Uganda Development Bank Limited

Key Rating Drivers

Uganda Development Bank Limited's (UDB) 'B' Long-Term Issuer Default Rating (IDR) and 'AA+(uga)' National Long-Term Rating are driven by a limited probability of support from the Ugandan sovereign, as reflected in the Government Support Rating (GSR) of 'b'. In Fitch Ratings' view, the authorities have a high propensity to provide support to UDB, but their ability to do so is limited given Uganda's own creditworthiness, as indicated by its Long-Term IDR of 'B'. The Outlooks on UDB's Long-Term IDR and National Long-Term Rating are Stable.

As is usual for policy banks, Fitch does not assign a Viability Rating to UDB. This is because its operations are largely determined by its policy role.

High Propensity to Support: The Ugandan government has a high propensity to support UDB, in our view, given the bank's important policy role, 100% state ownership, significant share of state-guaranteed funding and strong record of capital injections. These considerations support the equalisation of UDB's GSR with the Ugandan sovereign's Long-Term IDR.

Important Policy Role: UDB is Uganda's primary development bank. It lends on preferential terms to borrowers in strategically important sectors of the economy, in particular agriculture. UDB is mainly funded by equity due to consistent government capital injections, in addition to fairly low-priced borrowings that are mostly government-guaranteed.

State-Owned: The bank is 100% state-owned through the Ministry of Finance, Planning, and Economic Development and the Ministry of Privatisation and Investment, each with a 50% shareholding. Fitch does not anticipate the government divesting its shares in the medium term.

Government Capital Contributions: UDB is well capitalised, as indicated by a tangible leverage ratio of 84.8% at end-2024. The bank receives regular government capital contributions, which totalled UGX923 billion (USD252 million) in 2020–2024, and does not pay dividends. Fitch expects government capital contributions to continue, but for UDB's balance sheet to become more leveraged in the medium term.

State Funding Guarantees: Non-equity funding comprises borrowings from development finance institutions (DFIs) and was almost entirely government-guaranteed at end-2024. Liquid assets (cash and balances with banks) were 49% of total funding. UDB may also rely on ordinary liquidity support from the authorities, if needed.

Weak Loan Quality: Net loans represented 87% of total assets at end-2024. UDB consistently reports a high impaired loans ratio (Stage 3; end-2024: 13.7%) due to the challenging operating environment and its high risk appetite; although the ratio has declined since end-2023 (22.9%) due to repayments, collections and write-offs. Non-loan assets mainly comprise liquid assets.

High Risk Appetite: UDB lends to higher-risk customers who are underserved by domestic commercial banks. The bank has high concentrations, with customers in the agriculture and agro-processing sector representing 37% of gross loans at end-2024. UDB often grants grace periods on principle repayments at loan origination to reduce borrowers' debt burden, but these heighten loan seasoning risks when grace periods expire.

Sound Profitability Metrics: UDB delivers robust profitability, with annual operating returns on assets averaging 4.6% in 2021–2024. Profitability is driven by a wide net interest margin on a low cost of funding, reflecting UDB's large equity base and funding guarantees.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

UDB's Long-Term IDR and GSR would be downgraded if Uganda's Long-Term IDRs were downgraded. The bank's ratings could also be downgraded if the government's willingness to support UDB diminishes, for example due to a change in UDB's policy role or a material reduction in government ownership.

UDB's National Ratings would be downgraded if the bank's creditworthiness weakens compared with that of other issuers in Uganda.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

UDB's Long-Term IDR and GSR would be upgraded if Uganda's Long-Term IDRs were upgraded.

UDB's National Ratings would be upgraded if the bank's creditworthiness strengthens compared with that of other issuers in Uganda.

