



# Innovate, Adapt, Thrive

2025 Eastern Africa Banking Survey



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# Foreword

The East African banking sector is at a defining moment. As we look ahead to 2026 and beyond, the region's economies are navigating a complex and evolving global landscape, marked by geopolitical uncertainty, shifting trade dynamics, and the lingering aftershocks of the COVID-19 pandemic. Yet, amid these challenges, the East African banking sector continues to demonstrate remarkable resilience and potential.

Our 2025 East Africa Banking Survey captures the perspectives of senior banking executives across five countries: Kenya, Uganda, Tanzania, Rwanda, and Mauritius. The findings reflect a sector that is cautiously optimistic, strategically focused, and increasingly future-oriented. While short-term macroeconomic pressures persist, including currency volatility, rising public debt, and regulatory uncertainty, there is a clear belief in the region's long-term growth trajectory.

The economic outlook remains mixed. Inflation has moderated in several markets, but fiscal tightening and exchange rate pressures continue to weigh on business confidence. Nevertheless, East Africa's youthful population, expanding digital infrastructure, and deepening regional integration offer a strong foundation for sustainable growth. The challenge for banks is to navigate the near-term competitive and regulatory pressures while transforming to position themselves for emerging opportunities.

The survey reveals four key themes shaping the future of banking in East Africa:

Digital transformation is accelerating but remains largely evolutionary. Banks are digitising with discipline, prioritising customer experience, operational efficiency, and cybersecurity over radical reinvention.

Business models are changing. Client-centricity is driving innovation. Institutions are investing in mobile-first platforms, omnichannel capabilities, and alternative credit models to meet the evolving expectations of a tech-savvy customer base. Strategic partnerships are becoming essential. Collaborations with fintechs, telcos, and regional peers are enabling banks to scale, diversify, and innovate more rapidly.

Regulation remains a key consideration. Adapting to changes in regulation while managing third-party risk is a growing priority. Senior executives are taking measures to ensure the fundamentals of their institutions are sound, in the face of growing scrutiny around capital adequacy, liquidity and competitive behaviour.

Sustainability and ESG are moving to the core. Banks are increasingly integrating ESG into their strategies, recognising it as a lever for long-term value creation, not just regulatory compliance.

This year's survey also highlights a critical insight: transformation is no longer about technology alone. It is about rethinking business models, building internal capabilities, and fostering a culture of agility and innovation. The institutions that will lead in the coming decade are those that can balance short-term resilience with long-term reinvention.

At PwC, we are proud to partner with financial institutions across East Africa as they navigate this journey.

We hope this report provides valuable insights to inform your strategy, spark new ideas, and support your transformation agenda. Let us continue to collaborate, challenge convention, and shape a banking sector that is inclusive, resilient, and future-ready.

# 01 Introduction Methodology

To develop the insights presented in this report, PwC conducted a regional survey involving banks operating in Kenya, Uganda, Tanzania, Zambia, and Mauritius.

The majority of respondents were senior decision-makers responsible for finance, risk, and compliance functions, among others. This mix of roles provided a comprehensive view of strategic priorities and operational challenges within the sector.

The survey explored a wide range of topics, including the current state of the banking industry, cybersecurity, emerging technologies, and the future outlook for banking.

Respondents were asked to rank issues on scales of significance and concern, and to select key drivers and priorities from predefined lists, with options to provide additional comments.

To analyse the responses, we applied a weighted average approach to identify the most critical issues both across the region and within individual countries. In addition, to enrich the findings, we complemented survey data with interviews and discussions with industry stakeholders and reviewed financial statements and sector reports. These additional sources provided context and helped validate the survey insights.

Table 1: Survey Participation

|                                      |   |
|--------------------------------------|---|
| Geographic Coverage                  | Kenya, Tanzania, Rwanda, Uganda, and Mauritius.   |
| Institutions Surveyed                | Commercial Banks and Development Banks.   |
| Target Respondents                   | Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), and Chief Risk Officers (CROs). |
| Total Participating Countries        | 5   |
| Total Responses Received             | 50  |
| Number of institutions who responded | 44  |

# 02 Economic outlook

## Economic Outlook: Banking on Growth Amid Complexity

Economies in Eastern Africa are navigating a complex global environment. Still recovering from COVID-19 shocks, they now face supply chain disruptions linked to conflicts in key trade corridors and the withdrawal of foreign aid for social programs.

At the same time, global dynamics are shifting in ways that could reshape the economic order that has governed international trade and finance for over 80 years.

Rising protectionism and realignment of alliances create uncertainty, but they also offer economies in Eastern Africa a chance to redefine their role in regional and global commerce.

Locally, the Eastern Africa economic environment is more complex than ever for businesses and policymakers.

Rising costs and slower decision-making weigh heavily, while exchange rate volatility, fiscal tightening, and growing sovereign debt add pressure on governments to balance growth with discipline. These dynamics are reshaping the banking sector, influencing credit pricing, liquidity management, and capital adequacy.

Banks are also contending with tighter monetary policy in some jurisdictions.

While lending rates have stabilized in Kenya and Uganda, they remain restrictive, affecting borrowing costs and dampening credit appetite.

In contrast, Mauritius and Rwanda have adopted more accommodative approaches, creating divergent monetary conditions across the region.

Yet, amid these headwinds, strong demographics, expanding digital infrastructure, regional integration, and deepening financial ecosystems provide a solid foundation for long-term growth.

The challenge, and opportunity, lies in managing short-term constraints while investing strategically for sustainable recovery and transformation.

In 2025, East Africa's banking sector faces a landscape that is challenging but full of promise. Survey findings reflect this dual reality.

More than half of respondents expressed a neutral outlook for the next 12 months, but optimism rises significantly over a three-year horizon.

Economies in Eastern Africa are navigating a complex global environment. Still recovering from COVID-19 shocks, they now face supply chain disruptions linked to conflicts in key trade corridors and the withdrawal of foreign aid for social programs.



The World Bank emphasizes that medium-sized and large enterprises - critical for productivity and job creation - are struggling to scale due to elevated interest rates and weak infrastructure.

This confidence underscores a belief that, despite near-term headwinds, the East African banking sector is well-positioned to capture opportunities and drive economic transformation.

Optimism is anchored in fundamentals: a youthful, tech-savvy population and widespread mobile adoption are fuelling demand for digital banking, instant payments, and alternative credit scoring. Institutions that deliver seamless, tech-enabled experiences stand to gain market share and deepen financial inclusion. Another key factor is the potential to grow the customer base in the region. Kenya leads in financial inclusion, but vast untapped potential remains in Ethiopia, the DRC, and parts of Tanzania and Uganda. Large unbanked populations present growth opportunities, and partnerships with fintechs and mobile operators are accelerating access.

Moreover, margin pressures are pushing banks beyond traditional lending. Institutions are exploring fee-based services such as bancassurance, wealth management, SME platforms, and embedded finance. These innovations strengthen customer relationships and create new revenue streams, helping banks differentiate in an increasingly competitive landscape. Banks are also pursuing regional strategies, leveraging shared services and regulatory harmonization under East African Community ("EAC") and African Continental Free Trade

Area ("AfCFTA") frameworks. This expansion diversifies risk and supports businesses seeking cross-border markets, reinforcing East Africa's role as a regional hub.

As margins tighten, banks are looking beyond traditional lending and deposit-taking.

Survey data shows growing interest in partnerships with third parties to deliver auxiliary services such as bancassurance, wealth management, SME platforms and embedded finance, as well as unique customer experiences.

These services are helping banks deepen customer relationships, generate fee-based income, and differentiate themselves in an increasingly competitive landscape.

Despite optimism, structural challenges persist. Rising public debt is crowding out private sector credit, increasing borrowing costs and limiting growth. High non-performing loans ("NPLs"), especially in real estate, agriculture, and Small and Medium Sized Enterprises ("SMEs"), drag on profitability and capital adequacy. For instance, the World Bank's October 2025 Africa's Pulse report highlights that the Sub Saharan Manufacturing sector remains constrained by high borrowing costs, power outages, and logistics bottlenecks.

The World Bank emphasizes that medium-sized and large enterprises - critical for productivity and job creation - are struggling to scale due to elevated interest rates and weak infrastructure.

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Kenya has experienced significant macroeconomic challenges in the last 2 years where economists had projected that Kenya would default in its debt obligations. Although this did not happen, because of this perception, the sovereign risk rating for the country deteriorated resulting in a premium in the cost of debt.

This has had a ripple effect in the economy.

The increasing commitments on servicing government debt have led to significant levels of unpaid government bills, creating a strain in the economy. Banks have experienced unprecedented levels of Non-Performing Loans (NPL) which stood at 17.6% as at June 2025 and this has led to a contracting loan portfolio within the industry.

There are signs of recovery starting from quarter three of the year and if this continues, there will be improvements in FY26.



**Kariuki Ngari**

Managing Director and Chief Executive Officer,  
Standard Chartered Kenya

Frequent tax policy changes and growing compliance burdens create uncertainty for banks and borrowers alike. Global factors, such as potential Africa Growth and Opportunity Act (“AGOA”) lapse, renewed U.S. tariffs, and aid withdrawal compound these risks.

Meanwhile, frequent tax policy changes and growing compliance burdens create uncertainty for banks and borrowers alike. Global factors, such as potential Africa Growth and Opportunity Act (“AGOA”) lapse, renewed U.S. tariffs, and aid withdrawal compound these risks. FDI flows are shifting, with Kenya seeing declines while Uganda and Tanzania attract capital into oil, gas, and infrastructure. Banks must also manage trade finance and FX liquidity risks amid supply chain disruptions linked to Red Sea and Horn of Africa conflicts. These headwinds underscore the need for predictable policy frameworks and stronger institutional capacity.

