

Pearl Bank has mobilised billions from Ugandans, but soaring Treasury yields and capital constraints are pushing

Balancing competing interests:



Development financing.

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Pearl Bank built a mobile wallet to bring millions of unbanked Ugandans into the formal economy, which worked, perhaps too well.

Wendi, launched in November 2023 by what was then PostBank, has grown from Shs6.6b in deposits at launch to Shs240.5b by end-2025, a 36-fold increase.

It is one of the single biggest drivers of Pearl Bank's funding growth last year.

The problem is that instead of flowing into loans to farmers and small businesses, the bulk of that money went into government Treasury bills and bonds.

The bank, owned 100 percent by Ministry of Finance, is now one of the country's largest buyers of domestic debt.

Between December 2024 and December 2025, Pearl Bank's total deposits grew by Shs427b, from Shs990b to Shs1.41 trillion. Its loan book grew by Shs30b, 4.2 percent, from Shs719b to Shs749b.

This means that for every Shs14 that walked into Pearl Bank last year, only one came back out as a loan.

The gap went somewhere. Government securities nearly doubled, from Shs365b to Shs615b, meaning that the bank deployed more than eight times as much new money into sovereign debt as it did into loans.

Investment securities now represent 32.8 percent of total assets, up from 16.6

percent in 2022. The loan-to-deposit ratio collapsed from 72.6 percent to 52.8 percent in a single year, the sharpest single-year retreat from its lending mandate in the bank's recent history.

Wendi deposits alone, Shs240.5b, account for roughly 46 percent of total deposit growth.

Set that against Shs30b in net new loans across the entire bank, and you get 12.5 cents of credit for every shilling Wendi brought in.

The remaining 87.5 cents went to sovereign paper yielding 13 to 17 percent, risk-free, with no farmer to chase, no collateral to value, no loan officer required.

In 2024, the bank's own integrated report stated: "Over 90 percent of our capital is dedicated to lending rather than investment in government treasury bills and bonds." That sentence has not aged well.

Why it happened

As of the end of 2024, government's 10-year bond yields averaged 17 percent. Commercial lending rates averaged 18 percent.

When the risk-free rate is within one percentage point of what you charge a smallholder farmer, who brings collateral uncertainty, seasonal cash flows, and significant monitoring costs, the spreadsheet decides before the credit officer does.

Pearl Bank is not alone. Across the banking sector in 2025, treasury investments stood at Shs23.3 trillion, almost exactly equal to net loans of Shs23.6 trillion, ac-

ording to Summit Consulting's analysis of industry results.

Stanbic, dfcu, and Bank of Baroda all carry substantial government paper. Private sector credit growth fell to 7.9 percent in the first quarter of 2025, even as 364-day Treasury bill yields climbed from 14.6 percent to 16.7 percent.

Small businesses are competing with their own government for bank credit, and losing.

Asked about the loan-to-deposit ratio collapse, Pearl Bank said its business model targets two outcomes: stimulating entrepreneurship through affordable financing, and driving financial inclusion through technology.

But it pointed to regulatory change as the immediate cause.

"In 2025, as we adjusted to the new Ba-

Key insights

- Whereas Pearl Bank had mobilised Shs240.5b in deposits through Wendi by end-2025, much of that money, instead of flowing into loans for farmers and small businesses, was channelled into government Treasury bills and bonds.
- Pearl Bank is not alone. Across the banking sector in 2025, treasury investments stood at Shs23.3 trillion, almost exactly equal to net loans of Shs23.6 trillion, according to Summit Consulting's analysis of industry results. Stanbic, dfcu, and Bank of Baroda all carry substantial government paper.
- At the bank's 2025 annual general meeting on May 5, the Ministry of Finance publicly called for more aggressive lending to productive sectors. In the same room, Pearl Bank called for increased capitalisation of the bank. The shareholder demanded more lending, but Pearl Bank asked for more capital to lend.

sel III guidelines, our loan-to-deposit ratio fell," the bank said in an emailed response.

"This is a temporary development, and we remain committed to dedicating a significant portion of our intermediation efforts to secure and affordable financing for Ugandans," it added.

The Basel III explanation holds partially. Bank of Uganda introduced a Liquidity Coverage Ratio requirement in late 2024, requiring banks to hold high-quality liquid assets against 30 days of net outflows.

A bank that suddenly receives Shs195b in new mobile wallet deposits, like Wendi did, uncertain how sticky those balances are, has legitimate grounds to hold more government paper as a liquidity buffer.

The fear is that if those balances prove flighty, a bank caught short of liquid assets faces a crisis. Government securities, which can be sold or pledged overnight, are the obvious hedge.

But the regulatory minimum liquidity ratio is 20 percent of deposit liabilities. Pearl Bank held far more.

The Basel III adjustment might account for Shs50b to Shs80b in additional securities for the bank. The actual increase was Shs250b. The remainder is a choice, not a compliance requirement.

The recycling problem

On how much of Wendi's deposits is being lent back to Wendi's users, management offered capability rather than data.

"Wendi and the revitalised Pearl App now have digital loan capabilities that

Finance Minister Matia Kasajja (left), Pearl Bank managing director Julius Kakeeto and Investment state minister Evelyne Anite during the bank's May 5 annual general meeting in Kampala, where lending, capitalisation and financial inclusion dominated discussions. PHOTO/MICHAEL KAKUMIRIZI