STANBIC BANK HOLDINGS LIMITED

Annual report 2018

Stanbic Bank Moving Forward™

UGANDA IS OUR HOME, WE DRIVE HER GROWTH

OUR REPORT

This is the Stanbic Bank Holdings Limited (SBHL) Annual Report that covers the period 1 January to 31 December 2018. It includes both financial and non-financial information. This report is prepared for SBHL's different stakeholders with detailed information about who we are, our strategy, our perfomance, governance and expectations for the future in context of the environment we operate in.

Stanbic Bank Holdings Limited is part of the Standard Bank Group, Africa's largest bank measured by footprint and assets. Standard Bank Group has on-the-ground representation in 20 African countries.

SBHL has a wide network of branches and has been offering a full spectrum of financial services and products to the retail and corporate segments for the past 28 years.

Contents

About Stanbic Bank Holdings Limited

Who we are

A brief **history** of our Bank.

The Bank was founded in Uganda as the National Bank of India in 1906. After several name changes, it rebranded to Grindlays Bank. In 1991, Standard Bank Group (The Group) acquired Grindlays Bank. The new owners renamed the Ugandan subsidiary, Stanbic Bank Uganda Limited (SBUL).

In February 2002, the Group acquired 90% of the shareholding in Uganda Commercial Bank Limited, a government-owned bank with sixty five branches. The Group merged their new acquisition with the existing Stanbic Bank (Uganda) Limited, to form Uganda's largest commercial bank by assets and branch network.

In November 2007, the Government of Uganda divested its ownership in Stanbic Bank Uganda by listing its shares on the Uganda Securities Exchange. The Group also floated 10% of its shareholding at the same time, retaining an ownership stake of 80%.

In 2018, the Bank started the process of reorganising its corporate structure to include a holding company. On 31st May 2018, the Bank obtained shareholder approval, and later regulatory approvals to change it's name from Stanbic bank Uganda Limited, to Stanbic Bank Holdings Limited, as part of the reorganisation process. This name change became effective on 28th November, 2018.

The reorganisation process will culminate into the Bank known as SBUL being wholly owned by the holding company Stanbic Uganda Holdings Limited (SUHL). Over time SUHL will incorporate or acquire other businesses. Further details can be found on pages 40-41.

Balance Sheet
UShs 5.4trillion

522,972
Number of Customers

UShs 1.59trillion
Market Capitalisation

1665
Number of Employees

175
ATMs

163 Ordinary
12 Cash Deposit Machines

Headquarters
Crested Towers, Plot 17
Hannington Road, Kampala

22,498
Shareholders

Balance Sheet
UShs 5.4trillion

658
Point of Sale machines

Number of Branches
69
Number of CSPs
10

756
Bank Agents

Our vision

To be the leading financial services organisation in, for and across Uganda, delivering exceptional client experiences and superior value.

Our purpose

Uganda is our home, we drive her growth

Our values

Serving our customers

We do everything in our power to ensure that we provide our customers with the products, services and solutions to suit their needs, provided that everything we do for them is based on sound business principles.

Growing our people

We encourage and help our people to develop to their full potential and measure our leaders on how well they grow and challenge the people they lead.

Delivering to our shareholders

We understand that we earn the right to exist by providing appropriate long-term returns to our shareholders. We try hard to meet our various targets and deliver on our commitments.

Being proactive

We strive to stay ahead by anticipating rather than reacting, but our actions are always carefully considered.

Working in teams

We, and all aspects of our work, are interdependent. We appreciate that together, we can achieve much greater things than as individuals. We value teams within and across business units, divisions and countries.

Constantly Raising The Bar

We have confidence in our ability to achieve ambitious goals and we celebrate success, but we must never allow ourselves to become arrogant.

Respecting each other

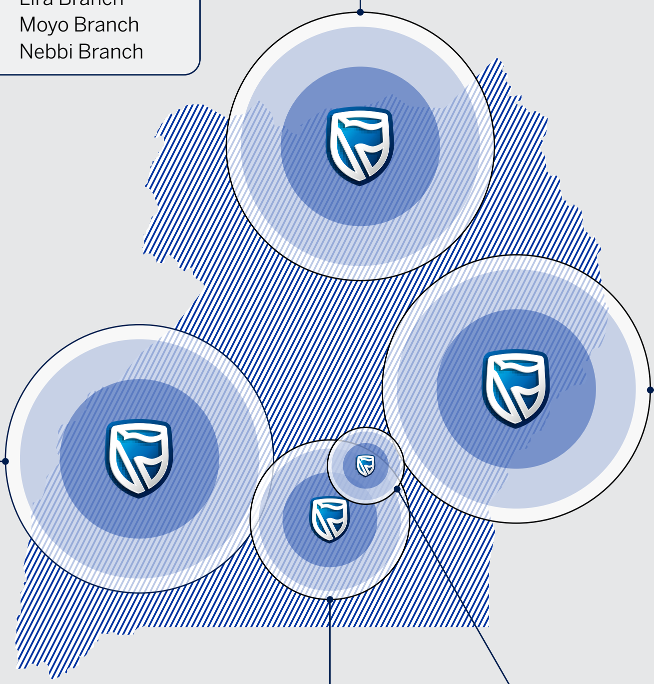
We have the highest regard for the dignity of all people. We respect each other and what Stanbic Bank stands for. We recognise that there are corresponding obligations associated with our individual rights.

Upholding the highest levels of integrity

Our entire business model is based on trust and integrity as perceived by our stakeholders, and especially our customers.

Our Footprint

PARTNER BANK.
KAKIRA SUGAR LIMITED, JINJA



North

Adjumani Branch
Apac Branch
Arua Branch
Gulu Branch
Kigumba Branch
Kitgum Branch
Lira Branch
Moyo Branch
Nebbi Branch

CSPs

Bwera CSP
Kaboong CSP
Kayunga CSP
Kagadi CSP
Kumi CSP
Pakwach CSP
Kakira CSP
Kinyara CSP
Mayuge CSP
Wobulenzi CSP

West

Buliisa Branch
Bundibugyo Branch
Bwamiramira Branch
Hoima Branch
Ishaka Branch
Kabwohe Branch
Kasese Branch
Kihihi Branch
Ntungamo Branch
FortPortal Branch
Ibanda Branch
Kabale Branch
Kalangala Branch
Kisoro Branch
Kyotera Branch
Lyantonde Branch
Masaka Branch
Masindi Branch
Mbarara Branch
Mubende Branch
Rukungiri Branch

East

Busia Branch
Iganga Branch
Jinja Branch
Kamuli Branch
Kapchorwa Branch
Kotido Branch
Lugazi Branch
Mbale Branch
Moroto Branch
Soroti Branch
Tororo Branch

Greater Kampala

Aponye Mall
Kawempe Branch
Kiboga Branch
Kireka Branch
Kyambogo Branch
Luwero Branch
Mityana Branch
Mpigi Branch
Mukono Branch
Mulago Branch
Nakivubo Branch
Nateete Branch
Wandegeya Branch
William Street Branch

Metro

Acacia Mall Branch
Bugolobi Branch
Entebbe Main Branch
Freedom City Branch
Forest Mall Branch
Garden City Branch
Kabalagala Branch
Kampala Branch (Corporate)
Lugogo branch
Makerere Branch
Metro Branch
Nakasero Branch
Nakawa Branch
Ntinda Branch

Our Products and Services

Corporate and Investment Banking

TRADE FINANCE
- Letters of Credit
- Bid Guarantees
- Performance Guarantees
- Advance Payment Guarantees
- Avalisation
- Import/Export Loans
- Invoice Discounting
- Bills for Collection

CASH MANAGEMENT
- Cash in Transit
- Collect Plus (Courier)
- Electronic Banking
- Bill Payments
- Liquidity Management
- Payments and Receivables Solutions

INVESTOR SERVICES
- Custody
- Fiscal Agency
- Facility Agency

INVESTMENT BANKING (IB)
- Equity Capital Markets
- Debt Capital Markets
- Advisory
- Asset Finance
- Syndications

INTERNATIONAL DEVELOPMENT GROUP
- Priority Suite

GLOBAL MARKETS
- Spot Foreign Exchange
- Forward Contract in Foreign Exchange
- Foreign Currency Options
- Cross Currency Swaps
- Interest Rate Swaps
- Money Market Products

PROJECT FINANCE

Personal and Business Banking

TRANSACTIONAL ACCOUNTS
- Business Current account
- SME Trader Account
- Personal Current Account
- Student Account
- NGO Account
- SACCO Account

BUSINESS LENDING
- Overdraft
- BusinessTerm Loan
- Commercial Property Loan
- Business Term Loan
- Property Finance
- Vehicle and Asset Finance

PERSONAL LENDING
- Unsecured Personal Loan
- Overdrafts
- Home Loan
- Building Loan
- Equity Release Loan
- Vehicle and Asset Finance
- Credit Card

TRADE FINANCE
- Letters of Credit
- Bid Guarantees
- Performance Guarantees
- Advance Payment Guarantees
- Import/Export Loans
- Invoice Discounting

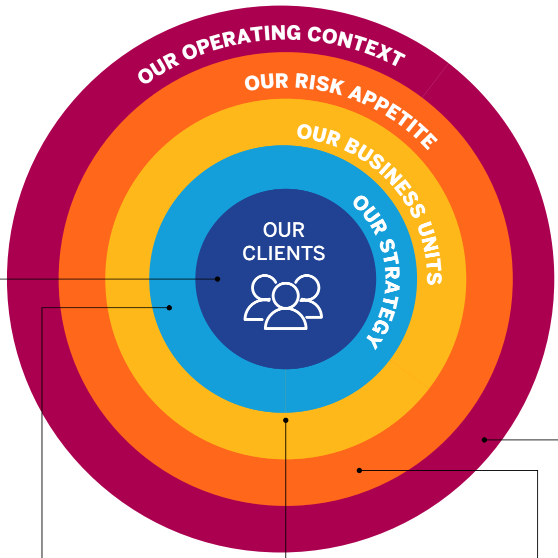
SAVINGS AND INVESTMENTS
- PureSave (local and foreign currency)
- Fixed Deposit Account
- Fixed Deposit Account

BANCASSURANCE
- Educare
- Motor/ Assets Comprehensive
- Funeral Plan
- Goods in Transit/ marine cargo
- SME Business Cover
- Commercial Property Insurance
- Business Life Insurance

Services

- Internet Banking
- Mobile Banking
- Business Online (BOL)
- Point of Sale (POS)
- Automated Teller Machine (ATM)
- Debit and Credit cards (VISA enabled)
- PayPlus • payment services solution (water, electricity, pay TV, pension)
- Agent Banking
- FlexiPay
- School pay

How we create value



1 OUR CUSTOMERS

Our clients are at the centre of everything we do. This is the central organising principle our bid to build a digital bank, redesign our operating models, develop our people and change our culture – which together will create a sustainable competitive advantage.

