



Central Bank of Kenya

Credit Officer Survey

September 30, 2025

A clipboard with a black clip at the top left, holding a white sheet of paper. The paper has a progress bar titled 'SURVEY COMPLETED' with four checkboxes. The first checkbox is checked with a blue checkmark. Below the progress bar are four horizontal lines. A silver pen with a blue cap is lying on the bottom right of the clipboard.

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CENTRAL BANK OF KENYA COMMERCIAL BANKS' CREDIT OFFICER SURVEY FOR QUARTER ENDED SEPTEMBER 30, 2025

1.0. COMMERCIAL BANKS' CREDIT OFFICER SURVEY

1.1. BACKGROUND

Credit risk is the single largest factor affecting the soundness of financial institutions and the financial system. This is because lending is the principal business for banks. The ratio of gross loans to total assets was 52.8 percent in the quarter ended September 30, 2025, same as in the quarter ended June 30, 2025.

The Central Bank of Kenya (CBK) undertakes a quarterly Credit Officer Survey to identify the potential drivers of credit risk. The survey requires senior credit officers of banks to indicate their banks perception or actual position in the immediate past quarter and the subsequent quarter in terms of demand for credit, credit standards, asset quality, credit recovery efforts, deployment of liquidity and impact of implementing new standards.

1.2. SURVEY METHODOLOGY

Senior Credit Officers¹ complete most of the survey and collect input from senior officers responsible for the other aspects. For the quarter ended September 30, 2025, 38 commercial banks and 1 mortgage finance company participated in the Commercial Banks Credit Officer Survey.

The survey sought to establish the lending behavior in the banking sector in respect to all the eleven economic sectors. Questions were posed on demand for credit, credit standards for approving loans, non-performing loans, credit recovery efforts, implementation of International Financial Reporting Standards (IFRS) 9 on Financial Instruments and IFRS 16 on Leases. The survey's questions are generally phrased in terms of changes over the past three months and

expected changes over the next three months.

The survey also included questions concerning liquidity in the banks. The banks were required to state their liquidity trend and appetite for the deployment of liquidity towards extension of credit, interbank lending, and other forms of investment.

Following the declaration by the World Health Organization of coronavirus (COVID-19) outbreak as a pandemic in March 2020, CBK has continued to assess the impact of the pandemic on the banking sector.

1.3. KENYAN BANKING SECTOR PERFORMANCE

The Kenyan Banking Sector asset base recorded a mixed trend in the quarter ended September 30, 2025, compared to the growth in the quarter ended June 30, 2025. Some of the sector's performance indicators are as follows: -

- The total assets increased by 2.7 percent to Ksh.8,059.5 billion in September 2025, from Ksh.7,849.1 billion in June 2025.
- Gross loans increased by 2.7 percent from Ksh.4,147.3 billion in June 2025, to Ksh.4,257.5 billion in September 2025. The increase in gross loans was largely witnessed in the Building and Construction, Trade, and Personal and Household sectors.
- Total deposits increased by 1.8 percent from Ksh.5,847.8 billion in June 2025, to Ksh.5,953.2 billion in September 2025.
- The asset quality measured by gross non-performing loans to gross loans ratio

1. These are officers involved in most of the credit and liquidity decisions hence are able to provide reasonably accurate and complete responses from their bank's perspective. They also collate input on non-credit aspects from their counterparts.

improved from 17.6 percent in June 2025, to 16.9 percent in September 2025. This was due to decrease in gross NPLs of 1.1 percent and an increase in gross loans of 2.7 percent.

- The capital adequacy ratio slightly decreased from 20.4 percent in June 2025 to 20 percent in September 2025.
- Quarterly profit before tax increased by Ksh.5.2 billion from Ksh.74.6 billion in the quarter ended June 2025, to Ksh.79.8 billion in the quarter ended September 2025. The increase in profitability was mainly attributable to a higher increase in quarterly income by Ksh.10.1 billion compared to increase in quarterly expenses of Ksh.4.9 billion.
- Return on Equity (ROE) decreased from 23.0 percent in June 2025, to 22.2 percent in September 2025. This was due to a lower increase in quarterly profits by Ksh.5.2 billion compared to the increase in shareholders' funds by Ksh.79 billion.
- Liquidity in the banking sector increased from 58.6 percent in June 2025, to 59.3 percent in September 2025. This was well above the minimum statutory ratio of 20 percent.

1.4. SUMMARY OF CREDIT OFFICER SURVEY FINDINGS

Demand for credit: In the third quarter of 2025, the perceived demand for credit remained unchanged in ten economic sectors. It increased in Trade sector.

Credit Standards²: In the third quarter of 2025, credit standards remained unchanged in all economic sectors.

Non-Performing Loans per sector:

Respondents indicated that the level of NPLs is expected to remain constant in nine economic sectors but increase in the Personal and Household sector and decrease in the Trade sector during the next quarter.

Credit Recovery Efforts: For the quarter ending December 31, 2025, banks expect to intensify their credit recovery efforts in eight economic sectors. The intensified recovery efforts are aimed at improving the overall quality of the asset portfolio. Credit recovery efforts are expected to remain stable in Mining and Quarrying, and Energy and Water sectors.

