



Financial Focus

**Perspectives on current issues
and trends in Financial Services**

May 2026



Table of contents

Foreword	04
01. Transforming for success: Insights from the 2025 Eastern Africa Banking Survey	05
02. Capital raising requirements for banks: Business Laws (Amendment) Act, 2024	09
03. Virtual asset regulation in Eastern Africa: Kenya's evolving landscape	12
04. Cybersecurity in banking: Emerging threats and enhanced resilience strategies	16
05. Banking in a warming world: Navigating climate risks in East Africa	19
06. Uganda Revenue Authority (URA) revised ruling ushers in a new reality for banks	22
07. Beyond Compliance: Unlocking Strategic Value from IFRS 9 ECL Models	24
08. Accelerating the digital frontier in insurance	27
09. Corporate simplification and managed wind-downs in financial services restructurings	30

01

Transforming for success: Insights from the 2025 Eastern Africa Banking Survey

Malvi Chavda, Associate Director in Performance & Restructuring, discusses what boards and executives across Eastern Africa are seeing—from profitability shifts and customer behaviour trends to digital acceleration and emerging risk priorities—anchoring the publication in realworld executive sentiment and sector performance signals.

Page 05

02

Capital raising requirements for banks: Kenya's Business Laws (Amendment) Act, 2024

George Weru, Partner and Performance & Restructuring Leader, together with Isaac Otolu, Partner in Deals – Transaction Advisory, Issa Hassan, Senior Associate in Deals – Transaction Advisory, and Lenny Kimaiyo, Senior Associate in Performance & Restructuring, examine rising capital floors, consolidation trends, restructuring activity, and macroeconomic forces shaping liquidity and balancesheet strategy.

Page 09

03

Virtual asset regulation in Eastern Africa: Kenya's evolving landscape

John Kamau, Partner in Financial Crime Advisory, and Ashley Adipo, Associate in Forensics & Financial Crime Advisory, unpack the VASP Act and its implications for AML/CFT safeguards, regulatory clarity, market integrity, and digital asset oversight across the region.

Page 12

04

Cybersecurity in Banking: Emerging Threats & Resilience Strategies

Diya Guttoo, Partner in Consulting & Risk Services, and Suhaila Moraby, Manager in Consulting & Risk Services, explore evolving cyber fraud vectors and present the governance, regulatory and operational capabilities needed to strengthen cyber resilience and protect institutional trust.

Page 16

05

Banking in a warming world: Navigating climate risks in East Africa

Akinyemi Awodumila, Partner and Assurance & Sustainability Lead, and Eva Wambugu, Manager in Financial Services Clients & Markets, analyse how climate risk is reshaping credit judgement, pricing, liquidity management and disclosures - highlighting why climate integration is now essential.

Page 19

06

Revised Tax Treatment of Interest Income: A New Reality for Banks

Pamela Natamba, Partner in Tax, and Trevor Lukanga Bwanika, Associate Director in Tax, explain the withdrawal of long standing guidance on interest income from government securities and the resulting retrospective assessments with direct impacts on P&L, capital planning and compliance posture.

Page 22

07

Beyond Compliance: Unlocking Strategic Value from IFRS 9 ECL Models

Cletus Kiyuga, IFRS 9 and Modelling Specialist, Howary Kharbush, Modelling Expert, and Gauri Shah, Partner and Actuarial Services Leader, demonstrate how institutions can convert IFRS 9 ECL models into strategic engines for pricing, portfolio optimisation, stress testing and capital allocation.

Page 24

08

Accelerating the Digital Frontier in Insurance

Martin Bamukunde, Partner in Assurance & Financial Services, and Gauri Shah, Partner and Actuarial Services Leader, highlight how analytics driven underwriting, digital claims, and enhanced customer engagement are reshaping insurance models and unlocking new opportunities.

Page 27

09

Corporate Simplification & Managed Wind downs in Financial Services

George Weru, Partner and Performance & Restructuring Leader, Caroline Wanja, Associate Director in Tax & Legal Business Solutions, and Malvi Chavda, Associate Director in Performance & Restructuring, explore how organisations are simplifying structures, managing orderly wind downs, releasing capital and reducing regulatory burden.

Page 30

Foreword



Richard Njoroge

Partner

Financial Services Leader,
Eastern Africa

PwC Kenya

richard.njoroge@pwc.com



This edition reflects our overarching theme of driving trust and transformation across East Africa's financial services sector.

It is a pleasure to present this edition of Financial Focus, highlighting the ongoing shifts shaping East Africa's financial services sector. At its core, this edition reflects our overarching theme of driving trust and transformation - a lens through which the sector's evolution becomes clearer and more intentional.

We open with insights from the latest East Africa Banking Survey, which frames how banks and other financial institutions are reshaping their strategies in response to current market realities. From there, we explore how regulatory and economic developments are influencing capital raising, restructuring activity, and competitive dynamics across the region.

This edition also examines emerging questions around digital assets under the Virtual Asset Service Providers Act, and the growing urgency to strengthen cybersecurity as threats become more sophisticated. Climate related risks are increasingly influencing how lenders price credit, assess exposures, and meet new disclosure expectations. At the same time, changes to the tax treatment of interest income are prompting institutions to revisit long held assumptions.

We further highlight how banks are taking International Financial Reporting Standard 9 (IFRS 9) beyond compliance to drive better decision making; how insurers are accelerating their digital transformation journeys; and why simplifying corporate structures is becoming an important lever for efficiency, transparency and strategic clarity. Together, these themes illustrate a sector in motion - charting its next chapter with both momentum and intent.

These shifts echo what leaders shared in the East Africa cut of PwC's Global CEO: organisations remain optimistic and poised for growth, yet pragmatic about the reinvention required as technology, talent dynamics and a more complex risk environment redefine everyday operations.

As you read on, the connections between these themes will become clear. They reveal a sector evolving in real time, shaping the industry's next chapter, and pointing to where resilience and bold choices will matter most.

If you would like to discuss any of these topics further, please contact me or reach out directly to the contributors featured in this edition.

01

Transforming for success: Insights from the 2025 Eastern Africa Banking Survey

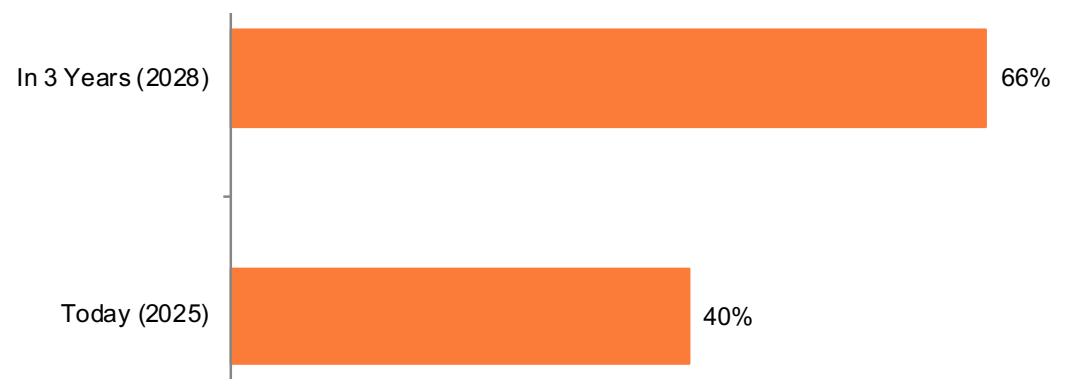
The 2025 Eastern Africa Banking Survey presents a sector balancing short-term macroeconomic pressure with long-term strategic transformation. Banks across Kenya, Uganda, Tanzania, Rwanda, and Mauritius express guarded optimism, shaped by the realities of tightening monetary conditions, currency volatility, and shifting regulatory expectations.

Yet, despite the complexities, institutions remain focused on four major themes: technological transformation, evolving business models, regulatory and policy uncertainty, and sustainability/Environmental Social and Governance (ESG) integration. These themes collectively illustrate a financial ecosystem that is changing structurally, not merely incrementally.

Technology and digital transformation

Digitisation has become a central strategic priority for banks in Eastern Africa, driving incremental rather than disruptive innovation. Respondents reveal strong confidence in the operational benefits of technology: 70% identify digitising operations as one of their top three imperatives, while 64% note that meeting customer expectations is a major driver of digital investment. This customer-centric focus is reflected in the expected increase in electronic transactions - from 40% to 66% within three years - highlighting rapid digital uptake.

Chart 1: Electronic transactions adoption



Banks are digitising effectively, but not yet boldly - strengthening the core rather than reimagining the business entirely.