More details in the Sustainability report on pages 46-100

2 OUR STRATEGY

Our strategy is focused on creating shared value, and represents our commitment to the shared future we aim to create for our clients, our people and our stakeholders.

More details in the Strategy report on pages 36-41

3 OUR BUSINESS UNITS

Our business units and corporate functions have aligned their operating strategies to form one bank strategy, to ensure effective coordinated execution within and across our operations for the benefit of our clients.

More details in the Business Unit report on pages 42-45

4 OUR RISK APPETITE

Our strategy is achieved within the parameters of our risk appetite, which implies conscious risk taking. We regularly align our risk appetite to changes in our operating context, and are instilling a risk-aware culture throughout the Bank and are continually enhancing our risk management capabilities.

More details in the Risk Magement report on pages 102-114

5 OUR OPERATING CONTEXT

Our strategy represents an effective approach to the structural shifts in our industry. Global megatrends such as the technological revolution, increasing stakeholder pressure, and socioeconomic and environmental challenges, are imposing the need for wide-reaching transformation in the way we do business. We remain flexible in our strategic responses to the cyclical pressures in our markets. We identify pockets of opportunity for revenue generation and employ well developed risk models to anticipate and manage the impact of risks that are heightened during times of economic stress

More details in the Chief Executive's statement on pages 24-27

CREATING VALUE FOR THE BANK

Our strategic value drivers align our allocation of resources to our strategy. We have identified five key value drivers, shown below, and continue to work on selecting the appropriate metrics for each. The value drivers support effective resource allocations and appropriate trade-off decisions.

- Client focus
- Employee engagement
- Risk and Conduct
- Financial outcome
- Social, Economic and Environmental (SEE) outcome.

CREATING VALUE FOR SOCIETY

Social relevance is fundamental to our survival and success, and underpins our purpose and vision. The Bank is moving towards measuring our social return to obtain a truer picture of our broader value outcomes. This involves identifying the social, economic and environmental opportunities that Uganda presents and how our business activities can respond to them.

DRIVING UGANDA'S GROWTH OVER THE LONG TERM

Our multi-generational purpose recognises that Uganda's wellbeing and that of the Bank are interdependent. It is the ultimate expression of our commitment to Uganda's growth that is inclusive and sustainable, and in turn secures viable markets for our long-term profitability and value creation.

Our business units

PERSONAL & BUSINESS BANKING

provides banking and other financial services to individual customers and small- to medium-sized enterprises.

CORPORATE AND INVESTMENT BANKING

provides corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and international counterparties.

CORPORATE FUNCTIONS

provide required support to business functions to be able to serve our different stakeholders and achieve our vision and goals.

96.7 BN

PROFIT AFTER TAX
2017: UShs 76 billion

	2018	2017
Return on equity*	37.1%	47.2%
Cost-to-income ratio	60.7%	62.0%
Credit loss ratio	0.3%	2.1%

WHAT WE OFFER

Mortgage lending / Card products / Instalment sale and finance leases / Lending products / Bancassurance and wealth / Transactional products

* Return on Equity(ROE): The drop in ROE was impacted by the change in the capital allocation approach to the business units from regulatory to risk apettite basis.

113.8 BN

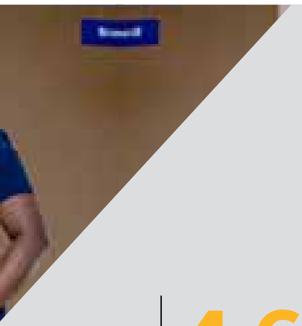
PROFIT AFTER TAX
2017: UShs 105.7 billion

	2018	2017
Return on equity*	29.8%	46.0%
Cost-to-income ratio	43.5%	43.4%
Credit loss ratio	0.0%	0.5%

WHAT WE OFFER

Global markets / Investment banking / Trade finance / Project finance / Cash management

* Return on Equity(ROE): The drop in ROE was impacted by the change in the capital allocation approach to the business units from regulatory to risk apettite basis.



4.6 BN

PROFIT AFTER TAX
2017: UShs 18.7 billion

The detailed segmentation including Treasury and Capital Management (TCM) profit after tax **UShs 4.6bn (2017: 18.7bn)**, can be found in the notes to financial statements under segment information in note 5.

FINANCE
Planning, measuring and managing financial performance.

Treasury & Capital Management
Managing the Bank's capital and liquidity, including ensuring adherence to regulatory requirements.

HUMAN RESOURCES
Acquiring, developing and retaining talent.

TECHNOLOGY
Providing the architecture and support for the Bank to effectively and efficiently carry out its activities.

RISK
Upholding the overall integrity of the Bank's risk/return decisions; ensuring that risks are assessed and controlled in accordance with the Bank's standards and risk appetite.

SERVICE QUALITY
Planning and monitoring the service quality culture of the Bank

OPERATIONS
Providing support for the Bank to effectively and efficiently carry out its daily activities.

MARKETING AND COMMUNICATIONS
Planning and promoting the business, brand and mission of the Bank.

PROJECT MANAGEMENT
Planning, managing and monitoring of all projects across the Bank.

CREDIT
Ensure proper management and control of the Bank's credit which includes monitoring and collection of debt.

COMPLIANCE
Ensuring the Bank's activities and conduct comply with legal and regulatory requirements.

COMPANY SECRETARY
Overseeing corporate governance of the Bank, provide advisory services to the Board and Management as well as acting as a bridge between shareholder management and the Board.

LEGAL
Maintaining a comprehensive legal risk management system.

AUDIT
Independently providing reasonable assurance to the Board Audit Committee regarding the adequacy and efficacy of the risk, control and governance processes.

Business Review

List of acronyms

AGM	Annual General Meeting
AFS	Annual Financial Statements
ALCO	Asset and Liability Committee
ATM	Automated Teller Machines
BCP	Business Continuity Plan
BCM	Business Continuity Management
BNA	Bulk Note Acceptor
BOD	Board of Directors
BOU	Bank of Uganda
CAR	Capital Adequacy Ratio
CBS	Core Banking System
CDM	Cash Deposit Machine
CIB	Corporate and Investment Banking
CSP	Customer Service Point
CSI	Corporate Social Investment
CTI	Cost to Income Ratio
CSR	Corporate Social Responsibility
EAD	Exposure at Default
EAR	Earnings at Risk
ECL	Expected Credit Loss
EIR	Effective Interest Rate
ERM	Enterprise Risk Management
FIA	Financial Institutions Act
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
GoU	Government of Uganda
HC	Human Capital
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IC	Intellectual Capital
ICPAU	Institute of Certified Public Accountants of Uganda
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IIS	Interest In Suspense
IRB	Internal Ratings-Based approach
KPMG	Klynveld Peat Marwick Goerdeler
L&D	Learning and Development
LGD	Loss Given Default
LPO	Local Purchase Order
MFC	Manufactured Capital
NC	Natural Capital
NIM	Net Interest Margin
NPS	Net Promoter Score
OCI	Other Comprehensive Income
OSH	Occupational Safety and Health
PAT	Profit After Tax
PAYE	Pay As You Earn
PBB	Personal and Business Banking
PBT	Profit Before Income Tax
PD	Probability of Default
REPO	Repurchase Loan Agreement
RET	Regrettable Employee Turnover rate
ROA	Return on Assets
ROE	Return on Equity
RSL	Interest Rate Sensitive Liabilities
SBHL	Stanbic Bank Holdings Limited Uganda
SOFP	Statement of Financial Position
SRC	Social and Relational Capital
SEE	Social Economic Environmental
UCBL	Uganda Commercial Bank Limited
USE	Uganda Securities Exchange
VAF	Vehicle and Asset Finance
WEF	With Effect From

Refers readers to information elsewhere in this report.

www Indicates that additional information is available online.

Financial definitions

COMPOUND ANNUAL GROWTH RATE - CAGR	The average year-on-year growth rate of an investment over several years.
PROFIT FOR THE YEAR (UShs)	Annual Income statement profit attributable to ordinary shareholders stated in Uganda Shillings.
EARNINGS PER SHARE (UShs) - EPS	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue stated in Uganda Shillings..
RETURN ON AVERAGE EQUITY (%) - ROE	Earnings as a percentage of average ordinary shareholders' funds.
RETURN ON AVERAGE ASSETS (%) - ROA	Earnings as a percentage of average total assets.
NET INTEREST MARGIN (%) - NIM	Net interest income as a percentage of average total assets.
CREDIT LOSS RATIO (%)	Provision for credit losses per the Statement of Comprehensive Income as a percentage of gross loans and advances.
COST-TO-INCOME RATIO (%)	Total operating expenses as a percentage of total income before deducting the provision for credit losses.
EFFECTIVE TAX RATE (%)	The income tax charge as a percentage of income before tax, excluding income from associates.
DIVIDEND PER SHARE (UShs)	Total ordinary dividends declared per share with respect to the year.
DIVIDEND COVER (TIMES)	Earnings per share divided by total dividends per share.
PRICE EARNINGS RATIO (%)	Closing share price divided by earnings per share.
DIVIDENDS YIELD (%)	Dividends per share as a percentage of the closing share price.
CORE CAPITAL	Permanent shareholder's equity in the form of issued and fully paid-up shares plus all disclosed reserves, less goodwill or any intangible assets.
SUPPLEMENTARY CAPITAL	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize, and revaluation reserves on banking premises, and any other form of capital as may be determined from time to time, by the Central Bank.
TOTAL CAPITAL	The sum of core capital and supplementary capital.
TOTAL CAPITAL ADEQUACY	Total capital divided by the sum of total risk weighted assets and total risk weighted contingent claims.
CREDIT IMPAIRMENT CHARGE (SHS)	The amount by which the period profits are reduced to cater for the effect of credit impairment.
LENDING RATIO	Net loans and advances divided by total deposits.
PERCENTAGE CHANGE IN CREDIT LOSS RATIO (%)	Ratio of change in the rate of credit loss impairment between time periods.
PERCENTAGE CHANGE IN THE IMPAIRMENT CHARGE (%)	Ratio of change in the rate of impairment charge between time periods.
SOFP CREDIT IMPAIRMENT AS A % OF GROSS LOANS AND ADVANCES (%)	Ratio of the Statement of Financial Position credit impairment to gross loans and advances.