International Financial Reporting Standard (IFRS) 9 on Financial Instruments: Most banks have adopted a tight credit risk appraisal, ensuring that facilities are well secured and that alternative sources of repayment are available.

Liquidity risk: During the quarter ended September 30, 2025, 86 percent of the respondents indicated that their liquidity position had improved.

Banks intend to deploy the additional liquidity towards lending to the private sector (29 percent), interbank lending (23 percent), investing in Treasury Bonds (18 percent), investing in Treasury Bills (16 percent), taking advantage of CBK liquidity through repos (10 percent), increase their cash holdings (3 percent), and invest in other instruments including offshore (1 percent).

2. Credit standards are guidelines used by commercial banks in determining whether to extend a loan to an applicant.

2.0. SURVEY FINDINGS

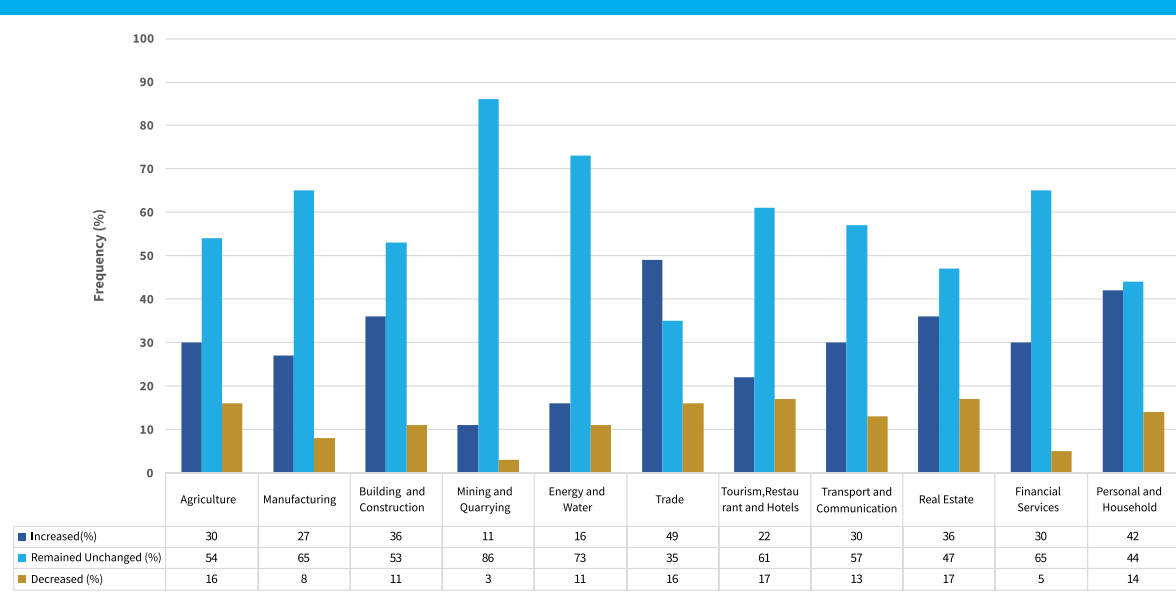
2.1. Demand for Credit

- In the third quarter of 2025, the perceived demand for credit remained unchanged in ten economic sectors. It increased in Trade sector.
- The main sectors with unchanged demand for credit are Mining and Quarrying, Energy and Water, and Building and Construction.
- The perceived increased demand for credit in the Trade sector is mainly attributed to increased working capital requirements.
- Table 1 and Chart 1 present below the trend in the perceived demand for credit in the last two quarters.

Table 1: Change in Demand for Credit (Percentage, %)

	June 2025			September 2025		
	Increased	Remained Unchanged	Decreased	Increased	Remained Unchanged	Decreased
Agriculture	27	62	11	30	54	16
Manufacturing	42	50	8	27	65	8
Building and Construction	33	44	22	36	53	11
Mining and Quarrying	14	76	11	11	86	3
Energy and Water	22	65	14	16	73	11
Trade	50	36	14	49	35	16
Tourism, Restaurant and Hotels	17	72	11	22	61	17
Transport and Communication	32	54	14	30	57	13
Real Estate	28	47	25	36	47	17
Financial Services	32	49	19	30	65	5
Personal and Household	50	33	17	42	44	14

