Uganda Banking Sector Performance 2024

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Highlights of our analysis:

1. ***Strong trend growth*** – Aggregate commercial banking assets grew at a compound annual growth rate (CAGR) of 11% during the period 2018-2024;
2. ***Significant concentration*** of banking assets, liabilities and profits among a few banks. The top five banks controlled 55% and 66% of banking assets and profits, respectively;
3. ***Ample scope for growth in private sector credit*.** Banks maintained high levels of liquidity during 2024. Cash and cash equivalents and investment in trading securities comprised 39% of the bank's assets as at 31 December 2024.
4. ***Muted return on average equity with the highest being 23%.*** This is attributable to high cost-income ratios and the fact that most banks were over-capitalised
5. ***A number banks have elevated risk of non-performing loans*:** 11 banks had non-performing loans in excess of 10% of total equity.
6. The banking industry faces a number of potentially disruptive trends in the medium-term, including the impact of fintech and non-bank innovation, lower yields on government securities and high operating costs.

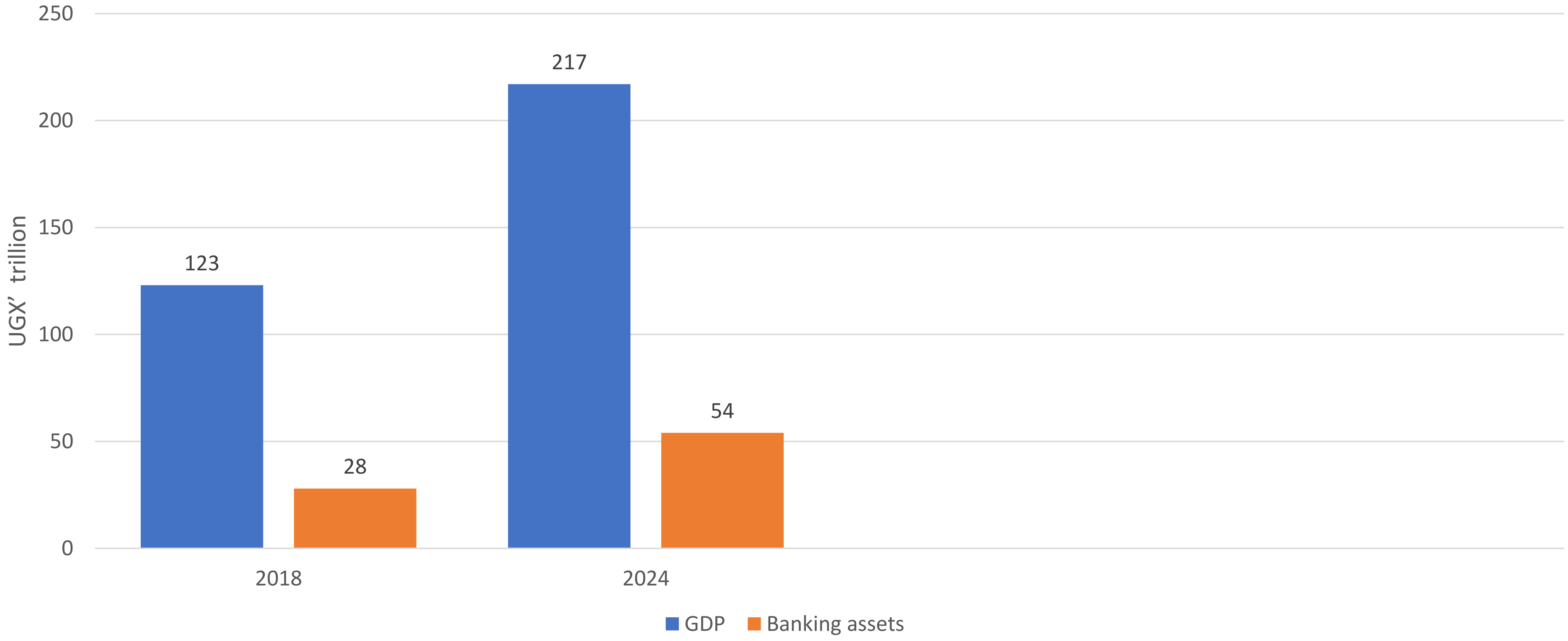
<u>Information sources:</u>

Unless otherwise noted, the information contained herein was obtained from the banks' published audited summary financial statements and JSR analysis.

