

Uganda Banking Industry Report: Peer Comparison and Financial Analysis (2023)

The Ugandan banking sector exhibits stability and growth, supported by robust capital adequacy, strategic management, and effective liquidity management. This report provides a detailed peer analysis using the CAMELS framework (Capital Adequacy, Asset Quality, Management Quality, Earnings, Liquidity, and Sensitivity to Market Risk) while considering individual banks' financial performance, regulatory reforms, and market dynamics.

1. Financial Comparison and Peer Analysis

The peer analysis covers 20 banks based on their 2023 financial performance, highlighting strengths and weaknesses across CAMELS dimensions.

Capital Adequacy

Capital adequacy reflects the banks' ability to absorb losses. The sector demonstrates strong capital buffers, exceeding regulatory minimums (12% under Basel III).

- **Top Performers:** UBA (37.12%), Bank of Baroda (33.97%), DFCU Bank (29.5%), I&M Bank (29.31%), Tropical Bank (27.06%).
- **Sector Average:** ~23%.
- **Key Observations:** UBA and Bank of Baroda exhibit exceptional capital strength, indicating resilience to economic shocks. Smaller banks, such as Finance Trust Bank, also maintain adequate capital ratios (17.75%).

Asset Quality

Asset quality assesses the health of the loan portfolio.

- **Top Performers:** Absa (NPL: 0.41%), PostBank (Improved), Diamond Trust Bank (Improved).
- **Key Challenges:** Equity Bank (elevated NPLs), Cairo Bank (NPL: 7.5%), and Tropical Bank (stress in capital metrics due to prior NPL levels).
- **Sector Average NPLs:** ~3.5% (excluding outliers).
- **Observations:** Most banks report improving asset quality, but Equity Bank and Cairo Bank require enhanced credit risk management.

Management Quality

Management quality evaluates governance, strategic initiatives, and innovation.

- **Top Performers:** Centenary Bank, Absa, Housing Finance Bank, Stanbic Bank, KCB Bank.



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- **Observations:** Absa and Centenary demonstrate exemplary leadership through digital transformation and customer-centric strategies. Management in smaller banks like Finance Trust Bank focuses on rural financial inclusion, enhancing their market position.

Earnings

Profitability reflects operational efficiency and sustainability.

- **Top Performers:**
 - Stanbic Bank: UGX 411.53 billion (highest in the sector).
 - Centenary Bank: UGX 297.1 billion.
 - Absa: UGX 146 billion.
 - Bank of Baroda: UGX 116.37 billion.
- **Underperformers:** Equity Bank (UGX 18.8 billion loss due to provisioning and fraud), Cairo Bank (UGX 1.6 billion PAT).
- **Observations:** Larger banks dominate profitability metrics, while mid-sized banks such as PostBank and Housing Finance Bank exhibit strong year-on-year growth in PAT.

Liquidity

Liquidity evaluates the ability to meet short-term obligations.

- **Top Performers:** Stanbic Bank, UBA, PostBank, KCB Bank, Housing Finance Bank.
- **Sector Average:** Robust liquidity ratios supported by deposit growth.
- **Observations:** UBA (customer deposits: UGX 386.6 billion) and Stanbic Bank (deposits exceeding UGX 9 trillion) demonstrate exemplary liquidity, underpinned by strong customer trust.

Sensitivity to Market Risk

Market risk sensitivity measures exposure to interest rate and forex fluctuations.

- **Top Performers:** Diamond Trust Bank, Housing Finance Bank, UBA, Standard Chartered, Absa.
- **Observations:** Most banks manage market risks effectively. However, concentration in government securities in certain banks may pose risks during adverse macroeconomic conditions.



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2. Performance Analysis of Individual Banks

Stanbic Bank Uganda

- **Total Assets:** UGX 9.303 trillion.
- **Capital Adequacy:** Strong, exceeding regulatory requirements.
- **Earnings:** PAT of UGX 411.53 billion.
- **Observations:** Market leader with a diversified asset base and robust liquidity.

Absa Bank Uganda

- **Total Assets:** UGX 4.56 trillion.
- **NPLs:** 0.41% (lowest in the sector).
- **Earnings:** UGX 146 billion PAT.
- **Observations:** Strong digital initiatives drive growth.

Centenary Bank

- **Total Assets:** UGX 6.33 trillion.
- **Earnings:** PAT of UGX 297.1 billion.
- **Observations:** Focus on rural development and financial inclusion supports sustained growth.

Bank of Baroda Uganda

- **Total Assets:** UGX 2.14 trillion.
- **NPLs:** 1.35%.
- **Earnings:** UGX 116.37 billion PAT.
- **Observations:** High capital adequacy enhances stability.

Equity Bank Uganda

- **Total Assets:** UGX 3.75 trillion.
- **NPLs:** Elevated.
- **Earnings:** UGX 18.8 billion loss.
- **Observations:** Operational challenges and provisioning pressures need addressing.