Chart 1: Demand for Credit



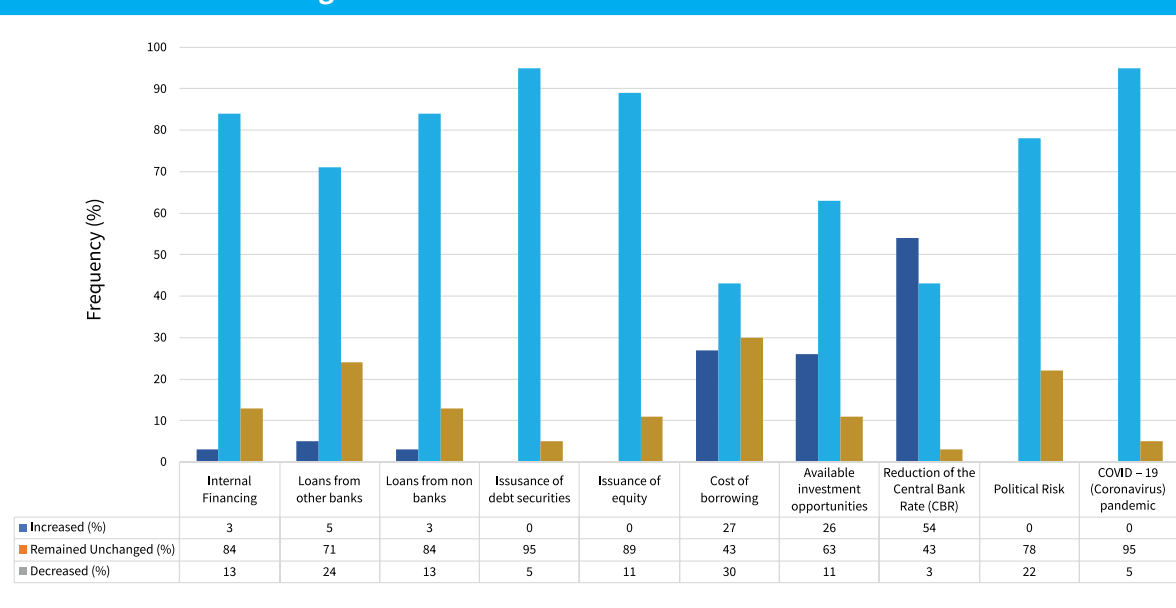
2.2. Factors Affecting Demand for Credit

- In the quarter ended September 30, 2025, all factors affecting demand for credit had no significant impact. This is depicted in Table 2 and Chart 2.
- COVID-19 pandemic, Issuance of debt securities and equity, Internal Financing, and Loans from nonbanks were cited as having had the least impact on the demand for credit during the quarter under review. These were reported by 95 percent, 95 percent, 89 percent, 84 percent, and 84 percent of the respondents respectively.

Table 2: Factors Affecting Demand for Credit (Percentage, %)

	June 2025			September 2025		
	Increased	Remained Unchanged	Decreased	Increased	Remained Unchanged	Decreased
Internal Financing	8	76	16	3	84	13
Loans from other banks	3	66	32	5	71	24
Loans from non-banks	0	89	11	3	84	13
Issuance of debt securities	3	89	8	0	95	5
Issuance of equity	3	89	8	0	89	11
Cost of borrowing	25	44	31	27	43	30
Available investment opportunities	24	59	16	26	63	11
Retention of the Central Bank Rate (CBR)	43	49	8	54	43	3
Political Risk	3	71	26	0	78	22
COVID – 19 pandemic	0	97	3	0	95	5

Chart 2: Factors affecting demand for credit



2.3. Credit Standards

- In the third quarter of 2025, credit standards remained unchanged in all economic sectors.
- This is presented in Chart 3 and Table 3 below.

Chart 3: Credit Standards

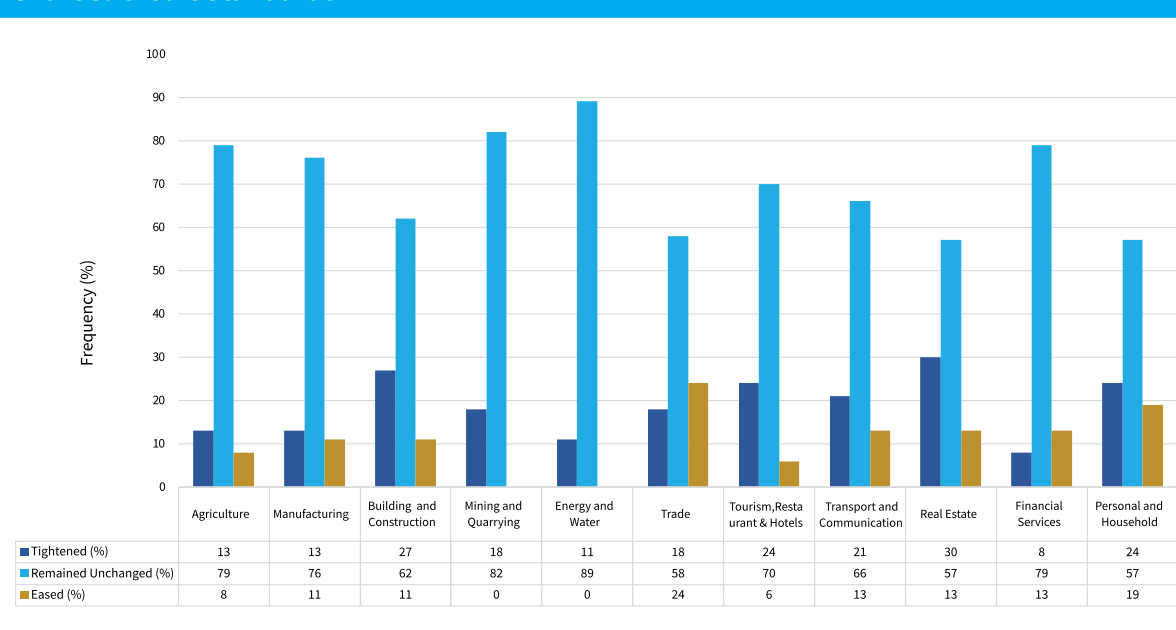


Table 3: Credit Standards for Loans to Various Economic Sectors (Percentage, %)