2018 at a glance

UShs 2.5 Bn
CORPORATE CITIZENSHIP
2017: 1.4 Bn

12%
UShs 296.7 Bn
PROFIT BEFORE TAX
2017: 265.7Bn

UShs 4.2
EARNINGS PER SHARE
2017: 3.9

16.2%
TIER 1
2017: 18.1%

23.5%
RETURN ON EQUITY
2017: 25.3%

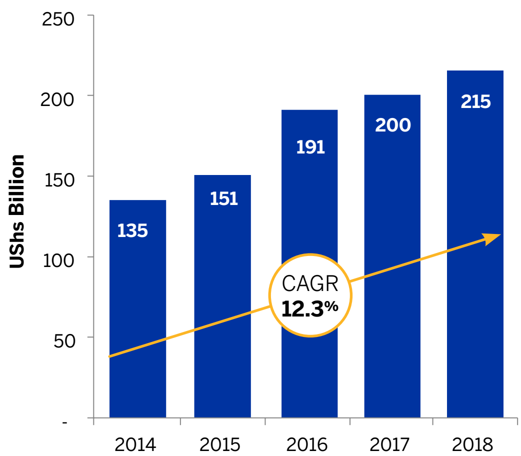
0.2%
CREDIT LOSS RATIO
2017: 1.4%

UShs 1.9
PROPOSED DIVIDEND PER SHARE
2017: 1.8

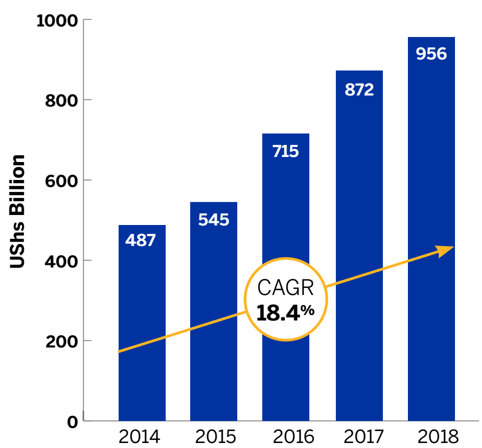
UShs 2.5Tn
CUSTOMER LOANS
2017: 2.1Tn

UShs 3.9Tn
CUSTOMER DEPOSITS
2017: 3.6Tn

Profit After Tax



Shareholders Equity



AWARDS

BEST BANK IN UGANDA
Global Finance World's Best Bank Awards 2018

PRIMARY DEALER OF THE YEAR 2018 (8 TIMES IN A ROW)
Bank of Uganda 2018

WINNER IN UGANDA
Global Investor Survey 2018

BEST BANK IN UGANDA
Euro Money Awards for Excellence 2018

BEST INVESTMENT BANK IN UGANDA
Emeafinance African Banking Awards 2018

BEST BROKER IN UGANDA
Emeafinance African Banking Awards 2018

SAFEST BANK IN UGANDA
Global Finance World's Safest Banks 2018

BEST CARDS PAYMENT ENABLER
Digital Impact Awards 2018

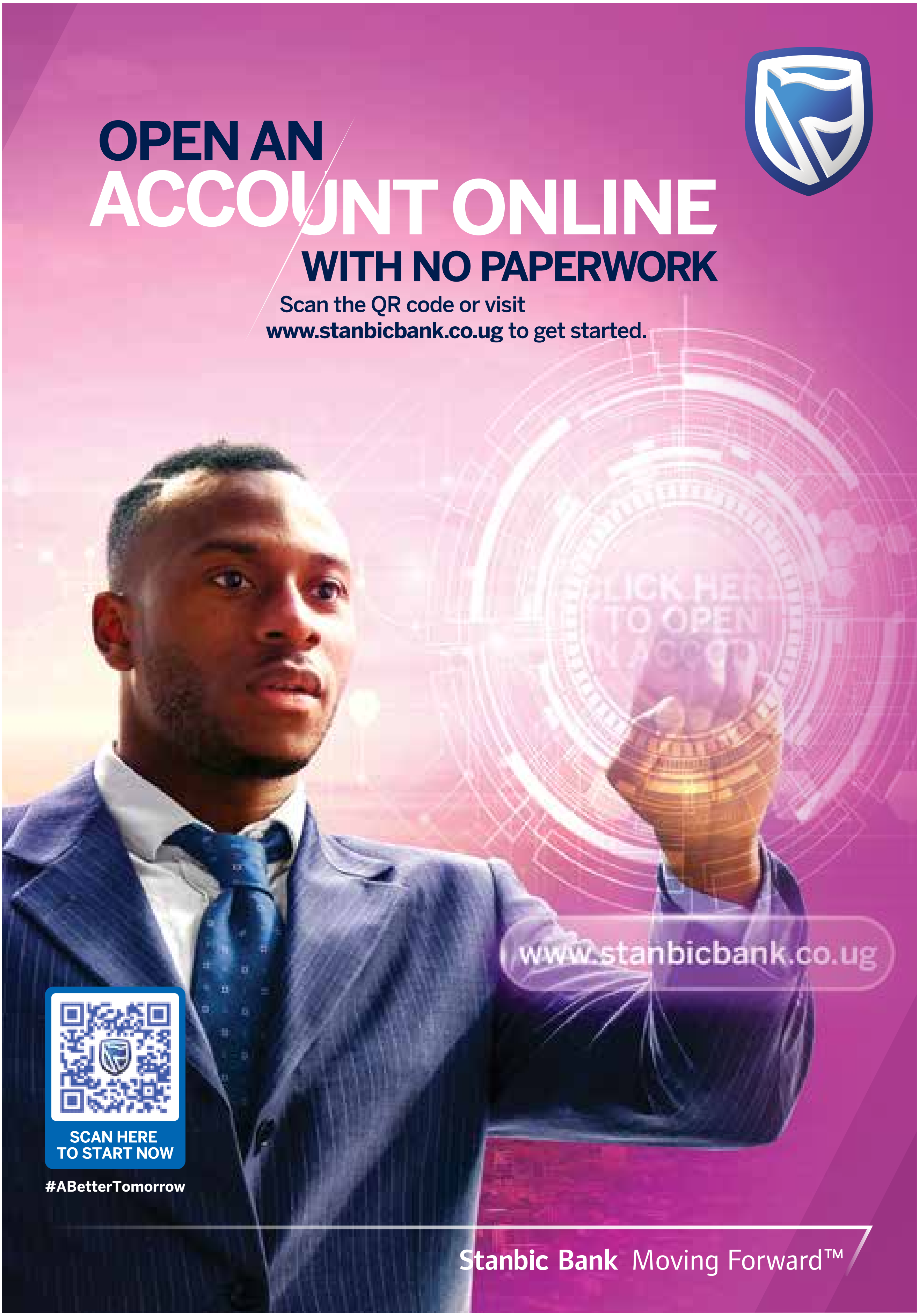
BEST BANKING APP
Digital Impact Awards 2018

BEST BANK BRAND ON SOCIAL MEDIA
Digital Impact Awards 2018

BEST FX PROVIDER IN UGANDA
Global Finance World's Best FX Providers 2019

2018 Highlights

	2018	2017
Income statement (UShs' million)		
Profit before tax	**296 678**	265 666
Profit after tax	**215 140**	200 468
Financial position (UShs' million)		
Total assets	**5 393 059**	5 404 159
Loans and advances to customers (net)	**2 508 828**	2 133 986
Property and equipment	**51 527**	69 292
Shareholders' equity	**956 352**	872 280
Customer deposits	**3 892 295**	3 620 946
Financial performance (%)		
Return on average equity	**23.5**	25.3
Return on average assets	**4.0**	4.0
Cost to income ratio	**51.5**	50.5
Loans to deposit ratio	**64.5**	58.9
Share statistics per share (UShs)		
Earnings per share - basic and diluted	**4.20**	3.92
Proposed dividend per share	**1.86**	1.76
Capital adequacy		
Risk weighted assets (UShs' million)	**4 425 055**	3 644 249
Tier 1 capital to risk weighted assets (%)	**16.2**	18.1
Total capital to risk weighted assets (%)	**18.9**	21.0
Cash flow information (UShs million)		
Net cash from operating activities	**(435,824)**	600,485
Net cash used in investing activities	**(51,388)**	(24,796)
Net cash (used in)/from financing activities	**(91,201)**	(54,551)
Cash and cash equivalents at end of the year	**1,562,304**	2,140,717


OPEN AN
ACCOUNT ONLINE
WITH NO PAPERWORK
Scan the QR code or visit
www.stanbicbank.co.ug to get started.
www.stanbicbank.co.ug
SCAN HERE
TO START NOW
#ABetterTomorrow
Stanbic Bank Moving Forward™

Chairman's statement

JAPHETH KATTO
CHAIRMAN
BOARD OF DIRECTORS

↑ 8%
97.5bn / **UShs**
DIVIDEND PER ORDINARY SHARE
2017: 90bn

I am pleased to report that in 2018, Stanbic Bank, recorded yet another year of solid performance across all metrics. This was enabled by our client- focused strategy that was executed with the clarity, alignment and agility required to navigate the relatively uncertain local and global economic environment. Beyond the strong performance, we remain fully aware of our role in enabling sustainable economic growth and continued to deliver value to our varied stakeholders in keeping with our purpose; Uganda is our home, we drive her growth.

Overview

The year started off on a slow note for the banking industry with the economic headwinds that had registered from the latter part of 2016 continuing into the first half of 2018. This sluggish start of the year was characterized by generally low aggregate demand, low appetite for credit with businesses and households impacted by the muted business activity as well as initial early pressure on the exchange rate with the Uganda shilling depreciating by 6% within the first 6 months.