Technological risks strongly influence strategic agendas, with 92% of banks surveyed expressing concern or extreme concern about the speed of technological change, and 88% citing cybersecurity as a major threat - making it the single most significant risk identified in the survey. This heightened vigilance reflects the sector's growing digital transaction volumes and the increasing sophistication of cybercrime, particularly through third-party technology providers.

Though enthusiasm for digital investment is strong, banks are adopting technology incrementally. Mobile and internet banking, omnichannel platforms, and open banking Application Programming Interface (APIs) are prioritised.

More transformative technologies, including Artificial Intelligence (AI) and cloud infrastructure, are gaining attention - 72% of banks cite AI as a priority technology - but adoption remains cautious and task focused, favouring enhancements to credit scoring, fraud detection, and customer segmentation rather than deep redesign of operating models.

Blockchain technology remains marginal and did not feature majorly in bank responses to the survey - only a handful of institutions flagged it as a potential risk. Banks are enhancing core operations rather than radically redesigning models, leveraging digital infrastructure for security, operational resiliency, and trust enhancements.

Overall, the survey suggests that banks are digitising effectively, but not yet boldly. They are embracing tools that strengthen the core rather than reimagining the business entirely.

Evolution of business models

The survey reveals how banks are redesigning their business models to adapt to competitive pressures, rising customer expectations, and the emergence of agile fintech players. Partnerships have become foundational to this shift. When asked to prioritise areas of evolution, 26% of respondents ranked third-party risk management highest, reflecting growing reliance on external partners and the critical need to manage associated operational risks. Strategic partnerships and joint ventures rank next at roughly 20%, underscoring banks' belief that collaboration accelerates innovation and extends market reach faster than traditional build-only strategies.

Internal innovation capability is also emerging as a central lever of business model transformation. Nearly the same proportion of banks - just under 20% - are investing in inhouse innovation and incubation hubs, recognising that sustainable digital change cannot rely solely on partnerships. These hubs allow institutions to experiment with emerging tools, build proprietary solutions, and reduce longterm dependence on external vendors.

Acquisitions are part of the strategic toolkit, but only 9% of respondents regard them as a primary focus. Kenyan banks, however, stand out for their regional expansion strategies, with several pursuing acquisitions in Rwanda, Democratic Republic of the Congo (DRC), and interest in Ethiopia. Outsourcing is similarly selective - just 10% of banks cite it as a priority - reflecting both the opportunity it offers in cost-heavy functions and the risk sensitivities surrounding core banking activities.

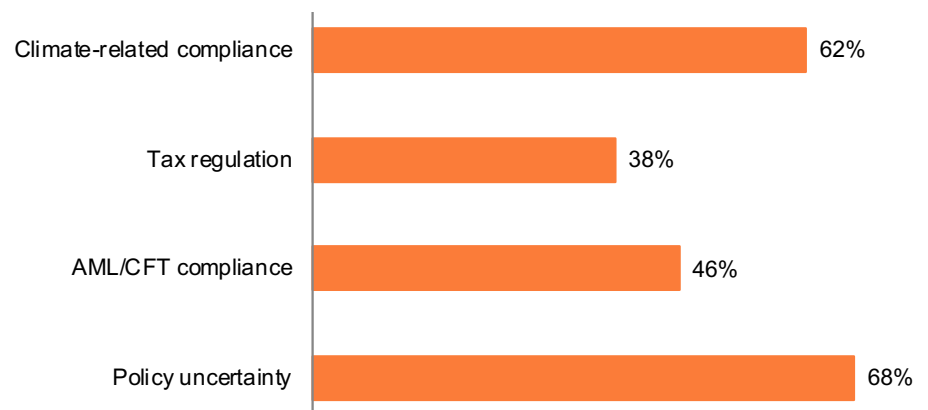
The 2025 Eastern Africa Banking Survey presents a sector balancing short-term macroeconomic pressure with long-term strategic transformation.

The survey makes clear that while banks are embracing partnerships and selective restructuring, many are not transforming their backend architecture at the same pace as their customer-facing services. Only 2% of respondents say simplifying legacy systems is a top priority, exposing a persistent structural bottleneck that may hamper future scalability. Insights from PwC's 2025 Africa CEO Survey resonate with this strategic conservatism, as leaders across industries pursue cautious diversification and internal capability building over aggressive restructuring.

Regulation and policy uncertainty

Regulation is one of the most pressing concerns for East African banks. 68% of respondents say they are concerned or extremely concerned about policy unpredictability, citing frequent tax changes, shifting capital adequacy requirements, and evolving compliance frameworks. Tax regulation poses a significant challenge for 38% of banks, reflecting the high administrative burden of constant fiscal reform.

Chart 2: Top regulatory concerns



Cybersecurity and Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) compliance are particularly prominent in this regulatory landscape. Following regional pressure to align with global standards, 46% of banks identify compliance with AML/ Financial Action Task Force (FATF) rules as a substantial or significant challenge. Institutions are therefore investing heavily in automated onboarding, transaction monitoring, and beneficial ownership verification.

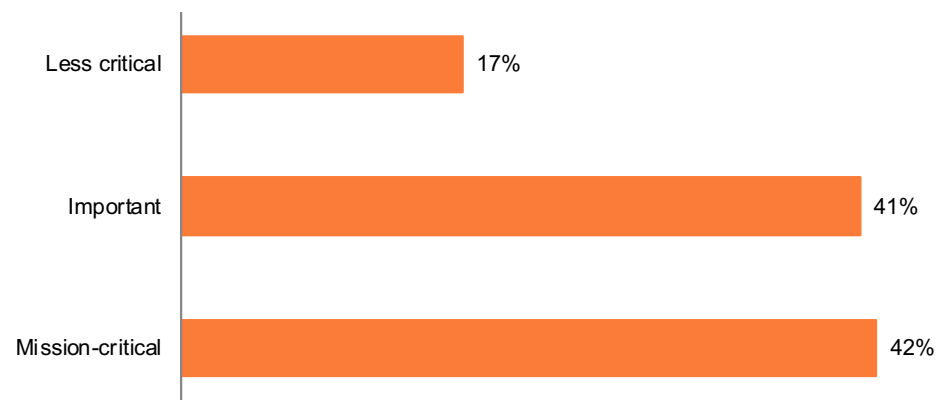
The regulatory environment around technology is intensifying as well. New cybersecurity frameworks in Kenya, Uganda, Tanzania, and Mauritius require banks to adopt stricter governance practices for cloud computing, thirdparty vendors, and cyber resilience. As banks deepen digital adoption, regulators are increasing scrutiny around data integrity, operational continuity, and consumer protection.

Per PwC's 2025 Africa CEO Survey, CEOs across Africa resonate with these challenges, identifying regulatory volatility as one of the most significant risks to business viability, mirroring the banking sector's struggle. Overall, the regulatory trajectory suggests ongoing reform, with institutions needing to balance agility with compliance discipline.

Sustainability and Environmental, Social, and Governance (ESG) integration

Sustainability has transitioned from an emerging topic to a strategic imperative. A striking 84% of banks say ESG considerations are critical or important in strategic decision making highlighting the sectors shift towards sustainable practices. 42% of banks view ESG as mission-critical, while 41% identify it as important.

Chart 3: ESG Importance



Climate risk is seen as financially material: 70% of respondents express concern about its impact, while 62% express significant concern about their ability to comply with emerging climate related regulations.

Banks are increasingly integrating ESG factors into lending decisions, risk management, and product development. Green finance is gaining traction, with institutions in Kenya, Uganda, and Tanzania developing sustainability linked loans, green bonds, and climate smart Small and Medium-sized Enterprises (SME) platforms.

Despite this progress, challenges with ESG disclosure quality and verification persist, with only 20% of banks across key African markets obtaining external assurance for ESG reporting - raising concerns about greenwashing and investor confidence.

Notwithstanding the above, the survey shows clear momentum toward embedding sustainability into core business practices. Leaders view ESG investment not just as a compliance need but as a competitive driver, offering tangible financial benefits.

**Malvi Chavda**

Associate Director
Deals, Performance and
Restructuring, Eastern Africa
PwC Kenya
m.chavda@pwc.com



Conclusion

The 2025 survey paints a picture of a banking sector working to balance immediate pressures with long-term strategic repositioning. Digital transformation is progressing steadily, with increasing focus on customer experience, data driven insight, and operational resilience.

Business models are evolving toward collaboration, internal capability building, and selective acquisition. Regulatory complexity remains a central concern, requiring agility and investment in compliance-by-design frameworks. Meanwhile, sustainability is becoming a defining factor of competitiveness and stakeholder trust.

