



Uganda

POWERED BY A BOOMING BANKING SECTOR

By Xander Hartley

Located along the equator in the heart of sub-Saharan Africa, Uganda has emerged as one of the world's fastest-growing economies. According to the World Bank, Uganda's economy is set to grow by 6.0 percent in FY24, supported by an uptick in private investment and exports utilizing the country's abundant natural resources.

In his speech about the national budget for FY24/25, Uganda's president, Yoweri Museveni, proclaimed that "in the next few years, we shall catapult the economy to the size of US\$500 billion ... by adding value to coffee, maize, forest products, minerals, etc., our economy will grow exponentially."

In recent years, Uganda has experienced significant economic growth in anticipation of its oil boom. After the first oil discovery in 2006, Uganda is preparing to commence oil production in 2025, with at least 1.4 billion barrels of recoverable oil estimated in its two flagship oil field projects – Tilenga and Kingfisher. Uganda's pivot to becoming a net oil exporter has mobilized substantial investments across key economic sectors, namely infrastructure, transportation, real estate, logistics and science, technology and innovation.

Uganda's financial sector is at the center of this transformation and has become a major creditor to private sector expansion. Between

December 2018 and June 2023, credit extended to the private sector rose by 45 percent, according to the Bank of Uganda (BoU). As such, Ugandan banks, which include 23 registered banks and several bulge bracket banks like Barclays and Citibank, are now some of the best performing in the region, with net profits in the first three months growing by 15 percent, according to the BoU.

Their strong position, buoyed by favourable conditions such as low interest rates, will bring the cost of borrowing down for businesses, according to Fitch Ratings. And as loans become more accessible to potential borrowers and investors, Fitch estimates the sector will experience strong loan growth of 12 percent this year – up on 7.6 percent in 2023.

Crucially, higher household and business savings rates across Uganda will ensure that loan growth remains below deposit growth – by 2 percent, according to Fitch. This is primarily a sign of Uganda's booming economy and will not only create resiliency across the sector but is set to usher in what Fitch calls a "liquidity-rich environment," ideal for investors and businesses eager to cash in on the oil boom.

The BoU has also implemented stricter financial regulations to strengthen banks. In June of this year, it raised the minimum capital requirement for Tier 1 banks from UGX 125 billion to UGX 150 billion. The move is intended to increase the sector's capitalisation, which is already at a high level – the sector's capital adequacy ratio (CAR) was reported at 25.1 percent in Q1 '24, more than double the international benchmark.

By bolstering the financial sector, the government ultimately aims to spread its rich returns to the rest of the economy and boost private investment. "The private sector is the main engine of growth and transformation. We already have a well-educated population that is easy to skill and innovative," concluded President Museveni in his national budget speech.

sustainability, actively seeking partners who share our dedication to driving lasting, transformative change."

dfcu was among the first companies to list on the Uganda Stock Exchange in 2004. This milestone not only opened the bank to a broader range of investors but also strengthened local capital markets, reinforcing dfcu's critical role in Uganda's economic development. The bank is backed by prominent international institutional investors such as Arise (supported by Norwegian government funds and Rabobank), British International Investment, and the U.S.-based Rock Creek Group. Investors in dfcu gain access to Uganda's growth, while benefitting from the bank's strong governance, robust financial performance and clear strategic vision, driven by Mudiwa's visionary leadership.

"Partnerships have been integral to dfcu from the start," says Mudiwa. "As we expanded, our ownership diversified, bringing in a range of global shareholders. These partnerships allow us to operate at a global level."

With its unmatched understanding of the Ugandan market, dfcu is the ideal partner for investors looking to tap into this high-potential economy. "Uganda is a highly attractive investment destination," Mudiwa affirms. "Political stability, ease of doing business, affordable living costs, a well-educated workforce, robust infrastructure and abundant natural resources make Uganda a compelling choice for global investors."



Charles Mudiwa
CEO

Uganda's strong growth prospects and proven macroeconomic stability were highlighted in Fitch Ratings' March 2024 assessment, marking the country as a rising force in Africa. This robust economic foundation has been the driving force behind the exceptional growth of Uganda's banking sector, now considered one of the continent's most dynamic and vibrant.

Founded in May 1964, just two years after Uganda gained independence, dfcu is celebrating its 60th anniversary this year as one of the country's top financial institutions.

"At the time of our foundation, there was a clear need for a financial institution that could support the growth of business in the newly independent country," says CEO Charles Mudiwa. "Over the years we have evolved from being solely a development financial institution into a fully-fledged commercial bank. Throughout these six decades, we have supported the growth of the private sector and have been a key enabler of financial inclusion."

Through its long-standing partnership with Uganda's economy, dfcu has firmly established itself as a pillar of stability, earning the unwavering trust of its clients. It has been instrumental in driving the growth of some of Uganda's largest enterprises, many of which were launched with seed capital from dfcu. The bank's expansion has been further fueled by strategic mergers and acquisitions of other financial institutions. dfcu has consistently led the way in innovation, becoming the first bank to introduce leasing and pioneering women-focused financing. Its unwavering commitment to providing financial access to underserved demographics not only fuels broader economic progress but also significantly improves the quality of life for countless Ugandans.

