Central Bank of Kenya

Credit Officer Survey

September 30, 2026



CENTRAL BANK OF KENYA COMMERCIAL BANKS' CREDIT OFFICER SURVEY FOR QUARTER ENDED SEPTEMBER 30, 2026

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 53.3 percent in the quarter ended September 30, 2026, an increase from 52.3 percent in the quarter ended June 30, 2026.

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 bank's 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 Officers[1] complete most of the survey and collect input from senior officers responsible for the other aspects. For the quarter ended September 30, 2026, 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] *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.*

1.3 Kenyan Banking Sector Performance

The Kenyan Banking Sector performance recorded a mixed trend in the quarter ended September 30, 2026, compared to the growth in the quarter ended June 30, 2026. Some of the sector's performance indicators are as follows:

- The total assets increased by 1.2 percent to Ksh.8,983.8 billion in September 2026, from Ksh.8,877.4 billion in June 2026.
- Gross loans increased by 3.1 percent from Ksh.4,645.5 billion in June 2026, to Ksh.4,788.4 billion in September 2026. The increase in gross loans was largely witnessed in the Personal and Household, Transport and Communication, and Energy and Water sectors.
- Total deposits increased by 0.8 percent from Ksh.6,670.4 billion in June 2026, to Ksh.6,721.7 billion in September 2026.
- The asset quality, measured by gross non-performing loans to gross loans ratio, improved from 14.8 percent in June 2026, to 13.9 percent in September 2026. This was due to decrease in gross NPLs of 3.5 percent and increase in gross loans of 3.1 percent.
- The capital adequacy ratio increased from 20.0 percent in June 2026, to 20.1 percent in September 2026.
- Quarterly profit before tax increased by Ksh.6.4 billion from Ksh.88.9 billion in the quarter ended June 2026, to Ksh.95.2 billion in the quarter ended September 2026. The increase in profitability was mainly attributable to higher increase in quarterly income of Ksh.14.0 billion (5.3 percent) than increase in quarterly expenses of Ksh.7.7 billion (4.4 percent).

1.4 Summary of Credit Officer Survey Findings

- **Demand for credit:** In the third quarter of 2026, the perceived demand for credit remained unchanged in eight economic sectors. It increased in Trade, Manufacturing, and Personal and Household sectors.
- **Credit Standards[2]:** In the third quarter of 2026, 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 ten economic sectors but decrease in the Trade sector during the next quarter.

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

- **Credit Recovery Efforts**: For the quarter ending December 31, 2026, banks expect to intensify their credit recovery efforts in ten 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 sectors.

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

- Return on Equity (ROE) increased from 24.1 percent in June 2026, to 24.2 percent in September 2026.

- Liquidity in the banking sector decreased from 61.2 percent in June 2026 to 59.2 percent in September 2026. This was well above the minimum statutory ratio of 20 percent.

- **Liquidity risk:** During the quarter ended September 30, 2026, 75 percent of the respondents indicated that their liquidity position had improved. Banks intend to deploy additional liquidity towards lending to the private sector (30 percent), interbank lending (24 percent), investing in Treasury Bills (17 percent), investing in Treasury Bonds (16 percent), taking advantage of CBK liquidity management through repos (10 percent), increase their cash holdings (3 percent), and invest in other instruments including offshore (0 percent).