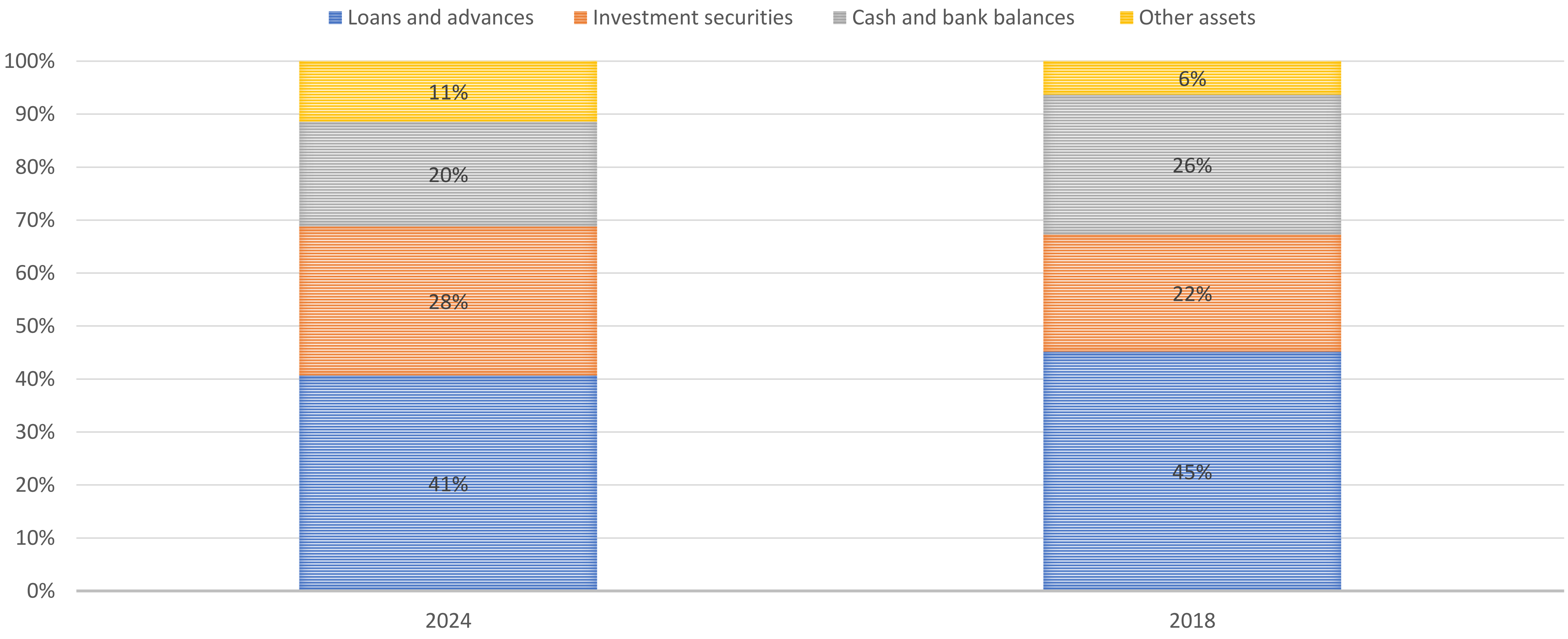
We believe that the banking industry will face a number of disruptive trends including:

- ***Increased competition and disintermediation*** driven by telecoms and other financial institutions;
- ***Increased deployment of Fintech based solutions*** across the finance and banking value chain, which will complement banks' operations but also enhance competitive and disruptive pressure in the industry;
- ***Further erosion of the brick-and-mortar competitive advantage*** driven by growth in agent banking, mobile banking and other Fintech initiatives;
- ***Bank consolidation*** driven by competitive pressures and regulatory requirements;
- ***Reduced yields on government securities*** which will force banks to increase lending to the private sector and find alternative sources of revenue.

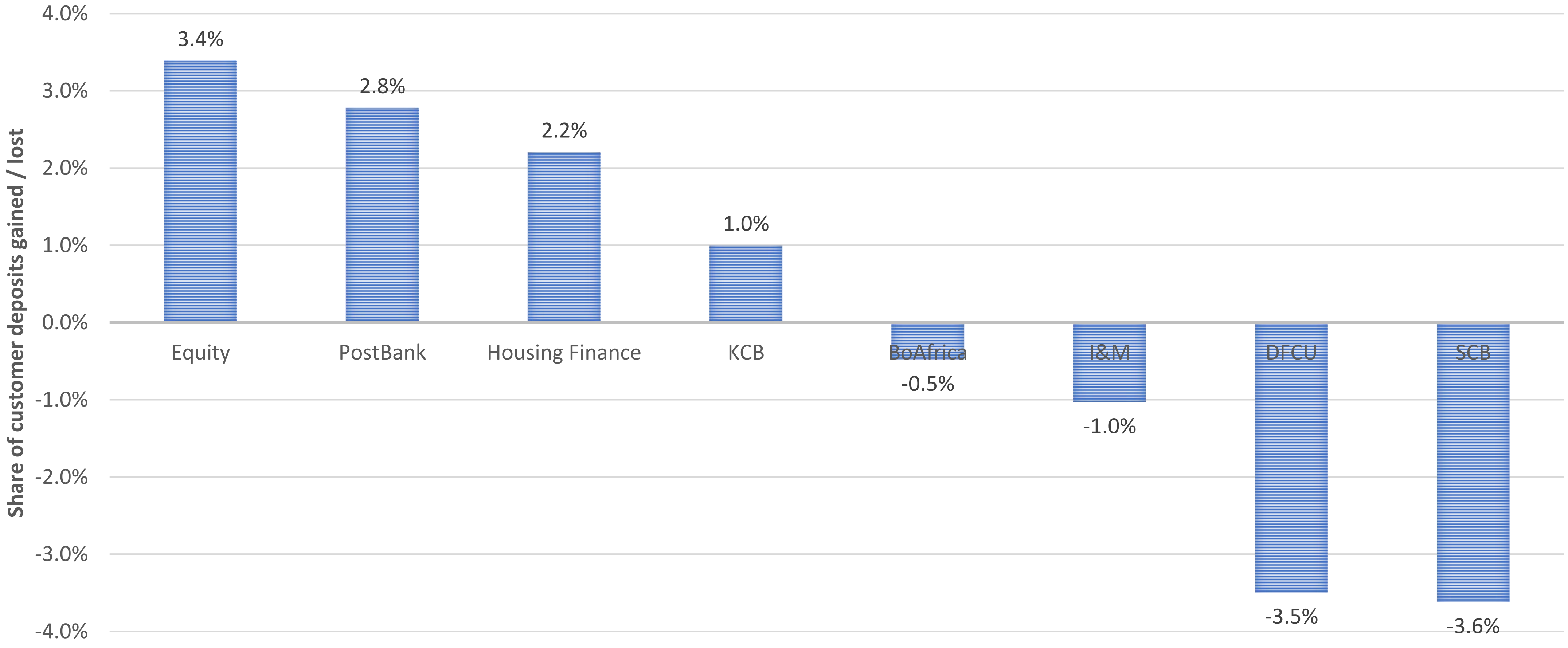
Total banking assets grew at a compound average rate of 11% during the period 2018-2024, closing at UGX54 trillion. This is in line with the GDP growth rate during the period.