"Our philosophy is that while we strive to be a profitable and robust commercial bank, we are equally committed to making a meaningful impact on the communities we serve," says Mudiwa. "We place a strong emphasis on impact financing and



Stanbic Bank Uganda

LEADING ECONOMIC GROWTH AND FINANCIAL INCLUSION IN UGANDA

By Andrew MacDowell

In 2024, Uganda is poised to become Africa's second fastest-growing economy, with a projected GDP expansion of 6 percent, according to the World Bank. This impressive growth has significantly boosted the banking sector, as evidenced by a notable 15.9 percent rise in net profits after tax in the first quarter of 2024.

With a rich heritage spanning over 118 years, Stanbic Bank Uganda is one of the country's most respected financial institutions, boasting an intimate understanding of the local market. As the flagship subsidiary of Stanbic Uganda Holdings, a publicly traded company listed on the Uganda Stock Exchange, the bank benefits from a strong governance framework. Moreover, as a key member of the Standard Bank Group (since 2001), Africa's largest commercial bank by assets, Stanbic Bank Uganda has leveraged the affiliation to cement its position as Uganda's leading financial institution, providing innovative solutions and exceptional services to its customers.

Stanbic Uganda Holding's Chief Executive Francis

Karuhanga emphasizes the bank's strategic advantage: "As Uganda's leading financial institution, we draw strength from our affiliation with the Standard Bank Group, the largest bank on the continent. This connection enables us to facilitate entry for customers into Uganda and support local companies seeking regional expansion. Our deep understanding of the local market dynamics and our strong relationships with key entities like the Ministry of Finance and the central bank position us to effectively interpret and navigate policies for investors."

Stanbic Bank Uganda commands a market share of over 30 percent of banking assets, granting it considerable influence in market direction. The bank has consistently outpaced GDP growth, and its robust balance sheet has ensured that clients are supported through challenging times, such as the COVID-19 pandemic, when thousands of businesses were supported to remain operational and foster resilient growth.

Renowned for its stability, Stanbic Bank Uganda is a trusted partner for clients, investors and stakeholders. Its corporate and investment banking division is a cornerstone of Stanbic Bank's success, contributing around 50 percent of total profits. The bank's global markets capabilities are integral, linking Uganda to international markets and particularly supporting export-oriented businesses. Additionally, its personal banking sector, bolstered by a vast network, has demonstrated exceptional performance in recent years. Diversified revenue streams help Stanbic maintain stability and growth, even amidst sector-specific challenges.

The bank's commitment to customer satisfaction has cultivated a loyal and expanding client base, encompassing both local and international entities. "Our deep understanding of Uganda and broader Africa positions us to support clients across the continent effectively," says Karuhanga. "With offices in key global locations like London, Dubai and New York, we ensure seamless service for clients operating across multiple African countries. Our corporate and investment banking capabilities, alongside our modernized and expanded personal banking services, are central to our competitive edge."

Central to Stanbic Bank Uganda's vision is its commitment to advancing Uganda's socioeconomic development through a diverse array of services, from



Francis Karuhanga, Chief Executive,
Stanbic Uganda Holdings Limited
CEO

business financing to household support. The bank champions financial inclusion through its dedicated sister company—Stanbic Business Incubator, which provides business development training and mentorship to previously unbankable micro, small and medium enterprises. Since its inception in 2017, the incubator has trained 3,500 emerging business leaders, raised nearly \$2 million for SMEs, and placed a particular emphasis on supporting female entrepreneurs.

In July 2024, SBG Holdings, another subsidiary of Stanbic Uganda Holdings, introduced the Stanbic Unit Trust. This new offering allows individual investors to pool their savings in a scheme managed by professional fund managers. The unit trust seeks to promote financial inclusion, enhance capital market development, encourage wealth creation, and stimulate economic growth. Additionally, Stanbic's FlexiPay mobile money solution facilitates transactions for both banked and unbanked clients, enabling them to send and receive money and make a wide range of payments.

Karuhanga highlights the bank's strategic

focus: "We partner with organizations dedicated to financial inclusion to make businesses bankable. Our tailored products for women in business and collective savings groups, along with subsidized facilities, promote broader financial inclusion. We are also expanding FlyHub—our fintech subsidiary through strategic partnerships, seeking collaborations that advance our goals of financial inclusion and technological innovation."

Stanbic Uganda Holding's reputation is bolstered by its market knowledge, transparent corporate governance and forward-looking strategy under Karuhanga's leadership. This has translated into impressive financial results, including a record profit after tax of UGX 412 billion (\$110 million) in 2023, reflecting a 15.2 percent increase from 2022. As the first bank listed on the Uganda Stock Exchange, Stanbic has played a pivotal role in the development of the USE, serving as both adviser and broker through its substantial brokerage business.

Looking forward, Stanbic Bank remains committed to innovation and market expansion, aiming to deliver long-term value to its stakeholders while propelling Uganda's economy. "Uganda continues to be one of the continent's fastest-growing economies," says Karuhanga. "The stable policy environment facilitates the free movement of foreign exchange and investments. With a youthful, educated and skilled population, Uganda offers a growing consumer base and a workforce ready to support industrial growth. Its robust educational policies enhance our talent pool, making Uganda an attractive investment destination and a gateway to approximately 300 million people in regional markets."

Stanbic Bank Uganda's visionary leadership and strong financial performance make it a pivotal player in Uganda's economic growth. As Uganda continues to expand, Stanbic's strategic initiatives and global network ensure its central role in driving the country's financial and economic progress.



Stanbic Uganda