2.0 SURVEY FINDINGS

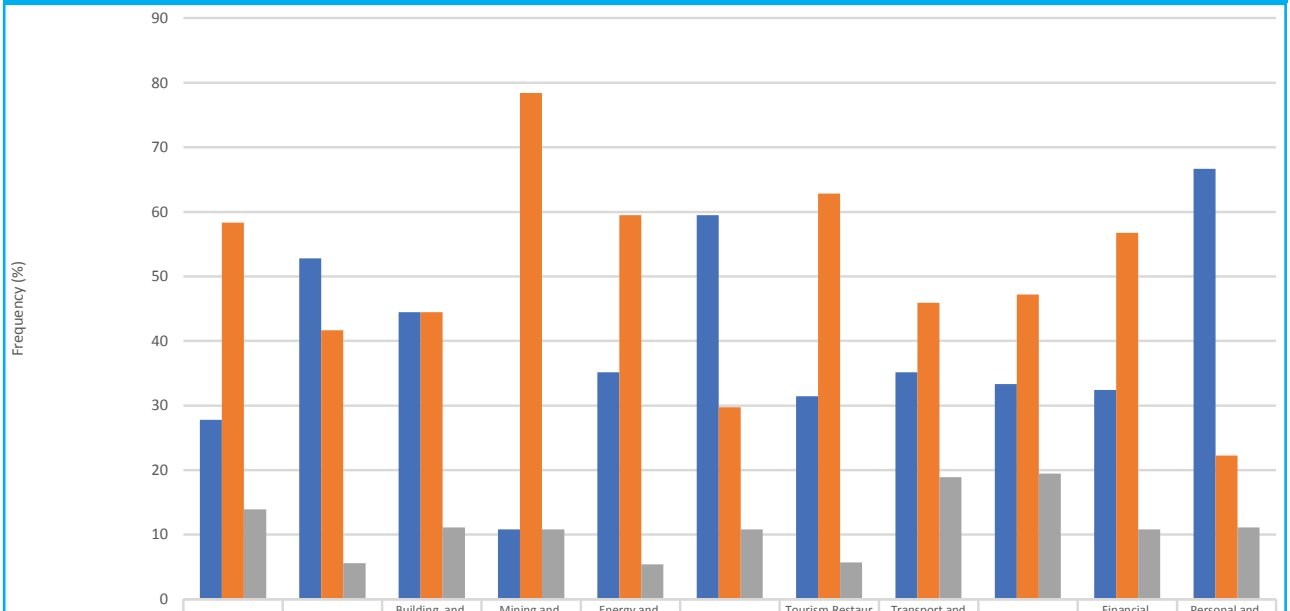
2.1 Demand for Credit

- In the third quarter of 2026, the perceived demand for credit remained unchanged in eight economic sectors. Demand increased in Trade, Manufacturing, and Personal and Household sectors.
- The main sectors with unchanged demand for credit are Mining and Quarrying, Tourism, Restaurant and Hotels, Energy and Water, and Agriculture.
- The perceived increased demand for credit in the Trade, Manufacturing, and Personal and Household sectors 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 2026			September 2026		
	Increased	Remained Unchanged	Decreased	Increased	Remained Unchanged	Decreased
Agriculture	35	49	16	28	58	14
Manufacturing	41	49	11	53	42	6
Building and Construction	42	53	6	44	44	11
Mining and Quarrying	14	84	3	11	78	11
Energy and Water	38	54	8	35	59	5
Trade	65	30	5	59	30	11
Tourism, Restaurant and Hotels	19	56	25	31	63	6
Transport and Communication	32	43	24	35	46	19
Real Estate	28	44	28	33	47	19
Financial Services	38	46	16	32	57	11
Personal and Household	66	29	6	67	22	11

Chart 1: Demand for Credit



	Agriculture	Manufacturing	Building and Construction	Mining and Quarrying	Energy and Water	Trade	Tourism,Restaurant and Hotels	Transport and Communication	Real Estate	Financial Services	Personal and Household
Increased(%)	28	53	44	11	35	59	31	35	33	32	67
Remained Unchanged (%)	58	42	44	78	59	30	63	46	47	57	22
Decreased (%)	14	6	11	11	5	11	6	19	19	11	11

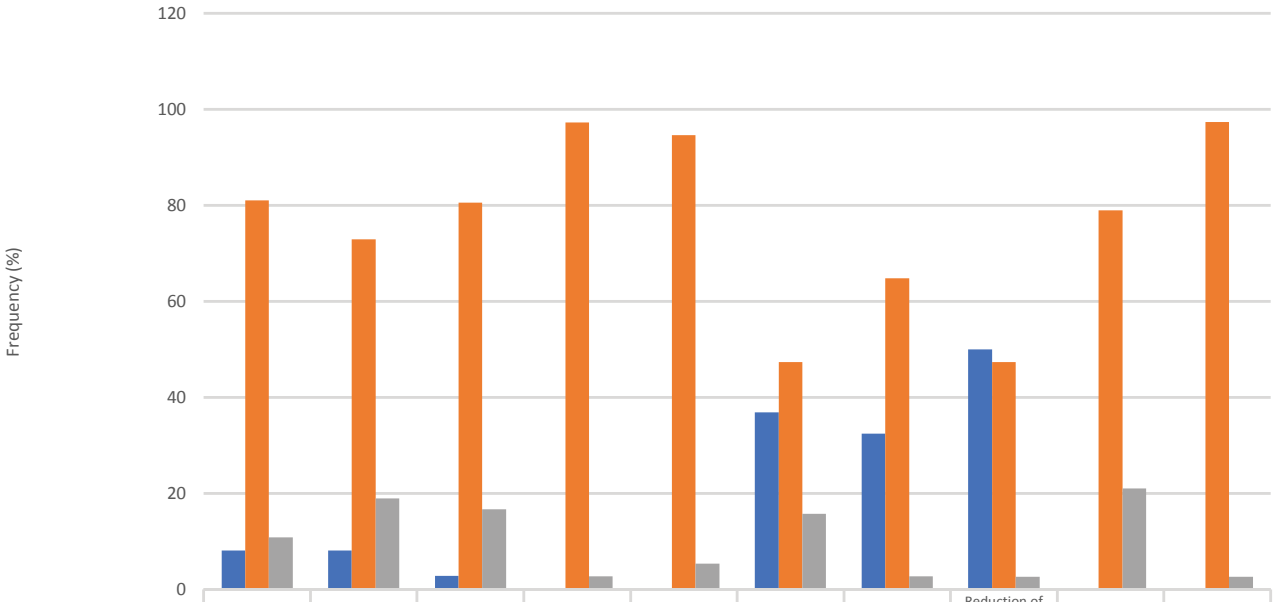
2.2 Factors Affecting Demand for Credit

- In the quarter ended September 30, 2026, nine factors affecting demand for credit had no significant impact. This is depicted in **Table 2** and **Chart 2**.
- Reduction of the Central Bank Rate led to increased demand for credit.
- COVID-19 pandemic, Issuance of debt securities and equity, Internal financing, and Loans from non-banks were cited as having had the least impact on the demand for credit during the quarter under review. These were reported by 97 percent, 97 percent, 95 percent, 81 percent, and 81 percent of the respondents respectively.