It is within this context that we conducted the 2025 East Africa Banking Survey, capturing the

perspectives of senior banking executives across the region and offering a timely, data-driven view of how institutions are responding to a rapidly evolving economic and regulatory landscape. The insights reveal both optimism and caution shaping strategic decisions in 2025.

The sections that follow explore key themes emerging from the survey, from digital transformation and cybersecurity to ESG integration, third-party risk management, and the growing role of partnerships and innovation.

Together, these findings paint a picture of a sector in transition: embracing change, rethinking operating models, and positioning itself for long-term resilience and relevance in a dynamic regional economy.



# 03 Key themes

## 1. Technology and Digital Transformation

### Introduction

Commercial Banks across Eastern Africa are digitising with discipline, not disruption. Banks in the region are adopting digital transformation in a structured, cautious and strategic way making incremental changes to existing systems rather than radical changes that could transform their operating models. They are streamlining existing processes, shifting everyday transactions to digital channels and tightening fraud controls, while keeping core operations largely unchanged. The digital shift is underway, but for now, its character is evolutionary rather than revolutionary.

# 01

### Optimism about technology

Banks are generally confident that tech will help them grow.

# 02

### Motivation is primarily client-centric, not cost led

Improving service is a bigger priority than cutting costs.

# 03

### Banks are focused on strengthening rather than reinventing the core

Improving service is a bigger priority than cutting costs

# 04

### Collaborative stance on mobile money platforms

Banks are choosing to work with mobile money providers rather than compete with them.

# 05

### Strong focus on cybersecurity

Cybersecurity is seen as critical to enabling safe digital expansion, and banks are investing accordingly.

Respondents to our survey signalled five key insights about their digital strategies which define how banks in Eastern Africa are positioning themselves in respect of technology and digital transformation. We explore these insights below, alongside perspectives on areas beyond the survey. These include the impact of generative Artificial Intelligence (“AI”), blockchain technology and the strategic role of cloud technology.



# 92%

of respondents report being concerned or extremely concerned about the pace of change, with 44% expressing extreme concern.

# 70%

of respondents say digitising operations is a top priority, and the same proportion plan to significantly increase their investment in digital transformation over the next three years.

# 66%

of respondents expect >75% of transactions will be processed electronically by 2028.

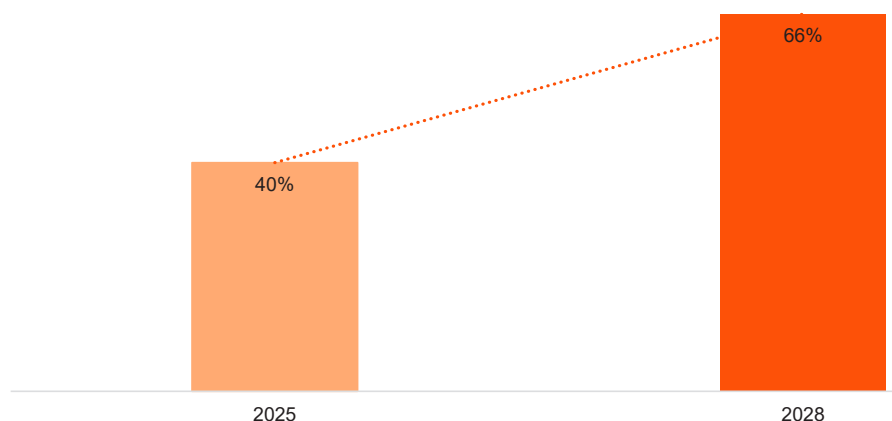
## a. Banks are thinking about technology with more optimism than anxiety

Banks across Eastern Africa are navigating the dual realities of technological disruption and opportunity. On one hand, concern about the speed of technological change is widespread. A striking 92% of respondents are either “concerned” or “extremely concerned” about the pace of change, with 44% expressing extreme concern. Specific risks such as AI misuse and crypto-related money laundering were flagged by a small number of respondents.

Despite this, the survey respondents recognise the opportunity presented by technology, and are responding with decisive action and strategic investment. Digitising operations is a top priority for 70% of respondents, with an equal proportion planning to significantly ramp up investment in digital transformation over the next three years. Additionally, 60% expect digital platforms to deliver measurable improvements in operational efficiency within just 12 months, highlighting a strong belief in the potential of their technology investments to deliver results even in the short term.

This optimism is further reflected in transaction trends. At present, 40% of respondents report that more than 75% of their customer transactions are processed electronically. Looking ahead, 66% of respondents anticipate crossing that same threshold within the next three years, demonstrating an appreciation of the importance of digital channels to their business and commitment to ensuring this transition takes place.

**Figure 1: Percentage of respondents expecting >75% of their transactions to be electronic within the next 3 years.**



While banks in Eastern Africa are optimistic about the operational benefits of technology, they appear to be underestimating its broader economic potential. The survey data shows that only 32% of respondents view technology as a key driver of regional growth over the next 12 months, rising moderately to 38% over a three-year horizon.

While banks in Eastern Africa are optimistic about the operational benefits of technology, they appear to be underestimating its broader economic potential. The survey data shows that only 32% of respondents view technology as a key driver of regional growth over the next 12 months, rising moderately to 38% over a three-year horizon. This suggests that the banks expect the returns from digital transformation to be felt on a smaller scale within their own institutions, rather than more broadly in the economies they operate in.

This view of technology appears quite cautious and is reflected in how banks in Eastern Africa are adopting digital tools. The survey data reflects a trend towards conventional technologies like mobile banking, internet platforms, and basic data analytics, while more transformative technologies such as cloud platforms and AI are on the radar but comparatively less prominent. In contrast, insights from CEOs worldwide, as captured in PwC's 28th Annual CEO Survey, show that many are actively investing in generative AI and are already reaping the benefits from their investments. Without a reconsideration of the role of technology in their businesses, banks in Eastern Africa may remain focussed on incremental improvements, potentially missing out on the broader value technology can unlock.



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Banks that fail to embrace continuous digital reinvention risk losing relevance; competitive agility and superior customer experiences come only through relentless transformation that is inclusive, strategic, and targeted, ensuring it is truly value-adding.



**Laolu Akindede**

Partner, Technology Consulting Leader, Eastern Africa, PwC

# 459M

mobile money accounts position East Africa as the continent's leader, with transactions totaling USD 649 billion in 2024, according to GSMA's State of the Industry Report on Mobile Money 2025.

## b. Motivation is primarily client-centric

Mobile-first banking dominates East Africa, with mobile money platforms driving financial inclusion and innovation. According to GSMA's State of the Industry Report on Mobile Money 2025, the region leads the continent with approximately 459 million accounts and transactions worth USD 649 billion in 2024. This surge reflects evolving customer expectations for speed, seamless access, and personalized experiences. In response, banks are investing in omnichannel capabilities and embedding digital solutions across their operations to remain competitive.

Survey data confirms that client-centricity is the primary driver of digital transformation, supported by three findings. First, digitization is a top strategic priority, with 70% of respondents ranking it among their top three imperatives. Second, customer needs shape investment decisions, as 64% of banks cite meeting expectations as critical, and 82% express concern about changing consumer behavior. Third, the technologies being prioritized are customer-facing, including omnichannel platforms, mobile and internet banking, and open banking APIs. Banks expect the share of institutions processing more than 75% of transactions electronically to rise from 40% today to 66% within three years, underscoring rapid digital evolution.

Survey data confirms that client-centricity is the primary driver of digital transformation

**Figure 2: Strategic imperatives driving digital transformation**



While client-centricity remains the dominant priority for East African banks, cross-selling and cost optimization also feature, though less strongly. Data use for cross-selling is underdeveloped—76% of respondents use data for segmentation and cross-sell identification, yet only 10% rate their usage as “Excellent,” with most rating it “Fair” or “Good.” This indicates that data is primarily used to digitize core operations rather than enable targeted product matching. To fully leverage data for personalized experiences, banks must strengthen stewardship, improve data management, and invest in skilled personnel.

Cost optimization is also a consideration, with 52% of respondents citing it as a top imperative, but the current focus remains on winning customers rather than cost-first strategies.

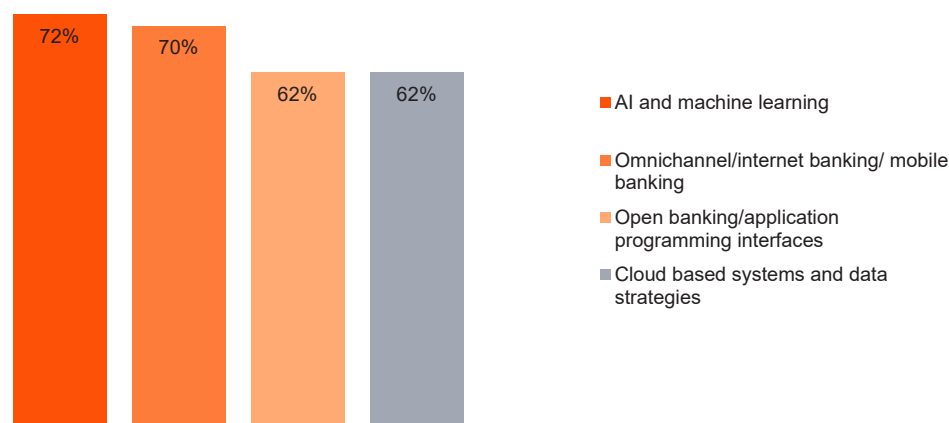
Banks in Eastern Africa are taking an evolutionary approach to technology, prioritizing tools that enhance existing operations rather than transform business models.