Ultimately, the banks that will lead East Africa's next chapter are those that innovate with purpose, manage complexity with discipline, and embed resilience at the core of their strategy - balancing transformation with trust, and long-term vision with operational execution.

<https://www.pwc.com/ke/en/assets/pdf/eastern-africa-banking-survey-2025.pdf>



02

Capital raising requirements for banks – Business Laws (Amendment) Act, 2024

Overview of the legislative change

The Business Laws (Amendment) Act, 2024, enacted on 11 December 2024 and effective from 27 December 2024, introduces transformative amendments to Kenya's Banking Act.

The most significant reform is the substantial increase in the core capital requirement for banks and mortgage finance companies - raised from KES 1 billion (~USD 7.75 million) to KES 10 billion (~USD 77.5 million). This reform will be phased over a five-year period, from 31 December 2024 to 31 December 2029, with the next milestone requiring banks to reach KES 5 billion (~USD 38.8 million) by end of 2026.

Benchmarking against regional peers

Kenya's approach mirrors similar reforms across Africa. Nigeria's Central Bank launched a Banking Sector Recapitalization Programme in April 2024, requiring commercial banks to raise capital to as high as NGN 500 billion (~USD 361 million) for international licences, with a 24-month compliance window.

Uganda similarly revised its minimum capital requirements in July 2023, increasing the threshold from UGX 120 billion (~USD 31.8 million) to UGX 150 billion (~USD 39.8 million). In both jurisdictions, banks adopted strategies including equity raises through rights issues and private placements, mergers and acquisitions, and licence reclassification - offering a useful blueprint for Kenyan institutions.



The increase in minimum core capital is a strategic move to enhance resilience and strengthen the banking system.

The case for capital increase

The reforms were enacted against a backdrop of deteriorating asset quality in Kenya's banking sector. Non-performing loans (NPLs) rose from KES 461 billion (~USD 3.57 billion) in 2021 to KES 673 billion (~USD 5.22 billion) in December 2024, with the NPL-to-total-loans ratio reaching 16.4% in December 2024, levels unseen since 2006 - and further worsening to 17.4% by March 2025. This deterioration was driven by slow loan growth, high lending rates, inflation, and a challenging economic climate.

Critically, NPL distribution is uneven across bank tiers: major banks reported gross NPLs at 12.8%, while medium and small banks recorded 17.5% and 21.3% respectively.

The elevated credit risk underscores the importance of strengthened Loan Loss Reserves (LLRs), which serve as a financial cushion against anticipated losses. The Central Bank of Kenya's decision to raise minimum core capital is therefore a strategic move to enhance banks' resilience, improve reserve coverage, and expand credit capacity in the economy.

As of 30 September 2025, 23 out of 38 commercial banks did not meet the proposed KES 10 billion (~USD 77.5 million) core capital requirement. Of

these, ten fell short of the KES 3 billion (~USD 23.3 million) threshold set for December 2025, while sixteen did not meet the KES 5 billion (~USD 38.8 million) threshold set for December 2026.

Paths to recapitalisation

Banks that do not meet the new requirements have three broad strategic options:

1. **Capital Raising** - Banks can issue rights to existing shareholders at a discount, attract investment through private placements, or leverage group holding structures to inject equity into banking subsidiaries.
2. **Restructuring** - Options include establishing offshore holding companies, pursuing mergers and acquisitions with local or international investors, or realigning licence types (e.g., from a commercial bank to a microfinance institution) is significantly more complex and costly than capital-raising or Mergers and Acquisition (M&A) strategies.
3. **Exit/Divest** - Banks unable to comply may opt to exit the market or sell assets. This is the most disruptive path, requiring careful planning around asset and staff transfers.

These reforms are expected to drive consolidation, boost confidence and build a more stable, robust banking sector.

Key considerations for compliance

Banks must align capital planning with the phased implementation timeline and evaluate internal capacity to meet targets. Institutions with strong profitability should prioritise retained earnings, while smaller banks may need to explore mergers or parent company capital support. Improving operational efficiency and asset quality is essential - both to strengthen financial health and to enhance attractiveness to potential investors.

Importantly, the Act introduces increased penalties for noncompliance: fines of up to KES 20 million (~USD 155,000) or three times the gross monetary gain or loss avoided, whichever is higher. Proactive compliance planning is therefore critical.

Outlook

Despite the challenges, Kenya's banking sector remains attractive, boasting a sector-wide Return on Equity (RoE) of 22% in 2024, which creates a compelling entry point for large foreign institutions.

This regulatory change is expected to positively boost confidence in the sector, drive consolidation, and ultimately produce a more stable, robust banking system capable of handling larger transactions and withstanding economic shocks.



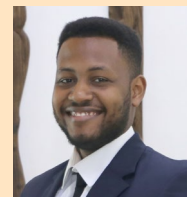
Isaac Otolo
Partner
Deals, Transaction Advisory
and Infrastructure Leader
PwC Kenya
isaac.otolo@pwc.com



George Weru
Partner
Deals, Performance and
Restructuring Services
Leader, Eastern Africa
PwC Kenya
george.weru@pwc.com



Issa Hassan
Senior Associate
Deals,
Transaction Advisory
PwC Kenya
issa.hassan@pwc.com



Lenny Kimaiyo
Senior Associate
Deals, Performance
and Restructuring
PwC Kenya
lenny.kimaiyo@pwc.com



03

Virtual asset regulation in Eastern Africa: Kenya's evolving landscape

Virtual assets are rapidly transforming financial-crime risk in Eastern Africa, often outpacing regulatory frameworks.

Virtual assets are rapidly transforming financial-crime risk in Eastern Africa, often outpacing regulatory frameworks. Virtual Asset Service Providers (VASPs) and the platforms they operate play a pivotal role in both innovation and risk exposure, facilitating the exchange, transfer, safekeeping, or issuance of virtual assets.

Platforms recognised among users include global and Africa-focused exchanges like Binance, Yellow Card, Paxful (P2P), KuCoin and Remitano, alongside widely adopted crypto-wallet applications such as Trust Wallet and MetaMask in Mauritius, entities like GCEX and GXChain Mauritius operate as licensed VASPs under the VAITOS framework.

As digital finance expands, cross-border payments increase, and virtual asset activity accelerates, financial institutions face increased financial crime such as money laundering, fraud, and cross-border transaction challenges.

Eastern Africa's evolving virtual asset landscape

Countries in the region are at different stages of developing regulatory frameworks for virtual assets, reflecting varied readiness, risk perception, and market maturity. Rwanda has taken early steps with its Draft Virtual Asset and Virtual Asset Service Providers (VASP) Law (2025), including licensing and consumer protection requirements, while prohibiting virtual assets as legal tender. Uganda has

completed a national Machine Learning (ML)/Transfer Learning (TF) risk assessment on virtual assets and VASPs, signaling that formal regulation is forthcoming, though the Bank of Uganda continues to view cryptocurrencies cautiously, highlighting the need for structured oversight. Tanzania remains at an exploratory phase, relying on central bank advisories rather than a definitive regulatory framework.

Mauritius stands out as a benchmark regulator in Africa with its Financial Action Task Force (FATF) - aligned VAITOS Act (2021), which establishes full licensing classes, Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT), and operational standards for VASPs. Within this diverse regulatory landscape, Kenya has emerged as a frontrunner in Eastern Africa - after Mauritius - to adopt a dedicated formal regulatory framework for virtual assets.

Kenya's regulatory turning point

Kenya has long been a leader in financial innovation, most notably through mobile money and a vibrant fintech ecosystem



that has expanded financial access reflected in innovations such as M-PESA. However, this rapid growth also exposed the country to increased financial crime risks and in 2024, these vulnerabilities contributed to Kenya's inclusion on the FATF grey list. The FATF Mutual Evaluation Report identified key gaps including weak AML/CFT/CPF enforcement and the absence of a regulatory framework for virtual assets.

The Virtual Asset Service Providers (VASPs) Act, signed into law on 15 October 2025, addresses these weaknesses by embedding AML/CTF/CPF obligations and providing for a comprehensive compliance framework for VASPs. A detailed discussion of these provisions, including licensing categories, supervisory expectations, and compliance obligations, is available in the PwC Spotlight on Kenya's Virtual Asset Service Providers Act, 2025.

Implications for Key Sectors

Kenya's VASP Act, 2025 has great implications across different industries. The multi-sectoral impact is discussed below:

VASPs

The Act offers VASPs both legitimacy and new obligations. It opens doors to banking relationships, institutional partnerships, and greater investor confidence, but also imposes strict governance, risk management, compliance, capital, audit, and cybersecurity requirements.