Significant Changes from Last Review

Favourable Growth Prospects, but Fiscal Risks Constrain Sovereign Ratings

Fitch's August affirmation of Uganda's Long-Term IDRs reflected favourable medium-term growth prospects, with real GDP growth of 6.7% in 2025 and forecast to accelerate further to 7.5% in 2026, led by oil sector development. The start of oil output is contingent on completion of a USD5 billion pipeline, for which environmental and social concerns have delayed funding. Real GDP growth will also be supported by a recovery in agriculture, strong coffee exports, and continued public infrastructure investment.

However, Uganda's sovereign ratings are constrained by wide fiscal deficits, with the budget deficit widening to 6.1% of GDP in the financial year ending 30 June 2025 (FY25) from 4.7% in FY24 due to overspending on security, interest payments and capital projects. Limited access to external concessional financing, due to persistent creditor concerns about democracy, human rights and corruption, has increased reliance on more costly domestic borrowing, raising debt servicing costs.

Uganda failed to conclude the last IMF programme and is negotiating a new arrangement, the size and timeline of which is uncertain. The World Bank resumed lending in 2025 after suspending projects due to the enactment of the 2023 Anti-Homosexuality Act. New financing will be project-based loans and grants, with direct budget support unlikely.

Company Summary and Key Qualitative Factors

Operating Environment

Stable Economic Performance

Uganda's economic environment is characterised by strong economic growth. Fitch forecasts real GDP growth to remain strong in the near term, buoyed by continued investments, particularly in the hydrocarbon sector. Inflation in Uganda has been within the Bank of Uganda's target range (2025: 3.6%; 2024: 3.3%) due to tight monetary and fiscal policies, easing global commodity prices, and subdued local demand. Fitch expects inflation to accelerate slightly in 2026 to 4.5%.

The Ugandan shilling has been fairly stable in recent years (end-2025: UGX3,624.7 per USD; end-2024: UGX3,675.3), in contrast to many other sub-Saharan African currencies. Fitch forecasts the exchange rate to depreciate only marginally by 2% in 2026. The shilling has been supported by strong economic growth, tight monetary policy and controllable inflation.

Such macroeconomic stability supports the healthy financial performance of the banking sector, including the sector's low impaired loans ratio (end-2025: 3.2%). Reliance on collateral and unsecured lending to prime domestic corporates leads to low specific loan loss allowance coverage of impaired loans (end-2025: 42%). Credit penetration remains low (end-2025 sector loans/GDP: 13%), affected by moderate credit growth to private sector (2025: 11%). Consistently robust sector profitability over the past decade (return on average equity between 14% and 20%) provides a comfortable buffer for loss absorption and capital accretion.

Business Profile

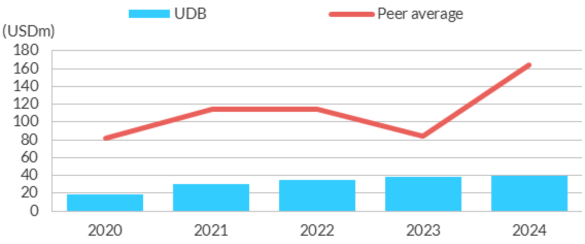
Uganda's Primary Policy Bank

UDB is a wholly state-owned national DFI — with the Ministry of Finance, Planning, and Economic Development and the Ministry of Privatisation and Investment each having a 50% shareholding — that was established in 1972 under the Uganda Development Bank Act. The bank has a unique policy mandate of promoting economic and social development in Uganda and invests on preferential terms in six strategically important sectors: primary agriculture and agro-industrialisation, education and health services, tourism, manufacturing, infrastructure, and oil and gas. UDB's 2025–2030 strategy is aligned with the country's National Development Plan IV.

The bank's balance sheet is small by international standards (end-2024: USD484 million) but moderately growing (2024: 10%, 2023: 10%; 2022: 24%). Frequent capital injections from the government support UDB's role in the national development strategy. Other government-owned Ugandan banks include Uganda Microfinance Support Centre, Housing Finance Bank, Pride Microfinance Ltd and Pearl Bank Uganda, which operate within their own niches and present little competition to UDB.

