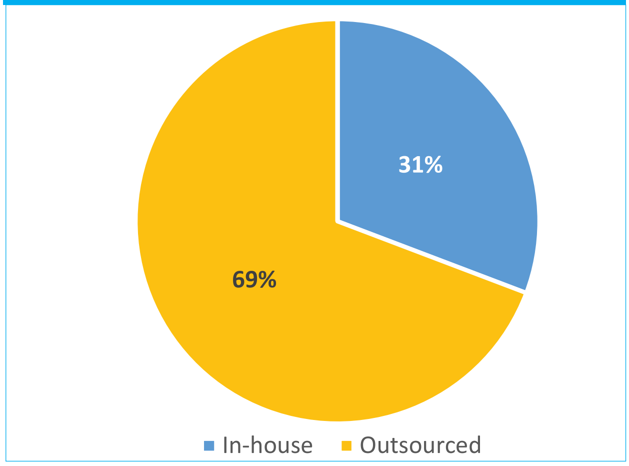


Figure 8: MFBs' Approaches towards Development of Innovative Products



- All institutions noted a positive impact of the Kenya Banking Sector Charter (KBSC) on their business strategies' focus on innovation, similar to the 2021-2024 Innovation Surveys.
- The Charter supported the need to innovate customer-centric products and services to increase accessibility to affordable and appropriate banking services to the unbanked and under-served population in Kenya. It also ensured institutions adopted an open and transparent business approach where customers can get full disclosure on product features.

3.1.2 Product Innovation

- 89 percent of banks and 64 percent of MFBs introduced an innovative product during the period January 1 to December 31, 2025, compared to 79 percent of banks and 79 percent of MFBs in 2024, respectively.

Figure 9: Introduction of Fintech Products by Banks

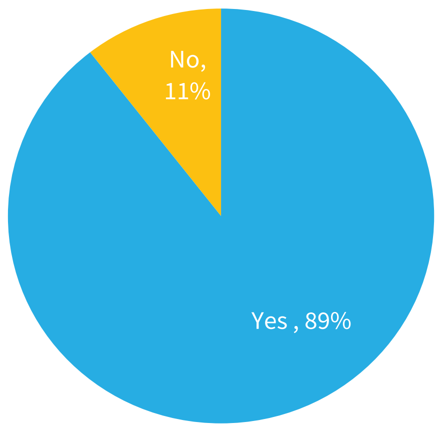
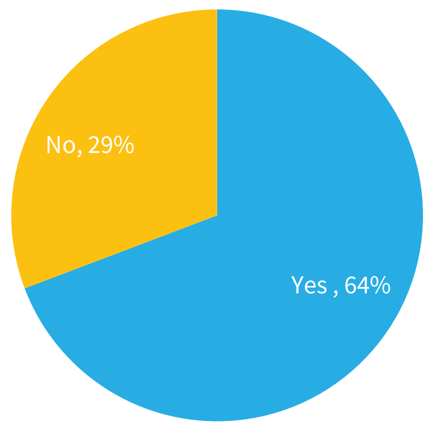


Figure 10: Introduction of Fintech Products by MFBs



- In this Survey, the functional scope of product classification was grouped into 5 areas:
    - Credit, deposit, and capital raising services.
    - Payments; clearing and settlement services.
    - Investment management and custodial services.
    - Incidental business activities; and
    - Market support services.
- In the period January 1 and December 31, 2025, credit, deposit, and capital-raising services remained the primary area of innovation for MFBs, with 64 percent introducing new products in these areas. In contrast, payments, clearing, and settlement services emerged as the leading area of innovation for commercial banks, with 66 percent introducing new products.
- During the period January 1 to December 31, 2024, 26 percent of commercial banks and 50 percent of MFBs introduced an innovative product in the area of market support services such as consumer protection, customer identification and authentication. This was a decrease for commercial banks and an increase for MFBs which had 39 percent and 28 percent introducing new products in this area in 2025, respectively. The increased innovation by MFBs in this area highlighted the increased focus by MFBs in enhancing compliance with Know Your Customer (KYC) requirements.

- Investment management and custodial services was the functional area with the least innovation during the period, with 18 percent of the commercial banks indicating to have introduced an innovative product in this area. Consequently, none of the MFB introduced an innovative activity in Investment management and custodial services in 2025 survey period.

Figure 11: Classification of Fintech Products Introduced by Banks

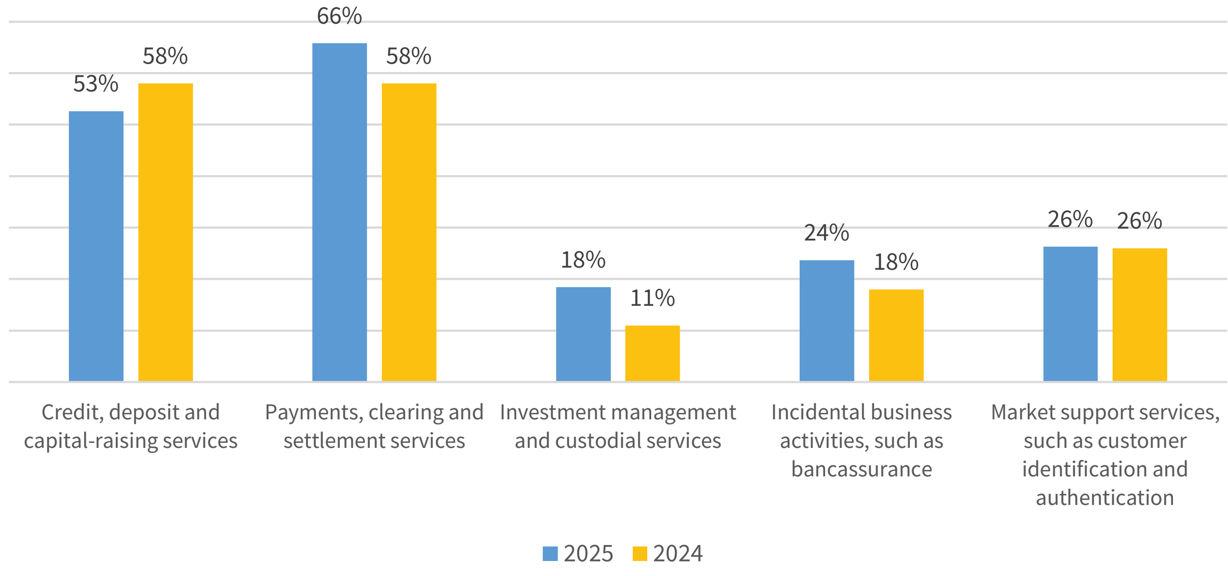
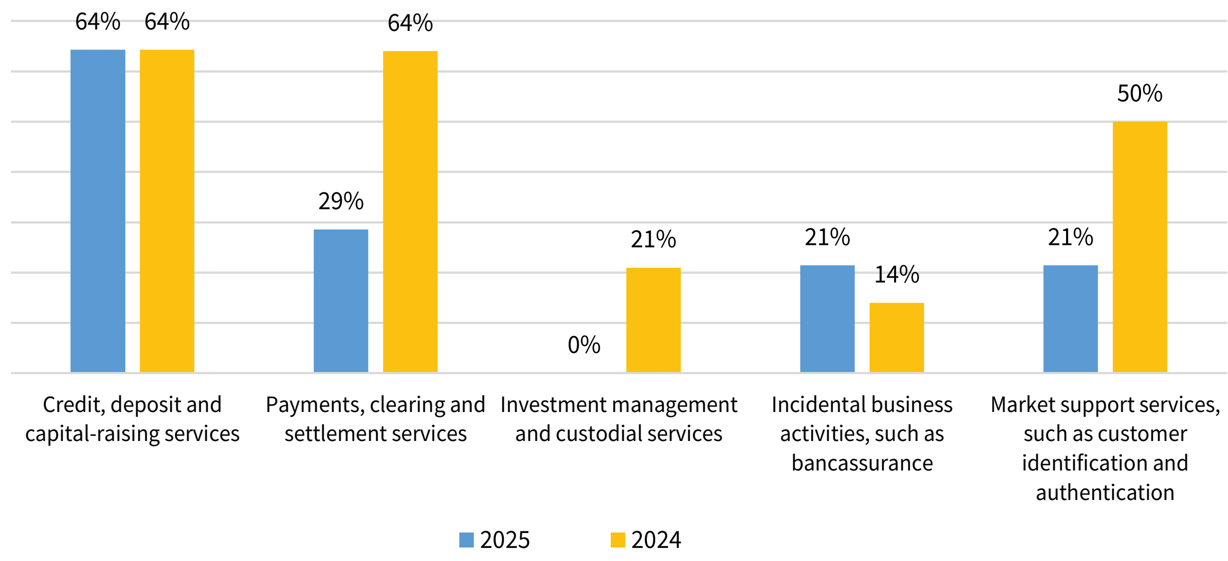
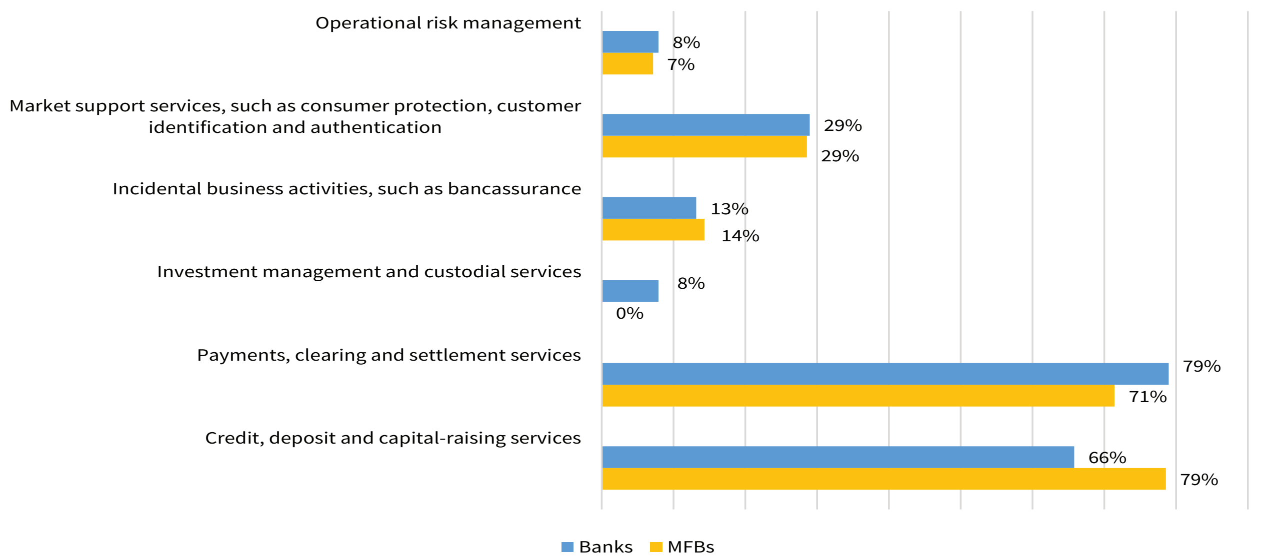