Many VASPs, especially smaller firms, may need to overhaul internal structures, enhance Know-Your-Customer (KYC) /AML processes, and invest in stronger reporting and record keeping systems, which could be costly and drive consolidation.

The VASPs Act marks a turning point - strengthening market integrity while fostering investor confidence.

Operationally, stricter compliance measures may slow onboarding and transactions but will also boost user trust and reduce risks. With subsidiary regulations pending, VASPs should actively engage in consultation and industry collaboration to shape practical, innovation-friendly rules.

Banks and Payment Service Providers

Opportunities exist for Banks and Payment Service Providers (PSPs) to expand into custodial services for digital assets, provide payment processing, and partner with VASPs in tokenisation initiatives. However, compliance burdens will increase as banks adapt transaction monitoring systems to capture virtual asset transactions.

Capital Markets and Asset Managers

The Act opens opportunities for capital markets participants to develop new products such as tokenized real estate, commodities, and other assets. Asset managers may explore regulated digital asset funds, while exchanges could list compliant entities.

Telecommunications and Mobile Money Providers

Telecommunication companies, already central to Kenya's financial system through mobile money, may explore crypto-payment gateways

and integration with licensed VASPs. The Act provides regulatory clarity for telcos to partner in expanding digital payment ecosystems.

Regulators

For the Capital Markets Authority (CMA) and the Central Bank of KENYA (CBK), the VASPs Act broadens their regulatory mandates and requires careful coordination to balance innovation with market integrity. The CBK must now set prudential standards, manage risks to payment systems, and address consumer protection and AML concerns.

The CMA now oversees tokenized assets and digital investment products, requiring clear token classification criteria, enhanced disclosure rules, and alignment with the capital markets framework.

Both regulators will need new licensing processes, risk models, and data-driven supervisory tools, alongside significant capacity building. Collaboration among CMA, CBK, and the Financial Reporting Centre (FRC), will be essential to maintain consistent oversight.

By adopting a balanced and consultative approach, the CMA and CBK can foster market confidence while ensuring that innovation thrives within a secure and transparent ecosystem.



John Kamau
Partner
Deals, Forensics Leader,
Eastern Africa
PwC Kenya
john.kamau@pwc.com



Ashley Adipo
Associate
Deals, Forensics, Eastern Africa
PwC Kenya
ashley.adipo@pwc.com



Legal, Compliance, and Professional Services

Law firms, auditors, and compliance service providers will see increased demand for licensing advisory, AML framework reviews, and training. The professional services sector is poised to support both regulators and VASPs in navigating the new framework.

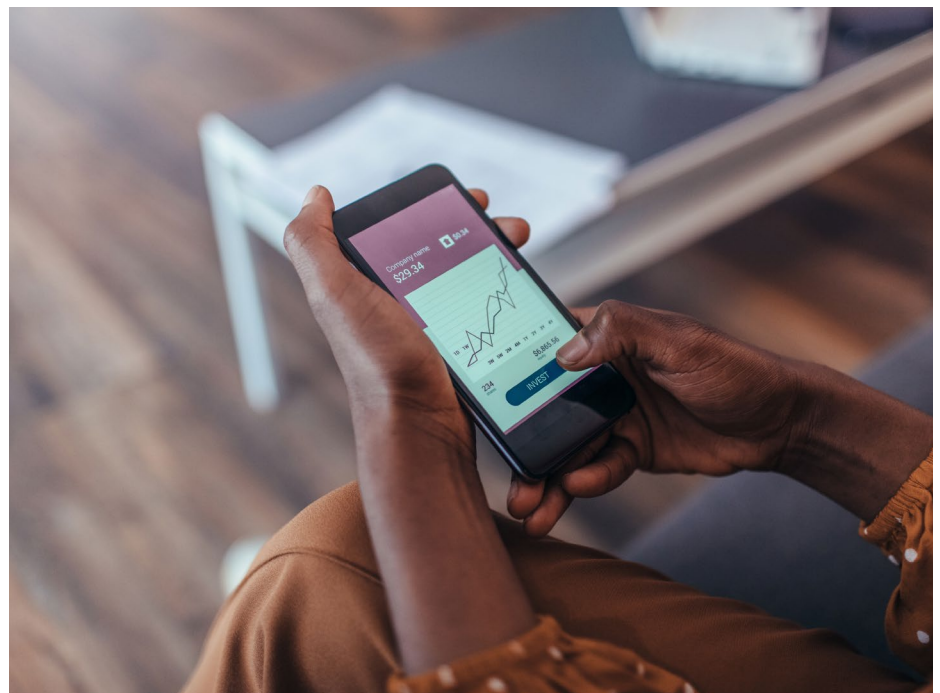
Conclusion

If implemented effectively, the VASPs Act has the potential to position Kenya as a leading hub for regulated digital finance in Africa. As regional frameworks evolve at different speeds, Kenya's structured approach provides a reference point for improved financial-crime resilience across Eastern Africa.

Its success will hinge on the regulator's capacity to enforce standards, strike the right balance between innovation and oversight, and align Kenya's framework with regional and global best practices. The Act also marks a major step in strengthening market integrity and fostering investor confidence.

At PwC, we view the VASPs Act not merely as a compliance obligation but as a catalyst for strengthening Kenya's financial ecosystem and unlocking sustainable digital growth.

We support organisations through regulatory readiness assessments, AML/CFT/CPF framework reviews and development, digital asset risk assessments, and capacity building for Boards and compliance teams.



04

Cybersecurity in banking: Emerging threats and enhanced resilience strategies

Banking across Africa has undergone a rapid structural shift. Mobile-first services, fintech ecosystems and customer demand for always-on digital access have accelerated the transition away from branch-dependent models. In 2023, mobile transactions exceeded USD 1 trillion globally, reflecting the scale of digital financial activity.

By 2025, approximately 70% of Africans are using digital banking services. Smartphone penetration has surpassed 50–60% in urban centres, while internet connectivity continues to expand into rural areas.

Mobile money platforms such as M-Pesa and MTN MoMo have extended financial services to millions of individuals previously excluded from the formal banking system.

At the same time, fintechs and neobanks are scaling rapidly, offering wallet integrations, digital lending and real-time payments. Banks sit at the center of this storm because they safeguard money, data and trust. They are constant targets of cyber threats ranging from everyday frauds to attacks that can undermine the stability of the financial system itself.

Regulators have responded by strengthening oversight through data protection laws and cybersecurity frameworks, including Nigeria's Risk-Based Cybersecurity Framework, South Africa's Protection of Personal Information Act (POPIA), Kenya's Data Protection Act and the Mauritius Data Protection Act amongst others.

The rising tide of emerging cyber threats against African banks

1. Digital fraud on the upswing

This digital expansion has significantly widened banks' attack surfaces. Modern banking environments now depend on mobile applications, open Application Programming Interface (APIs) for fintech integration, cloud and hybrid infrastructures, and emerging technologies such as Central Bank Digital Currencies (CBDCs). Each layer introduces new points of exposure.

The financial impact is measurable. Cybercrime costs Africa more than USD 4 billion annually, according to Interpol. Banks, as custodians of funds, data, and systemic trust, remain primary targets.

In South Africa, reported digital banking fraud incidents increased by 86% in 2024, with total losses approaching ZAR 1.9 billion (approximately USD 115 million). 65% of these incidents were directly linked to mobile and online banking applications, underscoring the risk concentration within digital channels.



Banks sit at the centre of the digital storm because they safeguard money, data and trust.

Attack methods have evolved alongside digital adoption. Phishing, credential theft and application-layer fraud are now complemented by automated and highly targeted techniques.

2. **Sophistication of modern attacks**

Cyber threats against banks are no longer opportunistic: they are structured, persistent and increasingly automated. Documented attack patterns include:

- Artificial Intelligence (AI)-powered attacks automate phishing campaigns and generate convincing deepfakes that target customers and bank personnel alike.
- Ransomware operations using double extortion, here attackers encrypt data and threaten to publish sensitive information unless paid.
- Supply chain attacks, exploiting vulnerabilities in third-party vendors connected via APIs (e.g. compromise of third-party loan management tools integrated into banking systems).

Cyber threats are no longer opportunistic - they are structured, persistent and increasingly automated.

- Cryptojacking, leveraging unpatched systems to mine cryptocurrency.
- Geopolitically motivated cyber operations, where financial institutions are targeted as instruments of economic destabilisation.

These attack vectors challenge traditional perimeter-based security models and increase both operational and systemic risk.

3. **Legacy systems and skills gaps**

Despite growing innovation, many banks' infrastructure maturity remains uneven. According to the IBM X-Force 2024 report, nearly 48% of African banks still rely on legacy systems which creates exploitable security gaps such as shadow Information Technology (IT), zero day attacks or unmonitored APIs.