As banks increased investments in government securities, the proportion of loans and advances in the banks' assets declined from 45% in 2018 to 41% in 2024.



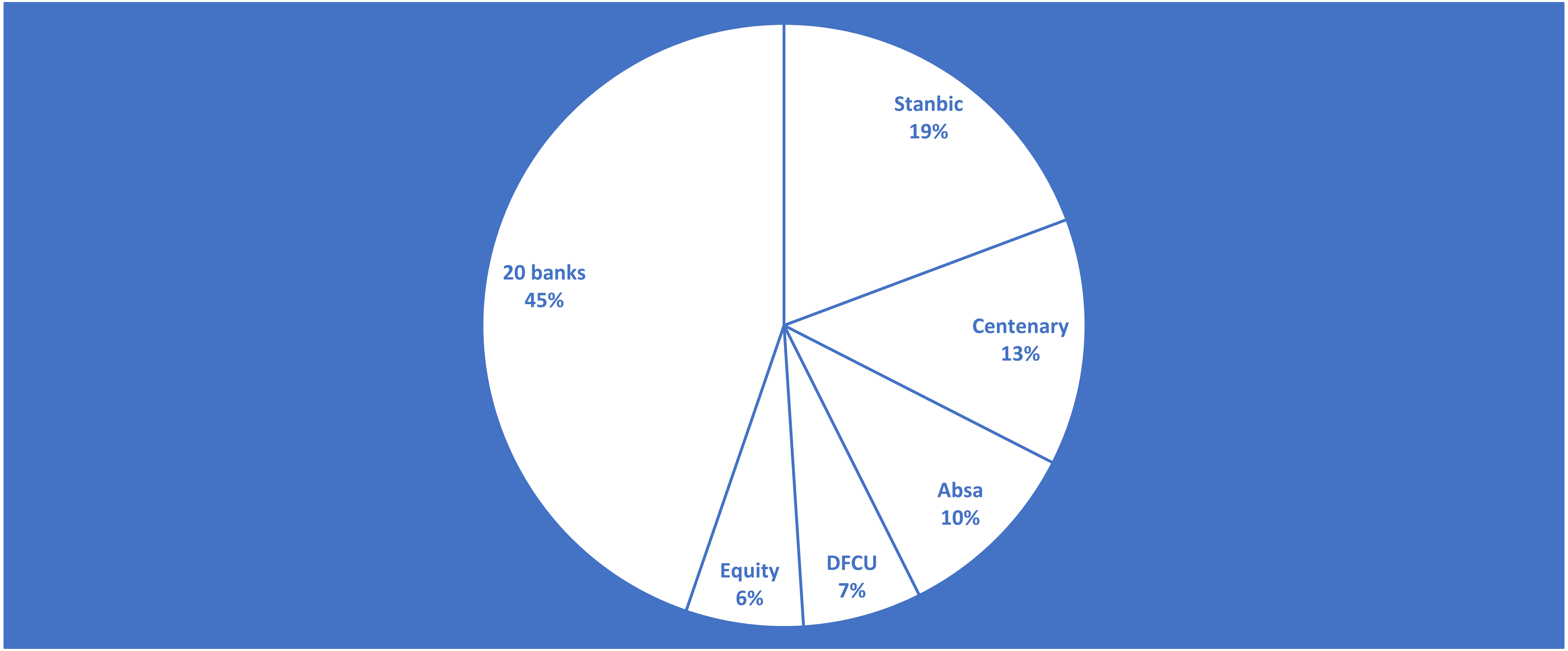
Equity Bank and PostBank gained the most market share (customer deposits) mainly at the expense of DFCU Bank and Standard Chartered Bank