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

	June 2026			September 2026		
	Increased	Remained Unchanged	Decreased	Increased	Remained Unchanged	Decreased
Internal Financing	16	68	16	8	81	11
Loans from other banks	8	67	25	8	73	19
Loans from non-banks	9	74	17	3	81	17
Issuance of debt securities	3	89	9	0	97	3
Issuance of equity	3	86	11	0	95	5
Cost of borrowing	38	46	16	37	47	16
Available investment opportunities	30	65	5	32	65	3
Reduction of the Central Bank Rate (CBR)	55	39	5	50	47	3
Political Risk	0	82	18	0	79	21
COVID – 19 pandemic	0	92	8	0	97	3

Chart 2: Factors Affecting Demand for Credit



	Internal Financing	Loans from other banks	Loans from non banks	Issuance of debt securities	Issuance of equity	Cost of borrowing	Available investment opportunities	Reduction of the Central Bank Rate (CBR)	Political Risk	COVID – 19 (Coronavirus) pandemic
Increased (%)	8	8	3	0	0	37	32	50	0	0
Remained Unchanged (%)	81	73	81	97	95	47	65	47	79	97
Decreased (%)	11	19	17	3	5	16	3	3	21	3

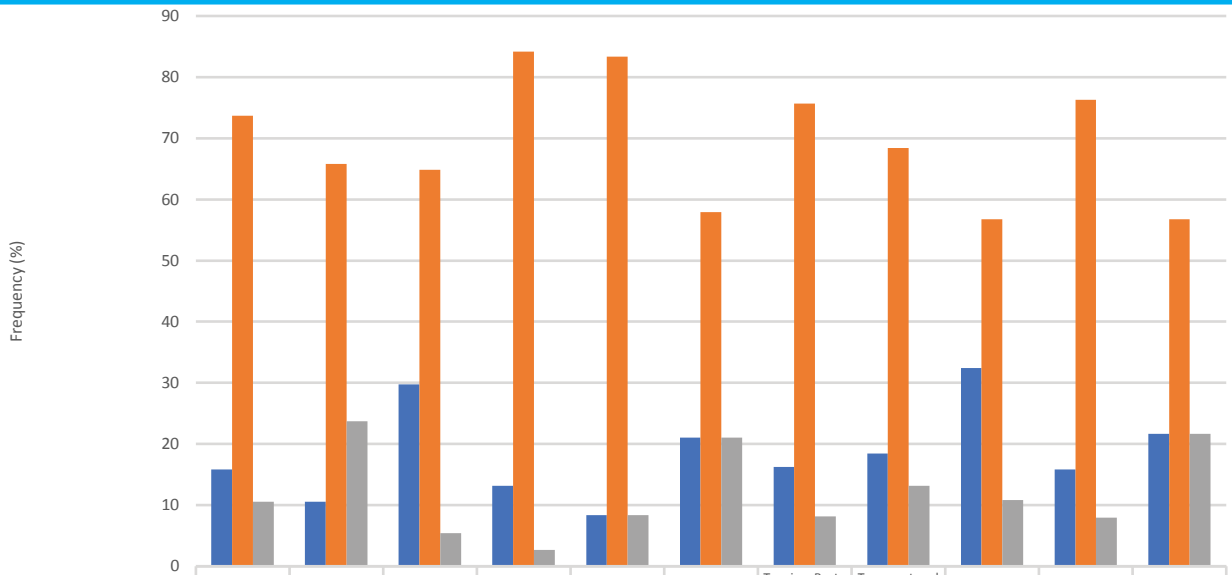
2.3 Credit Standards

- In the third quarter of 2026, credit standards remained unchanged in all economic sectors..
- This is presented in **Table 3** and **Chart 3**.

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

	June 2026			September 2026		
	Tightened	Remained Unchanged	Eased	Tightened	Remained Unchanged	Eased
Agriculture	13	68	18	16	74	11
Manufacturing	13	66	21	11	66	24
Building and Construction	16	73	11	30	65	5
Mining and Quarrying	13	82	5	13	84	3
Energy and Water	11	78	11	8	83	8
Trade	16	55	29	21	58	21
Tourism, Restaurant and Hotels	19	73	8	16	76	8
Transport and Communication	18	71	11	18	68	13
Real Estate	30	62	8	32	57	11
Financial Services	11	79	11	16	76	8
Personal and Household	27	49	24	22	57	22

