

DOROTHY NAKWEESI

The clean-up of Uganda's once crowded commercial banking sector did not arrive with raids, panic, or dramatic license withdrawals.

Instead, it came quietly, through balance sheets, boardroom decisions, and a sharp regulatory lever: capital.

When government and Bank of Uganda moved to raise the minimum paid-up capital for commercial banks from Shs25b to Shs150b, the shift represented a 500 percent increase, a six-fold rise that fundamentally altered the economics of banking. What followed was not a crash, but a slow recalibration. The earliest warning signs date back to August 2021, when Bank of Uganda signaled its intention to review capital requirements across the financial sector.

At the time, the industry appeared stable on the surface. Uganda had 26 commercial banks, a figure that suggested vibrancy in a largely unbanked economy. Beneath the surface, however, the sector was saturated at the top and thinly capitalised at the margins.

In October 2019, the central bank issued new commercial banking licenses to Opportunity Bank and Afriland First Bank, pushing the number of commercial banks to its peak. Minimum capital at the time stood at Shs25b, a level that made market entry relatively easy but long-term survival increasingly difficult.

Afriland would become the first quiet casualty. It entered Uganda with a promise but exited in May 2022, less than two years after licensing. Officially, the decision followed a strategic business review by its parent group. Unofficially, the numbers told a harder story.

With total deposits of just Shs958m, a market share of 0.08 percent, shareholder equity of Shs8.2b, and assets of Shs31.4b, Afriland was operating in a market that was already tightening just as government prepared to more than triple capital requirements.

In December 2022, Finance Minister Matia Kasaija formally raised the minimum paid-up capital from Shs25b to Shs120b, with a clear roadmap to Shs150b by June 30, 2024.

The policy rationale was later explained in a July 6, 2023, circular by Bank of Uganda, which said the revision sought to enhance the financial system's resilience to shocks and promote stability.

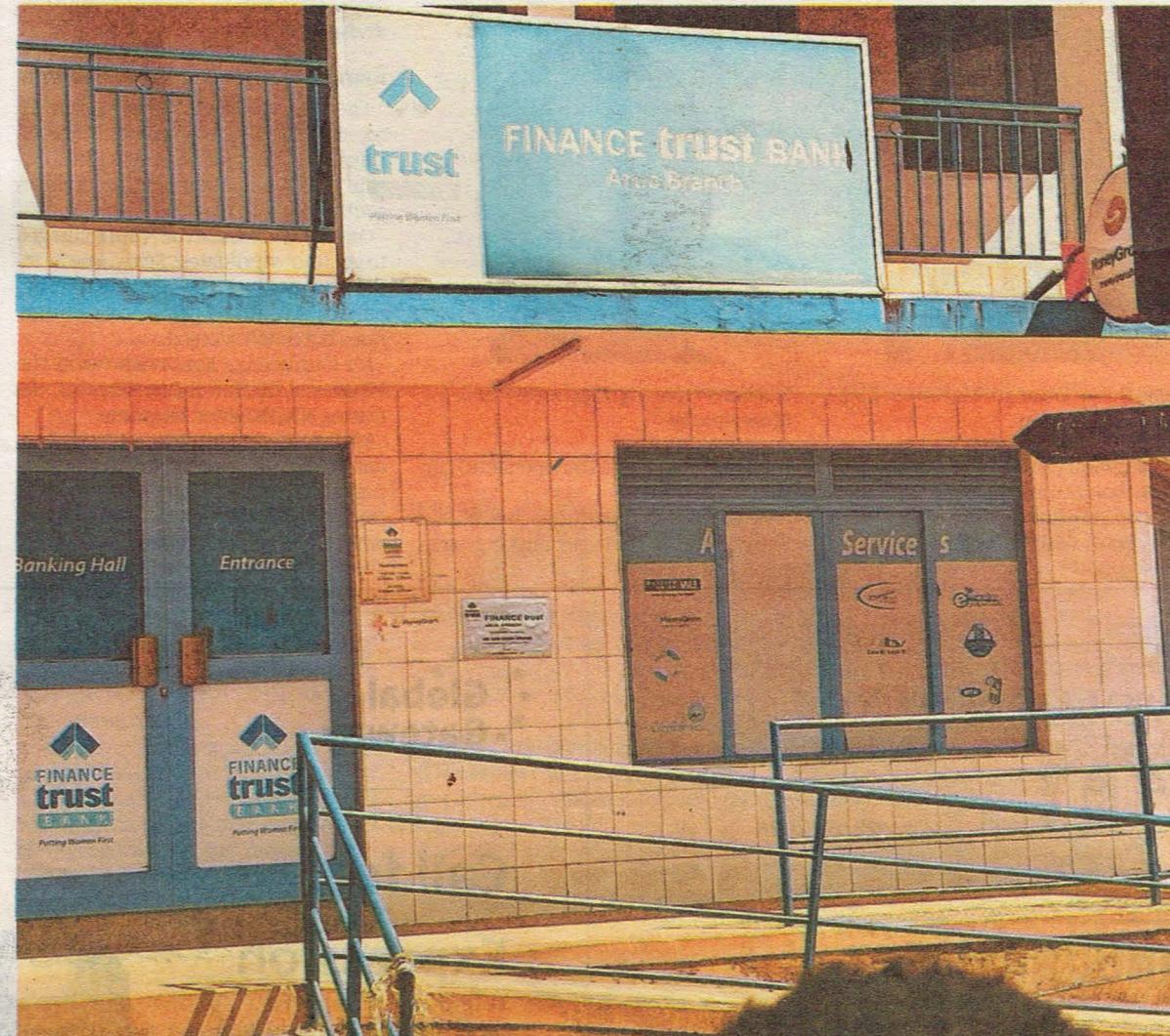
The Covid-19 period had exposed liquidity fragilities across the sector, forcing the central bank to deploy emergency liquidity windows, to which, the central bank concluded that capital had to do more of the heavy lifting.