Simultaneously, the skills gap compounds the challenge. Africa has an estimated 12,000 certified cybersecurity professionals supporting a digital population of more than 700 million users. This imbalance constrains banks' ability to implement advanced security controls, operate effective Security Operations Centres (SOCs), and sustain 24/7 monitoring.



Diya Guttoo

Partner

Consulting & Risk Services

PwC Mauritius

diya.guttoo@pwc.com



Suhaila Moraby

Manager

Consulting & Risk Services

PwC Mauritius

suhaila.moraby@pwc.com



Strategic pathway to cybersecurity resilience

A continent-wide survey indicates that 81.5% of African banks experienced at least one cyberattack in the previous year, prompting increased investment in automation, monitoring, and recovery capabilities.

As a result, banks are shifting the focus from prevention to cyber operational resilience (CyOpRes) and Information Technology resilience (ITRes). The “four Rs”: Recognise, Respond, Reinforce and Relay outlines the ability to anticipate, absorb, respond to and recover from cyber incidents while maintaining critical services is crucial.

- **Recognise:** Spot threats before they strike. Using Artificial Intelligence (AI) in the detection of anomalies and real-time analysis of patterns to help identify vulnerabilities early. Across Africa, fintechs in Lagos use machine learning for fraud detection, while telecoms in Nairobi leverage AI to flag suspicious activity. As cybercriminals also harness AI, organisations must adopt ethical and transparent AI-driven defenses to stay ahead of evolving threats.
- **Respond:** Act decisively when incidents occur. Integrated incident response capabilities, supported by Security Information and Event Management (SIEM) platforms, tested response playbooks and secure backup environments help organisations plan for disruption before it happens.
- **Reinforce:** Strengthen systems, processes, and people continuously.

Embedding Zero Trust security models and enforcing continuous verification, least-privilege access and identity-centric controls to limit the impact of lateral movement and prevent the wider network from compromise. In practice, several Nigerian banks have adopted Zero-Trust architecture to address insider threats and secure their digital banking platforms.

- **Relay:** Collaborate to stay ahead. Participating in regional collaboration such as information-sharing among banks and coordinated responses to cybercrime amplifies resilience against cross-border threats. In addition, being part of collective cybersecurity initiatives in the life of Interpol’s Africa Cyber Surge II or Ecobank’s Safer Africa Alliance plays a role in promoting commitment to shared security.

Third-party risk management has also become a critical control area. As banks rely on external service providers for payments, lending platforms, and cloud services, vendor security assurance and contractual cybersecurity requirements are now central to risk governance.

Securing the digital banking future

The banking sector is advancing rapidly, but digital scale without resilience increases exposure. The data is clear: cyber threats are rising in frequency, cost and sophistication.

Banks that align governance, modern security architectures, skilled talent and regulatory compliance will be best positioned to sustain trust, protect assets and remain operational in an increasingly hostile digital environment.

05

Banking in a warming world - Navigating climate risks in East Africa

Climate change is rewriting the rules of risk management for banks globally and in East Africa. Within the financial services sector, climate-related shocks, driven by both physical and transition risks - prominently surface. These risks influence borrowers' ability to repay, the value of collateral assets, meaning the property or other assets pledged as security for loans.

When climate events reduce the value of such collateral, banks face higher credit losses and greater exposure across credit, liquidity and capital adequacy risks.

Physical risks can be grouped into two categories. Acute risks refer to sudden, extreme weather events like floods, storms or heatwaves causing immediate damage and disruptions to economic activity. Chronic risks stem from slow onset changes such as rising temperatures, sea level or prolonged droughts gradually eroding asset value, reducing productivity and straining infrastructure.

Meanwhile, transition risks arise from policy, market and technology shifts linked to the global move towards a low carbon economy. All these risks shape how banks lend, price risk and manage capital, impacting a bank's financial health and resilience.

Daily impacts of climate risk in banking

For banks in East Africa, climate-related financial risks are becoming too significant to ignore. Extreme weather – like drought cycles in Kenya, Tanzania and Uganda, storms in Zambia, and cyclones near

Mauritius - increase default risk, leading to operational disruptions and collateral devaluation.

The sector mix of a bank's loan portfolio reveals vulnerabilities, such as reduced yields, diminished repayment capacities, variable collateral values, declining efficiency, pressure on infrastructure, and effects on output and revenue stability.

- **Agriculture:** Faces climate pressures like droughts, heat stress on crops and livestock and rainfall variability disrupting production cycles.
- **Real Estate:** Exposed to climate pressures such as flooding in low-lying areas, coastal erosion and landslide risks in hilly terrain, creating higher physical risks.
- **Energy and Infrastructure projects:** Hydropower assets remain vulnerable to rainfall variability; solar installations face efficiency declines during extreme heat or dust storms; transmission networks are exposed to storm damage and rising temperatures while transport infrastructure is strained by drought induced land degradation and intense rainfall.

Climate-related financial risks are becoming too significant for banks in East Africa to ignore.

Policy shifts such as Rwanda's environmental regulation or Mauritius' green financing frameworks are prompting banks to adjust their lending strategies and risk assessment. Central Banks across the region have also introduced climate risk guidelines, tightening regulatory expectations.

Kenya's Central Bank (CBK) has issued both the 2021 Guidance on Climate - Related Risk management and, more recently, the 2025 Kenya Green Finance Taxonomy and Climate Risk Disclosure Framework. International lenders increasingly favour institutions with strong climate-risk practices.

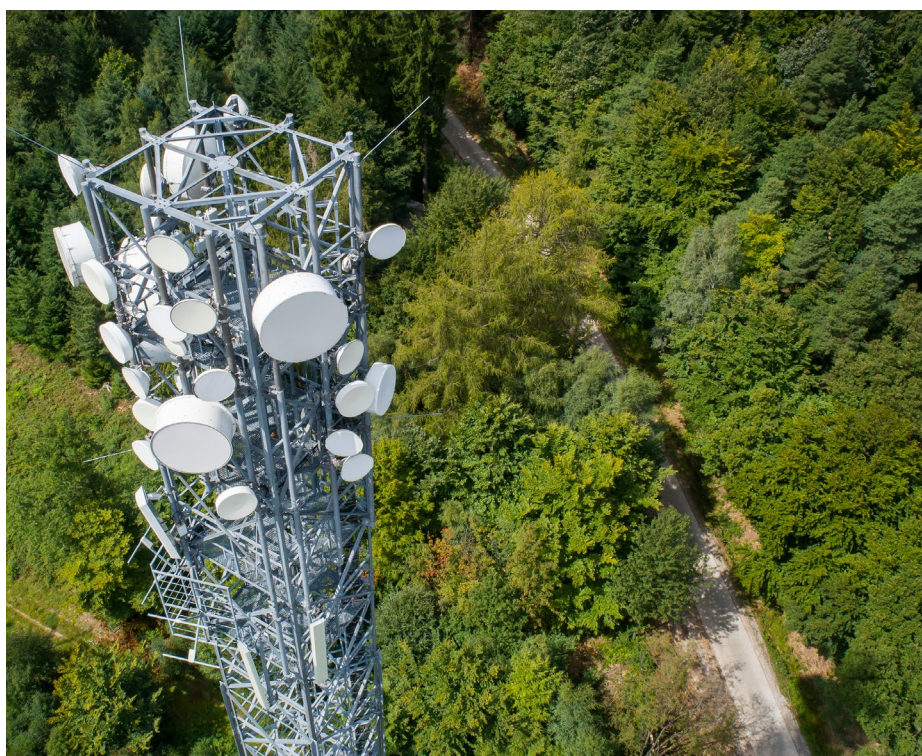
Climate change is rewriting the rules of risk management, influencing lending, pricing and capital decisions.

Preparing for climate risk is crucial for long-term profitability, market leadership and sustaining customer trust. It's about meeting market expectations and fostering a sustainable regional economy.

Building a tailored climate risk framework: What banks need to do

To respond effectively, banks must develop risk management practices to manage these climate-related risks and incorporate them into their overall risk management framework. Understanding the short, medium and long-term impact of climate risks on their organisation is essential, including collecting all relevant data to analyse the bank's exposure to climate risks.

Incorporating climate risk into the bank's risk appetite framework (RAF) using quantitative and qualitative key risk indicators (KRIs) is another vital practice. KRIs measure the probability and impact of events that could exceed the bank's stated risk appetite.