	June 2025			September 2025		
	Tightened	Remained Unchanged	Eased	Tightened	Remained Unchanged	Eased
Agriculture	11	74	16	13	79	8
Manufacturing	11	74	16	13	76	11
Building and Construction	30	68	3	27	62	11
Mining and Quarrying	21	76	3	18	82	0
Energy and Water	11	84	5	11	89	0
Trade	16	62	22	18	58	24
Tourism, Restaurant and Hotels	22	70	8	24	70	6
Transport and Communication	21	63	16	21	66	13
Real Estate	30	59	11	30	57	13
Financial Services	3	84	14	8	79	13
Personal and Household	24	54	22	24	57	19

2.4. Factors Influencing Credit Standards

- In the quarter ended September 30, 2025, all factors had little impact on credit standards.
- COVID-19 pandemic, Competition from DTMs, Saccos, and other Credit Providers, Investment in Government Securities, and

Political Risks, are the main factors that had no impact on credit standards. These were reported by 92 percent, 86 percent, 82 percent, and 81 percent of the respondents respectively.

- A comparison of the trend in the factors affecting the banks' credit standards are shown in Chart 4 and Table 4.

Chart 4: Factors affecting credit standards

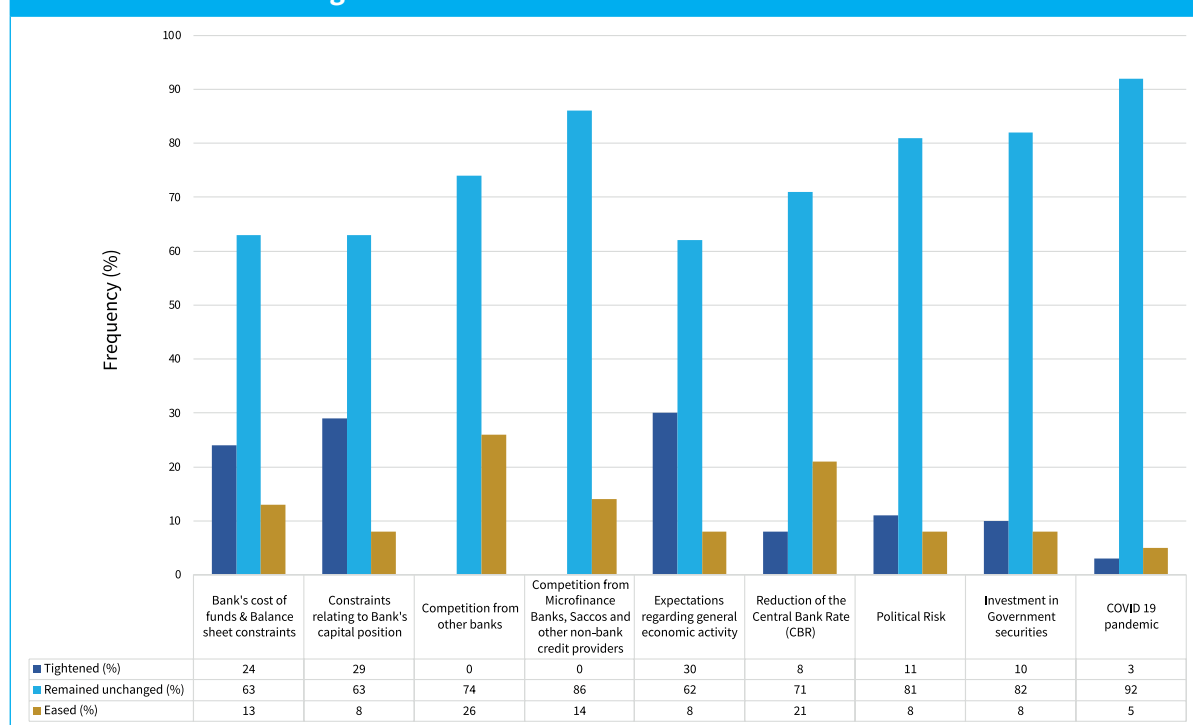


Table 4: Factors affecting credit standards (Percentage, %)

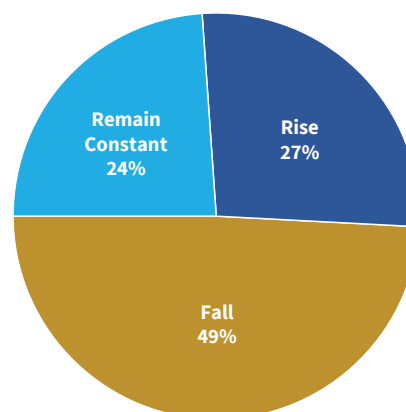
	June 2025			September 2025		
	Tightened	Remained Unchanged	Eased	Tightened	Remained Unchanged	Eased
Bank's cost of funds and Balance sheet constraints	16	71	13	24	63	13
Constraints relating to Bank's capital position	26	66	8	29	63	8
Competition from other banks	0	78	22	0	74	26
Competition from DTMs, Saccos, and other Credit Providers	0	89	11	0	86	14
Expectations regarding general economic activity	35	59	5	30	62	8
Retention of the Central Bank Rate (CBR	5	68	26	8	71	21
Political Risk	16	79	5	11	81	8
Investment in Government Securities	5	87	8	10	82	8
COVID -19 pandemic	0	95	5	3	92	5

2.5. Non-Performing Loans (NPLs)

2.5.1. Expected Movements of Non-Performing Loans in the next quarter

- 40 percent of the respondents indicated that NPLs are likely to fall in the fourth quarter of 2025.
- 27 percent of the respondents expect the level of NPLs to rise, and 24 percent of the respondents expect the level of NPLs to remain constant in the third quarter of 2025. These are depicted in Chart 5.