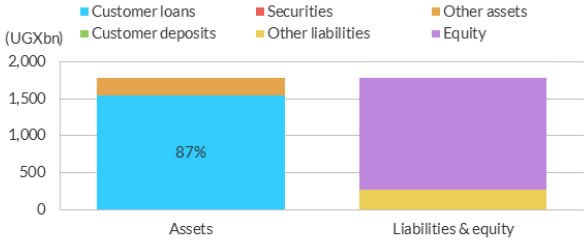
UDB is not regulated or supervised by the Bank of Uganda, but its activities are overseen by the Ministry of Finance as a public sector institution. The bank reports to Parliament through the Committee on Commissions, Statutory Authorities, and State Enterprises. UDB also adheres to prudential standards set by the Association of African Development Finance Institutions.

Total Operating Income



Source: Fitch Ratings, Fitch Solutions, banks

Balance Sheet
End-2024



Source: Fitch Ratings, Fitch Solutions, UDB

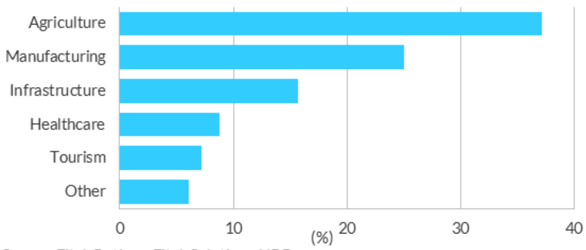
Risk Profile

High Risk Appetite Due to Policy Role

As a policy bank, UDB has a higher risk appetite than most commercial banks in Uganda, as it lends to sectors and customers (agriculture and SMEs, for example) that commercial banks consider to be too high-risk. Lending is typically long-term (42% of loans have maturities over five years), extended at preferential interest rates (10%–12% in shillings, versus a market average of about 18%) and often includes grace periods of up to three years. UDB can also bear high credit concentrations, as indicated by lending to the agriculture and agro-processing sector representing 37% of gross loans at end-2024.

UDB maintains a net long open-currency position, adhering to a net open position limit of 25% of equity. The bank mitigates credit risk by lending in hard currencies only to naturally hedged businesses, such as those receiving export revenues in hard currency.

Loan Split by Industry
End-2024



Source: Fitch Ratings, Fitch Solutions, UDB

Financial Profile

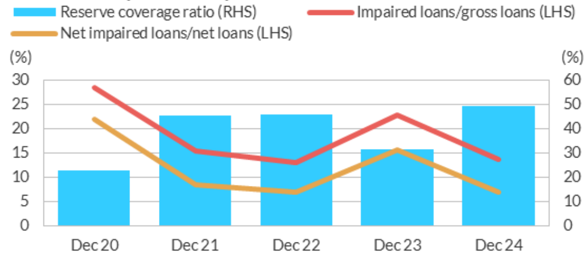
Asset Quality

Net loans represented a high 87% of assets at end-2024. We consider asset quality to be weak due to a high impaired loans ratio (Stage 3 loans under IFRS 9; end-2024: 13.7%), which reflects UDB's high risk appetite and the challenging operating environment. This ratio has decreased notably from 22.9% at end-2023 due to recoveries and exposures migrating to Stage 2.

Total loan loss allowance coverage of impaired loans remains low, although improving (end-2024: 49%; end-2023: 31%). Specific loan loss allowances account for only 20% of Stage 3 loans, with the improvement in the overall coverage ratio driven by a decreased Stage 3 balance rather than by higher provisioning. This reflects a continued reliance on collateral, although realisation of such collateral could be a lengthy process.