Figure 12: Classification of Fintech Products Introduced by MFBs



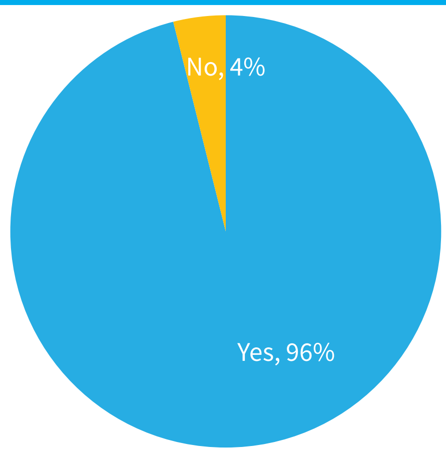
- 79 percent of the commercial banks and considered payments, clearing and settlement services as the most important operations and service areas to innovate in the short to medium-term strategies compared to 71 percent of MFBs.
- Conversely, 79 percent of MFBs considered credit, deposit and capital-raising services as the most important operations and service areas to innovate in the short to medium-term strategies compared to 66 percent of commercial banks.
- 29 percent of commercial banks and 29 percent of MFBs considered market support services, such as consumer protection, customer identification and authentication, an important area to innovate in the short to medium-term.
- 8 percent of the commercial banks and zero percent of MFBs considered investment management and custodial services as the least important operations and service areas to innovate in.

Figure 13: Functional Areas Considered Most Important to Innovate in



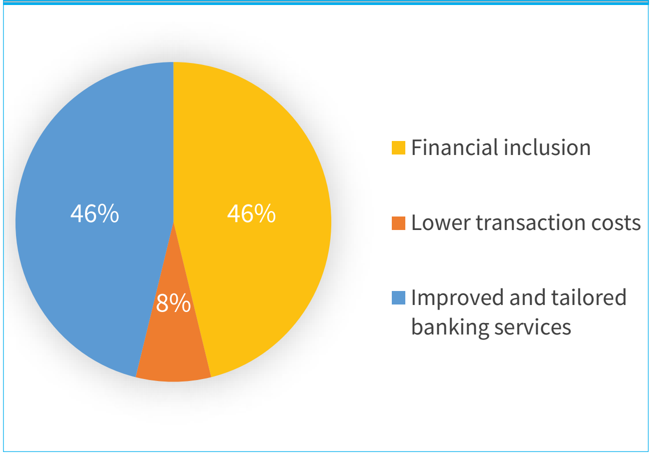
- 96 percent of the institutions had adopted or developed a mobile banking solution (app or USSD) to assist in its administration of banking and customer-relationship services, compared to 98 percent in the 2024 survey.
- Only two (2) institutions (2 banks) had not adopted or developed a mobile banking solution (app or USSD). However, it had other preferred channels available to customers.

Figure 14: Institutions Providing Mobile Banking Solutions to Customers



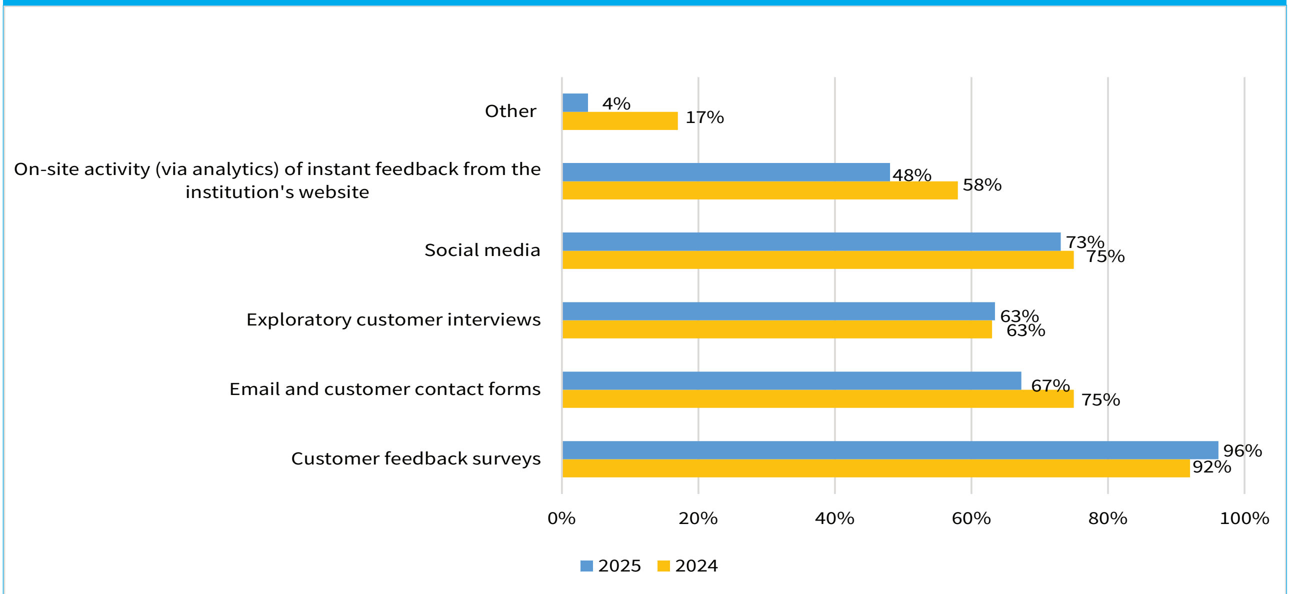
- Payment services were the most common functionality of the mobile banking solution with 92 percent of the institutions indicating that payment services were offered within their mobile solutions, while 73 percent indicated that their mobile banking solutions enabled fund transfers.
- Other common services offered by most of the institutions' mobile banking solutions were:
    - Account management.
    - Customer onboarding.
    - Mobile money integration.
    - Mobile credit products.
    - Savings and deposits.
    - Card management.
    - Customer service.
    - Incidental activities such as insurance, investments, and buying and selling of foreign exchange.
- 46 percent of the institutions surveyed had products tailored for women, 54 percent had product tailored for youth, and 13 percent had products tailored for persons with disability.
- 23 percent of institutions indicated that they had products that were tailored for other groups, including children, farmers, MSMEs, pastoralists, senior citizens, churches, non-profit organisations, informal groups, vulnerable populations, and those affected by gender-based violence.
- 35 percent of the institutions noted that credit business was the least digitized area of their institution's operations. This was similar to the 2024 survey findings. In particular, lending to MSMEs was least digitised. The highlighted areas included loan application, credit appraisal, credit approval, disbursement and repayment and collection processes.
- Other areas of the institutions that were least digitized include:
    - Back-office operations.
    - Document & Records Management.
    - Trade Finance & Corporate Banking.
    - Insurance / Bancassurance.
    - Asset management.
    - Customer onboarding and account opening.
    - Know Your Customer compliance.
    - Legal operations.
    - Card management.
    - Procurement.
    - Reconciliations.
- All the institutions considered financial inclusion, improved and tailored services, and lowering transaction costs as important opportunities to the institution when evaluating the benefits of product innovations to their consumers.
- 46 percent of the institutions ranked "improved and tailored banking services" and "financial inclusion" as the two most important opportunities when evaluating the benefits of product innovation to consumers in 2025, a decrease from 56 percent in 2024, 46 percent for improved and tailored banking services and slight increase from 44 percent for financial inclusion in 2024.
- 8 percent sought product innovations that could lower transaction costs for consumers, an increase from 4 percent in 2024.

