Insights

THOMAS LOUIS ADVOCATES

Raise Ten Billion! The New Capital Rules are Forcing Kenyan Banks to Merge

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Mergers and Acquisitions | Banking | Competition

Introduction

A higher capital floor is redrawing Kenyan banking. The Business Laws (Amendment) Act, 2024 that has been in force from **December 2024** changed the Banking Act to lift the minimum core capital for a bank from KSh 1 billion, where it had sat since **2012**, to KSh 10 billion by the end of **2029**. The climb is staged, requiring KSh 3 billion by the end of 2025, KSh 5 billion by the end of **2026**, KSh 6 billion by the end of **2027** and KSh 8 billion by the end of **2028**. In December **2025**, ten of Kenya's 39 licensed banks had not yet cleared even the first KSh 3 billion step. That gap is the engine of consolidation.

Who is Buying Whom

- **Zenith buys Paramount.** On **22 January 2026** the Competition Authority of Kenya cleared Nigeria's Zenith Bank Plc to acquire 100 percent of Paramount Bank Limited, on condition that Zenith keeps all 78 Paramount employees for at least 12 months after completion. Central Bank of Kenya and Nigerian approvals are still required before the deal closes.
- **Access took National Bank.** That deal follows Access Bank Plc's purchase of 100 percent of National Bank of Kenya from KCB Group, completed on **14 April 2025.**
- **The door is open.** Nigerian lenders, Access, United Bank for Africa, Guaranty Trust Bank and now Zenith, are moving into the market, and the Central Bank of Kenya lifted its decade-long freeze on new bank licences from **1 July 2025.**

Who Has to Say Yes

- A change of control in a bank needs Central Bank of Kenya approval under the Banking Act, Cap. 488. Sections 9 and 13 govern amalgamations and transfers and the ownership of a bank's share capital.
- The deal is also a notifiable merger under the Competition Act, 2010, where the Competition Authority can attach public-interest conditions, as it did here on jobs. A deal with a regional dimension may also need clearance from the COMESA Competition Commission.

How to Position as a Bank

- Banks below the floor face one choice: raise the capital or find a buyer. Decide early, because a forced sale near the deadline fetches a worse price than a planned one.
- If you would rather stay independent, model a rights issue or a fresh equity stake before you assume a sale is the only road.
- Whoever buys a Kenyan bank needs the regulator's blessing first. If you are buying, plan for two approval tracks running at once. The Competition Authority of Kenya screens the deal for market harm and can attach conditions, as it did on jobs in the Zenith and Paramount clearance. The Central Bank of Kenya, and the Treasury where the law requires, must approve any change of control. A deal that crosses borders adds a third gate at the COMESA Competition Commission.
- For foreign entrants, the acquisition is the easy part. Licensing, ownership rules and local registration decide whether you can operate, and they take longer than the deal itself.

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