### c. Banks are focused more on strengthening rather than reinventing the core

Banks in Eastern Africa are taking an evolutionary approach to technology, prioritizing tools that enhance existing operations rather than transform business models. Omnichannel banking (including internet and mobile banking) is a top priority for 70% of respondents, while 62% rank open banking/APIs highly. Advanced technologies like AI are gaining attention, but their use remains practical and embedded in current processes. 72% of respondents rank AI and machine learning as top technologies, with applications focused on customer segmentation, credit risk, and fraud detection—improving underwriting and marketing rather than driving wholesale reinvention.

Cloud adoption reflects a similar pattern of cautious progress. While 62% of respondents rank cloud-based systems and data strategies among top priorities, only 4% list cloud migration as a strategic imperative, and just 4% expect short-term efficiency gains from cloud capabilities. This suggests banks recognize the importance of cloud but are deferring deeper architectural modernization in favor of near-term, customer-facing digitization gains.

**Figure 3: Top 3 Technology Developments**



Globally, blockchain is increasingly being recognised as a transformative technology in banking.<sup>1</sup> In Africa, Nigeria stands out as a regional leader. Commercial banks in Nigeria have adopted a regulated blockchain network to process point-of-sale transactions,<sup>2</sup> while the Central Bank of Nigeria has launched the eNaira and eased restrictions on crypto-related services.<sup>3</sup> Even within Eastern Africa, blockchain is gaining traction. Kenya has introduced a 10% excise duty on virtual asset transaction fees,<sup>4</sup> enacted the Virtual Asset Service Providers Act, 2025 to regulate exchanges and custodians,<sup>5</sup> and the Central Bank of Kenya has explored issuing a digital shilling, though it currently views it as a non-priority.<sup>6</sup>

Despite these developments, blockchain did not feature prominently in bank responses to the survey. Only one bank flagged it as a concern, and only three respondents identified cryptocurrency as a competitive threat. This disconnect suggests that while governments and global peers are moving forward, commercial banks in Eastern Africa may need to reassess their stance to remain competitive in a rapidly evolving financial landscape.

1 Kindly see this source: <https://medium.com/riva-markets/institutional-blockchain-adoption-the-top-30-list-of-global-banks-on-the-forefront-24605fb3a1ed>. For a more general perspective of global blockchain adoption, kindly see this source: <https://www.pwc.com/jm/en/press-room/blockchain-initiatives.html>

2 Kindly see this source: <https://businessday.ng/opinion/article/nigerias-largest-banks-are-embracing-zones-blockchain-technology-and-heres-what-we-think-about-it/>

3 Kindly see these sources: <https://www.cbn.gov.ng/currency/eNaira.html>; <https://enaira.gov.ng/>

4 Please see <https://www.pwc.com/ke/en/assets/pdf/tax-alert-finance-act-2025.pdf>. Virtual assets, such as cryptocurrencies, are typically built on blockchain technology. The excise duty in question does not apply to the blockchain technology itself, but rather to the transactions or services involving virtual assets that are enabled by blockchain.

5 Please see <https://www.kictanet.or.ke/kenyas-vasp-act-secures-digital-finance-and-privacy/>

6 Please see <https://www.centralbank.go.ke/wp-content/uploads/2023/06/Discussion-Paper-on-Central-Bank-Digital-Currency-Comments-from-the-Public.pdf>

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Crypto and digital currency is part of the future of banking and will form a big part of the economy of the future. Central banks in the East African region and in Africa will need to move with speed to provide regulations and join other world economies like the United States and Asia who have progressed more in this journey. Approximately more than USD 2.5 trillion is already in digital assets while a significant portion of the world trade is being done using crypto and digital currency. In as much as this will lead to increased risks with respect to AML/CFT, Banks in Kenya and in East Africa will need to adopt to this shift and work together with the regulators to embed this in their strategy for the future.



**Kariuki Ngari**

Managing Director and Chief Executive Officer,  
Standard Chartered Kenya

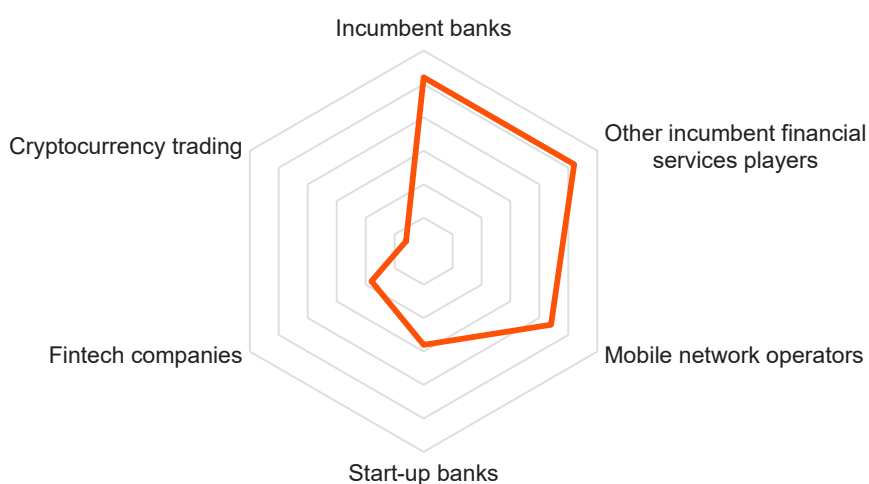
# 88%

of respondents are concerned or extremely concerned about cybersecurity as a threat to long term growth prospects.

## d. Collaborative stance on mobile money platforms

Despite the scale and reach of mobile money ecosystems, banks do not overwhelmingly perceive mobile network operators (“MNOs”) as their greatest competitive threat. While 44% of respondents, an appreciable share, cite MNOs as a significant threat, an appreciable share, perceptions lean more strongly toward long-established players in financial services. Incumbent banks and other incumbent financial services are each cited by 52% as the greatest threats, with start-up banks at 28%. The profile suggests focus on traditional competition dynamics such as pricing, deposits, lending.

**Figure 4: Competitive Threats**



While collaboration between banks and MNOs in Africa remains strong today, this dynamic is evolving. MNOs have built deep grassroots networks and trust, often outpacing banks in reach and agility, particularly in rural and low-income segments. However, banks in Eastern Africa remain aware of the competitive pressure. They are actively investing in digital platforms to remain relevant. Rather than being displaced, banks are positioning themselves to maximize their role in a hybrid financial ecosystem where they collaborate and compete with MNOs to meet diverse financial needs.



Cybersecurity is the top concern for banks in Eastern Africa, with 88% of respondents being concerned or extremely concerned about cybersecurity as a threat to long term growth prospects. In response, 80% plan significant long-term investment in cybersecurity and data privacy.

## e. Strong focus on cybersecurity – trust continues to be a hurdle

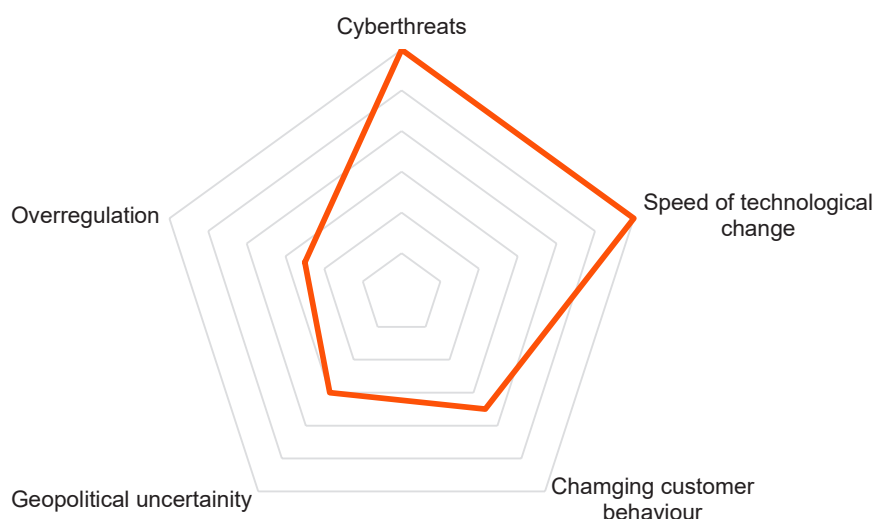
Cybersecurity is the top concern for banks in Eastern Africa, with 88% of respondents being concerned or extremely concerned about cybersecurity as a threat to long term growth prospects. In response, 80% plan significant long-term investment in cybersecurity and data privacy. With most banks expecting over 75% of transactions to be electronic within three years, the potential for cyber-attacks is expanding, and adequate cybersecurity protections are critical. Boards appear focused on long-term structural risks, positioning themselves to safeguard digital infrastructure and sustain trust in an increasingly digital financial ecosystem.

Some technologies with significant cybersecurity implications appear to be underweighted in banks' risk assessments. Only 4% of respondents flagged misuse of AI, blockchain, or cryptocurrency as an extreme threat. This may be related to the controlled use of AI in banking institutions, as well as the fact that cryptocurrency is not a mainstream store of value for now. As digital channels expand, transaction volumes increase and the relevance of these technologies to financial services grows, banks in Eastern Africa should begin to more actively consider the risks these technologies pose, particularly around fraud, data exposure, and system exploitation. traditional competition dynamics such as pricing, deposits, lending.

# 4%

of bank respondents flagged misuse of AI, blockchain, or cryptocurrency as an extreme threat.