Figure 15: Institutions' Ranking of Key Benefits of Product Innovations to Consumers



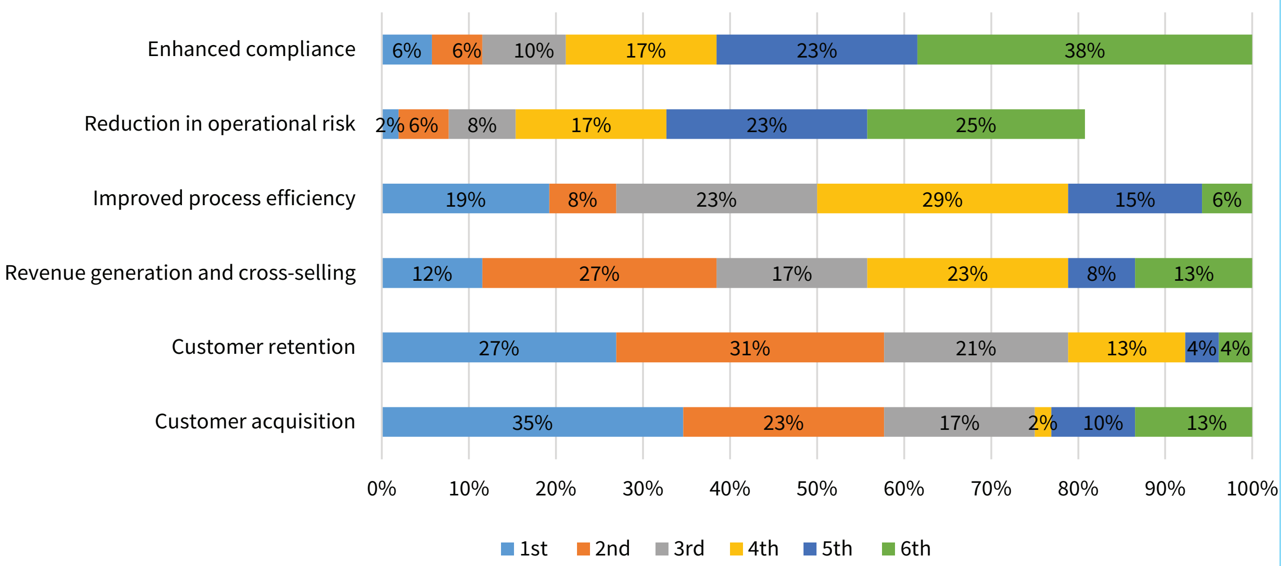
- 87 percent of institutions used multiple channels concurrently to collect information on relevant customer needs and feedback, as well as offer prompt responses and guidance to solving customer complaints concerning innovative products. 13 percent relied solely on either customer feedback surveys, email and customer contact forms, or website analytics.
- Customer feedback surveys were the most popular means of gathering customer product needs and feedback for a consecutive year with 96 percent of the institutions using this means in 2025, a slight increase from 92 percent in 2024.
- The role of technology and analytics in gathering customer needs and feedback continued to gain pace. This was evidenced by the adoption of social media channels by 73 percent of the institutions.
- The use of instant feedback from the institution's website as a means of gathering customer needs and feedback decreased slightly from 58 percent in 2024 to 48 percent in 2025.
- 4 percent of institutions surveyed used other methods used to collect information on customer needs, including chatbots, customer visits, and feedback from partners and staff.

Figure 16: Institutions' Means of Gathering and Addressing Customer Needs and Feedback



- 35 percent of the institutions highlighted customer acquisition as the most important benefit they considered when evaluating the benefits of product innovations to the institution. This was followed by customer retention at 27 percent.
- Conversely, 38 percent of the institutions noted enhanced compliance as the least important benefit of product innovation to the institution.
- Enhanced compliance innovation includes regulatory technology (RegTech) innovations that have improved the institutions' compliance processes by enabling automated regulatory reporting.

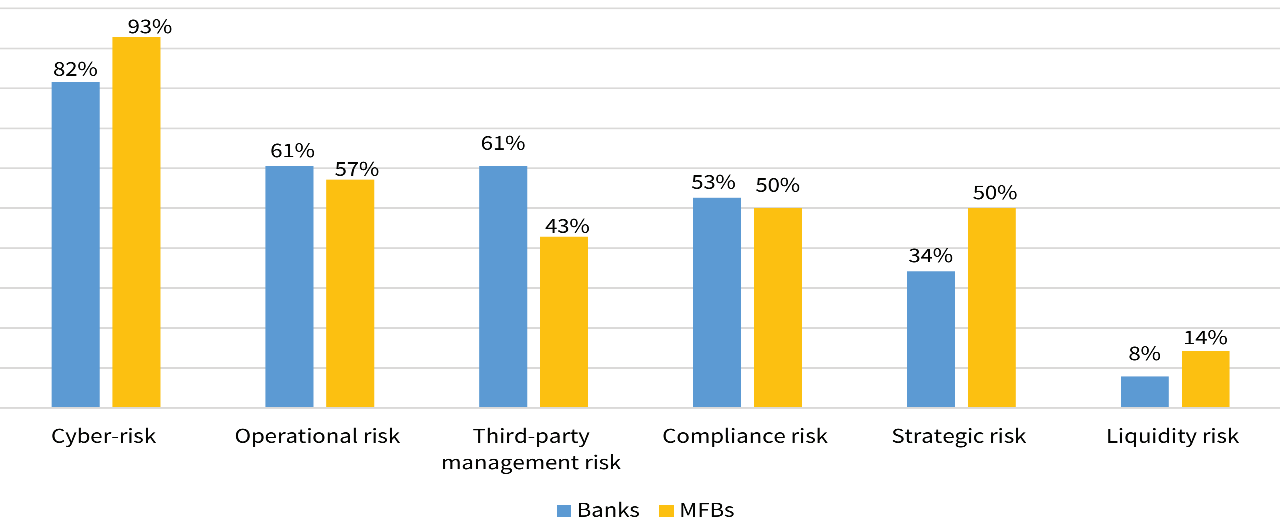
Figure 17: Institutions' Ranking of Benefits of Product Innovation to the Institution



3.1.3 Innovation-Related Risks

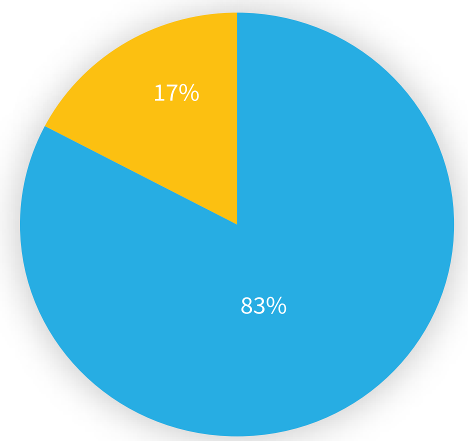
- Cyber-risk turned out to be the key risk area for institutions in their innovation endeavours, similar to the findings of the surveys for 2018-2024. 82 percent of commercial banks and 93 percent of MFBs identified it as one of the top three innovation-related risks.
- Operational and third-party risk were identified as the second highest key innovation risk by 61 percent of commercial banks, a shift from focus on compliance risks, which was the second-highest risk for commercial banks in 2024. The focus on operations and third-party by commercial banks is primarily because banks are becoming more digital, interconnected, and fast-moving, while the systems and processes needed to support that complexity are harder to manage.
- 57 percent of MFBs identified operational risk as the second highest key risk area, consistent with the 2024 survey findings.
- Compliance risk was the third-highest innovation risk area as identified by 53 percent of commercial banks, while 50 percent of MFBs identified both compliance and strategic risks as the third-highest innovation-related risk.
- Third-party management risk was considered the fourth-highest innovation-related risk by 43 percent of MFBs while 34 percent of commercial banks considered strategic risk as the fourth-highest innovation related risk.
- Consistent with the 2020-2024 Innovation Survey findings, liquidity risk remained the least risk considered alongside the other identified risks.

Figure 18: Innovation-Related Risks



- 83 percent of the respondents expressed that they dealt with negative externalities caused by their products to their consumers compared to 87 percent in the 2024 Innovation Survey. This was through the implementation of clear complaint resolution mechanisms, active customer engagement and awareness, customer feedback, strengthening data protection policy, responsible product design, customer education, and incorporating pre- and post-implementation reviews for new innovative products.
- As part of their efforts to deliver a positive customer experience, institutions emphasized the presence of clear customer support and dispute resolution mechanisms.
- Institutions that did not experience any negative externalities attributed this to the existence of rigorous product testing processes prior to implementation.

Figure 19: Institutions' Experiences of Negative Externalities Caused by their Innovative Product(s)

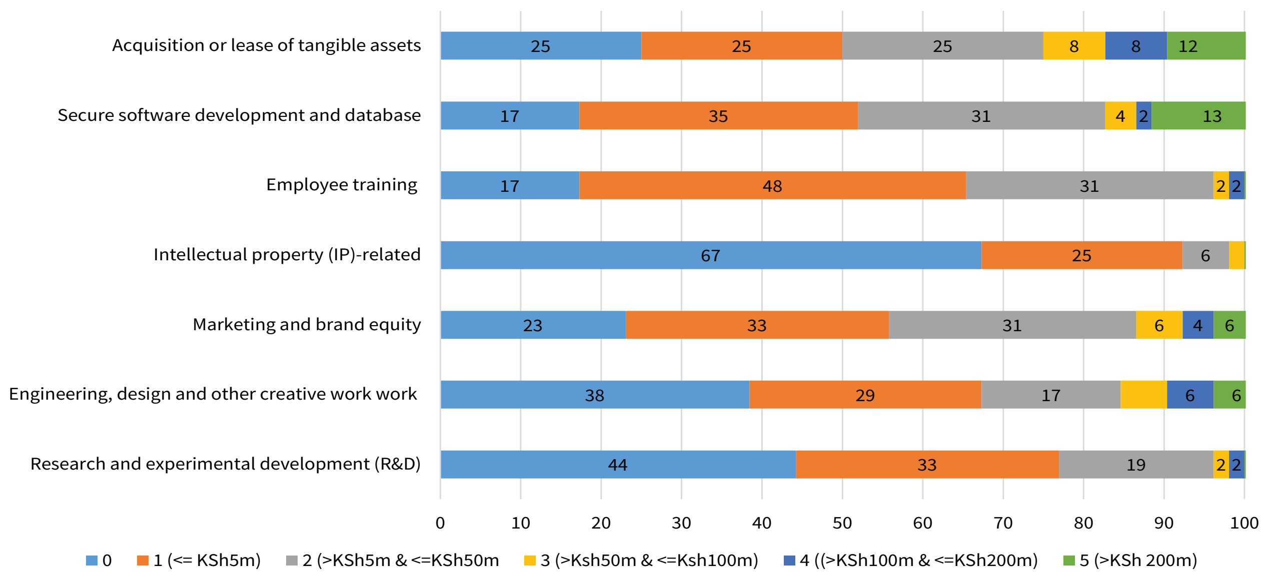


3.2 Context for Innovation

3.2.1 Innovation and Management Expenditure

- Financial institutions viewed innovation as crucial for survival and growth in an increasingly digital, competitive and regulated market. By adopting new technologies, institutions can improve customer experience, enhance operational efficiency, open new revenue streams and mitigate risks.
- Of the financial institutions that responded to the survey, 13 percent indicated that they had spent more than Ksh.200 million in 2025, on secure software development and database-related activities. This was an increase from 4 percent in 2024.
- Institutions should conduct continuous training throughout the product development and innovation process. However, 17 percent of the financial institutions indicated that they did not incur any costs on employee training in 2025. Of the institutions who spent on training, 80 percent had well-defined programmes that covered data analytics, emerging technologies such as artificial intelligence and machine learning, cloud computing, change management, design thinking cybersecurity, project management and customer satisfaction, among others.
- Substantive efforts are required to be channelled towards research and development when it comes to product innovation. However, 33 percent of financial institutions indicated that they had spent less than Ksh.5 million in this area, with 44 percent not incurring any cost towards this at all.
- 67 percent of the institutions did not channel funds towards activities related to Intellectual Property (IP). This is an increase from 62 percent in 2024.
- 37 percent of the institutions surveyed spent 20-40 percent of their investment in systems in maintenance of existing innovative solutions as compared to new developments.
- **Figure 20** below depicts the expenditure on innovation activities by financial institutions.