However, the banking sector posted a strong recovery in the second part of the year closing the year with an improvement across the different metrics compared to 2017, supported by an improvement in the economic environment post-July, with GDP up to 6.3% from previous 3.9%. The benign interest rate environment supported by an accommodative monetary policy over the past 18 months also finally played a role in spurring private sector credit growth which posted a growth rate of 11% after a two-year period of low single digit growth. Also notable was the improvement in quality of the industry credit portfolio with non-performing loans reducing to 3.4% compared to 5.6% the previous year.

The industry continues to witness shifts in the competitive landscape with new forms of disruptions emerging from the entry of non-bank players. Telecom and FinTech (Financial Technology) firms continue to cause far-reaching changes in the financial industry and though still in the early stages of product development, these disruptions present the single biggest threat and indeed opportunity, off the back of the on-going digital revolution.

To seize these opportunities, we continue to influence the pace of change for our diverse clients' needs and invest in the appropriate software solutions. We are also aware of the cyber risks created by heightened use of technology as a medium for delivering banking services to our clients and have taken deliberate steps to ensure we remain adequately protected from any cyber-attacks. Further details of these interventions are covered in the risk management report from page 100.

2018 Performance

With the context of the above challenges in our operating environment, I am pleased to report to all stakeholders that in 2018, Stanbic Bank delivered yet another strong financial performance. Our pillars for delivering sustainable profits and superior shareholder returns, continue to be; maintaining a strong focus on our clients across the organisation; having the right empowered and engaged leadership stretching out to the broader employee base and; staying proactive in our risk management approach.

On the overall our profitability (before tax) grew by 12% to UShs297 billion and our Return on Equity (RoE) remains strong at 23.5%. We do expect that our RoE will continue to strengthen as we support the growth of our clients through affordable credit and services, provide meaningful solutions and continue managing operational efficiency. Further detail highlighting important performance metrics of 2018 are in the Chief Executive's review for the year on pages 24-26.

The Board has recommended a total dividend payment of UShs 97.5 billion, an increase of 8% from the UShs 90 billion paid out for 2017 which is the equivalent of UShs 1.86 per share, from the previous UShs 1.76. The proposed dividend pay-out considers capital required for business growth and investment prospects in addition to regulatory capital adequacy requirements to avoid any adverse effects on capital.

Regulatory Landscape

We continue to see changes in the regulatory framework governing banks and other financial institutions that have resulted in increased scrutiny at national and global level, heavier fines and an emphasis on conduct. It therefore is critical that we are firmly aware of the impact of regulatory changes on our business and. have therefore continued to focus on embedding a culture of compliance in all areas of business.

The Compliance Policy Framework supports the bank strategy in ths regard, which enhances the sustainability of the Bank as an ethical and trusted brand. To further guide the actions of our Staff, the bank has designed policies on critical areas such as anti-bribery and corruption, anti-competitive behaviour, and data privacy among others. The appropriate management and use of data is a key emerging theme as failure to operate in an ethical manner could result into significant reputational and financial risk. The Bank's Data Privacy Policy and Data Privacy Minimum Standards have therefore been implemented to reinforce the requirement to conduct Bank business in accordance with applicable data protection legislation.

Two key regulations were enacted in 2018 that the Bank is fully compliant with the first being; Clearing House Rules and Financial Institutions (Capital Adequacy) Regulations 2018. The Clearing House Rules regulate the automated clearing of interbank payment instruments to be exchanged among banks and provide guidelines for other activities embedded in the clearing process such as currencies, settlement timelines, penalties for breaches as well as transaction fees. Secondly the Financial Institutions (Capital Adequacy) Regulations 2005 were revoked and replaced with the Financial Institutions (Capital Adequacy) Regulations 2018. Key amendments include; an increase in minimum capital funds unimpaired by losses of a licensed bank from UShs. 4 billion to UShs. 25 billion and increase in the core capital adequacy ratio from 8% to 10%.

Draft laws such as the National Payments Systems Bill, Anti-Money Laundering Amendment Regulations and the Financial Institutions (Deposit Protection Fund) Regulations are further anticipated in 2019 and the bank is involved in the drafting of these regulations as a thought leader in the industry.

IFRS 9 adoption was fully implemented by the Bank on 1 January 2018 with an adjustment to the Bank's opening reserves. Appropriate preparation for the impact of this standard were made and included across the bank's risk appetite, governance and operational aspects.

Our Sustainability

As a Bank we believe in doing the right business the right way and we apply long term thinking to how we create truly shared value. We deliberately consider the far-reaching impact of our actions through our "SEE" philosophy that considers the Social, Environmental and Economic implications of all our actions. We have embedded this sustainability thinking throughout our business operations and our customer solutions are focused on enablingour customers achieve their growth objectives and improve their quality of life and financial security in the society.

Our role in the betterment of the social-economic situation in our country and the communities in which we operate is at the very core of our very own long-term commercial success. We continue to believe that the critical way to make a real difference in our youthful nation is in empowering the minds of the job-creators, leaders, business owners and broader citizenry of today and tomorrow. Our commitment to this is embraced at all levels of the organisation as we champion transformative initiatives focussed on education. I am delighted to report that our investment in corporate social initiatives has grown to UShs 2.5 billion, the highest in the Bank's history, our flagship program is the annual National Schools' Championships, Stanbic has also been involved in providing scholarships at tertiary institutions. The Bank also continues to focus on the Business Incubator which is a transformational initiative focusing on addressing our local content participation gaps by helping to up-skill small and medium enterprises and preparing them for the anticipated oil & gas opportunities.

I am pleased to share that the Bank has been recognized as the best entity in Sustainability Reporting at the Financial Reporting Awards in East Africa. The Bank was further recognised for our energy management practices in financial services at the first ever Energy Management Awards in Uganda organized by the Ministry of Energy in partnership with GIZ - German Cooperation and the Electricity Regulatory Authority.

To read more details on the Bank's corporate social strategy and initiatives in education and other areas, please refer to the sustainability report on page 46.

Board

I would like to take this opportunity wish to thank Mrs. Ruth Emunu, the out-going Board Risk Committee Chairperson, who has faithfully served as a non-executive director for nine years and provided insightful leadership to the Risk Committee and the Board as a whole.

Outlook

The horizon for 2019 looks very promising with a strong GDP growth expected. The impetus for this is the anticipated Final Investment Decision (FID) to be announced by major players in Uganda's oil and gas sector before the end of the year, and further infrastructure investments. These provide good growth opportunities for the Bank. Internally, Stanbic completed a new three-year agile and forward-looking strategy hinged on our purpose of helping to drive Uganda's growth. Details of this strategy can be found in the Chief Executives Review on page 24 and the Strategy report on page 36.

Setting up Stanbic Uganda Holdings Limited

In 2018, the Bank has made a huge strides towards achieving its vision of becoming a leading financial services organisation in Uganda and continues to play a leading role in the development of our nation.

We began the journey of changing the Bank's corporate structure to create a holding company that was granted regulatory and shareholder approval. The holding company will provide a platform for the organisation to create new business arms in areas such as financial technology and real estate in addition to banking services, which will enable us deliver better value to all out stakeholders.

Appreciation

Once again, I may I thank Stanbic Bank shareholders, regulators, customers, employees and partners, for their continued support and dedication to the Bank, and for their confidence in the Board and Management.

I value the trust you have placed in my leadership in supporting the journey of growth of this great institution as Board Chairman. I would like to thank the Board members for their tremendous dedication and support in overseeing the direction of the Bank. The Bank is well prepared for the opportunities and challenges ahead and we remain committed to playing our role in Uganda's transformation. I on behalf of the Board, to extend my sincere appreciation to the Executive Committee and to all staff members under the leadership of the Chief Executive, Patrick Mweheire, for another strong year. This highly engaged and connected team has managed to guide the Bank through an increasingly challenging landscape with commendable results.

My I also appreciate our customers, shareholders, regulators and all other stakeholders, whose support keeps us working hard. We look forward to continuing to moving forward with you in 2019 as we continue to drive Uganda's growth.

I wish you all a fruitful year 2019.

Chief Executive's statement 2018

PATRICK MWEHEIRE

CHIEF EXECUTIVE

↑ 12%

297bn USHs

PROFIT BEFORE TAX 2017:266 bn

In 2018, we generated record earnings for the fourth year in a row, remaining the largest and most profitable bank in Uganda. We successfully delivered on the key initiatives that we had set for ourselves at the beginning of 2018. Our strategy and everything we do remains positioned around one thing our "Clients". They are why we exist and remain our true north. That, and of course remaining true to our employees and the communities that we serve.

Our 2018 Profit After Tax ("PAT") was UShs 215 billion, achieving a decent 7% year-on-year growth amid a challenging market environment with benign low interest rates and extremely low customer transaction activity. We made an excess of UShs 400 billion in new credit available to our clients and as a result grew our loan book by 18% - almost double the industry growth rate to UShs 2.5 trillion in 2018.

More customers trusted us with their money and our deposits grew 7% to UShs 3.9 trillion year-on year. We were able to gain a slight uptick in market share for both loans and deposits across the sector in 2018.

We continue to make excellent progress around Digitisation, innovation, supporting small businesses and investing in our people. We enabled several sectors such as manufacturing, agriculture, construction, trade and household lending by living our purpose "Uganda is our home and we drive her growth". We now have approximately UShs 1.8 trillion in off-balance sheet exposures (guarantees, letters of credit and performance bonds) primarily supporting the government agenda of infrastructure and building a better Uganda for tomorrow.

Because of this dedication to our clients and communities, we were able to achieve a solid Profit before Tax of UShs 297 billion; a 12% increase year on year and ultimately Profit after Tax of UShs 215 billion.

We made even more progress in strengthening the quality of our loan book. Credit losses were UShs 2 billion with our credit loss ratio of 0.1% remaining well within our risk appetite, despite an industry Non-Performing Loans ("NPL") ratio of 3.4% or approximately UShs 441 billion as at December 31, 2018.

We have accordingly delivered record results for the last four years in a row and have confidence that we will continue to do in the future. We look forward in rewarding our shareholders with a proposed increment in the dividend payable to a record UShs 97.5 billion.

Our accomplishments in 2018 were a direct result of:

- Pursuing the right "risk-on" strategy with a strict discipline on costs;
- Operating a business diversified by size, client mix, transactional versus lending that performs well across a variety of economic and interest rate environments;
- Having the right people with intense client focus in both the retail and institutional segments; and
- Effectively managing risk.