**Figure 5: Matrix of Top 5 Concerns**



## What next?

Across the data, the centre of gravity is clear. Banks in East Africa are prioritising technology investments to enhance client experience, drive practical digitisation and improve cyber resilience. However, several horizon technologies, such as generative AI, blockchain and cloud systems are approaching faster than many may anticipate. To stay ahead, institutions must not only adopt these innovations but also embed agility into their transformation strategies.

## 2. Navigating a New Banking Landscape: The Evolution of Existing Business Models

### Introduction

East Africa's banking sector is undergoing a strategic transformation. Part of this change is a response to external forces such as macroeconomic volatility, rapid tech innovation, shifting risks, and evolving customer expectations. The other part is a deliberate shift in how institutions operate, compete, and pursue growth. Survey findings show banks are repositioning to navigate a dynamic, uncertain environment. While the pace varies by country, the direction is clear: leaner, more agile, and digitally enabled models are emerging.

The 2025 survey highlights a set of strategic imperatives that are guiding this transformation. These imperatives are shaping how institutions pursue growth, build operational resilience and manage risk:

Pursuing strategic partnerships and joint ventures to expand market reach and capabilities.

Establish in-house innovation and incubation hubs to accelerate digital transformation.

Identifying outsourcing opportunities to streamline non-core operations and optimize cost structures.

Exploring strategic acquisitions for selective growth and capability enhancement

Strengthening third-party risk management frameworks to manage counterparty risk.



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For banks in East Africa, transformation is no longer a strategic option—it is an existential imperative. The convergence of rapidly evolving customer expectations, the rise of agile fintech disruptors, an increasingly complex risk environment, and the accelerating capabilities of AI demand a fundamental reinvention of the traditional banking model. Survival in this new era will not be determined by size or legacy, but by the ability to adapt, innovate, and lead with purpose.



**George Weru**

Partner, Performance and Restructuring Services Leader,  
Eastern Africa, PwC

Partnerships are becoming a cornerstone of banking transformation. Institutions are increasingly collaborating with fintechs, cloud providers, telecoms, and specialized vendors to accelerate innovation, scale digital capabilities, and improve efficiency. These alliances help banks reach new markets, deliver services faster, and reduce costs by leveraging partner expertise and infrastructure.

## a. Banks are prioritizing strategic partnerships to speed up innovation and expand market reach

Partnerships are becoming a cornerstone of banking transformation. Institutions are increasingly collaborating with fintechs, cloud providers, telecoms, and specialized vendors to accelerate innovation, scale digital capabilities, and improve efficiency. These alliances help banks reach new markets, deliver services faster, and reduce costs by leveraging partner expertise and infrastructure.

### Fintech partnerships

Fintech partnerships are helping banks streamline digital onboarding, launch agile lending platforms, and adopt alternative credit scoring models-particularly effective in serving underserved and thin-file customer segments.

### Telco Collaborations

Telco collaborations are expanding the reach of mobile banking, especially in underbanked and remote areas, where mobile platforms provide a cost-effective channel for financial inclusion.

### Bank alliances

Bank alliances support the co-development of products and shared infrastructure, fostering operational efficiency and enabling broader geographic coverage.

Survey results show banks' priorities in managing these relationships. Top of the list is third-party risk management (26%), reflecting regulatory scrutiny and concerns over operational and reputational risks. Strategic partnerships, innovation initiatives, and shared service centers rank mid-tier, seen as key drivers of cost efficiency and speed without adding excessive risk. Outsourcing is lower (10%), indicating a selective approach focused on IT and back-office functions where efficiency gains don't compromise control. Acquisitions rank lowest (9%), with banks favoring partnerships over ownership to stay agile.

Figure 6: Partnership Priorities



26%

of respondents viewed the shift to digital channels as a key lever for operational efficiency in the coming year, however, only 2% prioritized simplifying architecture and retiring legacy systems. This suggests that while digital engagement is gaining traction, back-end modernization remains a significantly underexplored area.

84%

of African banks now serve SMEs primarily through mobile platforms, The 2025 Africa Digital Banking Experience Series by African Banker and Backbase reports.

A disconnect remains between front-end innovation and back-end transformation. While 26% of respondents viewed the shift to digital channels as a key lever for operational efficiency in the coming year, only 2% prioritized simplifying architecture and retiring legacy systems. This suggests that while digital engagement is gaining traction, back-end modernization remains a significantly underexplored area.

**b. Building internal capability emerging as a key innovation focus**

Across the region, banks are increasingly shifting their innovation strategies inward, investing in dedicated in-house incubation units, digital hubs, and innovation labs. This shift reflects a growing understanding that sustainable digital transformation requires more than external partnerships or outsourcing; internal capability ought to be developed. By doing so, banks are better positioned to experiment with emerging technologies, innovate and test new solutions and grow and implement successful models without being overly reliant on third-party vendors. In Kenya, the Central

Bank’s 2024 Innovation Survey revealed that over 70% of banks have established internal innovation units, with a growing focus on AI, open banking, and SME-centric platforms.

We believe this internal approach offers several strategic advantages, enabling banks to maintain tighter control over critical areas such as data security, regulatory compliance, and customer experience. A particularly notable outcome of this internal innovation drive is the increased focus on SMEs within banks’ digital investment strategies. According to the IFC MSME Banking Handbook 2025, the SME finance gap in Sub-Saharan Africa is estimated at \$331 billion, with 40% of formal MSMEs experiencing credit constraints. In response, banks are developing tailored digital platforms that address SME specific needs. These range from simplified onboarding and mobile-first interfaces to alternative credit scoring models using non-traditional data. The 2025 Africa Digital Banking Experience Series by African Banker and Backbase reports that 84% of African banks now serve SMEs primarily through mobile platforms, and 47.7% offer AI-driven digital lending solutions, underscoring the region’s shift toward scalable, tech-enabled SME finance.

Internal innovation hubs are giving banks a valuable opportunity to improve how they use data with many banks now using data to identify cross-selling opportunities and credit scoring. 29% of banks focus their data efforts on these top areas. Fraud detection comes next at 20%, followed by customer profitability analysis at 14%, and feedback or loyalty management at just 9%. Interestingly, while cross-selling is the most common data analytics use case, performance remains modest. 42% of banks rate themselves “fair,” 38% “good,” and only 10% “excellent.” This highlights significant room for improvement in leveraging data for targeted customer engagement. As banks continue to mature their digital infrastructure, embedding advanced analytics into their innovation agenda will be key to maintaining competitive advantage.

### **c. Strategic acquisitions are central to banks’ efforts to strengthen resilience and accelerate transformation**

As part of broader efforts to reinvent their operating models, larger banks across the region are also turning to mergers, acquisitions, and strategic investments to accelerate transformation. One of the key drivers behind this trend is the pursuit of regional footprint expansion. By acquiring or merging with institutions in neighbouring markets, banks are able to unlock cross-border synergies, share infrastructure, tap into new customer segments and in East Africa, help to serve clients who are operating across the region more seamlessly. This regional diversification also helps mitigate market-specific risks. In Kenya, for instance, data shows that regional subsidiaries are playing an increasingly important role in contributing to overall group profitability-highlighting the strategic value of cross-border operations. With the recent lifting of the CBK’s moratorium on issuance of commercial banking licenses, and rising capital requirements, it remains to be seen whether other banks across the region and the wider African continent will follow suit and enter the Kenyan market.



Ethiopia's recent decision to open its banking sector to foreign investors for the first time in nearly five decades marks a pivotal shift in the region, though the National Bank of Ethiopia's 49% cap on foreign ownership signals a measured approach to liberalization of the market.

Equity Bank, for example, has significantly deepened its presence in DRC through its subsidiary EquityBCDC. KCB Group has similarly strengthened its regional footprint by acquiring Banque Populaire du Rwanda (BPR) in Rwanda and is also actively exploring entry into Ethiopia, one of Africa's most promising yet underpenetrated banking markets. The country's recent decision to open its banking sector to foreign investors for the first time in nearly five decades marks a pivotal shift in the region, though the National Bank of Ethiopia's 49% cap on foreign ownership signals a measured approach to liberalization of the market.

Beyond geographic expansion, M&A activity is also being used to acquire digital capabilities and niche fintech solutions.

These acquisitions allow banks to enhance their product offerings, improve customer experience, and stay ahead of the curve in areas such as payments, lending, and data analytics.

On the digital and fintech space, KCB's recent acquisitions of Riverbank Solutions and Pesapal have strengthened its payments infrastructure while Moniepoint's acquisition of Sumac Microfinance Bank marks entry of the payments platform into Kenya.

Ultimately, our analysis of the market suggests that strategic M&A is becoming a cornerstone of how banks future-proof their business models, whether through geographic growth or capability enhancement, and reflects a deliberate shift toward building resilient and digitally enabled institutions.



### d. Outsourcing: Balancing Efficiency and oversight

As banks work to modernize and streamline their operating models, many are turning to specialized third-party providers to handle non-core functions. Outsourcing offers several key benefits to banks:

|  |  |  |
|--|--|--|
| <p><b>Cost Efficiency</b></p> <p>By partnering with providers that operate at scale, banks can significantly reduce operational costs and avoid the overhead associated with building and maintaining internal capabilities.</p> | <p><b>Operational Scalability</b></p> <p>Third-party providers offer flexible solutions that can be deployed across multiple markets, supporting regional expansion and enabling banks to respond quickly to changing customer needs and regulatory requirements</p> | <p><b>Access to Specialized Capabilities</b></p> <p>Outsourcing allows banks to tap into new technologies and domain expertise - such as advanced cybersecurity tools or AI-driven compliance platforms-without committing to long-term capital investments.</p> |
|--|--|--|

The benefits are clear, but banks are moving carefully. 23% of respondents are focused on managing third-party spend, while 20% are prioritizing greater use of centralized functions to boost operational efficiency over the next year. This reflects a deliberate effort to strike the right balance between cost optimization and maintaining control over critical processes.