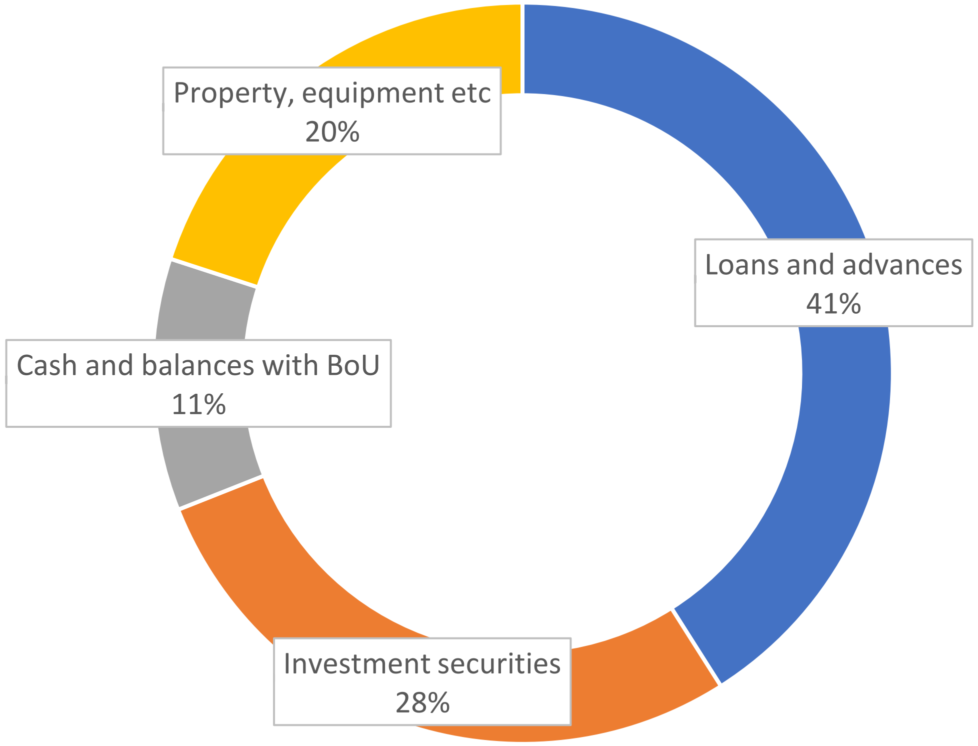
The five largest banks control the bulk of banking assets and profits

Bank	Share of deposits	Share of profits
Stanbic Bank	20%	29%
Centenary Bank	12%	21%
Absa Bank	9%	11%
Equity Bank	8%	1%
DFCU Bank	7%	4%
Total	**56%**	**66%**

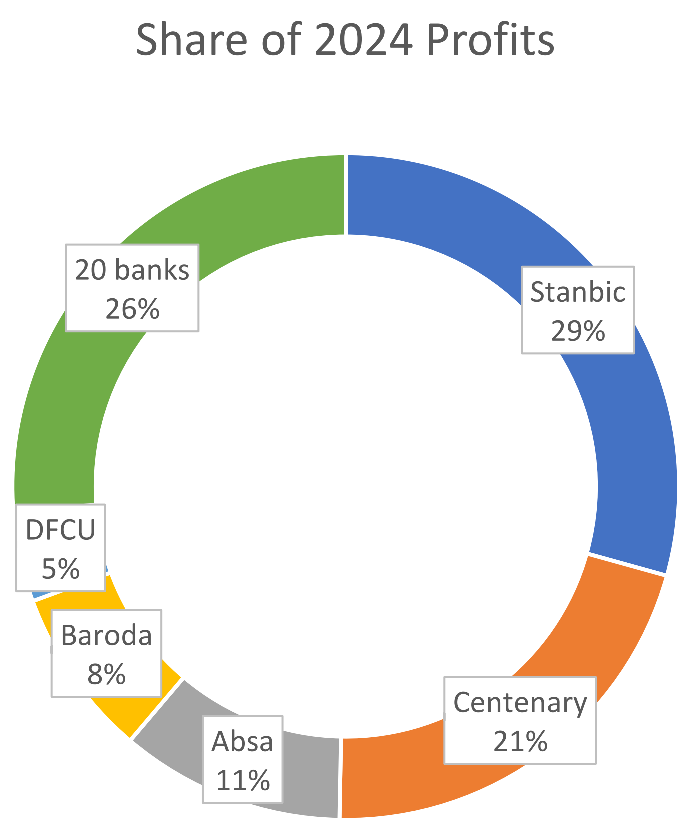
The five largest banks controlled 55% of banking assets