Figure 20: Innovation and Management Expenditure



- Before undertaking innovation activities, financial institutions need to consider both internal and external factors that may affect their efforts. 84 percent of banks and 93 percent of MFBs indicated that changing customer behaviour had the highest likelihood of affecting their ability and willingness to innovate going forward.
- A substantial number of banks also indicated that new technologies and changing competitive environment (82 percent and 58 percent respectively) had a high likelihood of driving their willingness to innovate. This was shift from 2024 where changing competitive environment had the lowest likelihood of impacting innovation for banks at 32 percent.
- Growing data protection and privacy risks had the lowest likelihood of impacting innovation ability and willingness for banks (34 percent) while for MFBs it was the changing competitive environment (at 43 percent).
- **Figures 21** and **22** below depict the proportion of factors that influence institutions' ability to innovate and willingness to do so.

Figure 21: Factors Impacting the Ability and Willingness of Banks to Innovate

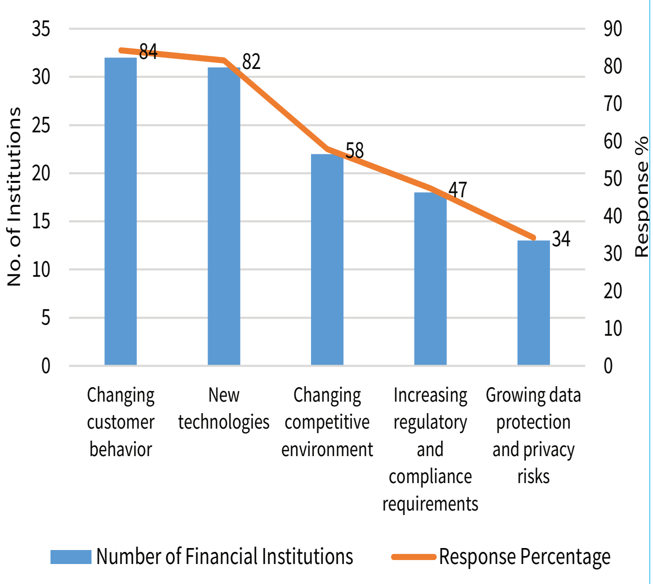
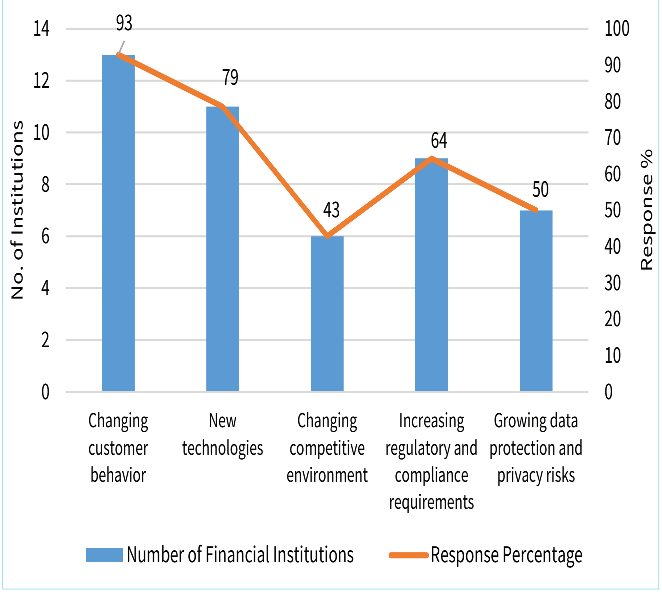


Figure 22: Factors Impacting the Ability and Willingness of MFBs to Innovate



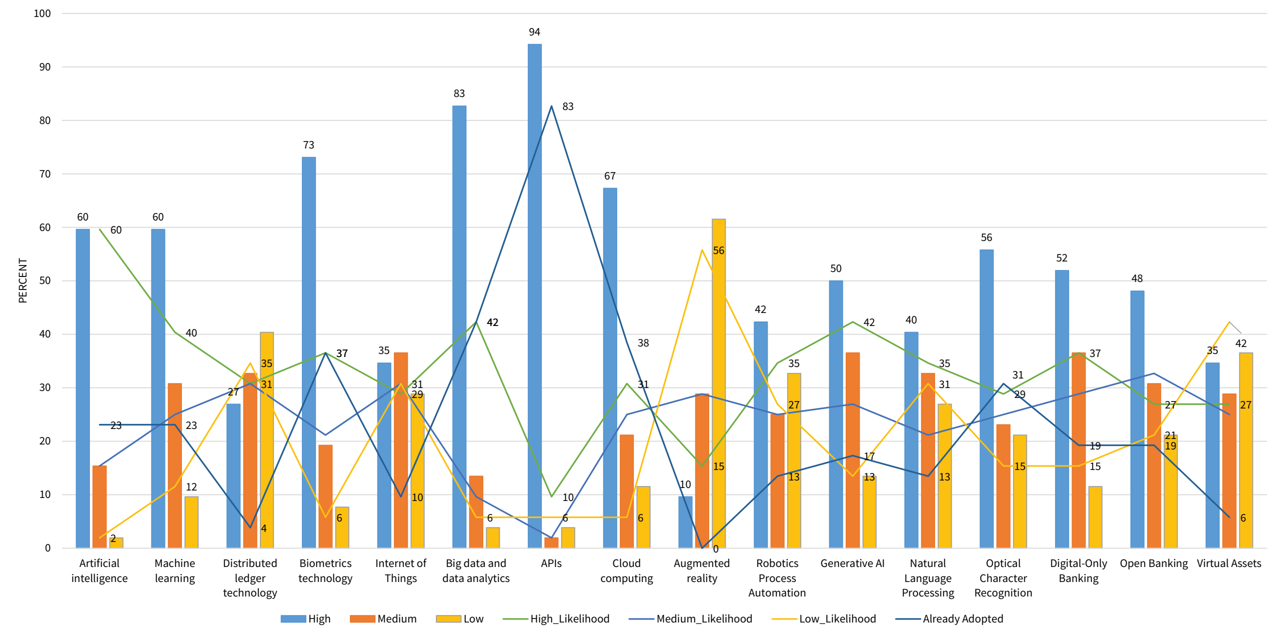
3.2.2 Importance of Developments and Likelihood of Institution Undertaking Innovation Activities

- Financial institutions use technology to support their business processes, reduce costs, diversify income streams, and improve customer experience.
- Big Data and Data Analytics, Application Programming Interfaces (APIs), Artificial Intelligence, Biometrics, Machine Learning, and Cloud Computing continue to be the major innovations whose developments are considered important by financial institutions.
- The 2025 Innovation Survey sought to understand the views of respondents in the emerging area of virtual assets. Financial institutions view virtual assets as a transformative but high-risk innovation, offering benefits such as improved payment efficiency, faster cross-border transactions, and greater financial inclusion. Conversely, they highlighted that virtual assets pose various risks including volatility, financial crime (AML/CFT), cybersecurity threats, and potential financial instability. The major stand by institutions is a wait-and-see approach, where adoption is strongly dependent on the

establishment of clear regulatory frameworks, robust risk management, and supervisory guidance. While a few institutions are either not interested or hold negative views due to systemic concerns, the overall decision is that virtual assets are likely to become an important part of the financial system, but only if integrated in a controlled, well-regulated manner. 35 percent of respondents indicated that developing innovations in virtual assets is highly important. This was a slight increase from 31 percent in 2024, suggesting growing interest and confidence due to the ongoing formulation of virtual assets Regulations. However, 42 percent of respondents reported a low likelihood of entering the virtual asset business, highlighting continued caution and underlying concerns within the market.

- 83 percent of financial institutions indicated that they had already adopted API technology.
- **Figure 23** below depicts the trends in the importance and likelihood of undertaking innovation activities in the sector.