Insights from the July 2025 Central Bank of Kenya (CBK) Survey on Third-Party Technology Service Providers highlight key outsourcing trends among commercial banks in Kenya. The CBK survey reveals that the most commonly outsourced functions include payment aggregation (82%), cybersecurity tools (76%), and compliance-related services such as Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT), and Countering the Financing of Proliferation (CPF), which collectively account for 58% of outsourcing activity. These areas are typically characterized by high technical complexity making them ideal candidates for specialized external support.



The findings from this survey reveal a sector in transition - banks are responding to external pressures and also actively reshaping their operating models to thrive in a digital, interconnected, and increasingly competitive environment.

In contrast, functions such as lending (24%) and fraud mitigation (34%) remain largely in-house reflecting the risk sensitivity of these activities, which require close oversight, deep customer understanding, and tight integration with core banking systems.

In Tanzania, the banking sector operates within a structured regulatory framework for outsourcing, as outlined in the Bank of Tanzania's Outsourcing Guidelines.

Our analysis suggests that whilst outsourcing may be a strategic enabler for banks to remain competitive, successful implementation will ultimately depend on striking the right balance between efficiency and oversight.

### **e. Increasing emphasis on managing Third-Party Risks**

As banks within the region deepen their reliance on external partners, their risk exposure grows- driving a renewed focus on strengthening third-party risk management frameworks. According to PwC's Global Economic Crime Survey 2024, law enforcement agencies and regulators across multiple jurisdictions have raised expectations around third-party risk management and the use of data analytics to support compliance and investigative efforts.

This is covered in more detail in the next section.



### **What next?**

The findings from this survey reveal a sector in transition - banks are responding to external pressures and also actively reshaping their operating models to thrive in a digital, interconnected, and increasingly competitive environment. Looking ahead, the challenge for banks is not simply to adopt new tools or structures, but to orchestrate transformation in a way that is efficient, scalable, and aligned with long-term strategic goals. In our view, to move decisively into the next phase of transformation, banks in the region should consider the following strategic imperatives:

**Design for optimisation**

Banks must streamline legacy systems and processes to reduce operational complexity, improve agility, and unlock cost efficiencies. This includes rethinking core infrastructure, automating routine tasks, and embedding flexibility into service delivery models.

**Balance innovation with control**

Whether through partnerships or outsourcing, banks must ensure robust governance over third-party engagements - particularly in areas like cybersecurity, AML compliance, and data stewardship.

**Invest in internal capability, not just external access**

In-house innovation hubs and digital labs are proving essential for developing tailored solutions, especially for underserved segments.

**Use data as a strategic asset**

Beyond compliance and reporting, data should drive customer insight, product design, and cross-selling strategies.

**Pursue growth with discipline**

Whether through M&A or regional expansion, banks should focus on strategic fit, operational synergy, and long-term profitability-not just market presence.

**Balancing long-term goals with immediate needs of the business**

Banks need to strike a balance between long-term strategic objectives and short-term operational priorities. This means weighing longer term investments in sustainable solutions-such as building internal capabilities and attracting the right talent-against quicker, short- to medium-term approaches like forming joint ventures or strategic partnerships.

Eastern Africa's banking sector is navigating a fast-changing regulatory environment marked by rising compliance demands and global standards adoption. Agility is now critical; institutions must anticipate and adapt to regulatory shifts to remain competitive and resilient.

# 68%

of banks are concerned or extremely concerned about policy uncertainty as a threat to their growth prospects.

## 3. Regulation and policy uncertainty

As banks work to modernize and streamline their operating models, many are turning to specialized third-party providers to handle non-core functions. Outsourcing offers several key benefits to banks:

### Introduction

Across East Africa, central banks are tightening regulatory oversight in response to the growing complexity of financial services and the emergence of sophisticated financial crime typologies. The proliferation of digital and cross-border financial ecosystems has prompted regulators to align local frameworks with global standards, particularly in areas such as consumer protection, cybersecurity, and financial crime mitigation.

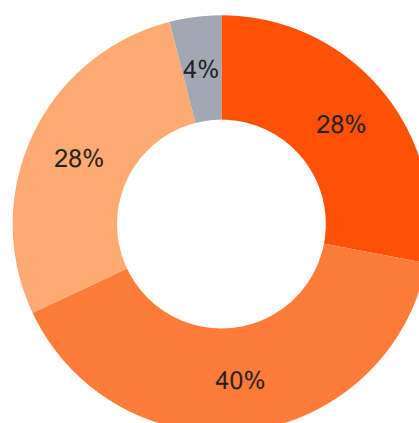
As of October 2025, Eastern Africa regulators have tightened capital rules to boost resilience. Kenya raised its minimum core capital to KES 3 billion, targeting KES 10 billion by 2029 with full Basel III adoption. Uganda increased Tier I capital to UGX 150 billion, lifted the cash reserve ratio to 10%, and introduced ESG and risk guidelines. Rwanda now requires banks to hold 150% of risk-based capital with stricter governance standards. Mauritius maintains strong ratios above 22% and applies differentiated rules for non-bank entities. These reforms are driving consolidation, strengthening institutions, and reshaping operating models.

Eastern Africa's banking sector is navigating a fast-changing regulatory environment marked by rising compliance demands and global standards adoption. Agility is now critical; institutions must anticipate and adapt to regulatory shifts to remain competitive and resilient. The following sections explore key insights shaping this transformation.

### a. Regulation and policy uncertainty is a major concern

Despite notable regulatory progress across East Africa, policy uncertainty remains one of the most pressing challenges facing the banking sector. Survey data shows that 68% of banks are concerned or extremely concerned about the unpredictability of regulatory changes. This uncertainty stems from frequent shifts in tax policy, capital adequacy thresholds, compliance expectations, and reporting requirements, all of which complicate strategic planning and increase operational risk.

**Figure 7 – Level of Concern About Policy and Regulatory Uncertainty**



■ Extremely Concerned ■ Concerned ■ Mildly Concerned ■ Hardly Concerned

“

Great and successful banks do not see regulation as an obstacle to their success but as a foundation that guarantees stability, creating trust and sustainable growth. They thrive by not avoiding regulation but by mastering it.



**David Mugo**  
Senior Manager, Assurance  
PwC Kenya

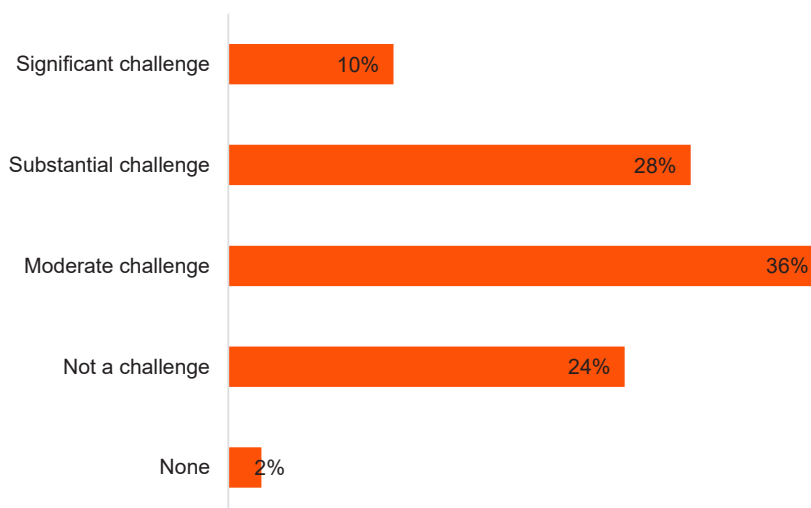
# 38%

of banks believe tax regulations pose a significant or substantial challenge to their institution.

For banks, this means having to constantly recalibrate systems, retrain staff, and reallocate resources to remain compliant. Many institutions are responding by investing in compliance infrastructure, risk management systems, and digital transformation to build agility and resilience in the face of evolving rules.

Policy uncertainty affects more than banks; it impacts borrowers and the wider economy. Sudden or unclear regulatory changes often lead banks to tighten credit standards or delay loan approvals, limiting access to finance for businesses and households, especially SMEs. Uncertainty around tax rules, interest rate caps, or sector-specific regulations can distort pricing and product design, making financial services costlier or less accessible. For existing loans, shifting regulations can strain business cash flows and compliance, increasing the risk of non-performing loans.

**Figure 8 – Perceived Challenges in Compliance with Tax Regulations**



Several factors are driving regulatory change in East Africa. There is a strong push to harmonize cross-border frameworks and comply with global standards such as Basel III, IFRS 9 and FATF AML/CFT guidelines to strengthen credibility and financial stability. The need to access international capital and networks, combined with rapid innovation in financial services, has added momentum to these reforms. Regulations aim to ensure banks take measured risks and achieve sustainable growth.

The banking industry in East Africa is undergoing profound transformation, driven by rapid technological advances such as digital platforms, open banking, AI, and blockchain, alongside continuous and complex regulatory changes in areas like capital adequacy, ESG disclosures, and digital finance oversight. To succeed, banks must adopt a forward-looking approach by investing in agile compliance and risk systems, embedding regulatory foresight into strategy, and fostering a culture of innovation. Proactive engagement with regulators, scenario planning, and building capabilities in data governance, ESG reporting, and cyber resilience will be critical. Institutions that adapt quickly, align with global standards, and deliver trusted, technology-enabled services will lead the next era of East African banking.