Start of the clean-up

By September 2023, government informed the IMF that 18 out of 25 commercial banks had complied with the new capital thresholds. Seven had not.

But among those that had not complied, three had applied to downgrade to credit institutions, three were in the process of onboarding new shareholders, while one was still pursuing recapitalisation.

Finance Trust: Capital rules that have reshaped banking



Finance Trust Bank becomes the latest casualty of a massive lift in capital requirement, quietly retreating to its microfinance roots after years of operating as a commercial bank. PHOTO / EDGAR R BATTE

Bank branches and ATMs have reduced due to recent bank downgrades

	2021	2022	2023	2024	2025
CB branches	614	616	621	591	592
ATMs	886	900	907	888	896

Source: Bank of Uganda Annual Supervision Report 2025

The central bank subsequently named ABC Capital, Guaranty Trust Bank and Opportunity Bank among the banks that had applied and were authorised to transition from commercial bank to credit institution.

Rather than collapse, these banks deliberately shrank. The transition required them to phase out checking accounts, foreign exchange trading, and issuing letters of credit, while retaining the ability to accept deposits, operate savings accounts, and lend to customers with or without collateral.

The impact was visible but controlled. Bank of Uganda, early this month, reported in its Annual Supervision Re-

port 2025, the transition of these banks led to a 5.07 percent decline in commercial bank branches, from 621 in 2023 to 591 in 2024/25, while the number of ATMs had declined by 2.14 per-

Key figure

500%

Bank of Uganda moved to raise the minimum paid-up capital for commercial banks from Shs25b to Shs150b, the shift represented a 500 percent increase, a six-fold rise.

cent, from 907 to 888. Finance Trust Bank's trajectory fits squarely into this wider reset. Licensed as a commercial bank on November 11, 2013, after taking over Uganda Finance Trust Limited, the bank has retreated to a credit institution.

Finance Trust Bank, which operates a network of 35 branches, about 70 percent of them in rural areas, in January 2024, announced that it had signed a definitive agreement under which Nigeria's Access Holdings, the parent company of Access Bank, would acquire an 80 percent stake, with existing institutional shareholders exiting in favour of a long-term strategic investor.

The announcement was widely interpreted as a response to the rising capital bar. However, sources familiar with the matter now say the anticipated capital injection collapsed, forcing the bank to abandon recapitalisation plans.

Yesterday, Bank of Uganda formally informed the public that Finance Trust Bank had been authorised to transition from a commercial bank to a credit institution, effective April 1, 2026, with a three-month transition period

running to March 31. The bank will no longer offer checking accounts or trade in foreign currency, but will continue to accept deposits, establish savings accounts, and offer loans to both savings and non-savings customers.

Bank of Uganda Director of Research Adam Mugume said yesterday the downgrade rides on the "increase in core capital which they [Finance Trust Bank] have been struggling to raise".

"It has no major impact on the industry. It actually increases the resilience of the industry since we now have well-capitalised institutions ready to withstand shocks," he said.

Yesterday, Uganda Bankers Association executive director Wilbrod Owor said there is "a huge demand for Tier II banking, noting that: "That is repositioning".

Paul Percy Lubega, the Finance Trust Bank head of corporate affairs and marketing, yesterday said they don't foresee any disruptions to the bank's operations, staff numbers or systems.

He said the bank needs all its staff to continue serving its largely microfinance and retail customer base. In many ways, the transition represents less of a retreat than a return to Finance Trust Bank's historical strengths in microfinance and rural banking.

It will be interesting to see how the transitions play out in a sector that had, by mid-2024, absorbed one voluntary exit, three downgrades, and two forced closures, including EFC Uganda and Mercantile Credit Bank.

Available data also indicates that the varied actions in June 2025 wiped out more than 5,250 accounts, over 200 jobs, while several institutions had taken on expensive equity and shareholder loans that will shape their strategies for years.

The reversed routine

But away from the downgrades, while some institutions were shrinking, others were rising.

In June 2025, Pride Microfinance transitioned from a microfinance deposit-taking institution to a credit institution before fully launching commercial banking operations under the rebranded Pride Bank.

The contrast underscores the regulator's position that capital adequacy is not about exclusion, but readiness.

Thus, the banking sector clean-up did not rely on spectacle. It relied on mathematics. A 500 percent increase in minimum capital quietly thinned the top, strengthened the core, and forced strategic clarity.

And in Finance Trust Bank's shift from a commercial bank to a credit institution lies one of the clearest examples of how regulation, patiently applied, can reshape an entire industry without breaking it.