From a macro-economic perspective, we witnessed a strong rebound in GDP growth to 6.5% annualized growth from a subdued 4.0% in 2017. Given this relatively benign inflation environment, we witnessed Bank of Uganda ("BoU") maintain a loose monetary stance with the

2018 Performance Review

Our 2018 results registered growth across most of the key financial metrics except for revenue and gained market share in key areas. Some highlights include:

- Reported 2018 Revenue of **UShs 661bn**; up 4% from 2017
- Total Deposits above UShs **3.9tn** up 7%; Loans and Advances up 18% to cross **UShs 2.5tn**
- Off-Balance Sheet guarantees, Letters of credit and bonds of UShs 1.8tn largely in support of GoU infrastructure spend
- Profit Before Tax of **UShs 297bn**; a growth of 11.7%
- Processed over **UShs 144tn** worth of transactions in 2018
- Arranged UShs **405bn** of new credit and capital during the year; (30% market share)
- Collected over **UShs 3.9tn** worth of taxes on behalf of the URA
- Directly paid over **UShs 125bn** in taxes to the Government Treasury
- Gainfully employed **1,665 people;** second largest employer in the sector
- Dividend Payable of **UShs 97.5 bn;** 45% dividend pay-out ratio
- Social investments of **UShs 2.5bn** focused on education that reached over **295,000 beneficiaries** across our communities

Central Bank Rate ("CBR) hovering around 9.5% for most of 2018. We remained in a low interest rate environment which continued to have an adverse impact on net interest margins across the industry. We also witnessed continued pressure on fees and commissions as several payments across the industry continued to migrate to lower cost channels such as mobile money, agency banking and other digital channels in general. While this has had a positive cost dislocation impact across the industry, it has also adversely affected non-interest revenue across the sector. This is a new reality.

From a banking sector perspective, we saw a decent 8% year-on-year growth in deposits but a much more robust 11% growth in gross loans and advances across the industry. Trade, manufacturing and the agriculture sectors stood out as particularly star performers with very positive sentiment and outlook for 2019. We witnessed further improvement in asset quality with the NPL ratio reducing from 5.6% in 2017 to a more normalized 3.4% ratio across the industry. Sector profitability growth was muted by growing less than 2% year-on year to UShs 692 billion. We retained our number one position with an approximately 27% market share of industry profits. Return on equity across the industry dropped even further to 14.4% from 16.4% in 2017 primarily due to two other banks going into a loss-making position in 2018. We now have a record seven loss making banks or approximately 30% of the industry in the red which is of great concern.

Progress on our Key Priorities

From the Bank's perspective, we continued to deliver on the key initiatives that we had set for ourselves at the beginning of 2018. The key priorities were placing the customer at the center of everything we do, executing flawlessly, and building employee capability across all levels.

Placing the Customer at the Center of everything we do

We made even more progress in making customer experience a true north compass for the bank. We relentlessly measured and re-measured our customer experience across all our channels and products to ensure that it was seamless and turn-around times were consistently reduced.

We recently launched a "rate my service" initiative across our branches that allows customers to instantly rate the service they receive from the Bank in real time. We are using this rich feedback data to continually improve services and remove customer pain points. We believe initiatives such as these are paying off and it's been gratifying to see our markedly improved customer net promoter score numbers and hear anecdotally from many customers on how our brand warmth has significantly recovered over the last three years.

During the course of 2018, we diversified our lending into the self-employed segment away from the traditional salaried segment only. This has been further expanded into the agriculture value chain where most Ugandans are employed. We also introduced a pay as you go product to our retail customers who need choice without the bundled monthly management or service fee.

We continue to improve on our unsecured lending preposition to provide our customers with more credit while reducing the turnaround times for credit decisions across both retail and institutional segments. These and many other initiatives are designed to make the Bank more client-centric and position us to be the leading client-oriented bank in the country. We are happy to note that a number of gains have already been made and this client centricity will continue to be a key differentiator for us in the market in 2019.

Executing as one

Given the level of Fin-tech disruption in the financial services industry, one cannot maintain a leadership position without being innovative and agile.

In 2018, we focused on building agility across the organisation and allowing small and cross functional teams to operate autonomously to solve customer challenges. We also introduced more discipline on how we managed our resources and invested only in the areas that improved our customer experience. Our cost to income ratio (how much expense we incur for every shilling of revenue we earn) at 51.5% remains one of the lowest in the industry – below the Uganda banking sector average of 78%.

We continued to migrate low-value but high-volume transactions away from the branch to more convenient channels including agency banking in 2018. Approximately 84% of all our transaction volume is now executed digitally with agency banking (less than 12 months old) accounting for almost 20% of our transaction volumes. We leveraged technology to simplify our processes and reduce operating expenses and were able to reduce our cost base by UShs 15 bn year- on-year which immensely helped in buffering our profitability in an environment with shrinking margins and revenues. We better managed our credit risk with a remarkable credit loss ratio of 0.1%.

We continue to invest and upgrade our core banking platform to address interface gaps with other peripheral systems and also broaden its functionality. We invested an excess of UShs 25bn in IT during the year and are confident that these investments will ultimately improve our efficiency and ability to cost effectively serve our customers as well risk levels across the Bank.

Accelerating Digitisation across the Organisation

Digitisation in this day and age is non-negotiable. Thanks to Amazon, Facebook and many leading digital service providers, customers expect and demand a superior digital experience in their day-to-day banking. Not only do our customers demand it but it also makes business sense as it is of no value anymore to queue at a branch to effect a basic utility or school fees payment; should be able to do that cost-effectively from the comfort of one's own home. As a result, we have had to re-think how we invest and deploy digital solutions across the bank. I am pleased to share that we now have approximately 84% of all our transactions executed on our digital platforms and less than 17% through the branch network. We will continue to review all our internal and external processes in 2019 and further leverage technology and digital platforms to better serve our clients. Our ultimate goal is to provide a seamless digital platform for our customers to be able to bank whenever and wherever they want.

Awards won in 2018;

We continue to receive recognition as leaders in various banking and financial thematic areas. Our 2018 accoladesinclude the following; Best Bank in Uganda (Global Finance); Best bank in Uganda (Euromoney Awards); Best Investment Bank in Uganda (EMEA Finance); Safest Bank in Uganda (Global Finance); Primary Dealer of the year 2018 (Bank of Uganda); Bast Bank Brand on Social Media (Digital Impact Awards) and Best Cards Payment Enabler (Digital Impact Awards). These awards, many of which are global recognitions were achieved in a highly competitive market place and we are extremely proud to receive them. You can find further details on the 2018 operating environment and the financial performance in the operating and financial review section of this report on pages 28-31.

Capital and Liquidity Base

During 2018, our core capital ratio remained resilient at 16.2 % against a regulatory minimum ratio of 10% while the total capital ratio was 18.9% against a regulatory minimum of 12%. Our liquid asset holding ratio was an average of 53.1% against a regulatory minimum of 20%. This resilient capital base positions us with adequate risk mitigation buffers to withstand significant credit or liquidity stress events. More importantly, it provides us the platform to be a major catalyst for growth in the economy by providing access to financing to support consumers and businesses. With a total equity of UShs 956 billion, we continue to hold the most capital of any bank in the industry.

Risk Management and Controls

We have clear risk management objectives and an established strategy to deliver them through core risk management processes. This enables us to fully understand and minimize the impact of uncertainty in the business. Responsibility for risk management is cascaded through all levels of the Bank, from the Board and the Executive Committee down through the organisation to each business manager and risk specialist. This ensures that risk/return decisions are taken at the most appropriate level and as close as possible to the business activity. Independent risk teams are in place to support close working relationships with the business teams taking on the risk. These risk teams ultimately report to the Chief Risk Officer.

We also maintained strong relationships with our regulators, both local and international and remain committed to conducting our business in a fair, transparent and compliant manner. You can read more about our risk profile and approach to risk management in our risk review on page 102.

Corporate Social Responsibility ("CSR")

In 2018, we gave more than we ever have to our communities. We touched over 1.6 million lives across the country and committed UShs 2.5 billion, of which 66% was directed to the education sector. As our national demographics demonstrate, Uganda has the youngest population in the world (70% below 30 years of whom 55% are below 18 years). We therefore believe that to foster true sustainable economic growth, we must invest in the quality of education for our youth. This is why we deliberately reinforced our transformational efforts in the education sector. We have placed particular emphasis on providing support to the under-privileged and supported the development of critical thinking and practical skills in our secondary schools.

We launched our SME incubator in 2018 and were able to train over 192 SME's and 514 individuals. We are absolutely committed to improving the SME mortality rate in this country where less than 30% of SME's make it through their third anniversary. Our research has shown that most of them fail due to the lack of the basic governance framework, keeping financial records and lack of access to markets to sell their products. The Stanbic Business Incubator intervenes in these areas and provides free entrepreneurial skills development and mentorship opportunities toenable them compete more effectively in the market place.

In an effort to reach even more SME's, we will be launching regional SME incubators in Mbale, Gulu, Mbarara and Hoima in 2019.

For further insights on our CSR activities, these can be found in the sustainability report on page 46.

2019 Priorities

Our priorities in 2019 will focus on three relatively simple but critical objectives;

- Collectively grow and deepen our client relationships;
- Live the L.O.V.E oath; and
- Proactively manage risk across the Bank.

At the end of the day, our business is built around people. We provide products and services to meet our customers' needs through multiple channels bolstered by high quality, caring relationships and service. In 2019, we will re-focus on the customer journey – what the customer need is and not - what products we have to offer. We intend to re-align he entire bank and its 1,665 employees on our customer's journey. Getting this right will require that we operate as teams rather than individuals.

A lot of thought has gone into identifying the market opportunity in our key segments and where we would like to invest our efforts and resources. We have a solid strategy, a fortress balance sheet and are ready to execute.

2019 Outlook

2018 was another record year for the bank and we are thrilled with our performance. We are confident in our abilities to serve the rapidly evolving customer needs and contribute to the growth of our beloved country in 2019. We have a remarkably warm brand, loyal and happy clients and the most talented people to deliver our objectives.

Appreciation

I would like to thank all our stakeholders - board members, staff, customers, regulators, communities and shareholders for contributing to another record performance. I am privileged to lead this team of outstanding people and would like to express my gratitude to all of them for their extraordinary contribution in 2018.

Let's continue working together towards our shared vision. To transform lives by satisfying all our customers' financial needs. Moving forward™.