Chart 5: Expected movements of NPLs in the next Quarter (%)



2.5.2. Expected Non - Performing Loans per sector during the next quarter

- Respondents indicated that the level of NPLs is expected to remain constant in nine economic sectors but increase in

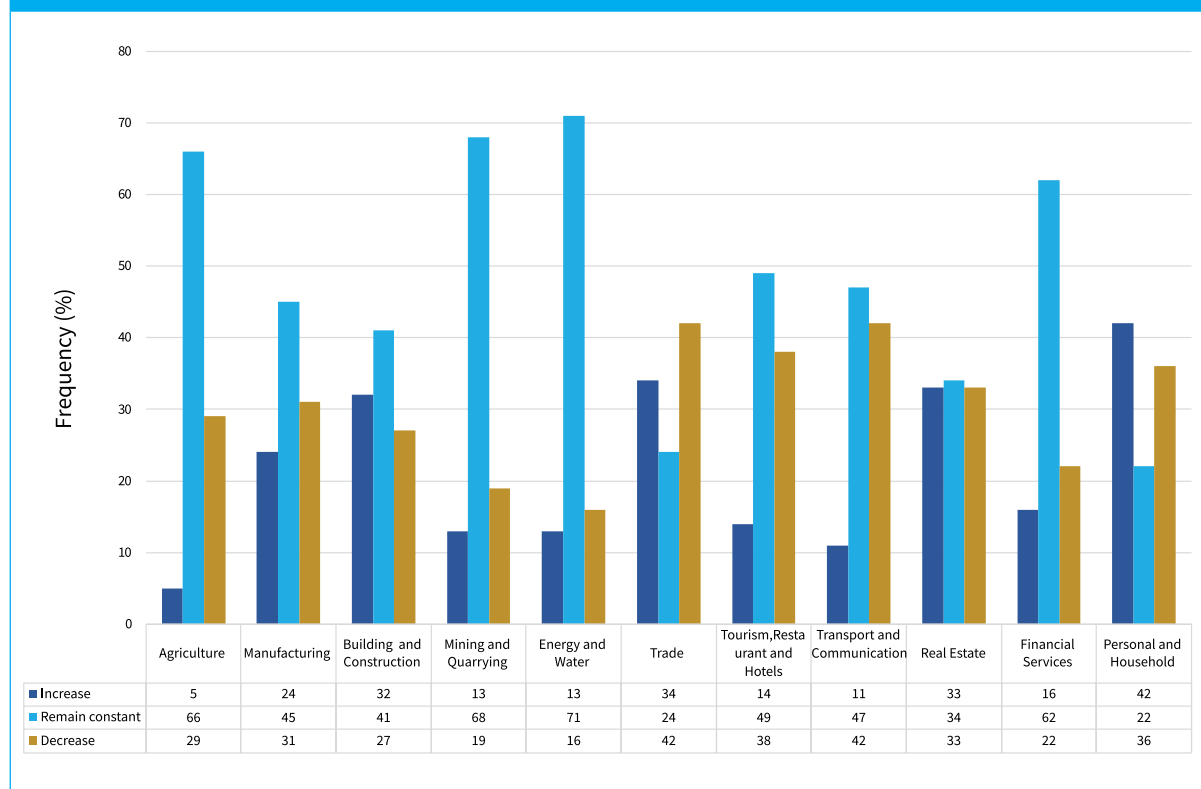
the Personal and Household sector and decrease in the Trade sector during the next quarter.

- Table 5 and Chart 6 depict this.

Table 5: Non Performing Loans Trend Per Economic Sector (Percentage, %)

	June 2025			September 2025		
	Increase	Remain Constant	Decrease	Increase	Remain Constant	Decrease
Agriculture	18	50	32	5	66	29
Manufacturing	34	42	24	24	45	31
Building and Construction	35	35	30	32	41	27
Mining and Quarrying	16	63	21	13	68	19
Energy and Water	11	71	18	13	71	16
Trade	34	34	32	34	24	42
Tourism, Restaurant and Hotels	24	49	27	14	49	38
Transport and Communication	19	53	28	11	47	42
Real Estate	34	37	29	33	34	33
Financial Services	17	61	22	16	62	22
Personal and Household	44	17	39	42	22	36