Loans and advances were the largest bank asset category (41%) followed by investment in government securities (28%)



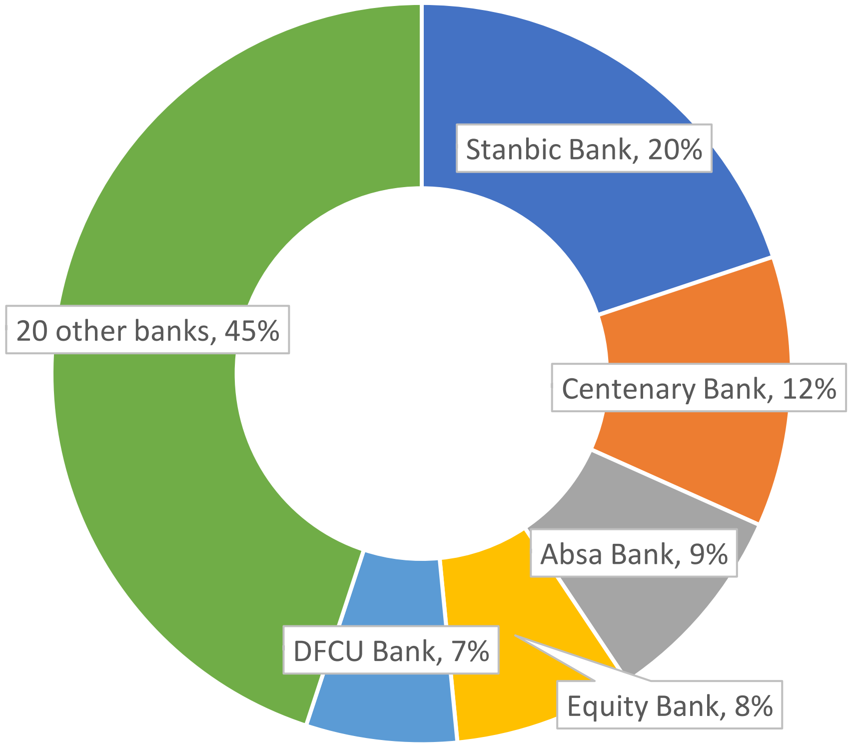
Five banks accounted for 74% of industry profits, reflecting size benefits and industry concentration



Size matters: the three largest banks achieved an outsized share of industry profits

	Share of assets	Share of profits
Stanbic Bank	19%	29%
Centenary Bank	13%	21%
Absa Bank	10%	11%

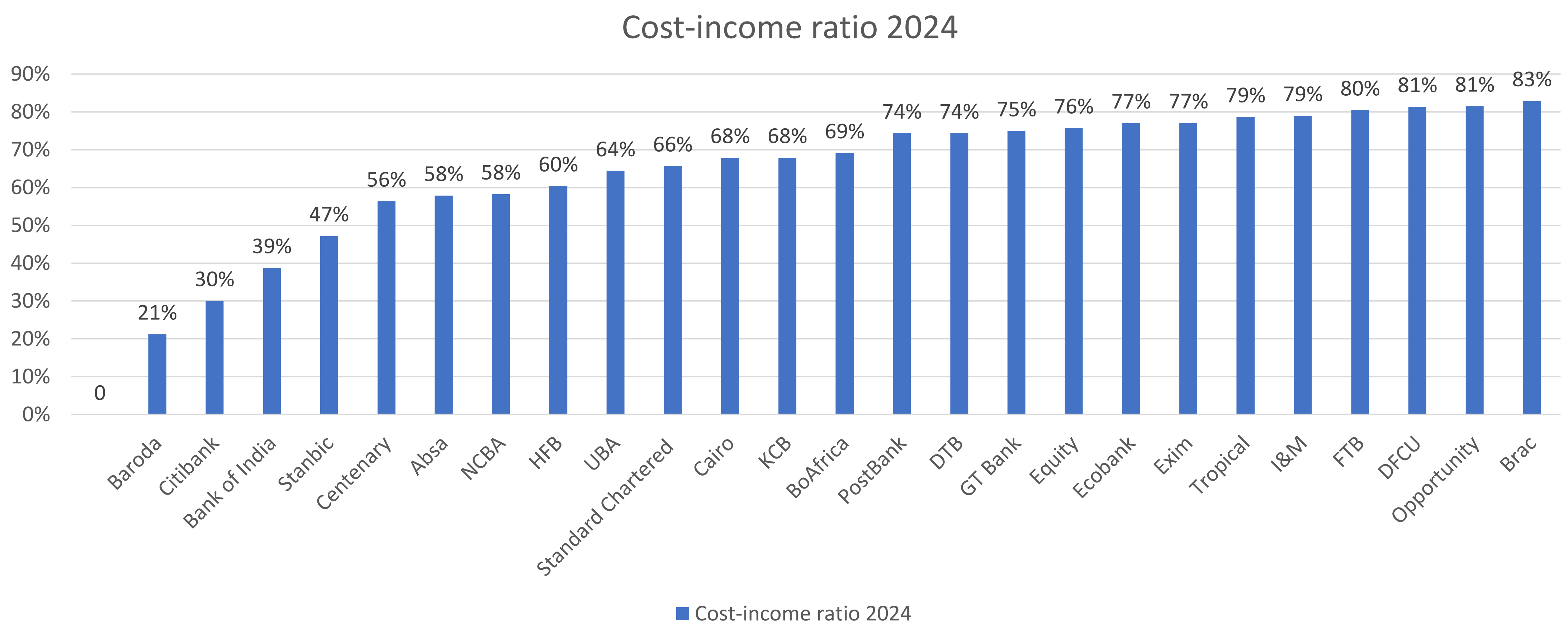
5 banks control 55% of deposits. The rest of the 20 banks share the remaining 45%.