The survey findings point to two top priorities for banks in this regard: heightened attention to cybersecurity and compliance with Anti-Money Laundering (AML) requirements.

## i. Cybersecurity Risk: A Growing Concern

Cybersecurity has emerged as the most pressing third-party risk for banks in the region with 88% of respondents expressing extreme concern about cyber threats, as earlier highlighted.

In Kenya, the July 2025 CBK Survey on Third-Party Technology Service Providers revealed that 21% of microfinance banks (“MFBs”) do not include any risk management requirements in their contracts with third-party technology service providers—a critical gap given the surge in cyber threats, which rose by 146% within the period. To address this vulnerability, the Central Bank of Kenya announced the establishment of the Banking Sector Cybersecurity Operations Centre (“BS-COC”) in September 2025. The centre is designed to enhance sector-wide threat detection and response capabilities. Further emphasizing the urgency, PwC’s Forensics Digest titled, “The Cyber

Fraud Threat Landscape: A focus on Third-Party Risk”, highlights that recent forensic investigations across East Africa’s financial sector services show sophisticated cybercriminals are increasingly exploiting third-party vendors as their preferred attack vendors.

Uganda has also taken a proactive regulatory stance, with the Bank of Uganda issuing new cybersecurity and technology risk management requirements for all supervised financial institutions (“SFIs”), effective December 2024. These guidelines mandate robust governance, cyber testing, cloud computing protocols, and supply chain risk management, among other measures. In Tanzania, the Bank of Tanzania published draft Cloud Computing Guidelines in 2025, requiring prior approval for cloud adoption and mandating that mission-critical systems be hosted within the country. Mauritius has also intensified its cybersecurity efforts with the 2025/26 National Budget announcing the creation of a Cyber Security Operation Centre.



# 46%

of banks in the region view compliance with AML and FATF regulations as a substantial challenge.

## ii. AML Compliance in Focus

Following Kenya's grey listing by the Financial Action Task Force ("FATF") in February 2024, the country has undertaken extensive reforms across its Anti-Money Laundering, Countering the Financing of Terrorism, and Countering the Financing of Proliferation (AML/CFT/CPF) framework. This has led to two successive amendments to the Proceeds of Crime and Anti-Money Laundering Act ("POCAMLA") in 2023 and 2025, aimed at strengthening compliance, supervision, and enforcement mechanisms.

Key among these amendments are enhanced obligations for banks and other reporting institutions, including stricter customer due diligence ("CDD") requirements, beneficial ownership verification, ongoing transaction monitoring, and expanded reporting duties to the Financial Reporting Centre ("FRC"). Banks are now expected to adopt more risk-based approaches, integrate advanced compliance technologies, and ensure stronger oversight of correspondent banking and cross-border transactions. The PwC AML Amendment Act newsletters (2023 and 2025) provide a detailed analysis of these legislative changes and their practical implications for financial institutions operating in Kenya.

Amid a tightening regulatory landscape in the region, international standards increasingly promote a risk-based approach that extends beyond internal operations to cover third-party relationships. Survey findings reveal that 46% of banks in the region view compliance with AML and FATF regulations as a substantial challenge.

Despite the above, banks across the region face mounting pressure to strengthen AML compliance, particularly in managing external partnerships. To achieve this, oversight should focus on due diligence at onboarding, contractual safeguards, ongoing monitoring and training and awareness.



Eastern Africa's integration into the global financial system makes regulatory reform urgent and unavoidable. While progress has been made, the region still trails mature markets in adopting key regulations that support financial stability and competitiveness. Closing these gaps is critical for attracting international capital, scaling innovation, and enabling full participation in cross-border ecosystems.

## **b. To improve alignment to global frameworks, further regulatory change is expected in East Africa**

Eastern Africa's integration into the global financial system makes regulatory reform urgent and unavoidable. While progress has been made, the region still trails mature markets in adopting key regulations that support financial stability and competitiveness. Closing these gaps is critical for attracting international capital, scaling innovation, and enabling full participation in cross-border ecosystems.

Several areas remain underdeveloped, including data privacy laws, which lag behind global benchmarks like GDPR, limiting banks' ability to manage cross-border data flows and embrace open banking. Climate-related disclosures aligned with TCFD or IFRS sustainability standards are largely voluntary, creating transparency gaps that restrict access to climate finance. Open banking regulations and consumer protection frameworks for digital lending and fintech are emerging slowly, leaving risks around predatory practices and data misuse. Systemic risk oversight and resolution planning also trail global standards, while non-traditional products such as mobile money, digital lending, and virtual assets operate under fragmented or incomplete regimes, creating compliance and operational risks.

This fragmented regulatory landscape increases complexity for banks and regulators, limits scalability of digital financial services, and creates uncertainty for cross-border operations. Regional efforts to harmonize rules through bodies like the East African Community are underway, but faster convergence in areas such as digital identity, data governance, and cross-border payments will be critical. Ultimately, strong institutions with the capacity and independence to enforce laws consistently are essential. Banks must invest in scalable compliance systems, robust governance, and proactive engagement with regulators. Early adoption of global best practices and capabilities in ESG reporting, data governance, and cyber resilience will position East African banks to remain competitive and resilient in an increasingly complex financial environment.

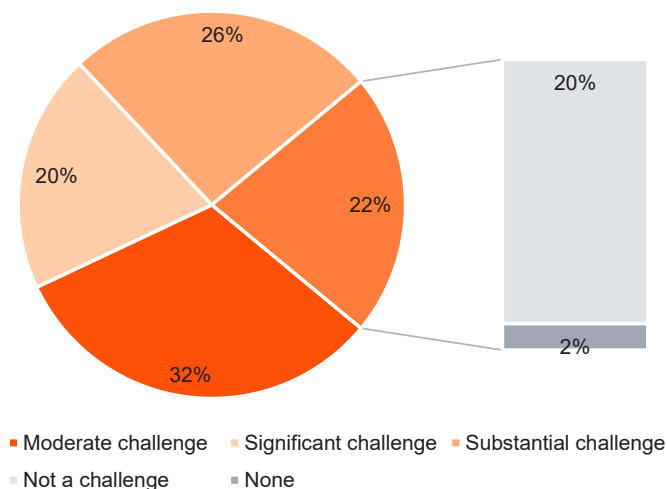
## **c. Anticipated regulatory shifts will require strategic adaptation**

East Africa is set to experience significant regulatory changes in the near term, reflecting global trends and regional priorities. Stricter capital and liquidity requirements, including higher minimum capital thresholds and enhanced liquidity coverage ratios, will aim to strengthen financial resilience and reduce systemic risk. These measures will require banks to reassess capital planning and funding strategies. At the same time, sustainability reporting will move toward mandatory compliance, aligning with global ESG and climate disclosure standards.

Banks will need to integrate climate risk into governance and risk management, supported by new data systems and scenario analysis capabilities.

Given the dominance of digital financial services in East Africa, tighter regulation of mobile money, digital lending, and virtual assets is anticipated to address consumer protection, data privacy, and systemic risk concerns.

**Figure 9 – Extent of Challenges in AML/FATF Compliance**



Other expected reforms include enhanced AML/CFT frameworks aligned with FATF recommendations, increasing scrutiny of cross-border transactions and beneficial ownership transparency. Open banking and data-sharing regulations will also emerge to foster innovation and competition, requiring investment in API infrastructure, cybersecurity, and consent management systems. Given the dominance of digital financial services in East Africa, tighter regulation of mobile money, digital lending, and virtual assets is anticipated to address consumer protection, data privacy, and systemic risk concerns. These changes will demand compliance with licensing requirements, stricter KYC/AML obligations, and possible caps on pricing or lending practices.

To adapt, banks must modernize compliance systems, strengthen governance, and embed accountability across business units. Technology investments for real-time monitoring, automated reporting, and predictive risk analytics will be critical, alongside process improvements and staff development. Operational excellence will be key; effective compliance requires not only technical controls but also strong governance and a culture of accountability. Institutions that integrate compliance into their operating models and build internal capabilities in ESG, data governance, and financial crime prevention will be best positioned to meet evolving regulatory expectations and maintain stakeholder trust.

Sustainability and ESG considerations in Eastern Africa are shifting from voluntary initiatives to regulatory requirements and strategic priorities. Banks increasingly view ESG risks and opportunities as central to long-term value creation, stakeholder trust, and resilience.

## 4. The Future of Sustainable Banking

### Introduction

Sustainability and ESG considerations in Eastern Africa are shifting from voluntary initiatives to regulatory requirements and strategic priorities. Banks increasingly view ESG risks and opportunities as central to long-term value creation, stakeholder trust, and resilience. This has led to innovation in products and services aligned with ESG principles, while investors prioritize institutions demonstrating strong governance and environmental stewardship. However, climate-related challenges such as droughts, floods, and erratic weather patterns are straining sectors like agriculture, infrastructure, and telecommunications, driving loan defaults and pressuring asset quality. For example, the PwC Zambia Banking Survey highlights climate impacts on telecom operations, while Kenya faces similar disruptions across key sectors.