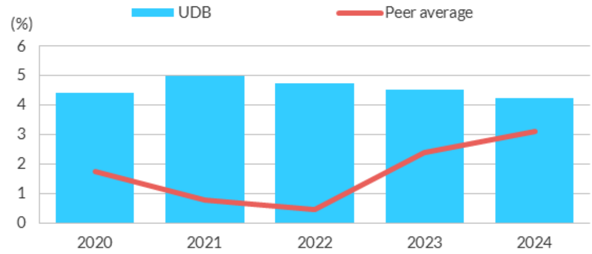
Fitch expects the impaired loans ratio to improve further over the medium term due to continuing recovery efforts, restructurings and collateral realisation. UDB often grants grace periods on principal repayments at loan origination to ease borrowers' initial debt-servicing burden. However, these grace periods limit loan quality visibility and may cause material fluctuations in the impaired loans ratio.

Asset Quality Summary



Source: Fitch Ratings, Fitch Solutions, UDB

Operating Profit/Average Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

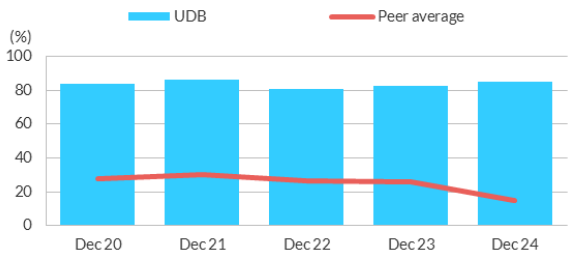
UDB aims to ensure self-sustainability rather than maximising profit. Nevertheless, the bank delivers robust profitability, with annual operating returns on assets averaging 4.6% in 2021–2024. Profitability is supported by a wide net interest margin on a largely equity-funded balance sheet and government funding guarantees.

Revenue streams are concentrated entirely in net interest income (2024: 102% of operating income), with foreign-exchange losses from minor shilling appreciation offsetting other non-interest income. Cost efficiency is good (operating expenses consume about 33% of revenue), and cost of risk has been moderate (2024: 1.5% of average loans), aided by low provisioning. Impairment charges will temper UDB's profitability in the medium term, although pre-impairment operating profit (6% of average loans in 2024) is likely to be sufficient to absorb the cost of risk.

Capitalisation and Leverage

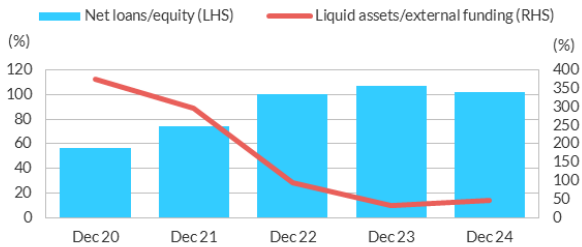
UDB's balance sheet is largely equity-funded, and capitalisation is therefore strong, with a tangible leverage ratio of 85% at end-2024. The bank receives regular capital injections from the state in support of its policy role, totalling UGX923 billion (USD252 million) in 2020–2024, and does not pay dividends. Strong pre-impairment operating profit and low balance-sheet usage support strong loss-absorption capacity, positioning UDB to withstand even severe asset-quality stress. Government capital contributions are likely to continue, but leverage will increase in the medium term as the bank will start raising debt more actively to fund its lending expansion.

Tangible Equity/Tangible Assets



Source: Fitch Ratings, Fitch Solutions, banks

Funding & Liquidity Summary



Source: Fitch Ratings, Fitch Solutions, UDB

Funding and Liquidity

Low balance-sheet leverage significantly reduces liquidity risks. UDB is not permitted to take deposits and is therefore entirely reliant on wholesale funding, which comprises long-term credit facilities from DFIs such as the OPEC Fund for International Development, the African Development Bank, the Arab Bank for Economic Development in Africa, and the International Islamic Trade Finance Corporation, as well as interbank takings.

Liquidity coverage has weakened due to new lending, debt repayments and only-moderate new borrowings. Liquid assets constituting cash and balances with banks were 49% of total funding at end-2024 (end-2023: 33%). Nevertheless, we believe UDB may benefit from ordinary liquidity support from the government or Bank of Uganda, if needed.