Chart 3: Credit Standards



	Agriculture	Manufacturing	Building and Construction	Mining and Quarrying	Energy and Water	Trade	Tourism,Restaurant and Hotels	Transport and Communication	Real Estate	Financial Services	Personal and Household
Tightened (%)	16	11	30	13	8	21	16	18	32	16	22
Remained Unchanged (%)	74	66	65	84	83	58	76	68	57	76	57
Eased (%)	11	24	5	3	8	21	8	13	11	8	22

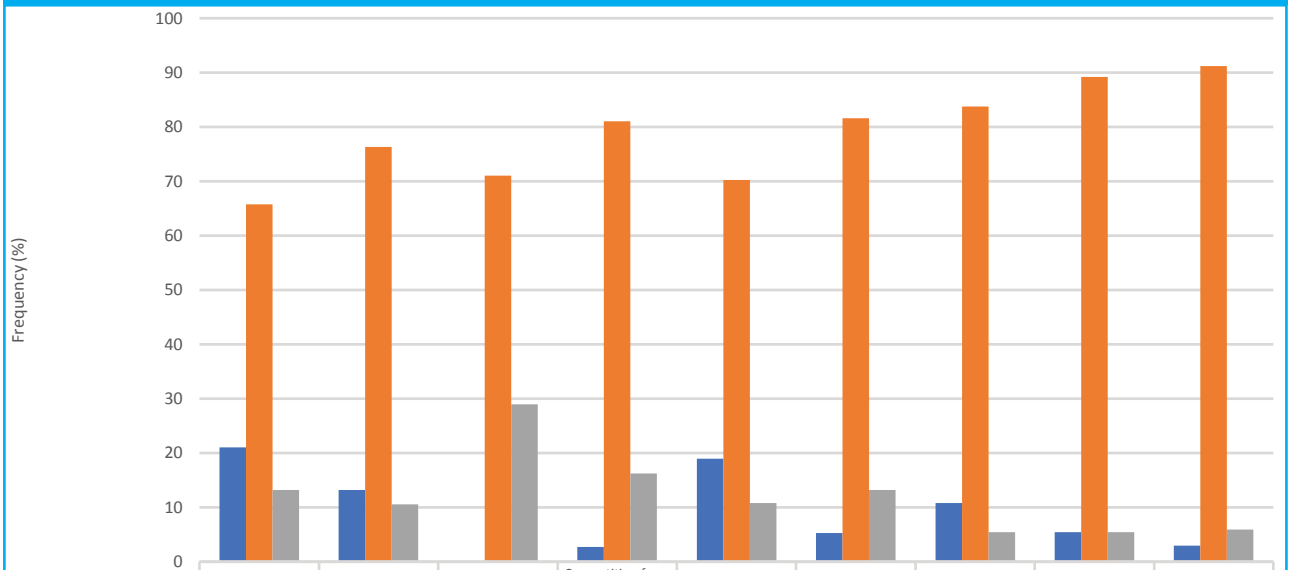
2.4 Factors Influencing Credit Standards

- In the quarter ended September 30, 2026, all factors had little impact on credit standards.
- COVID-19 pandemic, Investment in Government Securities, Political Risks, Reduction of the CBR, and Competition from DTMs, Saccos, and other Credit Providers are the main factors that had no impact on credit standards. These were reported by 91 percent, 89 percent, 84 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 **Table 4** and **Chart 4**.

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

	June 2026			September 2026		
	Tightened	Remained Unchanged	Eased	Tightened	Remained Unchanged	Eased
Bank's cost of funds and Balance sheet constraints	21	66	13	21	66	13
Constraints relating to Bank's capital position	16	74	11	13	76	11
Competition from other banks	0	74	26	0	71	29
Competition from DTMs, Saccos, and other Credit Providers	0	84	16	3	81	16
Expectations regarding general economic activity	24	63	13	19	70	11
Reduction of the Central Bank Rate (CBR)	3	82	16	5	82	13
Political Risk	8	84	8	11	84	5
Investment in Government Securities	5	89	5	5	89	5
COVID-19 pandemic	3	94	3	3	91	6

Chart 4: Factors Affecting Credit Standards



	Bank's cost of funds & Balance sheet constraints	Constraints relating to Bank's capital position	Competition from other banks	Competition from Microfinance Banks, Saccos and other non-bank credit providers	Expectations regarding general economic activity	Reduction of the Central Bank Rate (CBR)	Political Risk	Investment in Government securities	COVID 19 pandemic
Tightened (%)	21	13	0	3	19	5	11	5	3
Remained unchanged (%)	66	76	71	81	70	82	84	89	91
Eased (%)	13	11	29	16	11	13	5	5	6