Operational and financial review

SAMUEL MWOGEZA
CHIEF FINANCIAL OFFICER

Our financial performance in 2018 continued to focus on connected execution on delivery to our clients that enabled us to effectively manage our cost to serve, further improve our credit quality, register strong growth on our customer loans and deposits and continue to grow our trade finance and other diversified revenue streams. The Bank closed the year with a Profit After Tax (PAT) of UShs 215Bn, a 7% growth over 2017.

Operating Environment

The operating environment for 2018, two years on from the last election cycle, registered an initially slow start to the year with key economic fundamentals on aggregate demand, production and private sector credit growth starting softly. However, a turn was noted over the last 6 – 7 months of the year with a strong recovery on GDP projected at 6.5% for FY2018/19 supported by an enabling good pick-up under Private Sector Credit (PSC) growth that grew by 12.2% on a year-on-year basis as at November 2018. This significant improvement under PSC was more than double the levels that had been cited over the past 2 years. The improved PSC was also supported by a consistent monetary easing stance from 2016 with the Central Bank Rate (CBR) having dropped by 750 bps by the start of 2018. The Monetary Policy Committee (MPC) at Bank of Uganda further opened 2018 with a continued monetary policy easing stance, where in February, CBR was cut by a further 50bps to 9% bringing the cumulative drop in the CBR to 800bps since the monetary easing stance was adopted in mid-2016 to spur economic growth. Post February, the MPC maintained a neutral stance until October where the CBR was tightened by 100bps from 9% to 10%. The change was triggered by a change in inflation outlook notwithstanding that annual headline inflation closed the year at 2.2% off the back of significant improvements in price points on food crops, however with pressure noted on fuel prices, widened tax regime on social media, mobile money and importation of vehicles over 15 years. Further upside risk was noted on likely depreciation of the shilling off the back of the widening current account deficit that grew by $825.6m to $1.954.3m for the year to November 2018 compared to a similar period for 2017 with pressures primarily under the widening of trade deficit off the back of significant increase under private sector imports.

↑ 7%
215Bn / **UShs**
PROFIT AFTER TAX
2017: UShs 200bn

↑ 7%
4.2 / **UShs**
EARNINGS PER SHARE
2017:3.9

T-bill rates rose by approximately 300bps on a year on year across the yield curve with T-bill primary auction rates for 91-day, 182-day and 364-day closing December 2018 at 10.39%, 11.66% & 13.25% respectively from 8.39%, 8.64% & 9.27% in January 2018. The increase in rates was accompanied with a UShs 55bn increment in auction sizes, and expectations are that the yield curve will tick-up on the back of anticipated required domestic borrowing requirements by the government. The Central Bank continued to mop-out surplus liquidity through Repos and Deposit Auctions with outstanding liquidity as close of the year amounting to UShs 638 billion from January 2018 levels of UShs 2.02 trillion. Part of the drop in Repo and deposit auction holdings at close of the year was due to significant growth in PSC.

The Uganda shilling depreciated by approximately 2% from 3620/35 levels at the start of the year in January to close December at levels of 3700/10. Notably the shilling registered rapid depreciation at the mid-year touching highs of 3905/15 levels in June 2018. This USD/UShs depreciation was driven by sustained high USD demand outstripping supply, the global strengthening of the dollar and market speculation in fear of further sharp depreciation. The subsequent strengthening against the dollar was driven by a combination of sizeable NGO, offshore & commodity (coffee) inflows, interbank selling as well as the MPC decision to tighten CBR in October. The foreign currency reserves as at November 2018 were $3.3bn (4.6months of import cover), down $367mio from $3.61bn (5.0 months import cover) at January 2018. It is expected that this decline is bound to keep the FX reserves build-up program open for the foreseeable future however is not expected to be a driver for significant further deprecation.

On the regulatory front, Bank of Uganda released further capital guidelines harmonizing the minimum capital adequacy requirements with other East Africa member countries to 10% from the previous 8% maintained. In addition, market risk as an inclusion to determine risk weighted exposures that capital should be held for, was operationalized. However further guidelines on the anticipated capital buffer requirements in respect of capital conservation and for Domestic Systemically Important Banks (DISB) were yet to be communicated by close of the year.

With effect from 1 January 2018, IFRS 9 replaced IAS 39. IFRS 9 introduced new requirements which included an Expected Credit Loss (ECL) impairment model and new requirements for the classification and measurement of financial assets as follows:

ECL impairment requirements

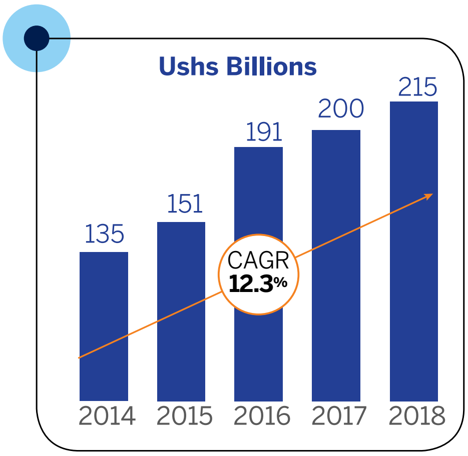
IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the Bank. Financial assets measured at amortised costs, at fair value through OCI and loan commitments where there is a present commitment to extend credit (unless these are measured at FVTPL) and guarantees are all within the scope of the ECL impairment requirement ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL. However, where the lifetime is less than 12 months, lifetime ECL will be measured for the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.

Classification and measurement

IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to the IAS 39 requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at FVTPL due to changes in own credit risk are required to be recognised within OCI.

The Bank retrospectively adopted IFRS 9 on 1 January 2018 with an adjustment to the Bank's opening 1 January 2018 reserves and, as permitted by IFRS 9, did not restate its comparative financial results. Accordingly, the Bank's previously reported financial results up to 31 December 2017 are presented in accordance with the requirements of IAS 39 and for 2018, and future reporting periods, are presented in terms of IFRS9.

Profit After Tax



Financial review

Our financial performance in 2018 continued to focus on joint execution on delivery to our clients that enabled us to effectively manage our cost to serve, further improve our credit quality, register strong growth on our customer loans and deposits and continue to grow our trade finance and other diversified revenue streams. The bank closed the year with a Profit After Tax (PAT) of UShs 215Bn, a 7% growth over 2017. Notably, the Profit Before Tax grew by 12% over the same period; however, given the lower contribution of interest income from government securities that is taxed at 20%, the bank's tax expense grew by 25% resulting in slower growth under PAT. This strong performance was supported by good growth across all key financial metrics resulting market share gains on loans, deposits and trade finance which compensated for the impact of the low margins on interest earning assets and muted performance from the Global markets business.

Highlights underpinning our results for the year include:

- Strong growth under customer loans and deposits
- Cost Optimisation
- Strong and robust credit risk management
- Strong trade finance performance
- Revenue contribution from new revenue streams

Financial Performance Review.

A brief review of the major assets and liabilities of the Bank, how they affected the performance of the Bank and the drivers behind the variances year on year are reviewed as follows;

Cash and Balances with Banks

These are made up mainly of the cash we hold in our network, statutory cash reserves with Bank of Uganda, balances with other commercial Banks and repos held with the Bank of Uganda for short periods awaiting suitable investment opportunities.

Whereas growth in the cash and balances with Banks grew mainly on account of the growth in customer deposits year on year, we also registered a significant increase in cash deposits around the Christmas period in both local and foreign currency.

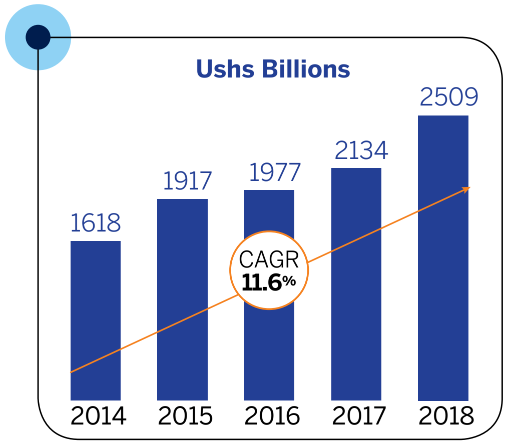
Investment Securities

Government securities holdings marginally increased year on year by 1%, with a 16.5% growth on the Investment securities held at Fair Value through Other Comprehensive Income (FVOCI) whereas a more conservative view was maintained for the trading securities held at Fair Value through Profit & Loss (FVPL) dropping by 21% with this deliberate stance maintained off the back of the rising rates across the yield curve on a year on year basis that would have led to a crystallization of losses in the income statement on the trading book.

Loans and Advances to Customers

Loans and advances grew by 17.6% (UShs 375 Billion) in 2018 compared to an 8% growth rate in 2017. Notably this growth was above the PSC growth rate of 12% and resulted in a market share gain for the Bank to 20% from 19% at the start of the year. This growth was supported by growth on a range of products under short term and working capital facilities to our corporate and retail clients.

Loans and Advances



Customer Deposits

Customer deposits maintained a steady growth of 7.5% (UShs 271billion) and the Bank maintained a commendable market share of 19.6%. This growth was from both new clients and increased flows from existing clients in both segments of the business (CIB and PBB). A clear strategy of growing the liability base, as well as deepening existing customer relations, continues to be the driving force behind these steady results.

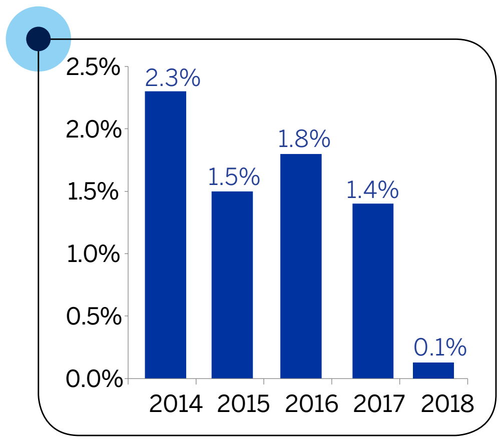
Brief reviews of other key factors impacting the performance of the Bank are reflected below:

Margins

This represents the profit margin between interest rate earned on earning assets and interest rate paid on deposits and other sources of funding. The key drivers of this ratio are the CBR, the proportion of interest earning assets and deposits to the bank total assets and funding base respectively, the portfolio mix of the assets by tenor and currency and the credit quality of assets on the book.