Additional Notes on Charts

Peer average includes Bank of Industry Limited, Development Bank of Rwanda PLC, Development Bank of Namibia Limited. Unless otherwise stated, financial year end is 31 December for all banks in this report. Financial year end of Development Bank of Namibia Limited is 31 March.

Financials

Financial Statements

	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24
	12 months	12 months	12 months	12 months
	(UGXm)	(UGXm)	(UGXm)	(UGXm)
Summary income statement				
Net interest and dividend income	109,257	117,456	142,746	147,019
Net fees and commissions	-	-	176	246
Other operating income	-1,362	11,724	1,825	-2,913
Total operating income	107,895	129,180	144,747	144,352
Operating costs	26,730	38,913	44,229	47,155
Pre-impairment operating profit	81,165	90,267	100,518	97,197
Loan and other impairment charges	23,606	25,088	28,503	24,004
Operating profit	57,559	65,179	72,016	73,192
Other non-operating items (net)	-5	-13	-	-
Tax	18,733	22,601	22,211	15,376
Net income	38,820	42,565	49,804	57,817
Other comprehensive income	952	-	-	-1,598
Fitch comprehensive income	39,772	42,565	49,804	56,218
Summary balance sheet				
Assets				
Gross loans	846,915	1,308,354	1,593,432	1,655,365
– of which impaired	130,854	170,126	364,769	227,484
Loan loss allowances	59,433	78,018	114,194	112,032
Net loans	787,482	1,230,336	1,479,238	1,543,333
Interbank	325,096	126,273	66,748	89,303
Derivatives	-	-	-	-
Other securities and earning assets	32,232	31,937	6,510	10,107
Total earning assets	1,144,810	1,388,546	1,552,495	1,642,743
Cash and due from banks	50,279	94,128	19,709	15,209
Other assets	27,011	37,444	94,527	124,236
Total assets	1,222,101	1,520,119	1,666,731	1,782,188
Liabilities				
Customer deposits	-	-	-	-
Interbank and other short-term funding	10,353	9,519	202,316	151,482
Other long-term funding	123,034	221,385	41,568	61,115
Trading liabilities and derivatives	-	-	-	-
Total funding and derivatives	133,387	230,904	243,884	212,597
Other liabilities	33,639	60,463	46,977	57,524
Preference shares and hybrid capital	-	-	-	-
Total equity	1,055,075	1,228,752	1,375,870	1,512,067

Total liabilities and equity	1,222,101	1,520,119	1,666,731	1,782,188
Exchange rate	USD1 = UGX3,544.4100	USD1 = UGX3,715.6898	USD1 = UGX3,782.2224	USD1 = UGX3,681.1400

Source: Fitch Ratings, Fitch Solutions, UDB

Key Ratios

(%)	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24
Profitability				
Operating profit/risk-weighted assets	-	-	-	-
Net interest income/average earning assets	10.5	9.3	9.7	9.2
Non-interest expense/gross revenue	24.8	30.1	30.6	32.7
Net income/average equity	4.0	3.7	3.8	4.0
Asset quality				
Impaired loans ratio	15.5	13.0	22.9	13.7
Growth in gross loans	52.8	54.5	21.8	3.9
Loan loss allowances/impaired loans	45.4	45.9	31.3	49.3
Loan impairment charges/average gross loans	3.2	1.6	2.4	1.5
Capitalisation				
Tangible common equity/tangible assets	86.3	80.8	82.6	84.8
Net impaired loans/Fitch Core Capital	6.8	7.5	18.2	7.6
Funding and liquidity				
Net loans/equity	74.6	100.1	107.5	102.1
Net cash and due from banks/total funding	296.7	95.3	33.1	46.8