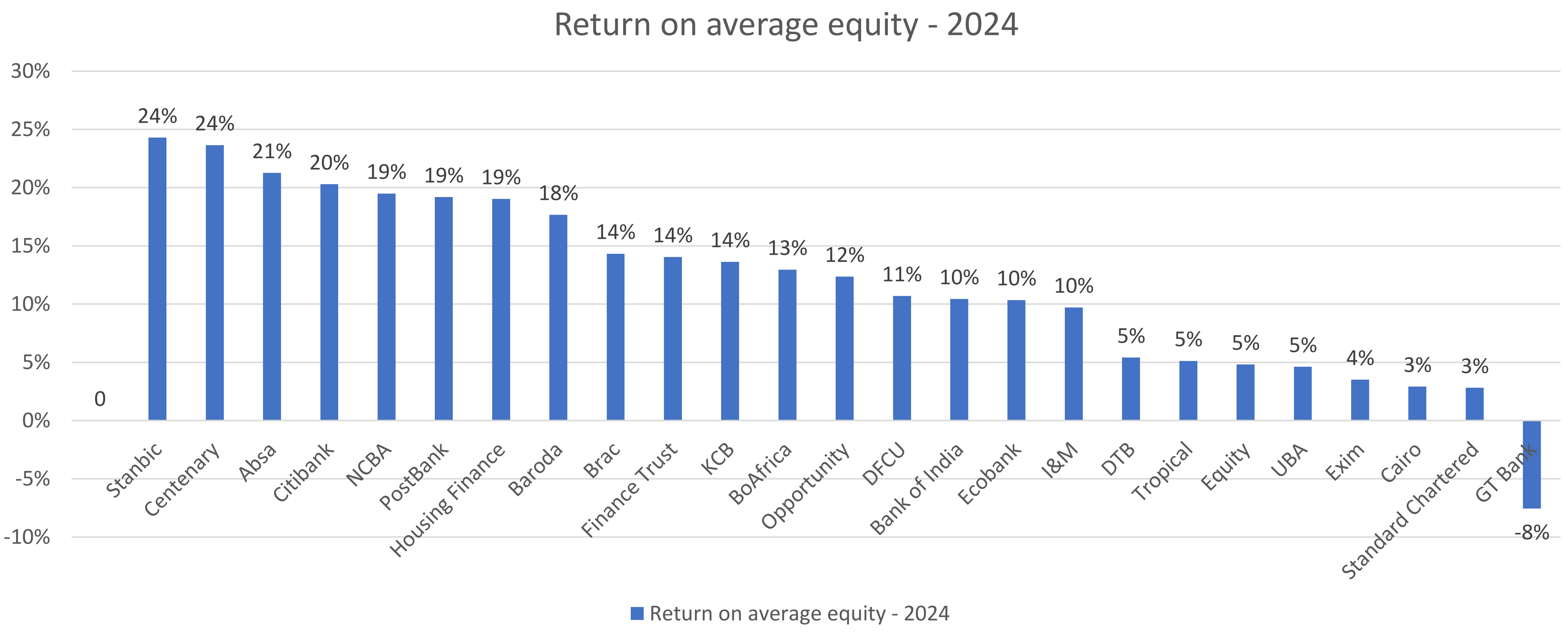
Banking industry profits after tax for FY2024 were UGX1.6 trillion, up 2.2X from UGX751 billion in 2018

UGX' billions	**2024**	**2018**	**CAGR**
Net interest income	4,278	2,220	12%
Net fees and commissions	1,849	1,006	11%
Total operating income	**6,127**	**3,226**	**11%**
Credit impairment charges	(289)	(141)	13%
Operating income after credit impairment charges	5,838	3,085	11%
Overheads	(3,665)	(2,060)	10%
Profit before tax	**2,173**	**1,025**	**13%**
Income tax	(542)	(274)	12%
Profit after tax	**1,631**	**751**	**14%**