Chart 6: NPLs per sector



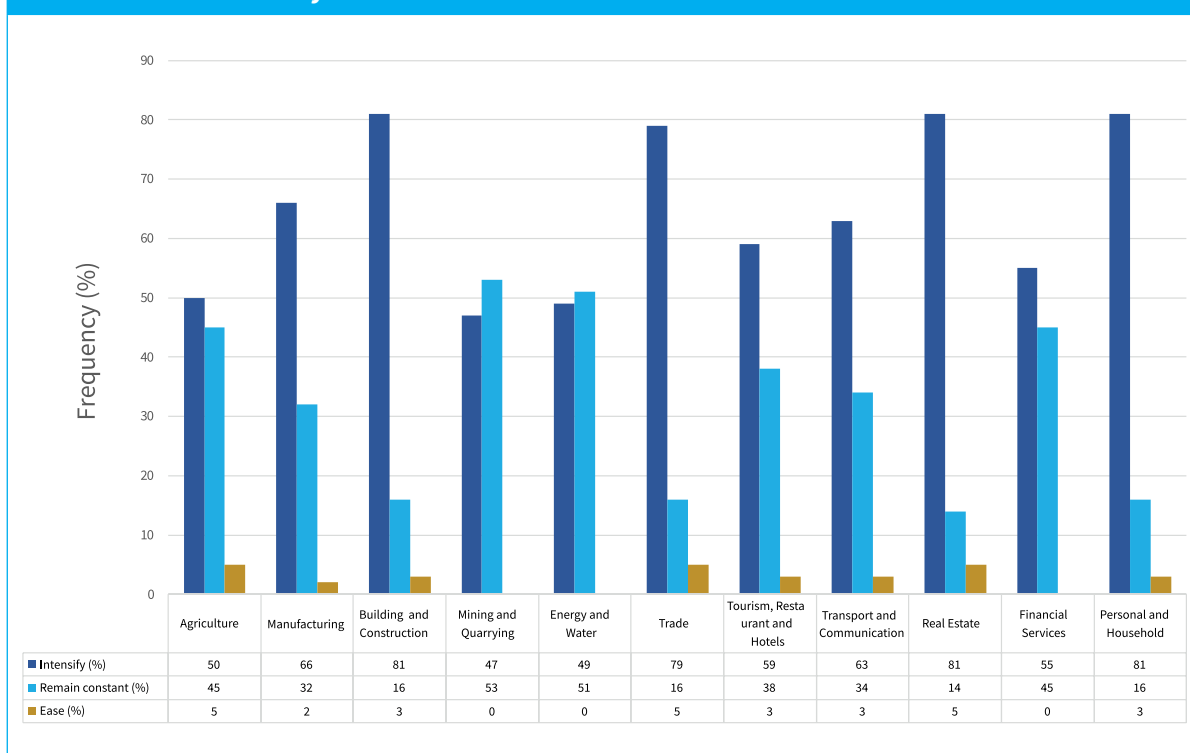
2.6. Credit Recovery Efforts in the next quarter

- For the quarter ending December 31, 2025, banks expect to intensify their credit recovery efforts in eight economic sectors. The intensified recovery efforts are aimed at improving the overall quality of the asset portfolio.
- Credit recovery efforts are expected to remain stable in Mining and Quarrying, and Energy and Water sectors.
- The main sectors that banks intend to intensify credit recovery efforts are:
 - Personal and Household (81 percent).
 - Building and Construction (81 percent).
 - Real Estate (81 percent).
 - Trade (79 percent).
 - Manufacturing (66 percent).
 - Transport and Communication (63 percent)
- The responses on the expected credit recovery efforts by the banks are depicted in Table 6 and Chart 7.

Table 6: Credit recovery efforts (Percentage, %)

	June 2025			September 2025		
	Intensify	Remain Constant	Ease	Intensify	Remain Constant	Ease
Agriculture	53	42	5	50	45	5
Manufacturing	66	34	0	66	32	2
Building and Construction	76	22	3	81	16	3
Mining and Quarrying	50	45	5	47	53	0
Energy and Water	49	49	3	49	51	0
Trade	79	21	0	79	16	5
Tourism, Restaurant and Hotels	65	32	3	59	38	3
Transport and Communication	68	29	3	63	34	3
Real Estate	78	19	3	81	14	5
Financial Services	51	43	5	55	45	0
Personal and Household	84	16	0	81	16	3

Chart 7: Credit recovery efforts



2.7. International Financial Reporting Standard (IFRS) 9 on Financial Instruments

- The International Financial Reporting Standard (IFRS) 9 on Financial Instruments became effective from January 1, 2018. This standard replaced International Accounting Standard (IAS) 39 on Financial Instruments (Recognition and Measurement).
- IFRS 9 introduced a new method of determining provisions for expected losses on loans extended by lending institutions.
- Institutions are required to always recognize expected credit losses and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of financial instruments.
- In the quarter ended September 30, 2025, the Central Bank of Kenya assessed: -

- The challenges banks still experience in the implementation of IFRS 9, and the mitigation measures implemented.
- Whether banks have made any changes in the assumptions used in IFRS 9 and if they are more reliable.

2.7.1. Challenges experienced in the Implementation of IFRS 9

Implementation of IFRS 9 has had some challenges. The prevalent challenges pointed out by the respondents are: -

- Constant model redevelopments that occur with the emergence of new information. This is a costly matter as the banks have to keep improving and updating their existing models.
- Incorporation of forward-looking information.

2.7.2. Mitigation Measures implemented in dealing with challenges faced in the Implementation of IFRS 9

Most banks have adopted a tight credit risk appraisal, ensuring that facilities are well secured and that alternative sources of repayment are available.

Banks have implemented the following mitigation measures: -

- Seeking for additional capital injection to accommodate the rise in Credit Losses.
- Realignment of business models to minimize credit losses on unutilized limits and to enhance efficiency in internal operations.