For managing climate-related financial risks, KRIs can alert banks of potential financial exposures arising from climate risk and provide insights on weaknesses in climate risk controls. Some KRIs that could be applied include financed emissions, sectoral or geographic exposure limits (absolute and relative amounts), and portfolio (mis)alignment ratios when compared to transition scenarios.

Banks should also integrate climate risks to assess capital adequacy for credit, market and operational risks through the Internal Capital Adequacy Assessment Process (ICAAP). Additionally, banks should incorporate climate risks in their loan origination and monitoring processes, including their loan pricing framework to develop green products.



Akinyemi Awodumila

Partner

Assurance & Sustainability Leader,

Eastern Africa

PwC Kenya

akinyemi.awodumila@pwc.com



Eva Wambugu

Manager

Clients and Markets Development,

Financial Services, Eastern Africa

PwC Kenya

eva.wambugu@pwc.com



Another critical aspect is incorporating physical and transition climate risk drivers in the valuation and management of collateral held by banks. For example, property held as collateral requires information on its location and energy label. Banks should also perform credit risk modelling, scenario analysis, and stress testing for their portfolio.

Governance matters: Three lines of defence

To manage climate-related risks, it is crucial to clearly define roles and responsibilities across the organisation's structure. The three lines of defence - management, risk

& compliance, and internal audit - each play a pivotal role in integrating climate considerations into banking operations. Collectively these functions ensure that climate risks are identified, assessed and mitigated throughout the organisation.

Conclusion

While climate risk presents challenges, it also creates strategic opportunities. Banks across East Africa are exploring green lending, energy-efficient mortgages, sustainability-linked loans, and renewable-energy financing such as solar mini-grids. By acting early, banks can gain competitive advantage, diversify revenue streams and strengthen customer loyalty in a rapidly evolving market.



06

Uganda Revenue Authority (URA) revised ruling ushers in a new reality for banks

The withdrawal of long-standing administrative guidance has introduced significant tax uncertainty for banks.

Uganda's public debt stock stood at UGX 119 trillion (approximately USD 34.2 billion) as of September 2025, according to the Ministry of Finance, Planning and Economic Development (MoFPED)'s Debt Statistical Bulletin (DSB) Issue No. 42. This reflects a debt to Gross Domestic Product (GDP) ratio of 52.4%, meaning that to achieve the Government's target of reducing the ratio to below 50% by FY2025/26, borrowing needs to be curtailed.

Of the total debt, 54% (UGX 63.9 trillion or USD 18.3 billion) relates to domestic debt. Domestic debt issuance remains attractive, demonstrated by an average bid-to-cover ratio (BCR) of 1.8 between December 2024 and December 2025 according to the Debt Statistical Bulletin (DSB).

A BCR above one signals oversubscription of government securities when auctioned. However, rising domestic debt poses challenges for private sector credit growth, as banks often prefer risk free government paper over lending. It also raises debts servicing risks due to the short-term nature and higher interest costs of domestic instruments.

Under the National Development Plan IV (NDP IV), the Government has committed to reducing domestic borrowing to below 1% of GDP by FY2029/30. While this future commitment aims to address long-term sustainability, domestic debt remains a critical financing source where foreign concessionary lending is narrowing. However, its attractiveness is now in question following recent tax administration changes affecting financial institutions and investors in government securities.

In October 2025, the Uganda Revenue Authority (URA) revoked a private ruling that banks had relied upon for 19 years to compute disallowable interest expense related to income from government securities.

Such interest expense is non-deductible for purposes of determining net income that is subject to corporate tax because income from government securities to which such expense is attributed is subject to a final withholding tax, meaning it is not taxed further under corporate tax.

As a result, banks must exclude this interest income from taxable income calculations and similarly disallow the attributable interest expense.

There's no significant change in the disallowance of the direct interest expense. What is being proposed to change is the disallowance of indirect expenses attributable to income on government securities which based on URA's formula can go as high as 50% of a banks operating expense - effectively increasing their tax exposure.

UGX 119 trillion

was the total public debt stock of Uganda as of September 2025, according to the Ministry of Finance, Planning and Economic Development



Pamela Natamba
Partner
Tax & Legal Services
PwC Uganda
pamela.natamba@pwc.com



Trevor Lukanga Bwanika
Associate Director
Tax & Legal Services
PwC Uganda
trevor.b.lukanga@pwc.com



It is an undeniable principle of taxation that expenses must only be deductible to the extent to which the income to which they relate is subject to tax and this is contained within our tax laws. However, the law can be supported by administrative measures, for example the private ruling issued by the URA 19 years ago in this case.

Therefore, the distortion arising from this situation is that while the URA only withdrew its administrative guidance (the private ruling) in October 2025, they are seeking to collect tax retrospectively for a period where they had guided otherwise. The URA's decision is based on its view that banks have not adequately determined expenditures and losses attributable to income derived from government securities.

Consequently, URA instructed banks to review their interest expense for FY2020–2024, quantify exposure, and amend corporate income tax returns, paying any back taxes due.

This retrospective review increases tax uncertainty for banks, who are being pushed to treat close to 50% in some cases, of their overhead expenses as attributable to earning income from government paper and therefore pay tax on those expenses.

This exercise is not only complicated but also not an accurate representation of the banks' operations who in reality have minimal operational costs associated with investing in risk-free securities, especially in the primary market.

A similar tax interpretation issue emerged in 2025 within the insurance industry, particularly for non life insurers. URA argued that income from

government securities constitutes an exempt supply for VAT purposes and should be included in total taxable supplies when apportioning input VAT. This would reduce the claimable input VAT and result in additional VAT liabilities for insurers.

Collectively, these actions signal a pattern of aggressive tax positions by URA, which risk undermining the development of Uganda's financial services sector, particularly when new tax rules are applied retrospectively.

Meanwhile, while NDP IV emphasizes implementing the 2019 Domestic Revenue Mobilisation Strategy (DRMS) and strengthening tax administration, such reforms should not conflict with broader economic objectives such as Uganda's tenfold growth strategy – especially given the financial sector's critical role in domestic resource mobilisation.

The implications of disallowable interest expense on income from government securities extend beyond banks and insurers. The impact is likely to spread to pension funds, schools, manufacturers, and other entities investing in government paper.

Finally, MoFPED's December 2025 Performance of the Economy Report highlights a UGX 1 trillion revenue shortfall for FY2025/26 (July–December 2025). This shortfall increases the likelihood of continued assertiveness from URA.

In this context, it is essential for the financial services industry to engage MoFPED, Bank of Uganda and the URA to ensure tax enforcement supports - rather than constrains -sector growth and economic development of Uganda.

07

Beyond Compliance: Unlocking Strategic Value from IFRS 9 ECL Models

The financial year ended 31 December 2025 marked the eighth year since the adoption of IFRS 9 and Expected Credit Loss (ECL) models. Over this period, we have been extensively involved in the development of ECL models, the provision of ongoing support and refinements, and, most notably, the review of ECL methodologies and detailed testing of key assumptions as external auditors of banks in the region.

We have observed a clear evolution: models have progressed from simple Excel-based tools to sophisticated, automated systems integrated with source data. We have also seen differing levels of growth in technical knowledge and governance frameworks around IFRS 9.

Some banks have invested significantly in building internal capabilities and are now reaping the benefits, while others remain heavily reliant on external consultants. Overall, if one were to take stock of progress over this eight-year journey, the outcome would be mixed rather than overwhelmingly positive.

In parallel with these observations, global research reflects similar themes. PwC's Global Risk Survey indicates that only 39% of organisations have high-quality risk data to support decision-making, while 63% struggle to integrate risk insights into business strategy - patterns consistent with the data-quality and model-governance challenges seen across Eastern Africa.

Regardless of a bank's current level of IFRS 9 ECL maturity, a fundamental question remains: **What value should banks be**

extracting from the ECL process? Is ECL merely a compliance requirement, or does it offer genuine strategic value? This article outlines key areas where banks can leverage ECL to derive tangible strategic benefits.

1. Effective loan performance monitoring

ECL staging (Stage 1: Performing, Stage 2: Underperforming and Stage 3: Non-performing) strengthens monitoring by requiring close oversight of both quantitative and qualitative indicators. Probability of Default (PDs) and Loss Given Default (LGDs) should be embedded into performance metrics for different loan portfolios, complementing commonly used Key Performance Indicators (KPIs).

Early identification of credit - risk deterioration enables proactive steps such as renegotiating terms, restructuring and intensifying collections earlier than the previous IAS 39 framework. LGD metrics can also provide valuable insights into the effectiveness of recovery efforts, the quality

70%

of CEOs view macroeconomic volatility as a top threat to their organisations, according to PwC's Global CEO Survey

and enforceability of collateral, and the time required to realise recoveries; helping banks refine their credit operations and reduce long-term losses.