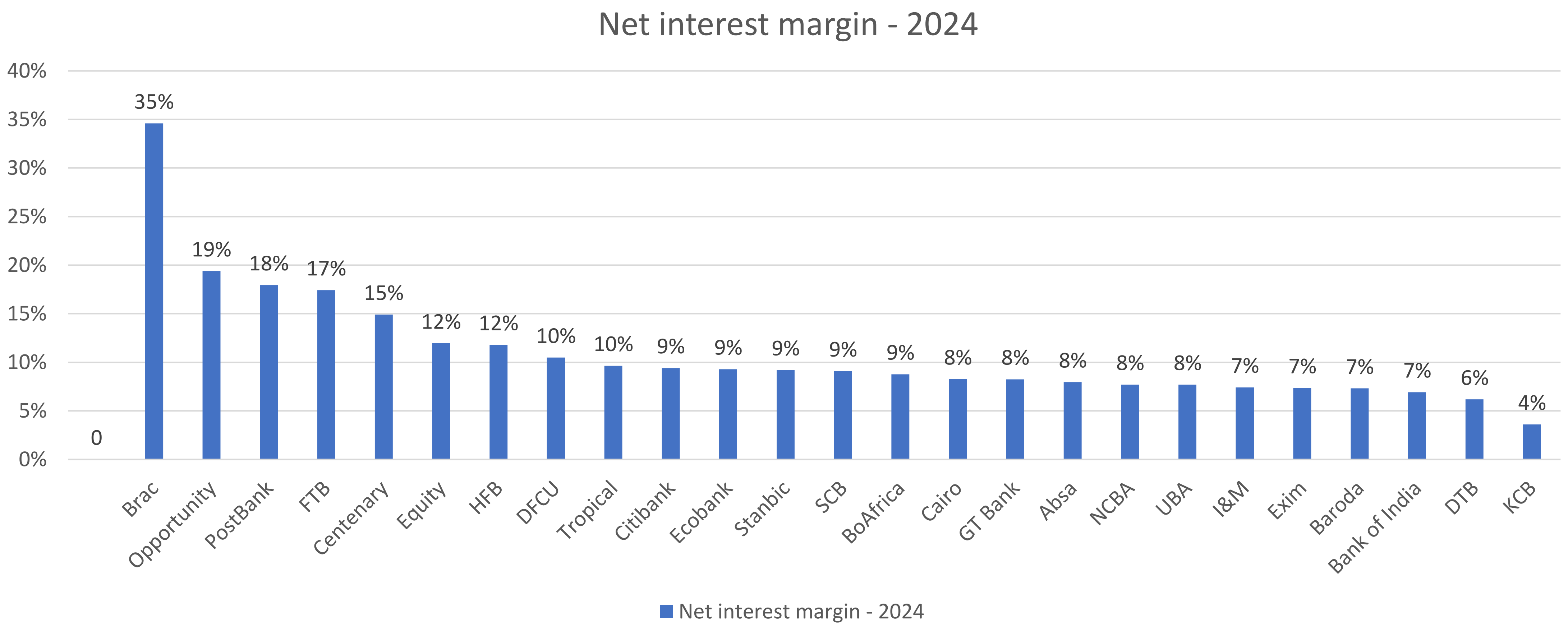
The average industry cost-income ratio was 60%. Only four banks had a ratio below 50%, indicating that bank operating costs continue to be elevated



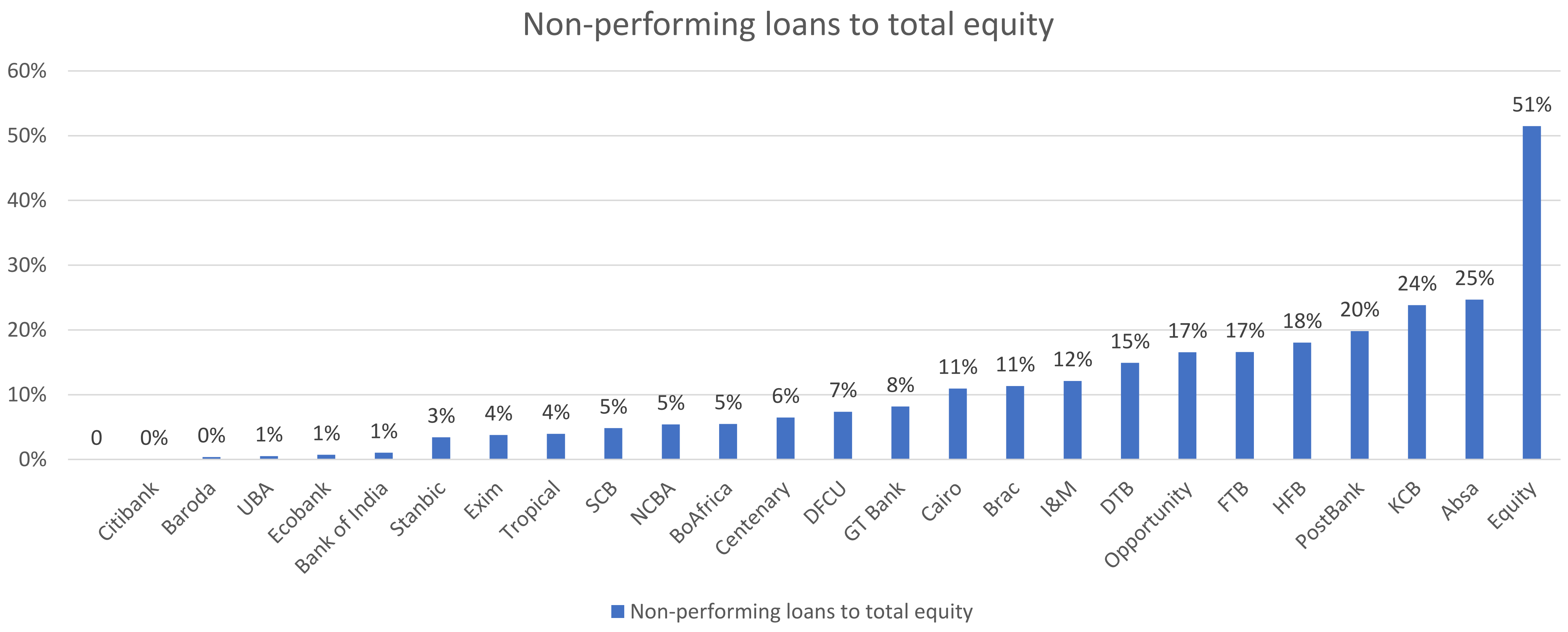
There is a strong correlation between size and return on average equity: smaller banks posted generally lower returns