Despite these challenges, Kenya leads the region in sustainable finance. According to the Sustainable Banking Assessment Report 2024, Kenya scored 44%, reflecting progress in ESG integration supported by regulatory frameworks. Tanzania and Zambia lag behind with scores of 38% and 20%, underscoring uneven adoption across Eastern Africa. The following are the top 5 emerging trends from the survey data:

- 1. Sustainability From Compliance to Competitive Advantage:** Sustainability is evolving from a regulatory checkbox to a strategic lever for differentiation and long-term value creation.
- 2. Integration of ESG into Core Banking Operations:** Institutions are embedding ESG considerations into risk management, lending practices, and product development.
- 3. Strengthening Sustainability Reporting and Regulatory Readiness:** Banks are increasingly aligning with global reporting frameworks and preparing for more stringent regulatory expectations.
- 4. Sustainability as a Catalyst for Innovation, Green Finance, and a Just Energy Transition:** ESG is driving the development of new financial products and supporting inclusive, sustainable economic transformation.
- 5. Greenwashing and ESG Due Diligence:** As ESG disclosures grow, so does the need for transparency and independent assurance to mitigate reputational and regulatory risks.

### a. Sustainability From Compliance to Competitive Advantage

Understanding sustainability and Environmental, Social & Governance factors is increasingly recognized as being integral to company performance. 42% of the respondents rated ESG risks and opportunities as critical factors in strategic decision making and another 41% considered these factors important. These statistics indicate a shift in how institutions view ESG, not just as a regulatory requirement, but as a strategic lever for long-term value creation.

“

ESG and climate change is still an important aspect of businesses, and this will ensure sustainable responsible growth. However, the push for this has slowed down recently, especially because it requires significant financial investments, and some larger economies appear to be withdrawing their commitments on carbon emission reduction. It will take time to have everyone on the table to provide the much-needed finances to catapult this course. The fruits of these investments will take time to realize.



**Kariuki Ngari**

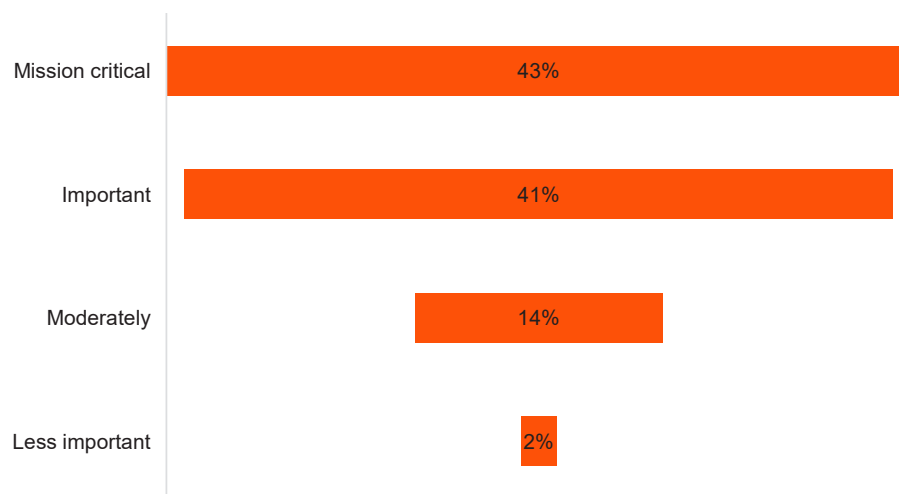
Managing Director and Chief Executive Officer,  
Standard Chartered Kenya

# 84%

of respondents indicated ESG risks and opportunities are critical factors in strategic decision making.

Implementation of ESG initiatives is vital in gaining competitive advantage and fostering long term sustainability. 24% of respondents recognise ESG as a strategic priority over the medium to long term.

**Figure 10 – Importance of ESG in Strategic Decision-Making**



This commitment extends beyond compliance. When asked whether ESG should be prioritised even at the expense of short-term profitability, 50% agreed that it is important even when doing so may reduce short-term profitability. While there is an appreciation that ESG is important for sustainable growth, long-term stakeholder trust and reputation, for most respondents, ESG is not yet mission critical and does not supersede returns to shareholders.

Implementation of ESG initiatives is vital in gaining competitive advantage and fostering long term sustainability. 24% of respondents recognise ESG as a strategic priority over the medium to long term. However, short-term implementation is often constrained by organisation specific challenges, such as workforce impacts, operational dependencies, and structural limitations. These insights highlight the need for a pragmatic, business-led approach, where organisations define tailored ESG strategies that reflect their unique priorities and capabilities.

A well-structured roadmap should balance immediate commercial demands with long-term value creation, enabling sustainable transformation aligned to each organisation's context and readiness. A typical example is a decarbonisation roadmap, which will vary for each entity based on their unique context for adoption.

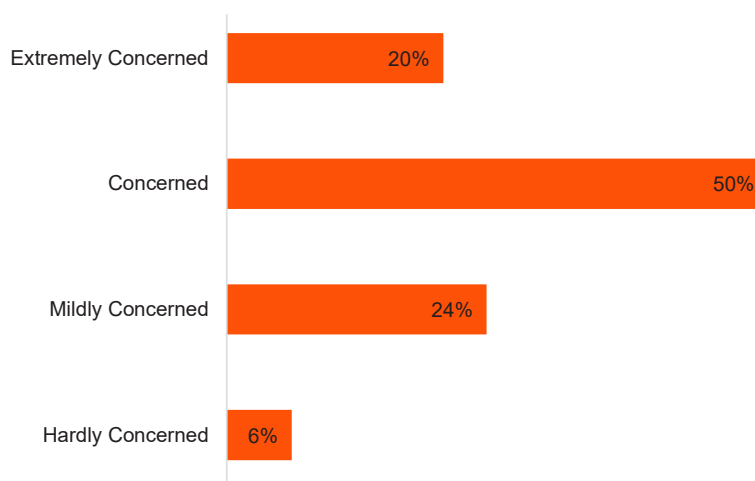
## **b. ESG Integration into Banking Operations**

Climate risk is increasingly recognized as a critical factor for banking institutions due to its potential impact on financial performance and stability. Climate-related risk has emerged as the most widely shared ESG concern across institutions, with 50% of respondents expressing active worry, particularly in Uganda and Tanzania. A notable minority (20%) view it as an urgent threat, underscoring the growing recognition of climate risk as a strategic issue rather than a peripheral one.

# 70%

of the banks indicated they are concerned or extremely concerned about climate risk.

**Figure 11 - Level of Concern About Climate Risk**



Climate change is increasingly seen as a key driver of credit deterioration, notably among respondents in Tanzania. This highlights the growing recognition that climatic factors can impact credit quality and portfolio risk. However, these concerns are supported with a strong need to embed climate risk into their credit portfolio, with 40% of respondents categorised it as mission critical, and 44% as important, with strong support from Tanzania, Uganda, and Kenya. As institutions move from awareness to integration, climate risk is becoming a core lens through which resilience, sustainability, and long-term viability are assessed.

# 62%

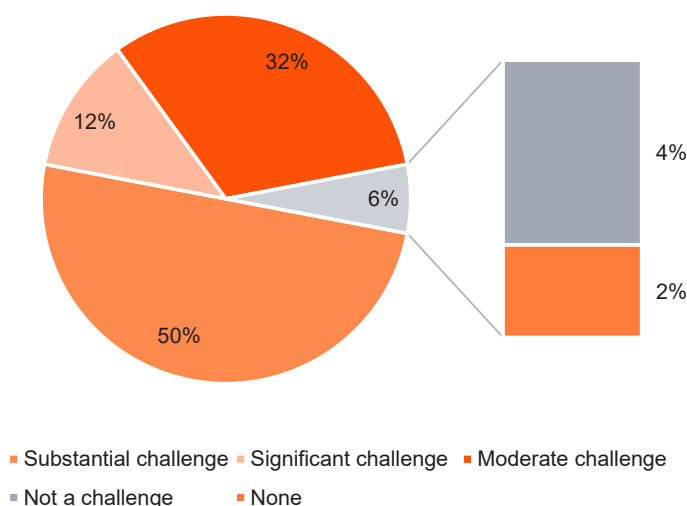
of banks have expressed substantial or significant concern about their ability to comply with climate-related regulations

## c. Strengthening Sustainability Reporting and Regulatory Readiness

As Sustainability reporting expectations rise, transparency is becoming a strategic asset. Institutions across East Africa are enhancing disclosure and reporting practices, with 38% of respondents rating ESG transparency as mission critical, and another 50% considering it important. This signals a strong regional commitment to building trust with stakeholders through clearer, more consistent ESG communication.

Climate regulation is also emerging as a major concern, with half of respondents identifying it as a significant challenge, particularly in Uganda and Kenya. Another 32% view it as a moderate challenge. These findings highlight the urgency for institutions to not only improve ESG reporting but also build internal capabilities to meet evolving regulatory demands.

**Figure 12 – Level of Concern About Regulatory Compliance**



# 30%

of respondents report having a mission-critical climate policy in energy transition.

This reflects practical challenges faced by financial institutions across the region. Many operate within an underdeveloped regulatory environment, where climate policies are either nascent or inconsistently enforced. Additionally, banks face internal capacity constraints, including limited ESG expertise, fragmented governance structures, and inadequate data systems for climate risk assessment and reporting. However, notable progress has been shown toward a more structured and proactive ESG landscape, with countries like Kenya and Tanzania increasingly adopting green finance frameworks, hiring ESG professionals, and aligning with global sustainability standards.

Robust ESG reporting can bolster reputation by delivering credible, consistent disclosures that minimize greenwashing and demonstrate accountability to all stakeholders. It also unlocks long-term value by aligning ESG performance with strategic objectives, attracting capital from investors, and enabling the pursuit of sustainable growth opportunities.