2. Stress testing and risk management

The forward-looking nature of IFRS 9 requires banks to incorporate macroeconomic scenarios into their models.

Macro-economic variables commonly incorporated into ECL models include: GDP growth, Consumer Price Index (CPI), unemployment rate, interest rates, exchange rates, current account and fiscal deficit indicator and sector-specific variables. This emphasis on macroeconomic inputs is echoed globally.

PwC's Global CEO Survey shows that nearly 70% of CEOs view macroeconomic volatility as a top threat to their organisations - exactly the type of uncertainty IFRS 9 requires banks to capture through forward-looking scenarios. This multi-scenario ECL forecasting naturally

supports stress testing and scenario planning - critical components of a robust Enterprise Risk Management (ERM) framework. Management should use ECL insights to enhance internal stress testing exercises, inform capital planning and allocation and strengthen overall risk management practices.

In fact, many banks have leveraged on their IFRS 9 models and changed some of the parameterisation to help support the estimation of credit risk capital charge for internal capital assessments or Internal Capital Adequacy Assessment Process (ICAAP) exercises.

Banks can use these insights to prioritise capital deployment, rebalance portfolios, and support strategic decisions on market entry or exit. In this way, ECL can also become a capital optimisation tool.

Additionally, as climate risk and broader sustainability takes center stage in the financial sector, banks are increasingly exploring how ECL models can help assess climate-related impacts and support green lending strategies.

When thoughtfully implemented, IFRS 9 ECL becomes a tool for capital allocation, pricing and risk management.





Cletus Kiyuga

Partner

Assurance and Financial
Services Leader

PwC Tanzania

cletus.kiyuga@pwc.com



Gauri Shah

Partner

Actuarial Services Leader,
Eastern Africa

PwC Kenya

gauri.shah@pwc.com



Howary Kharbush

Associate Director

Assurance

PwC Tanzania

howary.kharbush@pwc.com



While climate data and advanced modelling capabilities are still developing, the ability to integrate climate scenarios directly into ECL calculations, provides clearer insights into potential exposures.

This also supports alignment with broader sustainability objectives, ensuring that risk management practices remain both financially prudent and environmentally responsible.

3. Loan product pricing

IFRS 9 requires banks to segment loan portfolios into groups with similar credit risk characteristics. Segmentation may be based on product type, customer profile, collateral type, tenor, or other relevant attributes.

Historical trends in default and loss are tracked for each segment and used to derive Probability of Default (PD) and Loss Given Default (LGD). Management can leverage these PD and LGD metrics when setting interest rates, origination fees, and credit spreads for each segment to achieve targeted returns.

Treating expected credit losses as a “cost of risk” and incorporating ECL assumptions into the pricing framework - alongside funding costs and operating costs - enhances pricing accuracy and embeds risk awareness into product development.

This approach enables lenders to differentiate more effectively between borrowers and sectors, offering more competitive rates to lower-risk clients and appropriately pricing higher-risk profiles. Further, this aspect directly feeds into the banks budgeting and planning process.

Conclusion

When thoughtfully implemented, the IFRS 9 ECL model is far more than a regulatory compliance requirement; it is a strategic tool. The initial challenge of achieving compliance has evolved into an opportunity to strengthen risk management, pricing, capital allocation, and business decision-making.

To realise this potential, banks should focus on three key enablers:

1. **Governance and oversight**
The board should take an active interest in ECL and establish robust governance structures. This includes clearly defining responsibilities, setting the frequency of internal model reviews and validations, and putting in place comprehensive policies and procedures.
2. **Investment in capability and infrastructure**
Banks should invest appropriately in upskilling relevant teams, strengthening data infrastructure, and, where feasible, automating ECL models. This improves the reliability and timeliness of inputs and enhances overall model performance.
3. **Cross-functional collaboration**
Effective use of ECL as a strategic lever requires collaboration across multiple functions. Finance, Risk, Compliance, Credit, IT, Treasury, Operations, and Business teams must work together to embed ECL insights into core decision-making processes.

By moving beyond a narrow view of ECL as a compliance exercise and fully integrating it into strategic risk management, Eastern Africa banks can unlock significant value and build more resilient, forward-looking institutions.

08

Accelerating the digital frontier in insurance

Across East Africa, the insurance industry is navigating a significant evolution. Fueled by widespread mobile adoption, maturing fintech ecosystems, and rising customer expectations, insurers in the region are increasingly integrating digital technologies across underwriting, claims processing, and customer engagement.

While this mirrors a broader global shift in the industry, East Africa's digital transformation is uniquely shaped by local market dynamics and presents both challenges and competitive advantages relative to the rest of Africa and mature international markets.

Transforming underwriting with data and technology

Digital innovation is redefining underwriting globally, and East African insurers are adapting these trends to local realities.

In markets like Kenya, Tanzania, and Uganda, the growth of mobile money and digital platforms enables insurers to use alternative data - such as mobile transaction histories and remote sensing - to assess risk more accurately and inclusively. Sub-Saharan Africa continues to lead globally in mobile-money usage, with 40% of adults holding a mobile-money account in 2024, according to the World Bank Global Findex Database 2025.

This level of adoption creates a digital backbone for real-time premium payments and risk assessment at scale in East Africa.

Yet when it comes to insurance penetration, East Africa still lags behind both the African continent and global averages. For example, Kenya's overall insurance penetration sits at less than 2.5% of GDP, far below South Africa's 11% and the global average of around 7%. This underscores the unmet potential for digital underwriting solutions to expand coverage into new segments - especially informal and microinsurance markets.

Globally, insurers are deploying Artificial Intelligence (AI) and machine learning to improve risk selection, pricing, and churn prediction. PwC's Global CEO Survey reveals that while 33% of CEOs report measurable gains from AI, only 12% see both cost and revenue benefits. East African insurers, often through partnerships with insurtechs, are progressively adopting these tools - positioning themselves to leapfrog traditional models if they can unlock tangible value from AI.

East Africa's insurance industry is increasingly integrating digital technologies across underwriting, claims and engagement.



Mobile-first distribution and embedded insurance are reshaping how coverage reaches customers at the point of need.

Digitising claims: Speed, transparency, and trust

Claims processing has historically been a sticking point for insurers everywhere, with slow turnaround, documentation bottlenecks, and customer frustration prevalent.

Digital tools are changing this across East Africa. Policyholders increasingly use mobile apps, Unstructured Supplementary Service Data (USSD) interfaces and portals to submit claims, upload documentation, and track outcomes in real time - a significant improvement over manual processes. Digital claims workflows, combined with AI-driven fraud detection, are becoming mainstream priorities in the industry worldwide.

Globally, insurers report measurable improvements after digitising claims operations, particularly in the reduction of claims processing times. In East Africa, where mobile interfaces are often simpler and more accessible than agent-based processes, well-executed digital claims systems can significantly enhance trust - especially important in markets where insurance distrust remains high.

Customer engagement in the digital age

Insurance engagement has moved beyond periodic policy notifications to continuous, personalised digital interaction; with customers and policyholders largely preferring interactions through digital channels and managing their policies through mobile apps.

In East Africa, the omnipresence of mobile phones creates a fertile environment for mobile-first engagement strategies that rival global digital expectations. Insurers can deliver personalised advice, proactive policy alerts, and self-service portals via Short Message Service (SMS)/USSD and native apps, often outperforming legacy paper-based interactions.

Compared to many African markets, East Africa's high mobile and digital literacy rates give insurers a head start in building digital engagement journeys - yet global leaders still set the bar in predictive personalization, behavioral analytics, and omnichannel experiences.



Gauri Shah

Partner

Actuarial Services Leader,

Eastern Africa

PwC Kenya

gauri.shah@pwc.com



Martin Bamukunde

Partner

Assurance & Financial Services
Leader

PwC Zambia

martin.bamukunde@pwc.com



Ecosystem integration: Embedded and mobile-first insurance

Globally, embedded insurance - where coverage is integrated into broader digital services like banking, e-commerce, and fintech platforms - is accelerating. East Africa is an early adopter within the continent due largely to its vibrant mobile money ecosystems.

Platforms like M-PESA, with millions of active users and robust mobile payment infrastructure, have enabled insurance products to be sold seamlessly at the point of need, often with instantaneous digital underwriting and onboarding.

Embedded insurance is a competitive advantage relative to many traditional African markets still reliant on brokers and face-to-face sales. However, on a global scale, leading markets combine embedded distribution with advanced analytics and automation that East African insurers are beginning to adopt through partnerships and insurtech collaborations.