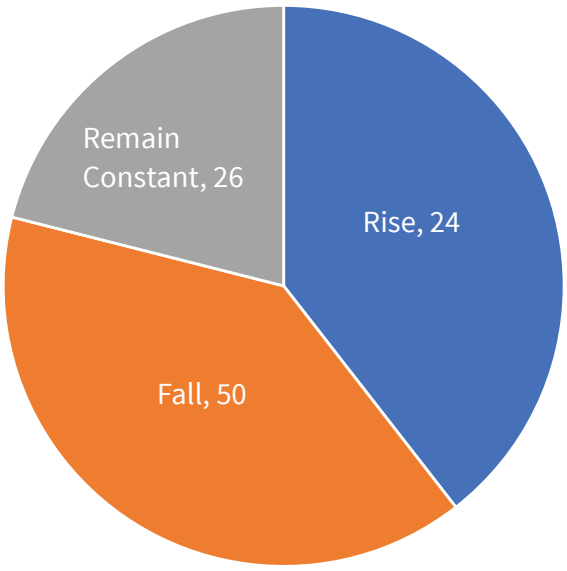
2.5 Non-Performing Loans (NPLs)

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

- 24 percent of the respondents expect the level of NPLs to rise, and 26 percent of the respondents expect the level of NPLs to remain constant in the fourth quarter of 2026. These are depicted in **Chart 5**.

- 50 percent of the respondents indicated that NPLs are likely to fall in the fourth quarter of 2026. .

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



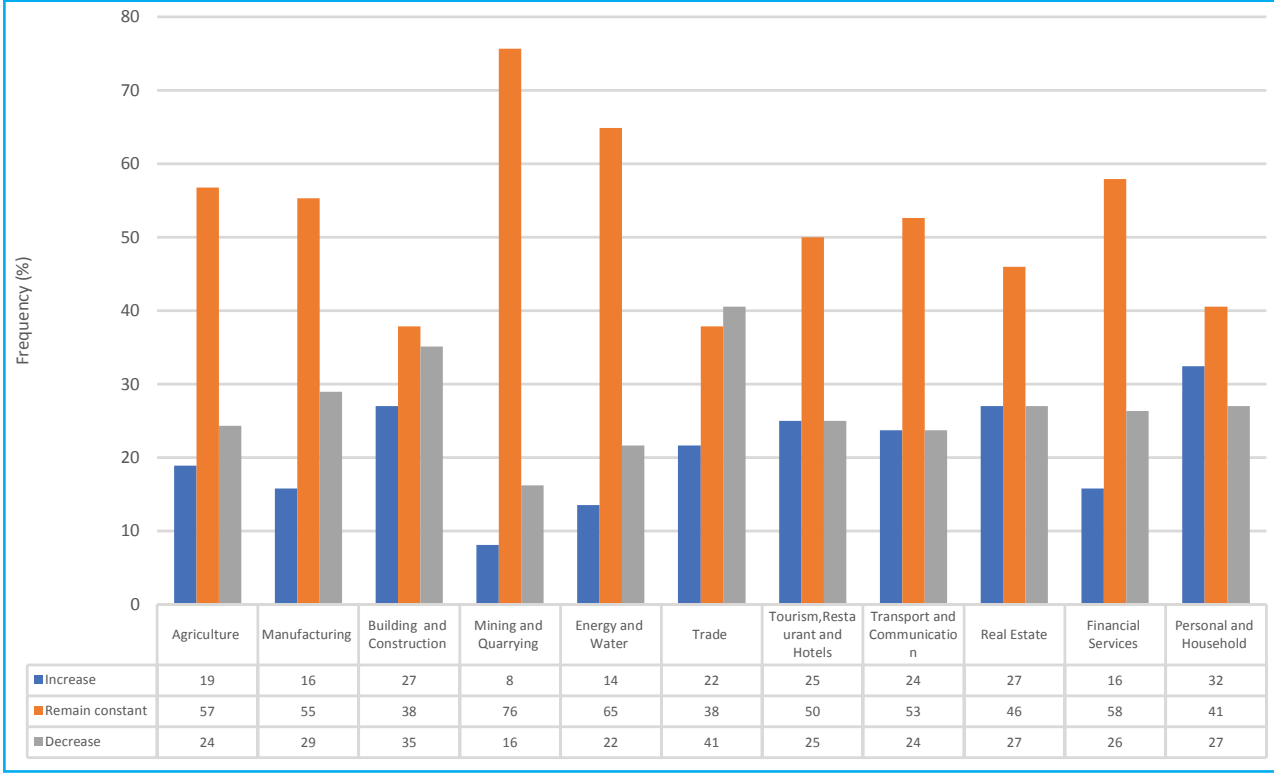
2.5.2 Expected Non-Performing Loans per sector during the next quarter

- Respondents indicated that the level of NPLs is expected to remain constant in ten economic sectors but 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 2026			September 2026		
	Increase	Remain Constant	Decrease	Increase	Remain Constant	Decrease
Agriculture	16	55	29	19	57	24
Manufacturing	21	45	34	16	55	29
Building and Construction	24	35	41	27	38	35
Mining and Quarrying	11	63	26	8	76	16
Energy and Water	19	59	22	14	65	22
Trade	29	32	39	22	38	41
Tourism, Restaurant and Hotels	24	41	35	25	50	25
Transport and Communication	18	45	37	24	53	24
Real Estate	27	46	27	27	46	27
Financial Services	13	53	34	16	58	26
Personal and Household	35	22	43	32	41	27