2.8. International Financial Reporting Standard (IFRS) 16 on Leases

- The International Financial Reporting Standard (IFRS) 16 on Leases became effective from January 1, 2019. This standard replaced International Accounting Standard (IAS) 17 on Leases.
- The main difference between IAS 17 and IFRS 16 is the treatment of operating leases by lessees. Under IAS 17, a lessee was not obligated to report assets and liabilities from operating leases on their balance sheet but instead report the leases as off-balance sheet items. IFRS 16 changes this by requiring lessees to recognize operating leases right of use (ROU) assets and lease liabilities on the balance sheet.
- IFRS 16 aims to improve the quality of financial reporting for companies with material off-balance sheet leases.

2.8.1. Impact of IFRS 16 on Banks' Financial performance and position

Most banks indicated that implementation of IFRS 16: -

- Increased their total assets and total liabilities because of recognition of the right of use asset (ROU) and Lease Liability as per IFRS 16.

- Eliminated rent and service charge expense in banks' income statement, which is covered by the introduction of depreciation on right of use asset and interest expense on lease liability as charges to the income statement.

2.8.2. Financial indicators for Leases

- Following the implementation of IFRS 16 on January 1, 2019, the value of the financial indicators for leases in the banking industry as at September 30, 2025, are indicated in Table 7.

Table 7: Financial elements bank value as at September 30, 2025

Banking Industry (Ksh '000)	June 2025	September 2025	Change
Right of use (ROU) assets	84,120,099.19	45,199,444.97	(38,920,654.22)
Lease liabilities	51,151,621.55	29,968,128.46	(21,183,493.09)
Depreciation of the right of use asset	23,957,863.41	7,554,976.57	(16,402,886.84)
The finance charge associated with the lease liability	1,348,706.08	2,659,613.74	1,310,907.66

2.8.3. Challenges experienced in the Implementation of IFRS 16

- Delays experienced in the lease renewal process leading to the use of estimated lease rates hence inaccuracy of the data.

2.8.4. Mitigation measures on the challenges experienced in Implementation of IFRS 16

- Banks renew their leases on a timely basis to mitigate the challenges experienced in implementing IFRS 16.

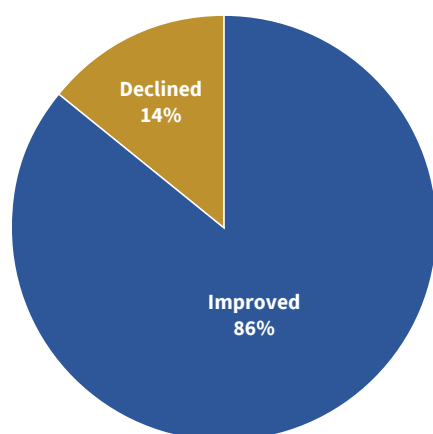
2.9. Liquidity Risk

- Banks were required to state the status of their liquidity positions, factors that led to improved liquidity, their plans with improved liquidity, measures being taken to address deteriorated liquidity and their involvement in interbank activities during the quarter ended September 30, 2025.

2.9.1. Commercial Banks' liquidity positions

During the quarter ending September 30, 2025, 86 percent of the respondents indicated that their liquidity position had improved as indicated in Chart 8.

Chart 8: Movement in liquidity POSITION (%)

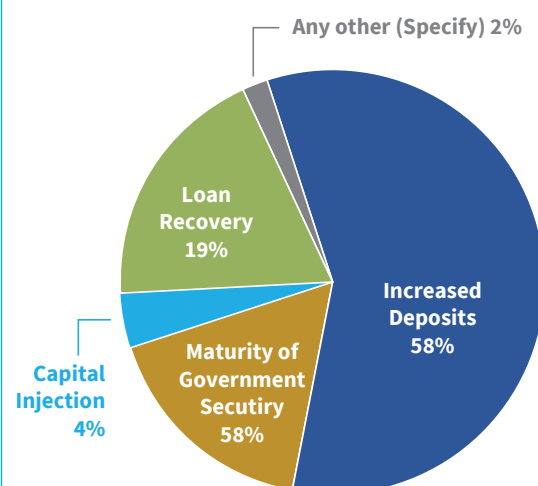


2.9.2. Factors that led to improved liquidity in the quarter under review

- During the quarter ending September 30, 2025, liquidity improved mainly because of: -
 - i. Increased deposits (58 percent).
 - ii. Loan recovery (19 percent).
 - iii. Maturity of government security (17 percent).
 - iv. Capital injection (4 percent).
 - v. Any other (2 percent)

The drivers of improved liquidity are indicated in Chart 9.