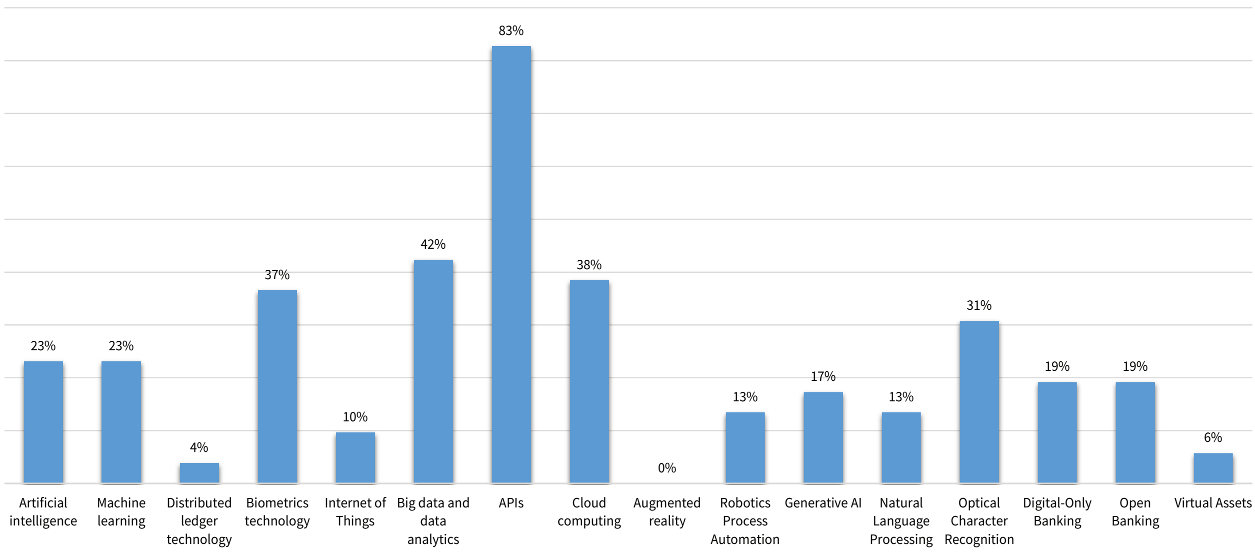
Figure 23: Importance of Developments against Likelihood of Undertaking Activities



3.2.3 Technological Developments Adopted by Financial Institutions in their Operations and Product Offerings

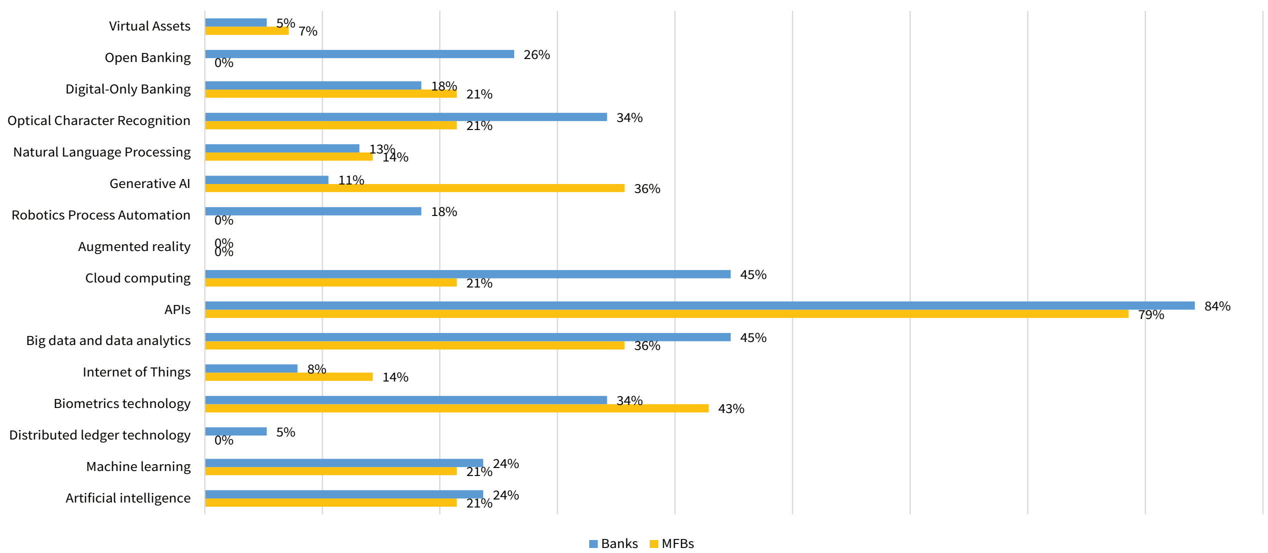
- Financial institutions have been adopting a combination of technologies that bolster their business models and provide a competitive edge among peers. The technological developments and product offerings revolve around Artificial Intelligence and Machine Learning (AI/ML), Distributed Ledger Technology (DLT), Biometrics Technology, Internet of Things (IoT), Big Data and Data Analytics, Application Programming Interfaces (APIs), and Cloud Computing.
- Based on the 2025 Survey findings, APIs had been adopted by most institutions at 84 percent and 79 percent adoption rate by banks and MFBs respectively, which aggregates to 83 percent. This was followed by Big Data and Data Analytics, Cloud Computing, Biometrics Technology, and Optical Character Recognition with an adoption rate of 42 percent, 38 percent, 37 percent, and 31 percent, respectively across all financial institutions, as illustrated in **Figure 24** below.

Figure 24: Technology Development Adoption by Financial Institutions



- Commercial banks prioritised Cloud Computing services, with 45 percent implementing it, compared to 21 percent of MFBs who implemented the use of the technology in 2025.
- MFBs prioritised Biometrics Technology services, with 43 percent implementing it, compared to 34 percent of commercial banks in 2025. This is because had other measures of customer identification in comparison to MFBs.
- **Figure 25** depicts technological developments that had been adopted by banks compared to MFBs.

Figure 25: Adoption of Technological Developments by Commercial Banks vs. MFBs

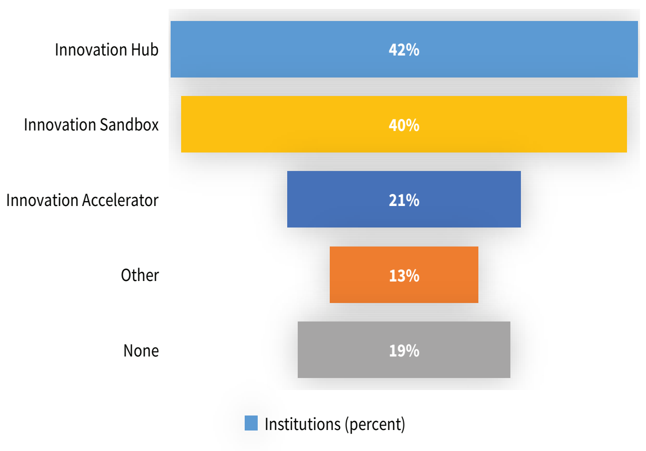


- Overall, the 2025 Innovation Survey gave highlights on how commercial banks and MFBs had stepped up their efforts to digitalize by leveraging application programming interfaces to provide customer-centric digital-first products.

3.2.4 Initiatives to Facilitate Innovation Activities

- Based on the 2025 Innovation Survey, 42 percent of financial institutions surveyed indicated that they had set up innovation hubs to promote innovation activities. This was an increase in the number of financial institutions in innovation-related research and development activities from 38 percent in 2024.
- 13 percent of the institutions reported that they had implemented alternative methods to facilitate innovation activities. These include the establishment of digital transformation teams and innovation committees, development of the open banking architecture, engagement in industry forums, and ICT project management office.
- 19 percent of those who responded to the survey indicated that they had not taken up any initiatives to facilitate innovation. This was an increase from 6 percent in 2024.
- The distribution of initiatives adopted by financial institutions is depicted in **Figure 26** below.

Figure 26: Initiatives to Facilitate Innovation Activities



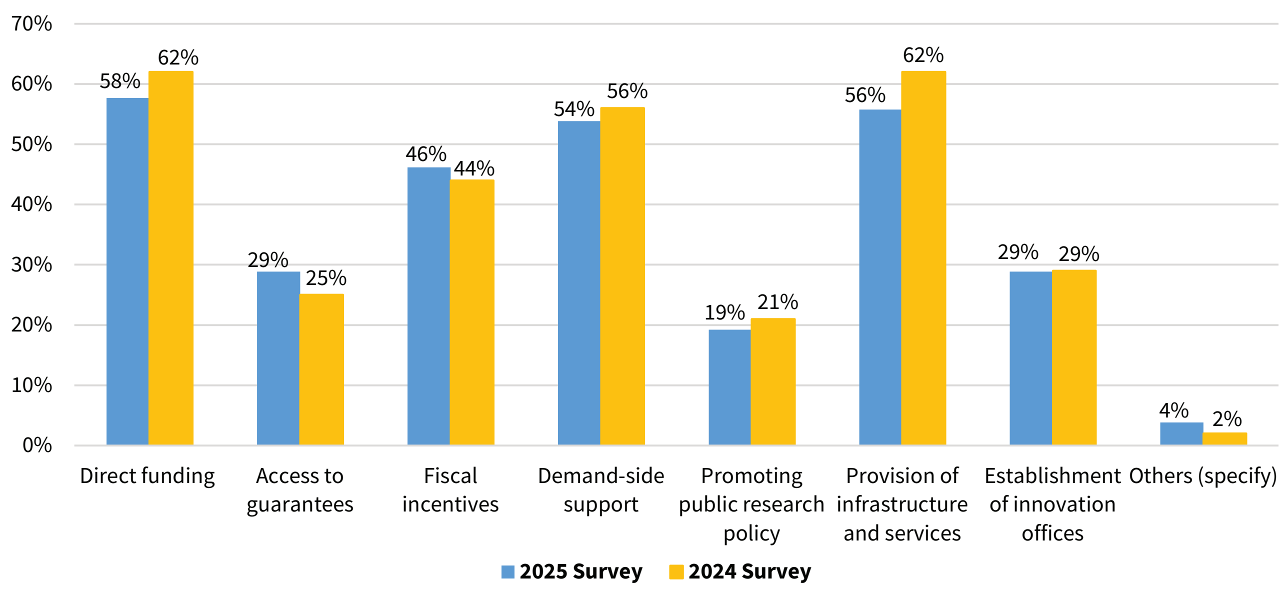
3.3 Public Support for Innovation

3.3.1 Efficacy of Forms of Public Support

- The analysis of the 2025 and 2024 surveys revealed shifting trends in the preferred forms of public support for innovation activities among financial banks. Notably, direct funding and provision of infrastructure and services emerged as the most favoured forms of support in 2025, with 58 percent and 56 percent respectively of respondents indicating their importance, marking a decrease from 62 percent for both, reported in 2024.
- The perceived importance of demand-side support decreased from 56 percent in 2024 to 54 percent in 2025.
- Consequently, there was a slight increase in preference of fiscal incentives, with 46 percent of respondents in 2025 considering them important compared with 44 percent in 2024.
- Additionally, there was a continuous decline in the perceived importance of promoting public research policy with 19 percent in 2025 compared to 21 percent in 2024 and 27 percent in 2023.
- The preference for establishment of innovation offices remained unchanged in 2025, with 29 percent of the respondents considering it important. Respondents proposed the establishment of a CBK-commissioned regulatory body or Fintech working group aimed at guiding fintech development to harness benefits of digital finance in financial inclusion and while ensuring compliance with financial regulations.
- The preference for access to guarantees increased to 29 percent in 2025 from 25 percent in 2024.
- Other preferred support included openness of the regulator to adoption of newer technologies and quicker approvals, and Monetary Incentives and grants geared towards fast tracking innovation.