Chart 6: Non-Performing Loans



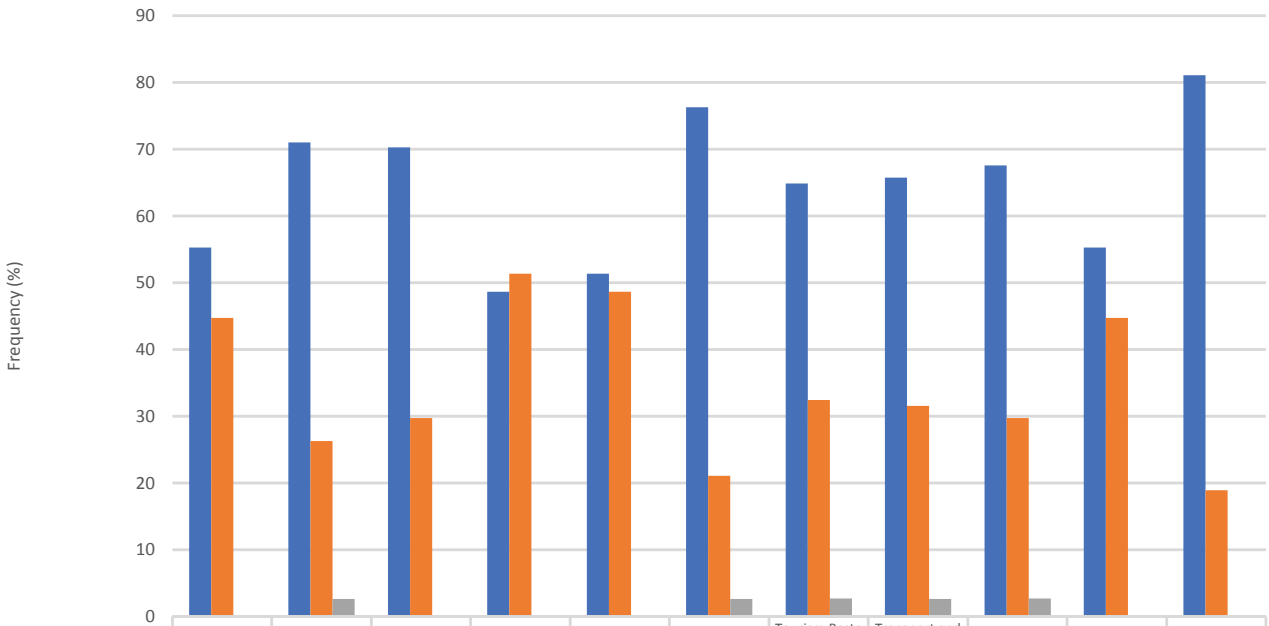
2.6 Credit Recovery Efforts in the next quarter

- For the quarter ending December 31, 2026, banks expect to intensify their credit recovery efforts in ten 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 sector.
- The main sectors that banks intend to intensify credit recovery efforts are:
    i) Personal and Household (81 percent).
    ii) Trade (76 percent).
    iii) Manufacturing (71 percent).
    iv) Building and Construction (70 percent).
    v) Real Estate (68 percent).
    vi) Transport and Communication (66 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 2026			September 2026		
	Intensify	Remain Constant	Ease	Intensify	Remain Constant	Ease
Agriculture	50	47	3	55	45	0
Manufacturing	63	34	3	71	26	3
Building and Construction	68	32	0	70	30	0
Mining and Quarrying	47	50	3	49	51	0
Energy and Water	46	51	3	51	49	0
Trade	79	21	0	76	21	3
Tourism, Restaurant and Hotels	62	32	5	65	32	3
Transport and Communication	63	34	3	66	32	3
Real Estate	70	27	3	68	30	3
Financial Services	50	47	3	55	45	0
Personal and Household	81	17	3	81	19	0

Chart 7: Credit Recovery Efforts



	Agriculture	Manufacturing	Building and Construction	Mining and Quarrying	Energy and Water	Trade	Tourism,Restaurant and Hotels	Transport and Communication	Real Estate	Financial Services	Personal and Household
Intensify (%)	55	71	70	49	51	76	65	66	68	55	81
Remain constant (%)	45	26	30	51	49	21	32	32	30	45	19
Ease (%)	0	3	0	0	0	3	3	3	3	0	0

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, 2026, the Central Bank of Kenya assessed:

  i) The challenges banks still experience in the implementation of IFRS 9, and the mitigation measures implemented.

  ii) 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:

  i) Constant model redevelopments that occur with the emergence of new information. This is a costly matter as the banks must keep improving and updating their existing models.

  ii) 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:

i) Seeking for additional capital injection to accommodate the rise in Credit Losses.

ii) 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, 2026, are indicated in **Table 7**.

Table 7: Financial elements bank value as at September 30, 2026

Banking Industry (Ksh '000)	June 2026	September 2026	Change
Right of use (ROU) assets	45,275,199.42	43,787,973.31	(1,487,226.11)
Lease liabilities	27,707,008.80	27,992,353.32	285,344.52
Depreciation of the right of use asset	6,621,602.24	7,540,521.15	918,918.91
The finance charge associated with the lease liability	2,056,907.37	2,392,902.39	335,995.01

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.