Source: Fitch Ratings, Fitch Solutions, UDB

Support Assessment

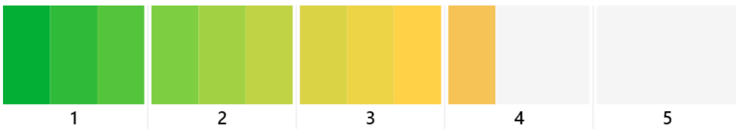
Government Support

Sovereign	Uganda
Sovereign Long-Term Issuer Default Rating	B/Stable
Total adjustment (notches)	0
Typical D-SIB Government Support for sovereign's rating level	b
Actual jurisdiction D-SIB Government Support	—
Government Support Rating	b
Government ability to support D-SIBs	
Sovereign financial flexibility (for rating level)	Negative
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Policy role and status	
Ownership	Equalised
Policy role	Equalised
Guarantees and legal status	Equalised

The colours indicate the influence of each support factor in our assessment. Influence: Light blue = lower; Dark blue = moderate; Red = higher
Source: Fitch Ratings

UDB's Long-Term IDR is equalised with that of the Ugandan sovereign, underpinned by the bank's policy role and full state ownership. UDB is the primary development institution in Uganda, with a unique policy role to promote and finance economic and social development. The bank is 100% owned by the Ugandan state through the Ministry of Finance, Planning and Economic Development and the Ministry of Privatisation and Investment, and government guarantees cover most of its liabilities.

Environmental, Social and Governance Considerations



Environmental Relevance Scores

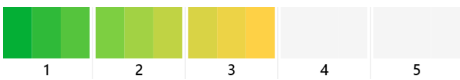
General issues	Score	Sector-specific issues	Reference
GHG Emissions & Air Quality	2	Regulatory risks, emissions fines or compliance costs related to owned, financed or managed assets, which could impact asset prices, profitability, etc.	Operating Environment; Business Profile; Risk Profile; Asset Quality
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile; Risk Profile; Asset Quality

Social Relevance Scores

General issues	Score	Sector-specific issues	Reference
Human Rights, Community Relations, Access & Affordability	4[+]	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile; Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile; Risk Profile
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile; Financial Profile

Governance Relevance Scores

General issues	Score	Sector-specific issues	Reference
Management Strategy	3	Operational implementation of strategy	Business Profile
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile



ESG Scoring	Credit-Relevant ESG Scale	
ESG relevance scores range from '1' to '5' based on a 15-level colour gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant. The Environmental (E), Social (S) and Governance (G) tables break out the general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signalling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The panels underneath the relevance scores tables are visualisations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarise rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.	5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to 'Higher' relative importance within the Navigator.
	4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to 'Moderate' relative importance within the Navigator.
	3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to 'Lower' relative importance within the Navigator.
	2	Irrelevant to the entity rating but relevant to the sector.
	1	Irrelevant to the entity rating and irrelevant to the sector.

UDB has an ESG Relevance Score of '4 [+]' for Human Rights, Community Relations, Access & Affordability due to its policy role, which promotes financing to underbanked and underserved communities. This has a positive impact on the government's propensity to provide support and is therefore relevant to UDB's ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Ratings

Foreign Currency	
Long-Term IDR	B
Short-Term IDR	B
Government Support Rating	b
National Rating	
National Long-Term Rating	AA+(uga)
National Short-Term Rating	F1+(uga)
Sovereign Risk (Uganda)	
Long-Term Foreign-Currency IDR	B
Long-Term Local-Currency IDR	B
Country Ceiling	B+
Outlooks	
Long-Term Foreign-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

ESG and Climate

Highest ESG Relevance Scores	
Environmental	2
Social	4[+]
Governance	3

Applicable Criteria

National Scale Rating Criteria (December 2020)
Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms Uganda Development Bank at 'B'; Outlook Stable (March 2026)
Fitch Affirms Uganda's Long-Term Instruments at 'B'; Assigns 'RR4' Recovery Rating; Removes UCO (February 2026)
Fitch Affirms Uganda at 'B'; Outlook Stable (August 2025)
African Banks' 2026 Outlook Neutral; Operating Conditions Challenging (December 2025)
Sub-Saharan African Banks Facing Higher Paid-In Capital Requirements (November 2025)

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For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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