- These findings underscore the dynamic nature of public support preferences within the banking sector, reflecting evolving strategies and priorities in fostering innovation and economic growth.
- **Figure 27** represents the institutions' views on forms of public support that are considered most effective in promoting innovation activities within the institutions.

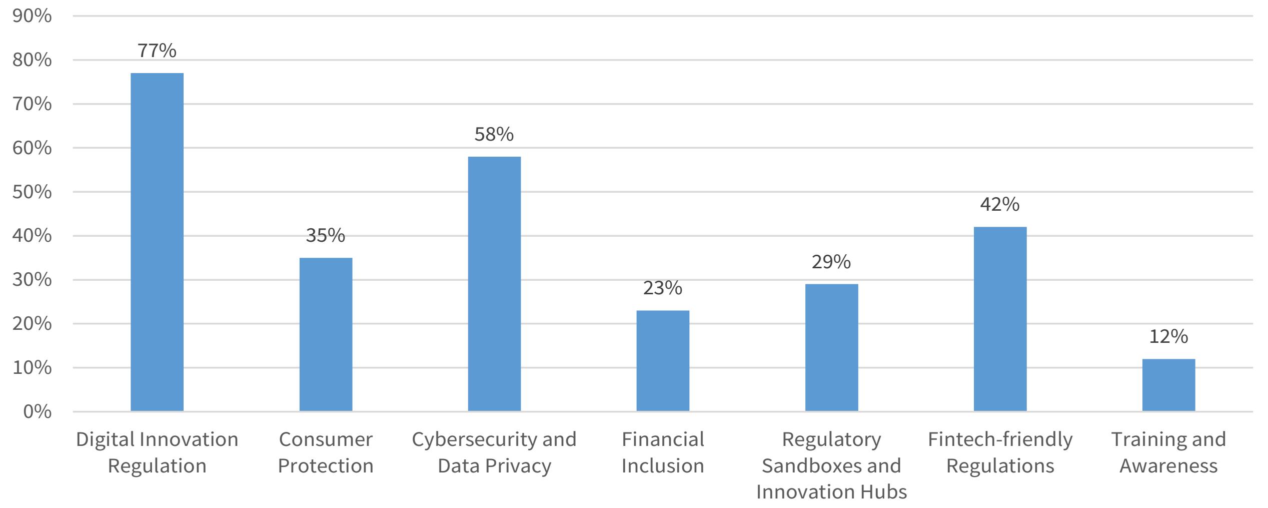
Figure 27: Effective Forms of Public Support



3.3.2 Public Policy Areas

- **Digital Innovation Regulation**: Most financial institutions (77 percent) emphasized the need for regulatory frameworks governing digital innovation. This includes areas such as digital lending, open banking, application programming interfaces standardization, digital identity blockchain, virtual assets including crypto assets, and digital-only banking.
- **Cybersecurity and Data Privacy**: 58 percent of institutions emphasized the critical need for robust regulations addressing cybersecurity threats and data privacy concerns. This includes standards for data encryption, authentication, and protocols for handling sensitive information.
- **Fintech-friendly Regulations:** Some institutions (42 percent) called for regulations that foster a conducive environment for fintech innovation while ensuring consumer protection and financial stability.
- **Regulatory Sandboxes and Innovation Hubs**: 29 percent of institutions advocated for regulatory sandboxes and innovation hubs to enable them experiment with new technologies and business models with reduced risk.
- **Consumer Protection:** 35 percent highlighted the importance of protecting consumer rights, particularly concerning digital payment providers, unique identifiers for bank customers, and fair treatment in financial services.
- **Training and Awareness**: 12 percent of institutions highlighted the importance of educating both consumers and industry stakeholders about innovative financial products and services, as well as the associated risks and opportunities
- **Financial Inclusion:** Approximately 23 percent of institutions stressed the importance of regulatory support for initiatives promoting financial inclusion, including access to all segments of the population. The policy areas to be considered is shown in **Figure 28**.

Figure 28: Public Policy Areas for Enhancing Innovation



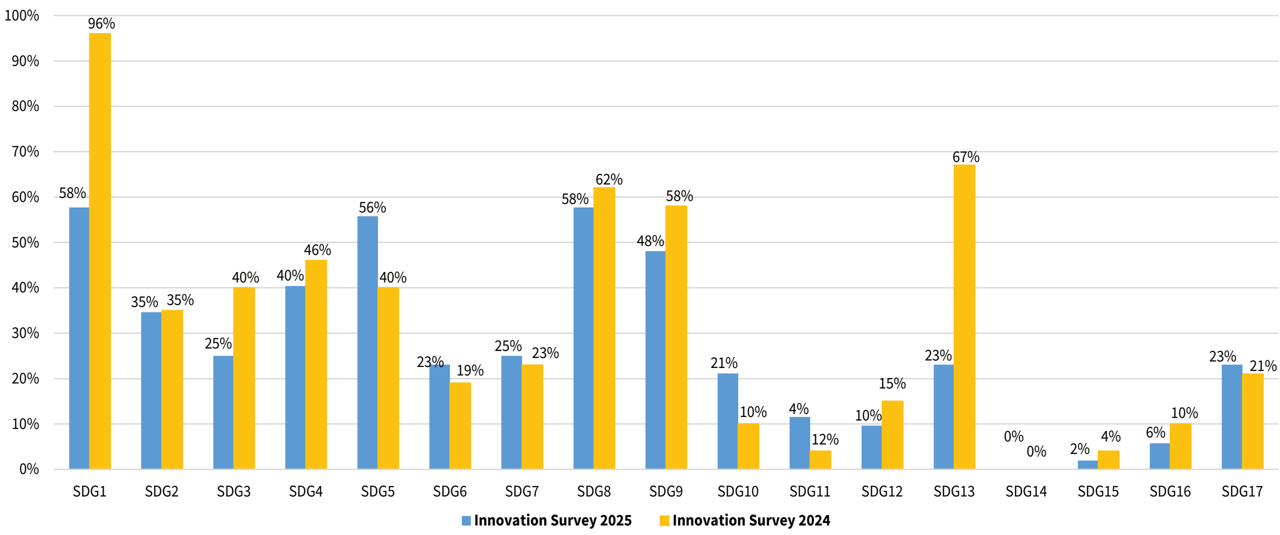
3.3.3 Regulatory Bottlenecks to Innovation

- The responses from various financial institutions in Kenya highlighted several policy areas within the existing regulatory frameworks governed by CBK that are perceived as bottlenecks or inhibitors to innovation-related activities.
- The most consistent concern is lengthy approval processes for new products, partnerships, and digital solutions, which delay time-to-market and limit agility. In addition, strict KYC/AML requirements, data protection rules, and reporting obligations create operational complexity and hinder seamless digital onboarding and automation.
- Institutions also highlighted constraints around cloud adoption, outsourcing, and cross-border data flows, which increase costs and limit the ability to leverage modern technologies such as AI and advanced analytics.
- These challenges can hinder the adoption of certain technologies and innovative solutions, delaying the rollout of new products and services and limiting the ability of financial institutions to meet the evolving needs of their customers.
- Additionally, institutions raised concerns over existence of regulatory gaps and lack of clear guidelines, particularly in emerging areas like open banking, APIs, virtual assets, blockchain, and digital identity. The absence of clear, standardized frameworks in these areas creates uncertainty and discourages investment in innovative solutions.

3.3.4 SDGs: Potential for Innovation-Related Activities Tied to Digitalization of Finance

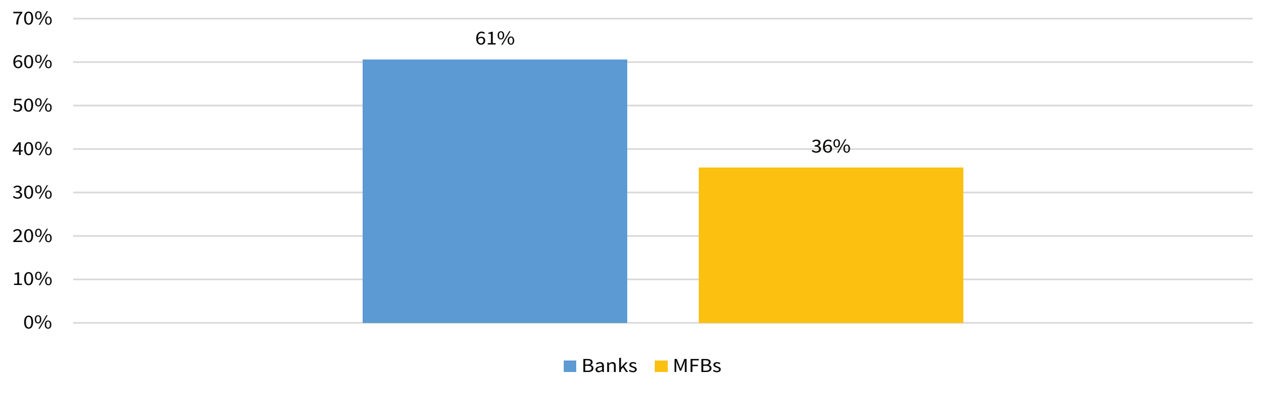
- Institutions considered **Sustainable Development Goal (SDG) 1: No Poverty** and **SDG 8 on Decent Work and Economic Growth** with the most potential for innovation-related activities tied to digital finance (both at 58 percent). This was followed by **SDG 5**: **Achieve Gender Equality and Empower all Women and Girls** at 56 percent. illustrated in **Figure 29** below.