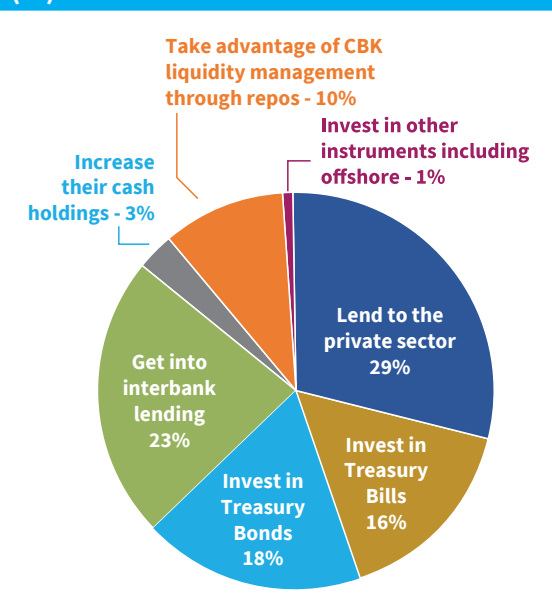
Chart 9: Reasons For Improved Liquidity (%)



2.9.3. Commercial Banks' plans with improved liquidity

- As indicated in Chart 10, with the improved liquidity, it is expected that in the fourth quarter of 2025, credit to private sector will increase as several banks intend to deploy the additional liquidity towards lending to the private sector (29 percent), interbank lending (23 percent), investing in Treasury Bonds (18 percent), investing in Treasury Bills (16 percent), taking advantage of CBK liquidity through repos (10 percent), increase their cash holdings (3 percent), and invest in other instruments including offshore (1 percent).

Chart 10: Plans With Improved Liquidity (%)



2.9.4. Measures being taken by Commercial banks to enhance deteriorated liquidity

- During the quarter ending September 30, 2025, 14 percent of respondents indicated that their liquidity position had declined as indicated in Chart 8.
- Banks have put in place strategies to grow the deposits in the coming quarter.

2.9.5. Commercial Banks' interbank activities during the quarter under review

- During the quarter ending September 30, 2025, 80 percent of respondents indicated that their interbank lending activities increased. This is indicated in Chart 11.
- 81 percent of the respondents indicated that their interbank borrowing decreased as indicated in Chart 12.

Chart 11: Increase in Interbank Lending (%)

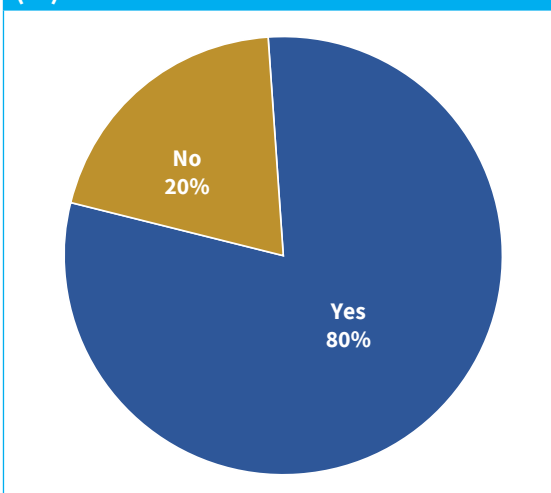
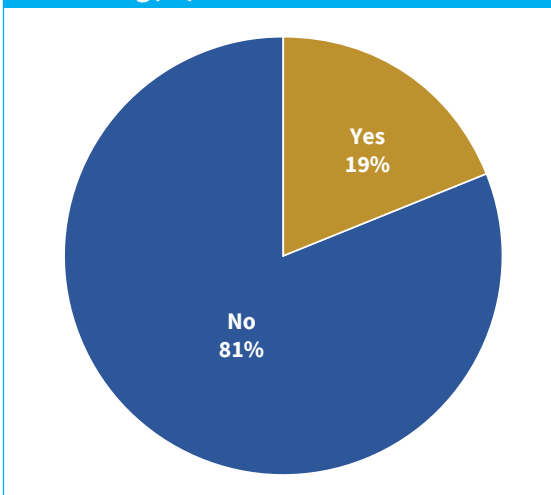


Chart 12: Increase in Interbank Borrowing (%)



2.10. Impact of Coronavirus (COVID-19) Pandemic on the Banking Sector

- The economic impact of COVID-19 was adverse and wide-ranging, disrupting international trade, transport, tourism, and urban services activity. CBK through the credit survey assessed the impact of the pandemic on the banking sector. In the quarter ending June 30, 2025, the survey covered areas relating to: -
 - vi. Adverse impact of the pandemic on the banks.

- vii. Measures banks are taking to curb the adverse impact of the pandemic on banks' business.
- viii. The key risks that have been increased by the pandemic.
- ix. Opportunities that have arisen from the pandemic.

2.10.1. Measures taken by banks to curb the risks of coronavirus pandemic

- Banks have adopted technology in their work activities.
- Increased hygiene in banks' work environment.
- Banks have digitized their customer service.

2.10.2. Key Risks arising from Coronavirus (COVID-19) pandemic on the banks

Some of the key risks increased by the pandemic include:

- **Credit risk:** Challenges of debt repayment, which is mitigated by the loan relief that banks are giving to borrowers which have now expired. Currently banks are still considering restructuring facilities outside the CBK waiver, which means there is likely to be an increase in provisions.
- **Operational risk:** Banks have a reduced workforce on-site and enable other staff to work from home. This leads to unbudgeted costs including Personal Protective Equipment (PPEs) and transport.
- **Cyber security risk:** Due to increase in use of digital platforms to transact.

2.10.3. Opportunities arising from Coronavirus (COVID-19) pandemic on the banks

There has been emergence of alternative working sites, which is a form of development in banks' service delivery.

List Of Respondents

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



Central Bank of Kenya

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