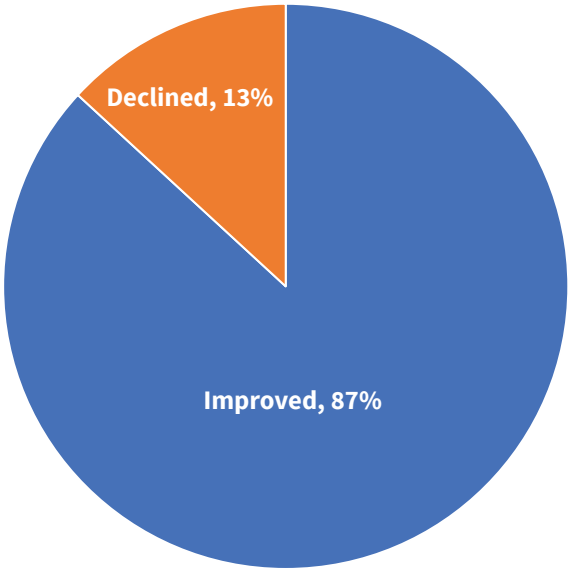
2.9 Liquidity Risk

- 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, 2026.

2.9.1 Commercial Banks' liquidity positions

- During the quarter ended September 30, 2026, 66 percent of 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, 2026, liquidity improved mainly because of:

i) Increased deposits (46 percent).

ii) Loan recovery (26 percent).

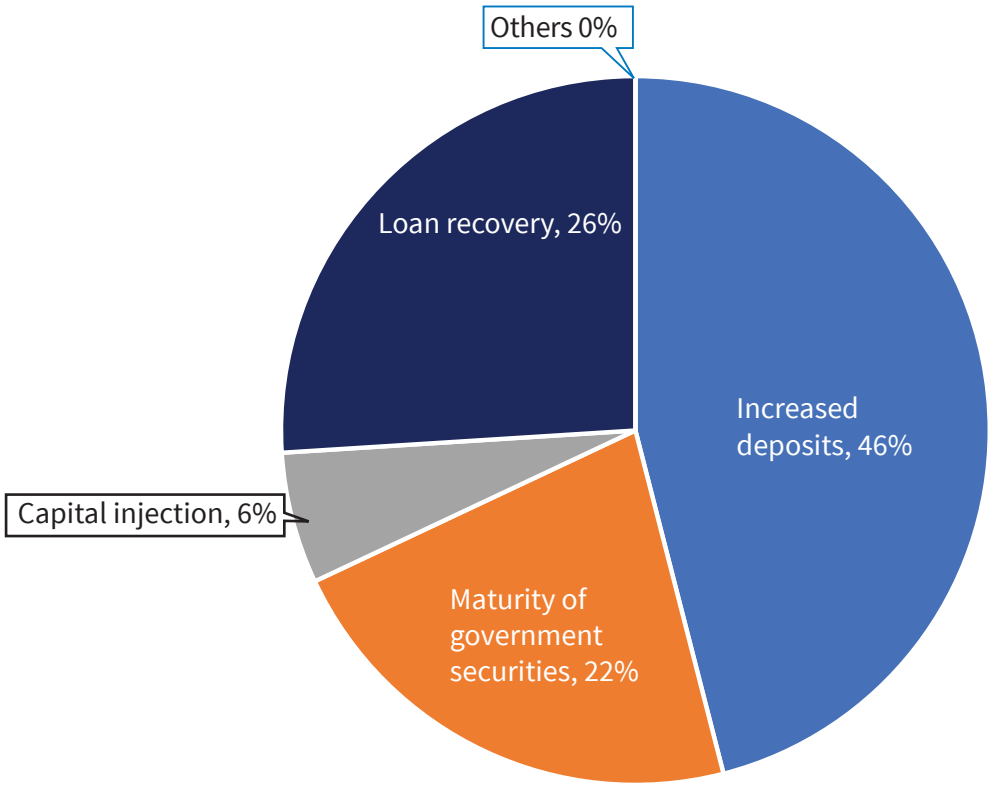
iii) Maturity of government securities (22 percent).

iv) Capital injection (6 percent).

v) Others (0 percent)

The drivers of improved liquidity are indicated in **Chart 9**.