Figure 29: SDGs: Potential for Innovation-Related Activities tied to Digitalization of Finance



- SDG1 **(No Poverty):** In 2024, SDG 1 had the highest percentage of innovation activities at 96 percent, which decreased to 58 percent in 2025. This indicates a reduced appetite by institutions to fund innovations targeting poverty reduction.
- SDG8 **(Decent Work and Economic Growth)**: in 2024, SDG 8 had the second highest percentage of innovation activities at 62 percent, which slightly decreased to 58 percent in 2025. This indicates a sustained focus on promoting economic growth and decent work opportunities through innovation.
- SDG2 **(Zero Hunger)** Innovation activities related to SDG2 was unchanged in 2025 being 35 percent similar to 2024. This indicates a continuous recognition of the importance of investing in infrastructure and technology that improve agricultural productivity.
- SDG4 **(Quality Education)** was noted as an important SDG in the context of innovation, ranking fourth in 2025 at 40 percent similar with its fourth position in 2024 at 46 percent.
- SDG5 **(Gender Equality)** ranked second in 2025 at 56 percent an increase compared to 2024 where it ranked at fifth position with 40 percent. This confirms institutions' towards addressing gender-related issues through innovative approaches.
- SDG13 **(Climate Action)**: The percentage of innovation activities related to SDG13 decreased to 23 percent in 2025 from 67 percent in 2024. This indicates a reduction in efforts towards mitigating climate-related risks by institutions.
- Between 2024 and 2025, there has been a steady engagement among commercial banks in climate change-related initiatives. According to the 2025 survey respondents, 61 percent of commercial banks had either innovated or were in the process of innovating a climate change-related product, compared similar with 2024 survey findings.
- Similarly, microfinance banks remained steadfast in their innovation in climate-change-related products at 36 percent in both 2025 and 2024.
- The innovation in line with SDG 13 is illustrated in **Figure 30**.

Figure 30: Innovation in line with SDG 13 (Climate Action)



- The constant trend in commercial banks is indicative of a constant awareness and commitment within the financial sector to address environmental challenges.
- Commercial banks cited the CBK Guidance on Climate-Related Risk Management issued in 2021, as well as the Draft Climate Risk Disclosure Framework for the Banking Sector issued in 2023 as influential
- Commercial banks innovations on climate action revolved around the following:
  - Environmental, Social, and Governance (ESG) frameworks, policies and programmes.
  - Green financing for renewable energy solutions and projects, particularly for MSMEs, agriculture, and smart agriculture technology (agritech).
  - Incentives for customers who reach sustainability targets.
  - Innovative recyclable credit and debit cards.
  - Consumer education.
  - Tree planting and collaboration in green finance projects.
  - Provision of green energy related lending.
- However, despite this progress, microfinance banks remained constantly low in their efforts towards climate change-related products, highlighting the ongoing need for further action and advocacy in this area among microfinance banks. Notable initiatives by MFBs included:

  Notable initiatives by MFBs included:
  - Green financing.
  - Clean energy solutions.
  - Incorporating ESG into strategies and policies.

3.4 CBK Innovative Initiatives

3.4.1 CBK Innovative Initiatives Assessment

- CBK conducts Innovative Initiatives to bring African institutions closer together to cooperate on FinTech innovation by providing a platform for connections, collaborations, and exchange of ideas.
- Survey respondents proposed several solutions that could push the industry forward, which could be presented at the CBK Innovative Initiatives forum, 2026.
- These solutions encompass a wide range of technological innovations, regulatory reforms, and strategic initiatives aimed at enhancing financial services, promoting financial inclusion, and addressing emerging challenges. Some of the key solutions include:

- **AI-driven financial services and decisioning tools:** Exploring Innovations that streamline regulatory reporting, AML/CFT compliance, and risk monitoring without slowing down product innovation. Exploring Generative AI (Gen-AI) and chatbots for financial literacy and banking services, agentic AI to automate customer settlements, ethical AI-driven credit scoring, and the development of legal frameworks for AI-driven estate planning.
- **Virtual Asset and Central Bank Digital Currencies (CBDCs):** CBDC and stablecoins, as well as the application of virtual assets for cross-border payments, trade finance, fraud detection and enhanced security.
- **Open Finance and Banking as a Service (BaaS):** Open finance, BaaS model, and API-enabled banking ecosystems that allow seamless integration between banks, fintechs, and other service providers.
- **Cross-border Payment Platforms:** Exploring the digitalization of trade finance and cross-border payment platforms to facilitate instant low-cost transfers between Africa and Asia, particularly through blockchain, CBDC and interoperable digital payments.
- **Cross-Border Payment Innovations**: Innovative payment systems that facilitate seamless and cost-effective cross-border transactions between Africa and Asia can promote international trade and economic growth.
- **Mobile Money and Financial Inclusion:** The future of mobile money, mobile money regulation, e-KYC, universal digital identity, virtual onboarding of new customers, cross-border digital trade and SME financing, blockchain and AI-powered trade finance platforms, interoperability between banks, fintechs and telcos.
- **Shariah-Compliant Banking:** Exploring Shariah-compliant banking and its applications in digital banking platforms, AI-driven financial advisory, open banking APIs, green finance, blockchain, and credit scoring models.
- **Sustainable Financing**: Discussing impact financing and green financing for MSMEs and agribusiness, financing for innovative solar photovoltaic (PV) leasing solutions, and integrating ESG principles into digital financial services.
- **Cybersecurity**: Strengthening cybersecurity measures to mitigate fraud, data breaches, and cyber threats.
- **Regulatory Technology (RegTech):** Exploring RegTech for automation of compliance reduce compliance costs, shorten time-to market and minimize regulatory risks.
- **Digital Identity**: Implementing biometric databases for citizens and residents and connecting them to financial systems to strengthen security and reduce fraud. Additionally, solutions leveraging blockchain technology to enhance data security and transaction transparency.
- **Distributed Ledger Technology (DLT):** Use of DLT for banking products including programmable money and smart contracts.
- **Interoperability:** Enhanced interoperability in light of the ISO 20022 migration across various payment systems in the region.

3.4.2 CBK Innovative Initiatives Forum Areas of Collaboration/Structure

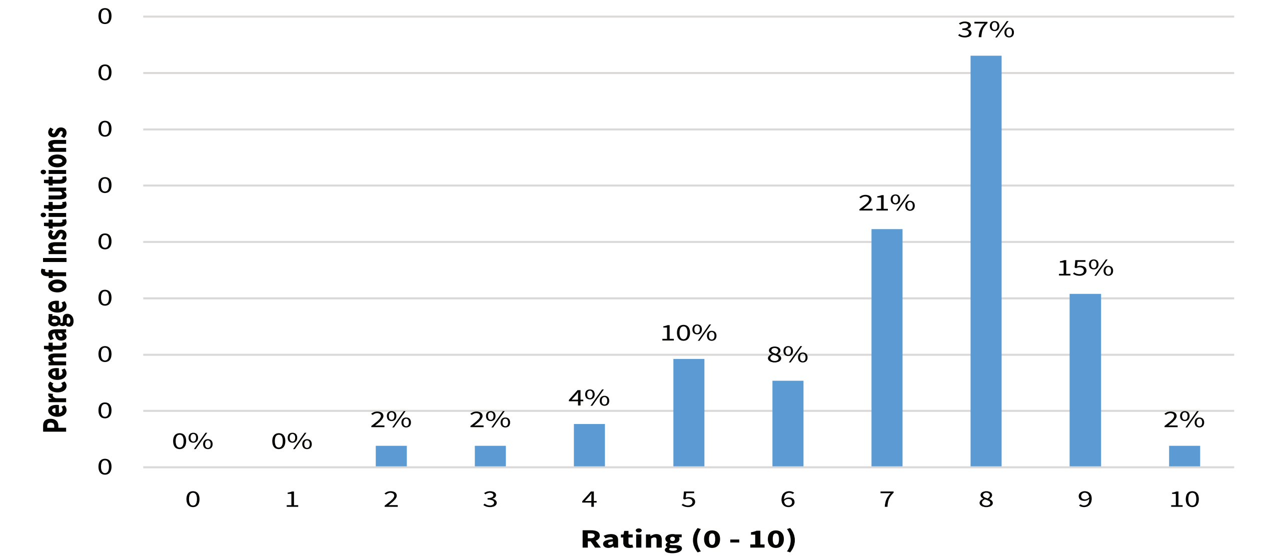
- The responses provided indicated several ways in which institutions envisioned partnering with the CBK to achieve strategic mandates and foster innovation in the financial sector. These included:
  - **Formation of an Annual Banking Innovation Roundtable** where financial institutions, regulators and FinTech innovators can exchange ideas on emerging trends, challenges and solutions.
  - **Establishment of a Shariah-Compliant FinTech Innovation Hub.** Collaboration with CBK to create an Islamic FinTech incubation center, supporting startups developing Shariah-compliant digital financial solutions.
  - **Cross-border case studies:** CBK Innovative Initiative should facilitate sessions featuring successful digital financial inclusion models from Africa and the rest of the world to guide local banks in scaling innovation.
  - **Regulatory Sandbox:** Utilize the CBK Innovative Initiatives as a platform to showcase regulatory sandbox outcomes, where banks and fintechs can test innovative solutions under CBK's guidance.
  - **Thought Leadership on Emerging Technologies and Finance Models:** These include developments in open finance, API standardization, Develop AI-driven credit scoring, mobile banking enhancements and secure digital payment systems.
- Advancing Cross-Border Payments and CBDC Development, corporate and SME innovative solutions, and innovations around supply chain solutions and global trade.
- Establishing regulatory guidelines around third-party integration and collaboration.
- The development of an industry-Led fintech accelerator and innovation lab.
- Financial literacy programs to educate consumers on digital banking and responsible finance.
- Digital financial inclusion and MSME support.
- Collaborate on exploration of policy, risk management, and use-case pilots for virtual assets and tokenized financial services, with a focus on consumer protection, AML/CFT compliance, and financial stability.
- Expand digital banking solutions for underserved and unbanked populations.
- Follow-up sessions with actionable items targeting various industry segments.

