

Last Thursday, the Bank of Uganda (BOU) said Finance Trust Bank will drop from a Tier I commercial bank to a Tier II credit institution. The downgrade means the bank will have to redraw its operating boundaries.

The central bank said it has authorised Finance Trust Bank to transition to a Tier II credit institution licence, effective April 1, 2026. The lender has been given three months, from January to March, to wind down products and processes that require a full commercial banking licence and to ensure a smooth handover for customers.

SCALED OPERATIONS

The licence change also means Finance Trust will no longer be able to carry out some activities reserved for Tier I banks, such as certain large scale corporate and international transactions. Credit institutions typically focus on deposits, lending to individuals and small businesses and basic financial services.

The central bank said the move follows a decision by Finance Trust's board to reposition the bank and

Changes at Finance Trust Bank as it downgrades

TAKING NEW DIRECTION

Finance Trust Bank will transition from a Tier I commercial bank to a Tier II credit institution on April 1, 2026. The bank has three months to wind down products and processes that require a full commercial banking licence. Under the new status, it will no longer handle certain large-scale corporate and international transactions, focusing instead on deposits, loans for individuals and small businesses, and basic banking services. Earlier plans for a strategic investor, including a deal with Nigeria's Access Bank, fell through, prompting the bank to reassess its options.

better serve its core customer base. BOU added that the lender meets the minimum capital requirements for a Tier II licence and remains adequately capitalised for that category.

DEAL COLLAPSE

The transition also closes the chapter on an earlier plan to shore up the bank's balance sheet through a strategic investor. In 2023, Finance Trust was in talks with Nigeria's Access Bank, which had planned to

acquire about 80% of the lender as part of a regional expansion push. The deal was expected to help Finance Trust meet tougher capital thresholds introduced by the regulator.

CAPITAL PRESSURE

Under those rules, commercial banks were required to raise minimum capital to sh120b by the end of December 2023, rising to sh150b by December 2024. For smaller lenders, the bar proved steep.

In March, BOU announced the transition of three commercial banks including ABC Bank, Guaranty Trust Bank and Opportunity Bank, who opted to downgrade their licences from being Tier I to Tier II credit institutions as they struggled to meet the new capital requirement.

RURAL FOCUS

At the time, Finance Trust's management said the Access Bank transaction would unlock new products and strengthen its market position. The Common Market for Eastern and Southern Africa Competition Commission also approved the transaction to proceed. But the acquisition did not go through, leaving the bank to reassess its options as deadlines tightened.

As of December 2022, Finance Trust reported total assets of sh441b, share capital of sh27.7b and core capital of about sh60b. Those figures fell well short of the levels required to remain

a Tier I commercial bank under the new regime.

Finance Trust, headquartered in Katwe, Kampala, operates nearly 34 branches, around 70% of them in rural areas. That footprint has long shaped its identity as a lender to women, small traders and rural communities.

For those customers, the central bank sought to offer reassurance. BOU said the transition is designed to avoid disruption and safeguard financial sector stability. It added that it remains committed to protecting depositors as the bank adjusts its license.

BACK TO ROOTS

Finance Trust first became a microfinance deposit-taking institution in 2005 and later upgraded to a commercial bank in 2013. The latest move, while a step down on paper, may bring it closer to its roots