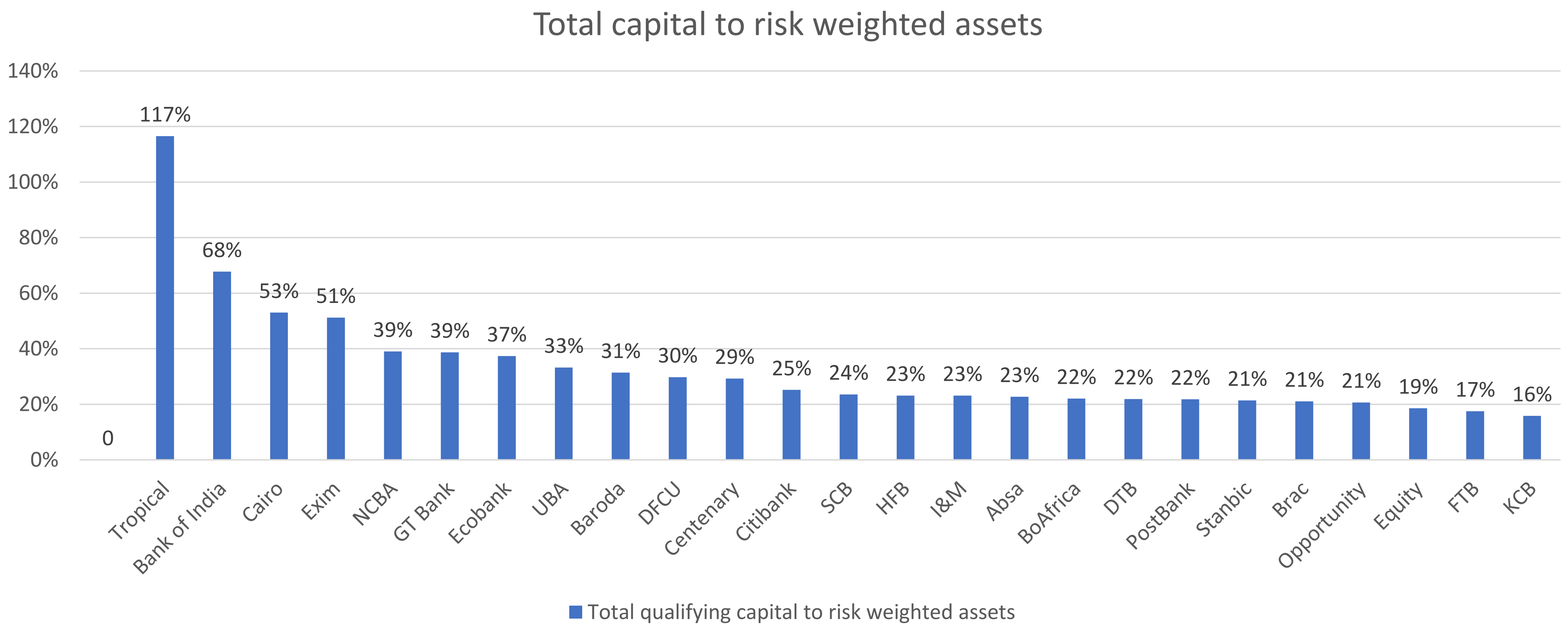
Banks with micro-finance products reported higher net interest margins because of their relatively high lending rates



The average ratio of non-performing loans to equity was 11%. Individual bank ratios varied from 0% to 51%, with a number of banks showing elevated loan loss risk



Banks were well capitalised as at 31 December 2024, with total capital to risk weighted assets ratios well above the minimum statutory requirement (12.5%)



About us

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