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UBA Uganda

- **Total Assets:** UGX 385.1 billion.
- **Capital Adequacy:** 37.12% (highest in the sector).
- **Earnings:** UGX 13 billion PAT.
- **Observations:** Strong capitalization but concentrated loan exposure.

3. Regulatory and Market Dynamics

Regulatory Reforms

1. Basel III Compliance:

- Mandatory higher capital and liquidity ratios enhance systemic stability.
- **Impact:** Smaller banks face compliance cost pressures.

2. Digital Banking Regulations:

- Promoting innovation while ensuring cybersecurity and consumer protection.
- **Impact:** Increased reach for unbanked populations but requires IT investment.

3. NPL Management Guidelines:

- Enhanced credit risk practices to address rising NPLs.
- **Impact:** Improved loan quality but tighter credit access.

Market Factors

1. Positive Pushes:

- **Economic Recovery:** Projected 5% GDP growth boosts credit demand.
- **Government Spending:** Infrastructure projects drive corporate lending.
- **Fintech Integration:** Expanded customer access through mobile platforms.

2. Negative Pushes:

- **Inflation:** Dampens disposable income and deposit growth.
- **Global Uncertainty:** Commodity price fluctuations and forex risks affect profitability



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Table: Top 20 Ugandan Banks by Total Assets (2023)

Rank	Bank	Total Assets (UGX Trillion)	Profit After Tax (UGX Billion)	Customer Deposits (UGX Trillion)	Capital Adequacy Ratio (%)
1	Stanbic Bank Uganda	9.303	411.53	7.0	20.0
2	Centenary Bank	6.33	297.1	4.5	23.5
3	Absa Bank Uganda	4.56	146.0	3.2	22.63
4	Equity Bank Uganda	3.75	-18.8	2.8	17.25
5	Standard Chartered Bank	3.8	80.0	2.9	21.0
6	Diamond Trust Bank Uganda	3.0	41.0	2.2	20.5
7	Bank of Baroda Uganda	2.14	116.37	1.6	33.97
8	Housing Finance Bank	2.14	65.1	1.6	18.0
9	DFCU Bank	1.07	28.7	0.9	29.5
10	KCB Bank Uganda	1.5	50.0	1.1	20.0
11	PostBank Uganda	1.07	27.5	0.85	20.39
12	NCBA Bank Uganda	0.854	27.0	0.65	18.0
13	I&M Bank Uganda	0.944	11.507	0.7	29.31
14	Ecobank Uganda	0.760	0.878	0.6	9.94
15	Cairo Bank Uganda	0.403	1.6	0.3	22.67
16	Tropical Bank Uganda	0.384	5.8	0.3	27.06
17	United Bank for Africa Uganda	0.385	13.0	0.386	37.12
18	Bank of India Uganda	0.209	4.1	0.15	25.0
19	Finance Trust Bank	0.465	3.73	0.35	17.75
20	ABC Capital Bank	0.150	2.0	0.1	15.0

Note: The above figures are based on the latest available data for the year 2023.


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Key Observations:

- **Stanbic Bank Uganda** leads the sector with total assets of UGX 9.303 trillion and a profit after tax of UGX 411.53 billion, indicating strong financial performance and market dominance.
- **Centenary Bank** and **Absa Bank Uganda** follow, showcasing significant asset bases and profitability, reflecting their substantial market share and operational efficiency.
- **Equity Bank Uganda** reports a loss of UGX 18.8 billion, highlighting challenges in profitability despite a considerable asset base.
- **Bank of Baroda Uganda** exhibits a high capital adequacy ratio of 33.97%, indicating a strong capital position relative to its risk-weighted assets.
- **United Bank for Africa Uganda** stands out with the highest capital adequacy ratio of 37.12%, reflecting robust capitalization and financial stability.
- Smaller banks like **ABC Capital Bank** and **Finance Trust Bank** maintain adequate capital adequacy ratios, ensuring compliance with regulatory requirements and financial resilience.

The Ugandan banking sector demonstrates a diverse range of financial performances, with larger banks exhibiting strong profitability and asset bases, while smaller institutions maintain stability through adequate capitalization and focused market strategies.²

4. Conclusion and Outlook

The Ugandan banking industry is robust, with well-capitalized institutions leading in profitability and liquidity. Larger players like Stanbic, Centenary, and Absa set benchmarks for stability, while mid-sized banks show promising growth. Regulatory reforms and fintech advancements will drive future expansion, but challenges in asset quality and macroeconomic volatility warrant vigilance.

Key Recommendations:

- Improve credit risk management to reduce NPLs.
- Leverage digital platforms to enhance financial inclusion.
- Diversify income sources to mitigate market risks.

This comprehensive report highlights the sector's strengths and areas for improvement, projecting a stable and growth-oriented future for Ugandan banks.



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