The net interest margins registered a marginal decline year-on-year off the back of the further reduction in CBR in February that was in place for most of the year. This resulted in lower yields on the assets but also led to a decrease in cost of funding/deposits.

Credit Loss Ratio



The credit-loss ratio is the impairment charge expressed as a percentage of the closing loans and advances book. It represents the loss the Bank incurs as a result of delinquencies from customers and also general credit provisioning for un-identified credit losses.

The Bank continued to maintain strong focus on credit quality with good rigor under the underwriting process and efficient management of the recoveries process. This plus, the downward interest rate environment, resulted in the Bank credit loss ratio dropping from 1.4% to 0.1%.

Inflation

Inflation represents the general increases in prices for goods and services in the economy. An increase in inflation would generally impact the cost of operations of the Bank.

Inflation closed December 2018 at 2.2% from 3.0% in January. Annual headline inflation touched lows of 1.7% (May'18) on the back of food crop inflation (-0.2%/May'18 vs 1.4%/Jan'18), and hit highs of 3.8% (Aug'18) largely driven by annual services inflation, specifically the Communication & Transport inflation portions that touched 12.0% & 15.2% respectively (Aug'18) from -2.1% & 3.8% (Jan'18) following the enactment of the social media & mobile money taxes, and the ban on importation of vehicles older than 15years.

Core inflation closed the year ended December 2018 at 2.8% compared to the 2.6% registered for the year ended January 2018 mainly attributed to the annual services inflation spike at Aug'18 end. Core inflation is forecast to tick-up over the medium term driven by fuel prices & the weaker shilling, peaking in the range of 6.0-7.0% for the second half of FY 2018/19 but stabilising around the medium-term target of 5% in half year 2020.

Below is an analysis of the major revenue lines generated by Bank and the costs incurred in the process.

Net Interest Income

Net interest income is the difference between interest received on lending products and financial investments, and the interest paid on deposits and debt funding and subordinated debt.

The net interest income for the year increased by 5.8% to UShs 373.3 billion from UShs 352.7 billion recorded in 2017. The upward trend was because of the 17.6% growth in the customer loan book that compensated for the further reduction in CBR that registered a 50bps drop in February and held at 9% for most of the year. Key to note was that the bulk of the loan growth was realized in the second half of the year leading to the more muted net interest income growth.

Non-Interest Income

Non-interest revenue comprises net fee and commission revenue, trading revenue and other revenue. Non-interest revenue increased by 2% closing at UShs 290.1 billion from UShs 283.3 billion recorded in 2017. The growth was mainly under net fees and commissions.

Net fees and commission

Net fees and commission income grew by 7.6% to UShs 141.2 billion from the UShs 131.2 billion recorded in 2017. The growth of fees and commissions was supported by strong performance from short term facility fees, good increase on trade finance instruments and a general increase across fee recovery on transactional lines.

Trading revenue

Trading revenue was down by 1.8% closing at UShs 142.3 billion from the UShs 144.9 billion recorded in 2017. The trading revenue was impacted by low activity on the money market and fixed income desks due to more limited market making opportunities as rates made gains across the yield curve.

Credit Impairment charges

Credit impairments represent the losses incurred as a result of the inability of our customers and clients to repay their debt obligations to the Bank. The credit loss ratio expresses these impairment charges as a percentage of average loans and advances and indicates how much, on average, of each shilling lent by the Bank results in credit impairments.

The impairment charge showed a positive trend dropping by 85.7% in 2018 compared to 2017. The Bank's robust credit management approach contributed to improved asset quality and improved recoveries, was reflected in the drop of the impairment position as compared to prior year.

Operating expenses

Operating expenses represent the costs that the Bank incurs to support current and future revenues. Inflation and foreign exchange rates are key external indicators that contribute to the increase in such expenses. Many internal factors also affect the growth in operating expenses, such as our staff and investments in branch and IT infrastructure.

Total operating costs increased by 6.1% closing the year at UShs 362.1 billion compared to UShs 341.4 billion in 2017.

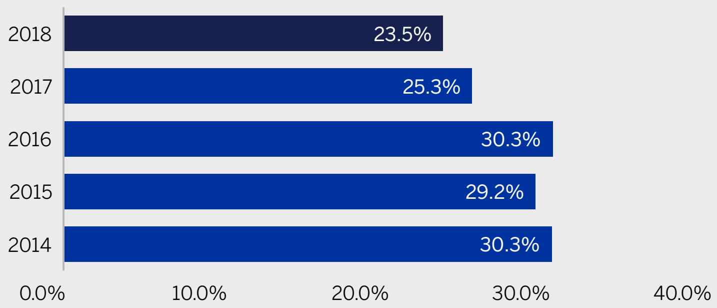
Staff costs reflected a growth of 5% increasing from UShs 141.5 billion in 2017 to UShs 148.6 billion. The increment was as a result of deliberate efforts to enhance the capability and capacity of the Bank Staff to create and multiply value.

The other operating costs grew by 5.2% closing at UShs 370.9 billion from UShs 199.9 billion in 2017. The cost increase was largely driven by rise in security expenses arising from increased cash in transit costs as cash continued to build up across the network and higher legal provisions for emerging legal cases. Further detail on the cost performance on the varying line items is included under Note 13 to the financial statements.

Key perfomance indicators

1. Profitability

a) Return on Equity

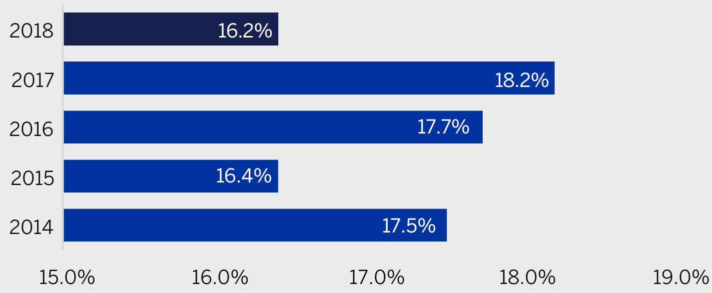


Objective: To deliver consistent returns (RoE) with a target minimum threshold set at 25%

Results: Strong RoE at 23.5% was 1.8% down from last year mainly on account of Net Interest Margin(NIM) pressures and need for higher capital.

2. Capital Adequacy

a) Core capital adequacy

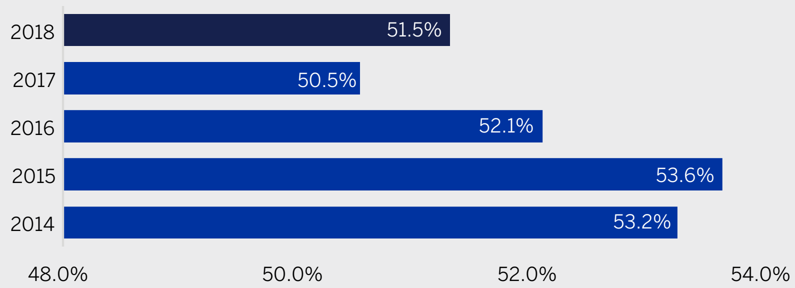


Objective: To maintain adequate levels of capital required to cover regulatory capital adequacy requirements, business growth and investment prospects as well as assessed stress events.

Results: Tier 1 Capital closed at 16.2% compared to 10% regulatory requirement. Capital position remained strong supporting, significant loan growth in 2018.

3. Efficiency

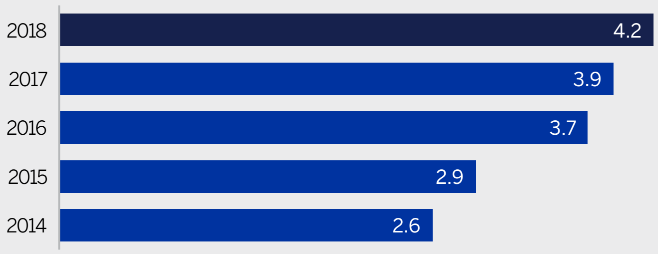
Cost to Income Ratio(CTI)



Objective: To attain a target cost to income ratio of <50% target in 2020

Results: Our CTI ratio increased slightly to 51.3%. CTI was impacted by slower revenue growth in 2018 due to NIM pressures.

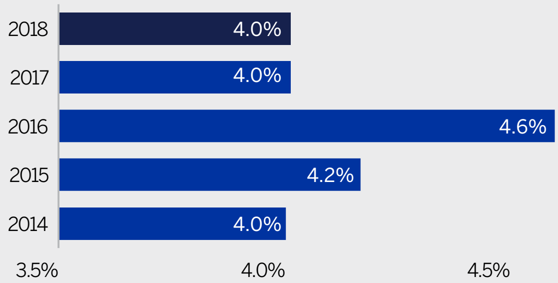
b) Earnings per share



Objective: To deliver consistent earnings per share growth with a minimum threshold set at GDP growth plus inflation.

Results: EPS was up by7.7% against prior years aligned to the growth in profits. These positive earnings were supported by cost optimisation and also strong credit quality of the customer loan portfolio.

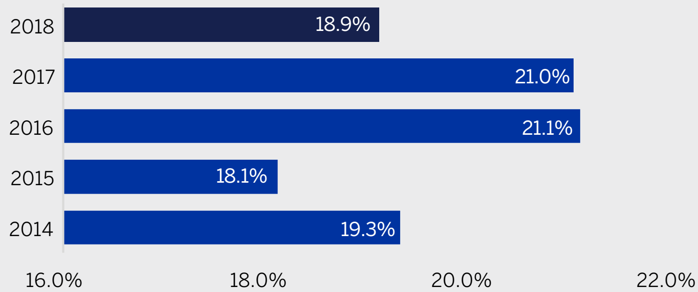
c) Return on Assets



Objective: To effectively deploy the Bank's liquidity into the optimal balance of assests that generates consistent returns above the internal benchmark of 4%.

Results: RoA closed 2018 at 4.0%. This was largely flat against last year due to margin pressures as interest rates remained low . The ROA however didn't fall below our internal target of 4%.