## d. ESG as a Catalyst for Innovation, Green Financing, and a just Energy Transition

ESG considerations are becoming central to financial strategy in East Africa, moving beyond compliance into a driver of innovation and competitiveness. Survey data shows 26% of respondents view ESG-driven innovation as mission critical, and 40% consider it important. Banks in Uganda, Kenya, and Tanzania are introducing products such as green bonds, sustainability-linked loans, and climate-smart SME platforms to align with these priorities.

Accountability remains a challenge, particularly in leadership alignment. While ESG-linked incentives are recognized as key, only 14% of respondents rate ESG-linked pay as mission critical, and 44% see it as moderately important. Investor expectations are accelerating the shift, with 32% believing insufficient ESG action will be viewed critically and 46% considering this perception important. ESG performance is increasingly tied to access to climate finance and sustainability-linked funding, which require verified disclosures and measurable impact metrics.

According to Climate Policy Initiative, Africa received an average of USD 44 billion annually in climate finance during 2021–2022, with 90% sourced internationally and 87% flowing through intermediaries such as multilateral DFIs and governments. Most allocations target energy (31%), cross-sectoral initiatives (29%), and AFOLU (16%). Despite this, East African banks struggle to access funding due to gaps in ESG readiness. Technical assistance programs, such as those led by the European Investment Bank, are helping banks develop climate risk frameworks and sustainable finance strategies.

To unlock these opportunities, banks must invest in ESG infrastructure, strengthen governance, and embed sustainability into operations. In energy transition, 30% of respondents report having a mission-critical climate policy, and 42% rate it as important, signaling momentum toward structured climate action. Institutions that align leadership incentives, respond to investor expectations, and build credible ESG capabilities will be best positioned to lead in a future defined by sustainability, resilience, and inclusive growth.

ESG performance is increasingly tied to access to climate finance and sustainability-linked funding, which require verified disclosures and measurable impact metrics.

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Sustainability and business are not mutually exclusive objectives. Reporting remains an outcome of the strategic implementation of sustainability across an organisation.



**Akinyemi Awodumila**

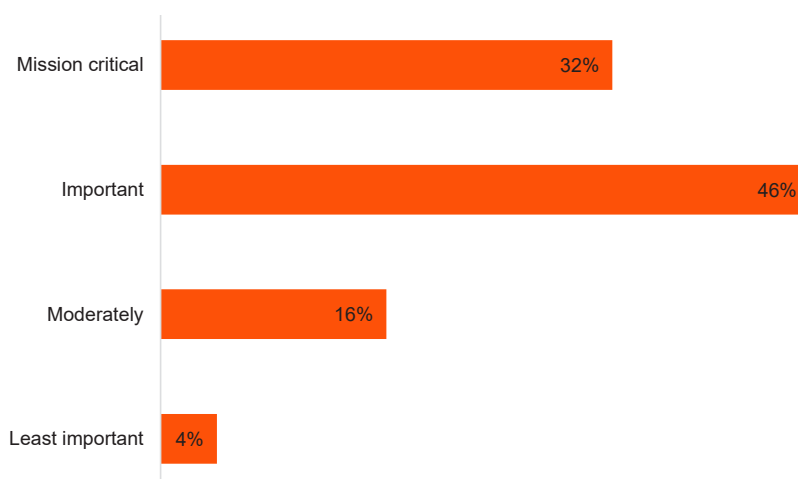
Partner, Sustainability and Climate Practice Leader,  
Eastern Africa, PwC

Greenwashing, the misrepresentation of ESG credentials, poses growing risks for financial institutions, including reputational damage, regulatory scrutiny, and legal liability.

# 20%

across eight African countries—including Kenya, Tanzania, and Zambia—obtained external assurance for ESG disclosures, raising concerns about credibility and investor confidence.

**Figure 13 – Investors Perception on Taking Actions on ESG Issues**



## e. Greenwashing and ESG Due Diligence

Greenwashing, the misrepresentation of ESG credentials, poses growing risks for financial institutions, including reputational damage, regulatory scrutiny, and legal liability. Despite rising awareness, the Sustainable Banking Assessment 2024 found that only 20% of banks across eight African countries, including Kenya, Tanzania, and Zambia, obtained external assurance for ESG disclosures. This lack of independent verification raises concerns about credibility and selective reporting, which can mislead stakeholders and undermine trust.

Regulators are responding by tightening ESG disclosure standards to ensure transparency and accountability. Banks can mitigate risks by adopting independent audits, aligning reporting with global frameworks, and implementing strong governance structures for ESG oversight. However, challenges persist due to the subjectivity and variability of ESG metrics. Indicators such as board diversity, community impact, and carbon footprint often lack standardized definitions and differ across geographies. Even widely recognized frameworks like the Global Reporting Initiative (GRI) face implementation hurdles in regions with limited data and fragmented governance.

To navigate these complexities, banks must move beyond compliance and adopt a strategic, context-sensitive approach. This includes tailoring ESG frameworks to local realities while maintaining global alignment, investing in robust data systems, skilled personnel, and governance structures. Ultimately, credible ESG reporting is essential not only for meeting regulatory and investor expectations but also for building trust and ensuring long-term resilience and competitiveness.

## What next?

ESG has become a strategic priority for East African banks, driving innovation, competitiveness, and long-term resilience. Institutions are moving from reactive reporting to proactive integration, investing in ESG capabilities, adopting global frameworks, and launching products like green bonds and sustainability-linked loans. However, progress must be supported by robust reporting and transparency to avoid greenwashing. At the same time, banks face parallel imperatives, digital transformation, regulatory compliance, and business model reinvention, requiring agile technology strategies, strong governance, and operational excellence. Those that embed ESG into core operations, align with global standards, and balance innovation with risk management will be best positioned to lead East Africa's next chapter of sustainable growth.

# 04 Conclusion

## From Strategy to Execution: Turning Vision into Transformation

The 2025 East Africa Banking Survey paints a compelling picture of a sector in transition—one that is both responding to immediate challenges and preparing for a future defined by digital transformation, regulatory evolution, and sustainability imperatives.

Looking ahead, the path to sustainable growth will require banks to strike a delicate balance: between innovation and control, short-term pressures and long-term priorities, and internal capability building and external collaboration.

Banks across the region are embracing technology with cautious optimism, prioritizing client-centric innovation while strengthening their core operations. Strategic partnerships, in-house innovation hubs, and selective acquisitions are enabling institutions to expand their reach, enhance capabilities, and better serve evolving customer needs. At the same time, the growing reliance on third parties is driving a renewed focus on risk management, particularly in areas such as cybersecurity, compliance, and operational resilience.

The ESG agenda is also gaining momentum, with banks increasingly recognizing sustainability as a strategic lever for long-term value creation. However, challenges remain—particularly around regulatory uncertainty, climate risk integration, and the need for robust ESG reporting frameworks to mitigate greenwashing risks.

Transformation is no longer optional. It is a strategic imperative.

Looking ahead, the path to sustainable growth will require banks to strike a delicate balance: between innovation and control, short-term pressures and long-term priorities, and internal capability building and external collaboration. Those that can navigate this complexity with agility, discipline, and purpose will be best positioned to lead the next chapter of East Africa's financial transformation.

The 2025 East Africa Banking Survey underscores a clear message: transformation is no longer optional. It is a strategic imperative.

Technology is at the heart of this shift. Banks can no longer afford to treat digital transformation as a peripheral initiative. A well-defined, adaptable tech strategy is now essential—not only to enhance customer experience and operational efficiency but to remain competitive in a rapidly evolving landscape. As emerging technologies like AI, blockchain, and cloud computing mature, institutions must continuously reassess their digital roadmaps. This includes embedding cybersecurity, data governance, and resilience into the core of their technology architecture to safeguard against growing threats.

Sustainability is emerging as a defining factor for long-term viability. ESG considerations are no longer aspirational—they are becoming prerequisites for access to capital, investor confidence, and regulatory approval. Banks must move beyond surface-level commitments and integrate sustainability into their core operations, credit frameworks, and risk assessments.

Business model reinvention is equally critical. As highlighted in PwC's CEO Survey, adapting to change is a top priority for leaders across industries. In banking, this reinvention is being driven by a convergence of forces: evolving customer expectations, the rise of agile fintech competitors, and the need for more responsive, scalable, and inclusive service delivery. Banks must rethink how they create value—moving beyond traditional products and channels to embrace new ecosystems, partnerships, and platforms.

Regulatory compliance remains a non-negotiable. With increasing scrutiny around market conduct, AML, credit risk, and data privacy, operational excellence is no longer just about efficiency—it is about enabling compliance by design. Institutions must ensure that their systems are not only robust but also agile enough to support real-time reporting, risk monitoring, and regulatory alignment. In this context, technology and compliance are not separate tracks—they are deeply intertwined.

Finally, sustainability is emerging as a defining factor for long-term viability. ESG considerations are no longer aspirational—they are becoming prerequisites for access to capital, investor confidence, and regulatory approval. Banks must move beyond surface-level commitments and integrate sustainability into their core operations, credit frameworks, and risk assessments. Doing so will not only future-proof their institutions but also position them as enablers of inclusive and sustainable economic growth.

**As East Africa's banking sector continues to evolve, the path forward will demand clarity of vision, courage to act, and a relentless focus on execution. The institutions that succeed will be those that embrace change—not as a disruption, but as an opportunity to lead.**



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We are grateful for the contributions of our clients and contacts across the region, who contributed substantially to this report.

Thank you for your time and insight. With gratitude, we would like to appreciate:



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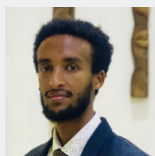
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