Operational efficiency and digital investment trends

Digital transformation is not just customer-facing - it reshapes core operations. PwC's Global CEO Survey highlights a sobering reality: 40% of insurance CEOs believe their

companies will not be economically viable in 10 years without significant transformation. This underscores the importance of digital investment not just for growth, but for survival.

These global trends are increasingly reflected in East African strategies, where insurers are investing in cloud computing, mobile platforms, and AI-enabled tools to improve underwriting accuracy, accelerate claims, and reduce costs.

Yet East Africa still lags global insurance markets in terms of overall digital maturity and regulatory integration, highlighting the importance of continued investment in technology, talent, and data governance frameworks.

Looking ahead - Bridging local strengths with global benchmarking

East Africa's insurance industry is at an inflection point. Fueled by mobile penetration, rising digital expectations, and evolving fintech ecosystems, insurers in the region are embedding digital technologies across underwriting, claims, and customer engagement.

By strategically leveraging digital technology, East African insurers can continue bridging these gaps - accelerating inclusion, operational efficiency, and customer satisfaction while keeping pace with global industry evolution.

09

Corporate simplification and managed wind-downs in financial services restructurings

Corporate simplification is increasingly being undertaken by financial services groups as part of broader restructuring initiatives aimed at rationalising group structures, reducing legal and regulatory exposure and aligning corporate form with evolving business models. It refers to the process of reducing unnecessary, duplicate, or dormant companies within a group and reorganising internal structures so the business operates in a cleaner, more efficient way.

In fact, PwC's 2025 Eastern Africa Banking Survey report highlights business model evolution as a key area of focus for banking institutions.

Legacy commercial and operational frameworks in banking are being reorganised in response to major shifts in customer behaviour with the growth in mobile and digital banking, regional growth ambitions, competition and technological change.

For banks, insurers, investment firms, fintechs and other regulated entities, legacy structures often persist long after the original commercial rationale has fallen away, creating ongoing compliance, governance and supervisory risk.

Reallocating capital and resources from legacy or non-strategic structures allows the institution to redirect them toward functions that offer greater strategic alignment, improved efficiency or higher returns.

Practically, corporate simplification could achieve this through the consolidation of entities and functions, intra-group transfers of businesses or assets, and the managed wind-down or dissolution of dormant or non-core entities, among other interventions.

These exercises are rarely isolated and are more often undertaken in anticipation of, or following, wider events such as capital injections, post-acquisition integration, regulatory remediation, strategic exits from certain product lines or group realignments driven by supervisory expectations.

Structuring considerations

Corporate simplification exercises in the financial services sector must be approached with particular care due to the interaction between corporate law, sector-specific regulation and contractual obligations.

Restructuring transactions may be implemented through share transfers, business transfers or asset transfers, each of which raises different legal and regulatory issues.

The choice of structure should be driven by key considerations such as the desired objective, the potential capital that can be extracted from each option, its complexity, cost and time to completion, business impact, regulatory impact and other considerations such as an analysis of relevant implications from adopting the option (commercial, tax, accounting and others).

There is merit in a careful review of the options available in executing the simplification to understand the potential outcome of the exercise, from a timing, stakeholder management, cost and return perspective.

The review of options will also require an assessment of continuity of regulated activities, allocation of liabilities, treatment of customers and counterparties, employee arrangements and the extent of regulatory engagement required.

For regulated entities, structural changes may constitute a change in control, a material transaction or a reorganisation requiring notification to, or approval from, the relevant regulator, such as the Central Bank of Kenya (CBK), the Insurance Regulatory Authority (IRA) or the Capital Markets Authority (CMA).

Feasibility and regulatory assessment

A feasibility assessment is a foundational step in any corporate simplification or managed wind-down involving a financial services business. Beyond traditional corporate considerations, the assessment must also consider whether the proposed restructuring is compatible with applicable licensing conditions and supervisory expectations.

In practice, this involves reviewing corporate authority and constitutional documents, existing security interests over shares or assets, restrictions on the transferability of licences or approvals, and the regulatory treatment of the proposed transaction.





In many cases, licences issued by the CBK, CMA or IRA are entity-specific and non-transferable, which may limit structuring options and require parallel regulatory processes or alternative sequencing to achieve the desired outcome.

Contractual and customer-facing implications

Contractual arrangements are often central to financial services simplification exercises. Change-of-control clauses, consent requirements and termination rights may be triggered under financing agreements, outsourcing arrangements, distribution agreements and customer-facing documentation.

These provisions require early identification and careful management, particularly where regulatory timelines and commercial imperatives must be aligned. In addition, business or asset transfers may necessitate the assignment or novation of contracts. In

regulated financial services contexts, this may intersect with customer consent requirements, prescribed notification obligations or regulator expectations around customer protection and continuity of service.

Employment considerations

Employment issues remain a significant legal risk area. Under Kenyan labour law, there is no automatic transfer of employees on a transfer of business without employee consent. A change of employer is treated as a termination of employment, giving rise to statutory and contractual obligations, including payment of terminal dues.

For financial services institutions, employment transitions may also have regulatory implications, particularly where senior management or key personnel are subject to fit-and-proper requirements enforced by regulators such as the CBK, CMA or IRA. Alignment between employment arrangements and regulatory approvals is therefore essential.



George Weru

Partner

Deals, Performance and
Restructuring Services
Leader, Eastern Africa
PwC Kenya

george.weru@pwc.com



Caroline Wanja

Associate Director

Tax & Legal Business Solutions
PwC Kenya

caroline.wanja@pwc.com



Malvi Chavda

Associate Director

Deals, Performance and
Restructuring, Eastern Africa
PwC Kenya

m.chavda@pwc.com



Cost, timing and execution

To move from information gathering to decision making, the next step is to undertake a cost, benefit, and timing analysis of each potential course of action identified from the employment, regulatory, and contractual findings.

This analysis should quantify expected costs, assess potential returns (financial, operational, and strategic), and evaluate implementation timelines, including any regulatory or contractual lead times that may constrain sequencing.

Once an appropriate course of action is selected, a detailed implementation plan with clearly defined activities and milestones will guide the process effectively. Emphasis should be placed on stakeholder management, given that significant reorganisations typically trigger regulatory notifications or public disclosures.

In financial services restructurings, sequencing is critical. Implementing corporate steps ahead of required regulatory engagement, or without resolving contractual dependencies, can result in regulatory breaches, contractual defaults or customer detriment.

A well-designed communication plan - one that is timed carefully and tailored to the needs of customers, regulators, employees, business partners, and other key stakeholders - is essential to maintaining confidence and ensuring continuity. Effective communication at each stage of the process materially reduces execution risk and supports smoother adoption of the changes.

Tax considerations will also arise, particularly where regulated assets, receivables or businesses are transferred within a group. Legal structuring should therefore proceed in parallel with tax analysis to ensure that simplification objectives are achieved without unintended exposure.

Conclusion

For financial services institutions, corporate simplification and managed wind-downs are legally and operationally complex exercises that sit at the intersection of managing business, corporate law, regulation and contractual risk.

For a successful corporate simplification exercise, the starting point must be a strategic evaluation of the long-term rationale for change. This involves identifying the enduring business drivers - such as operational efficiency, regulatory alignment, capital optimisation, or organisational focus - that justify restructuring the existing corporate architecture.

By grounding the exercise in a forward-looking strategic imperative, the organisation ensures that any simplification is not merely administrative, but directly supports long-term value creation, resilience, and strategic clarity.

When undertaken as part of a broader restructuring strategy, they require early legal assessment, disciplined execution and proportionate regulatory engagement. Properly managed, simplification can materially reduce structural complexity and risk while supporting longer-term strategic and supervisory objectives.

Acknowledgements

Editorial team

Eva Wambugu

Clients & Markets,
Financial Services Manager,
Kenya and Region
eva.wambugu@pwc.com

Nixon Mute

Clients & Markets,
Brand and Creative Manager,
Kenya and Region
nixon.mute@pwc.com

Previous editions of Financial Focus

Explore perspectives from earlier editions of Financial Focus on the critical trends influencing East Africa's financial services sector, including Financial Focus | April 2025.

View all editions:

[Previous Financial Focus Editions](#)

Links to other CEO Survey reports:

[PwC's 29th Global CEO Survey](#)

[Africa perspective](#)

[Tanzania perspective](#)

[Kenya perspective](#)

[Mauritius perspective](#)



Financial Focus

www.pwc.com/ke

This survey report has been prepared by PwC for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this survey report. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this survey report, and, to the extent permitted by law, PwC, its members, partners, directors, employees, related entities and agents do not accept or assume any liability, responsibility or duty of care to you or anyone else for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this survey report or for any decision based on it.