



## PRESS RELEASE

### ISSUANCE OF A REVISED RISK-BASED CREDIT PRICING MODEL

The Central Bank of Kenya (CBK) announces the issuance of a revised [Risk-Based Credit Pricing Model \(RBCPM\)](#) for the banking sector. The final revised RBCPM follows a consultation period [announced](#) on April 23, 2025.

Comments were received from diverse stakeholders including banks, development partners, industry associations, non-bank financial institutions, consultancy firms, academia, corporate firms and individuals. These comments were duly reviewed and considered in finalising the revised RBCPM.

The objective of the revised RBCPM is to strengthen monetary policy transmission, enhance transparency in lending, and promote responsible lending by aligning credit pricing with the borrowers' risk profiles.

The final revised RBCPM is anchored on the overnight interbank average rate, now renamed the **Kenya Shilling Overnight Interbank Average (KESONIA)**, to align it to the international best practices. The overnight interbank average rate (KESONIA) closely aligns with the policy rate (Central Bank Rate) under the current monetary policy implementation framework. Under the revised RBCPM:

- The total lending rate = **KESONIA + Premium ("K")**,  
where the **premium** includes the costs related to lending, return to shareholders, and the risk profile of the borrower.
- The total cost of credit = **KESONIA + K + Fees and Charges<sup>1</sup>**.

KESONIA will be applicable to all variable rate loans except for foreign currency denominated loans and fixed rate loans. Where KESONIA is not practical, customers may be availed the use of the Central Bank Rate (CBR) as the alternative reference rate.

The revised RBCPM will take effect from September 1, 2025, for all new variable rate loans. As for existing variable rate loans, the revised RBCPM will take effect from February 28, 2026, at the end of a 6-month transition period for finalisation of the necessary arrangements.

To ensure transparency, the banks will publish on their websites and on the [Total Cost of Credit \(TCC\) website](#), their weighted average lending rates, weighted average premium (K), and fees and charges for each of their lending products.

The Frequently Asked Questions (FAQs) on KESONIA are attached as **Appendix I**.

**CENTRAL BANK OF KENYA**  
**AUGUST 26, 2025**

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<sup>1</sup> Fees and Charges include origination, processing, negotiation, and commitment fees.

## **APPENDIX I**

### **FREQUENTLY ASKED QUESTIONS**

#### **What is KESONIA?**

- KESONIA stands for the Kenya Shilling Overnight Interbank Average. It is a transaction-based benchmark rate reflecting the average interest rate at which banks in Kenya lend and borrow unsecured overnight funds in Kenyan Shillings.

#### **Is KESONIA a new rate?**

- No. KESONIA is a formal renaming of the existing overnight interbank average rate. The methodology remains unchanged and continues to reflect actual overnight interbank lending transactions.

#### **Why was the name changed?**

- The name change aligns with international benchmark reform practices and provides a clearer identity for Kenya's risk-free reference rate, consistent with global standards such as the Sterling Overnight Index Average (SONIA) of UK, and the Secured Overnight Financing Rate (SOFR) of US.

#### **Does KESONIA affect how the overnight interbank weighted average rate is calculated?**

- No. There are no methodological changes. The rate continues to be calculated as a volume-weighted average of overnight interbank transactions.

#### **What is KESONIA compounded in arrears?**

- KESONIA compounded in arrears refers to calculating interest by compounding the daily overnight rate in each day over an interest period.

#### **Will KESONIA be the only rate in use?**

- KESONIA will be applicable to all variable rate loans except for foreign currency denominated loans and fixed rate loans. Where KESONIA is not practical, the customers may be availed of the use of Central Bank Rate (CBR) as the alternative reference rate.

#### **What if KESONIA data is unavailable?**

- Fallback to CBR is allowed for that period. Contracts should provide for this contingency.

#### **Is KESONIA a risk-free rate?**

- Yes. It reflects overnight unsecured lending among banks, with minimal term or credit risk.

**Will contracts or systems need to be updated?**

- Yes. Commercial banks will update internal documentation, system references, pricing models, and legal agreements to reflect the KESONIA naming convention going forward.

**What are the broader implications of adopting KESONIA?**

- Adopting KESONIA supports a broader shift to international best practices on benchmark reference rate frameworks. It lays the foundation for further developments such as term rates, KESONIA-linked financial products, and a domestic derivatives market.

**Where will KESONIA be published?**

- KESONIA will be published daily by the Central Bank of Kenya on its website and included in relevant market data feeds and reports.

**Does the KESONIA framework apply to existing loans and previously negotiated agreements?**

- The revised RBCPM will take effect from September 1, 2025, for all new variable rate loans. As for existing variable rate loans, the revised RBCPM will take effect from February 28, 2026, at the end of a 6-month transition period for finalisation of the necessary arrangements.