3.5 Impact and Challenges

3.5.1 Success Rate of Innovation Products Developed in 2025

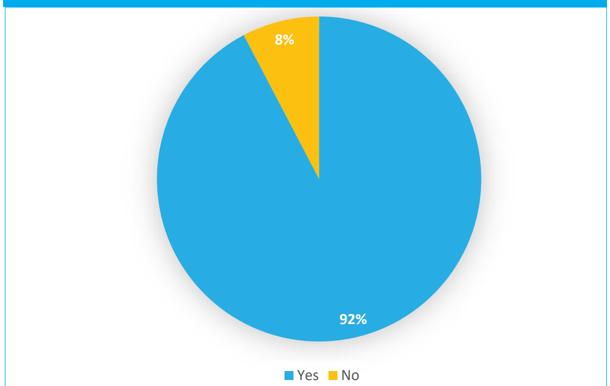
- 92 percent of the institutions that innovated a product in 2025 had a success rate of 5 and above, with a rating of 1 being least successful and 10 being most successful. This is illustrated in **Figure 31** below.

Figure 31: Rating of Success of Products Developed in 2025



- Of the innovation products developed in 2025 by the institutions, 92 percent attained their objectives, while 8 percent did not. This was an increase from 90 percent in the 2024 innovation survey. The innovation product success is depicted in the chart **(Figure 32)**.

Figure 32: Product Success



- The following reasons were given by institutions for products that did not attain their objectives:
  - The innovative product took a considerable amount of time to be marketed.
  - Poor Business Requirements Documentation interpretation and lack of a well-defined role matrix.
  - Some areas needed further enhancement particularly scaling adoption, regulatory alignment and optimizing cost efficiency.
  - The product called for more staff training and system improvements.
  - Development is still ongoing, and new initiatives are still being considered in the light of rapidly changing technology.

3.5.2 Product Innovation Challenges

- Institutions noted several challenges that they faced concerning their endeavours to innovate products. These challenges included the following:
  - Limited resource allocation and high costs of innovation.
  - Legacy systems which pose significant challenges to innovation in the banking sector due to their outdated infrastructure and lack of flexibility. Inadequate internal technical expertise.
  - Limited product testing and market preparedness for innovative solutions.
  - Slow market uptake of the new products.
  - Customer education and knowledge in new technologies.
  - Digital literacy of customers.
  - Changing customer expectations, needs and behaviours.
  - Competition and partnerships by peers, other local industry players, and fintechs.
  - Increased exposure to information technology and cybersecurity risks.
  - Increased exposure to third-party vendor risks because of heavy reliance on their technology.
  - Regulatory compliance: Product innovation is challenged by the need to balance rapid digital transformation with strict CBK regulatory compliance, which often prolongs approval cycles and escalates costs.
  - Constantly evolving market dynamics and accelerated technological advancements.
  - Challenges in sourcing for staff with the right skills to foster innovation.
  - Data protection challenges, particularly due to data acquisition.

4.0 CONCLUSION

- Kenya's banking sector has continued to innovate with an aim to enhance service delivery to customers, create new markets, and achieve operational efficiency.
- Notably, commercial banks generated innovative products in payments, clearing and settlement services, as well as credit, deposit, and capital-raising services in 2025. Conversely, MFBs' focus on credit, deposit, and capital-raising services has remained steadfast.
- The banking sector is evolving towards better banking in order to offer a wide array of services through leveraging fintechs to digitize and modernise operations and business practices. However, the slight shift towards becoming distributed banks has remained steadfast in order to offer embedded, customised, and convenient banking services through collaboration and partnership with fintech start-ups. Further, there is an increased interest in becoming new banks by creating banking platforms to offer digital-first experiences for customers to minimise costs and improv customer experiences.
- Consistent with the 2024 Innovation Survey findings, the banking sector is leveraging Big Data and Data Analytics, Application Programming Interfaces (APIs), Artificial Intelligence, Biometrics, and Cloud Computing to harness data insights for enhanced service delivery. API technology and cloud computing offer support to banking sector services in their innovative use of data. Cloud computing is increasingly becoming important due to the efficiencies of scale and cost savings.
- Due to its far-reaching potential impact, cyber risk remains a top priority of financial institutions, particularly data security and governance in the wake of enhanced use of Big Data and data analytics. To this end, institutions continue to put in place mechanisms to mitigate cyber risk, as guided by the Guidance Note on Cybersecurity

for Commercial Banks. CBK is in the process of reviewing the Guidance Note in order to update it for enhanced cyber resilience of the banking sector.

- The banking sector noted the potential opportunities of virtual assets in enhancing financial access to the unbanked by providing alternative payment and investment channels, improving transaction speed, and reducing transaction costs. Conversely, they highlighted that, virtual assets bear risks such as challenges in AML and CFT controls, cybersecurity risks, fraud, and high volatility among others.
- The banking sector is also cognizant of the importance of addressing climate action and has continued with its efforts towards offering innovative climate-related financial products and services. In this regard, CBK's Guidance on Climate-related Risk Management, issued in 2021, and the Draft Climate Risk Disclosure Framework for the Banking Sector issued in 2024 were timely policy actions and which will steer the banking sector towards greening efforts.
- The 2025 Innovation Survey Report informs the impact of fintech on the current operating models, including the emergence of new business models and evolving and emerging risks. It also provides an informed basis for evidence-based public policy decisions on fintech going forward.

ANNEX 1

Glossary of Terms

Application Programming Interface (API) – describes a system architecture that enables interactions between different software applications via a specified set of protocols. This allows software applications to communicate with each other to exchange data directly or to access another software application's functionality, through automated access.

Artificial Intelligence (AI) – describes the activity and outcome of developing computer systems that mimic human thought processes, reasoning and behaviour.

Augmented Reality (AR) – refers to the real-time digital overlay of information over physical elements. A user's real environment is the predominant element, with extra information intended to augment the actual environment, rather than fully replacing it.

Big Data – refers to datasets that are too large or complex to be handled by conventional data architectures, including processing tools and techniques. The key characteristics of Big Data are volume (size of the dataset), variety (data from multiple domains), velocity (rate of data flow) and variability (changes to data characteristics). These characteristics are colloquially known as the 'Vs' of Big Data.

Biometrics Technology – refers to a technology that allows a person to be identified and authenticated based on a set of recognizable and verifiable physical and behavioural characteristics, which are unique and specific to them.

Cloud Computing – refers to a computing system that supports business and delivery models that enable on-demand access to a shared pool of resources such as applications, servers, storage and network security. Cloud computing is typically delivered in three forms, namely, Software as a Service ("SaaS"), Platform as a Service ("PaaS") and Infrastructure as a Service ("IaaS").

Distributed Ledger Technology (DLT) – is a technology configuration that allows records to be updated and tracked in a 'distributed' manner, as opposed to a 'centralized' configuration. The key elements of DLT are a distributed ledger, a network of participants, a consensus mechanism and cryptography.

Internet of Things (IOT) – describes communication architecture that allows devices or sensors to connect, communicate or transmit information with or between each other via the internet, thereby enabling the recognition of events and changes so as to react autonomously in an appropriate manner.

Machine Learning (ML) – describes computer systems that adapt and learn from experience through data classification, pattern identification and regression.

Digital-only Banking – describes a banking system where banking facilities are provided exclusively through digital platforms.

ANNEX 2

List of Respondents

a) Commercial Banks and Mortgage Finance Institution

1. Absa Bank Kenya PLC.
2. Access Bank (Kenya) PLC.
3. African Banking Corporation Limited.
4. Bank of Africa Kenya Limited.
5. Bank of Baroda (Kenya) Limited.
6. Bank of India.
7. Citibank N.A Kenya.
8. Commercial International Bank (CIB) Kenya Ltd.
9. Consolidated Bank of Kenya Limited.
10. Co-operative Bank of Kenya Limited.
11. Credit Bank PLC.
12. Development Bank of Kenya Limited.
13. Diamond Trust Bank Kenya Limited.
14. DIB Bank Kenya Limited.
15. Ecobank Kenya Limited.
16. Equity Bank Kenya Limited.
17. Family Bank Limited.
18. Guaranty Trust Bank (Kenya) Limited.
19. Guardian Bank Limited.
20. Gulf African Bank Limited.
21. Habib Bank A.G Zurich.
22. HFC Limited.
23. I&M Bank Limited.
24. KCB Bank Kenya Limited.
25. Kingdom Bank Limited.
26. Middle East Bank Kenya Limited.
27. M-Oriental Bank Limited.
28. National Bank of Kenya Limited.
29. NCBA Bank Kenya PLC.
30. Paramount Bank Limited.
31. Premier Bank Kenya Limited.
32. Prime Bank Limited.
33. SBM Bank Kenya Limited.
34. Sidian Bank Limited.
35. Stanbic Bank Kenya Limited.
36. Standard Chartered Bank Kenya Limited.
37. UBA Kenya Bank Limited.
38. Victoria Commercial Bank PLC.

b) Microfinance Banks

1. Branch Microfinance Bank Limited.
2. Caritas Microfinance Bank Limited.
3. Choice Microfinance Bank Limited.
4. Faulu Microfinance Bank Limited.
5. Kenya Women Microfinance Bank PLC.
6. LOLC Microfinance Bank PLC.
7. Muungano Microfinance Bank PLC.
8. On It Microfinance Bank Limited.
9. Rafiki Microfinance Bank Limited.
10. Salaam Microfinance Bank Limited.
11. SMEP Microfinance Bank Limited.
12. Sumac Microfinance Bank Limited.
13. U & I Microfinance Bank Limited.
14. Umba Microfinance Bank Limited.

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