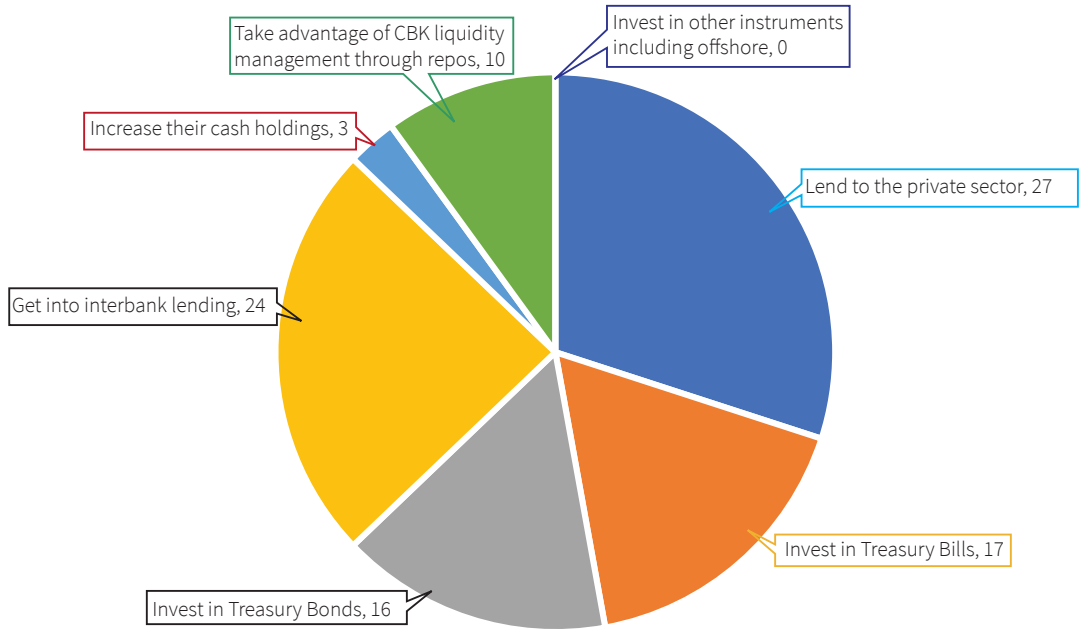
Chart 9: Reasons for Improved Liquidity (%)



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 2026, credit to private sector will increase as several banks intend to deploy the additional liquidity towards lending to the private sector (30 percent), interbank lending (24 percent), investing in Treasury Bills (17 percent), investing in Treasury Bonds (16 percent), taking advantage of CBK liquidity management through repos (10 percent), increase their cash holdings (3 percent), and invest in other instruments including offshore (0 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, 2026, 13 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, 2026, 60 percent of respondents indicated that their interbank lending activities increased. This is indicated in **Chart 11**.
- 75 percent of the respondents indicated that their interbank borrowing decreased as indicated in **Chart 12**.

Chart 11: Increase in Interbank Lending (%)

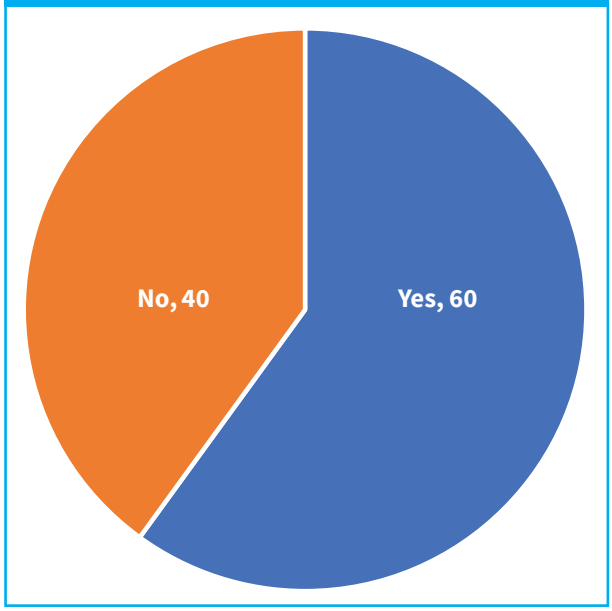
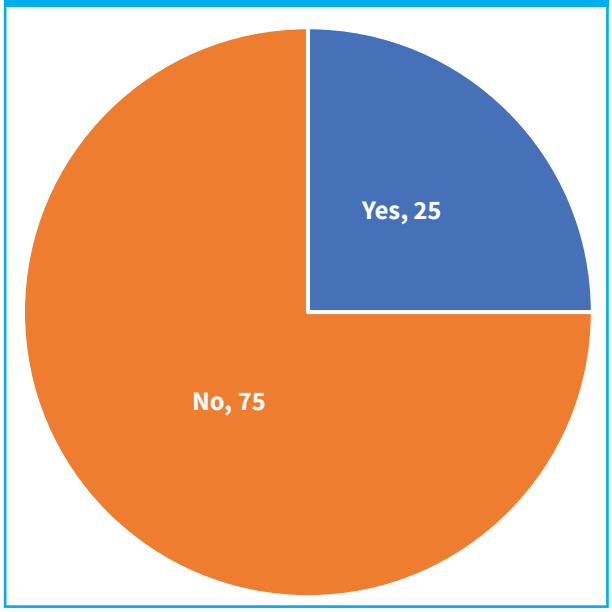


Chart 12: Increase in interbank borrowing (%)



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 September 30, 2026, the survey covered areas relating to:

i) Adverse impact of the pandemic on the banks.

ii) Measures banks are taking to curb the adverse impact of the pandemic on banks' business.

iii) The key risks that have been increased by the pandemic.

iv) 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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