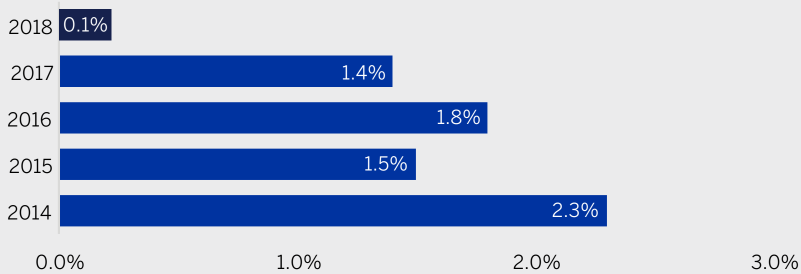
b) Total Capital Adequacy



Results: Total Capital closed at 18.9% compared to the 12% regulatory requirement. The capital position remains strong and sufficient to cover Bank growth aspirations.

4. Asset Quality

Credit Loss Ratio

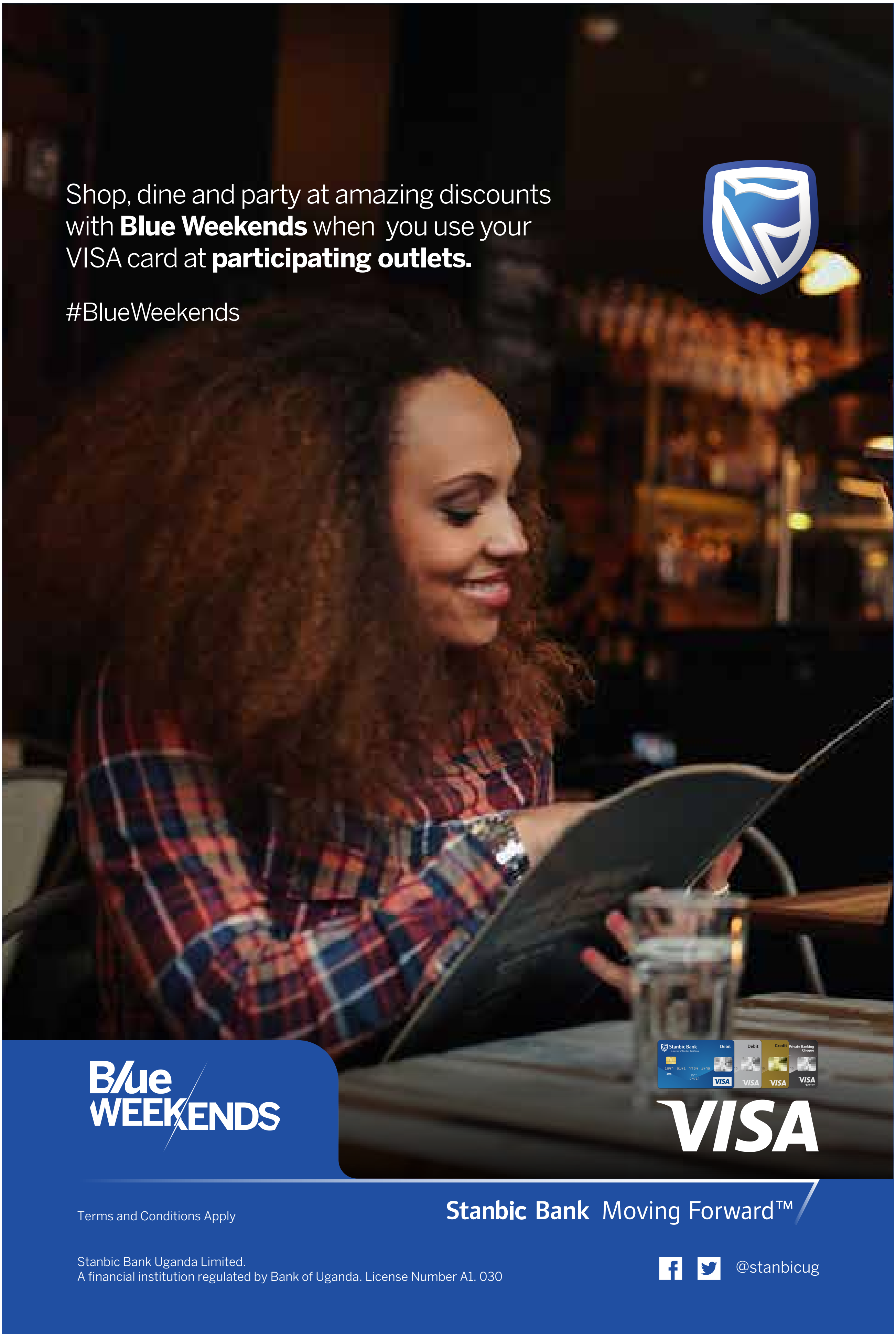


Objective: To maintain a strong quality customer lending portfolio, with a credit loss ratio below 2.5%

Results: The CLR of 0.1% significant improvement from the 1.4% recorded in the prior year and was still maintained below the target risk appetite level of 2.5%.

Five year perfomance

	2018	2017	2016	2015	2014
Income statement (UShs'm)					
Profit before income tax	**296 678**	265 666	253 949	203 298	181 288
Profit after tax	**215 140**	200 468	191 152	150 759	135 079
Financial position (UShs'm)					
Shareholders' equity	**956 352**	872 280	714 942	544 758	486 970
Total assets	**5 393 059**	5 404 159	4 588 610	3 729 141	3 507 762
Loans and advances to customers	**2 508 828**	2 133 986	1 976 748	1 917 244	1 618 380
Property and equipment	**51 527**	69 293	63 318	49 209	47 705
Customer deposits	**3 892 295**	3 620 946	3 058 505	2 438 421	2 132 356
Returns and ratios					
Return on average equity	**23.5%**	25.3%	30.3%	29.2%	30.3%
Return on average assets	**4.0%**	4.0%	4.6%	4.2%	4.0%
Loan to deposit ratio	**64.5%**	58.9%	64.6%	78.6%	75.7%
Cost to income	**51.5%**	50.5%	52.1%	53.6%	53.2%
Capital adequacy					
Tier 1 capital ratio	**16.2%**	18.1%	17.7%	16.4%	17.5%
Tier 1 + Tier 2 capital ratio	**18.9%**	21.0%	21.1%	18.1%	19.3%
Risk weighted assets (UShs'm)	**4 425 055**	3 644 250	3 069 288	2 848 545	2 199 037
Share statistics (UShs)					
Closing number of shares in issue (in millions)	**51 189**	51 189	51 189	51 189	51 189
Earnings per share - basic and diluted	**4.20**	3.92	3.73	2.95	2.64
Dividends per share - proposed and/or paid	**1.86**	1.76	1.17	0.78	1.66
Other information					
Number of employees	**1 665**	1 751	1 802	1 899	1 879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A financial institution regulated by Bank of Uganda. License Number A1. 030
@stanbicug

Our Strategy

Our strategy is centred on our commitment to Uganda and directs our growth and evolution for the shared benefit of our clients, our people and all our stakeholders. It drives us to lead with purpose, to build a better business, and to position our footprint and platform for the future.

OUR STRATEGY

The reason we exist

Purpose

Uganda is our home and we drive her growth

What we aspire to be

Vision

To be the leading financial services organisation in, for and across Uganda, delivering exceptional client experiences and superior value.

The behaviours and qualities that define us at our best

Values

Our values support our legitimacy , and are the basis on which we earn the trust of our shareholders

- **Serving** our customers
- **Delivering** to our shareholders
- **Working** in teams
- **Respecting** each other
- **Growing** our people
- Being **proactive**
- **Constantly** raising the bar
- **Upholding** the highest levels of integrity

Why we can confidently deliver to our purpose

Legitimacy

Largest Network
175 ATMs | 79 Branches & Service points

Employees
1,665
Staff employed
(2nd largest employer in the industry)

Balance Sheet
UShs 5.4tn

Value of transactions processed through the Bank
UShs 144tn
Local and foreign

Lending
UShs
2.5tn Client loans | 1.8tn Trade finance

Taxes
UShs 125bn
Borne by Stanbic Bank and our employees

UShs 65bn
Stanbic as Agent

UShs 3.9tn
Collections on behalf of URA

directs and guides our business units and corporate functions

BUSINESS UNITS

Corporate & Investment Banking

Personal & Business Banking

+

CORPORATE FUNCTIONS

- Risk
- Finance
- IT
- Operations
- Human Capital
- Marketing And Communications
- Compliance
- Legal
- Internal Audit
- Company Secretary

who leverage our presence and diverse capabilities to deliver to our strategy

1
Strong brand

79
Branches and CSPs

1665
Employees

Digital Banking

Our areas of focus in 2019

EXECUTING AS ONE

1. CLIENT CENTRICITY

Clients are at the core of whatever we do. Our focus is to create an excellent customer experience by collectively growing and deepening our client relationships

A. Effective on boarding and retention of new clients

B. Dominant market share in the Chinese & O&G sectors together with ancillary business

C. Deeper client relationships built around Ecosystems

D. Simplified agile lending for fast & diversified credit

E. Affordable products

F. Streamlined and scaled payments & collection solutions

2. RISK & CONDUCT

Our aim is to ensure we create a safe financial system and environment for our stakeholders

A. Robust and mature data management capabilities

B. Proactively managing risk, regulations and capital

3. PEOPLE & CULTURE

Our people are our greatest asset. Our aim is to build a Connected, Agile and High Performance culture, by living the L.O.V.E culture to promote customer service excellence among its staff and employees . The L.O.V.E cultural shift campaign that was launched in 2018 to summarise our behaviours as people who Leap in to action, Own that issues and owning it is from end to end, Vow to make it right and Enlight-en with information.

A. Training

B. Appropriate rewards/ compersation

C. Accountability

Measuring our strategic progress

Strategic value drivers	CLIENT FOCUS	+ EMPLOYEE ENGAGEMENT
What this means	Placing clients at the centre of everything we do	Creating a great place to work
Connection to the capitals	**/FC** - WE INVEST IN **/SRC** • Strong client relationships based on trust **/HC** • Providing exceptional client experiences **/IC** • Client-focused ways of working • Digitisation and innovation **/MFC** • A fit-for-purpose branch network **/NC** • Utilities (direct) and financing activities (indirect).	**/HC** • Strongly engaged and capable employees **/SRC** • Good relationships with employee representatives **/IC** • Aligning human capital management to strategy • A high-performance, ethical culture • Client-focused ways of working **/MFC** • Physical work environment **/NC** • The utilities (direct).
How the driver aligns with our strategy	Clients are at the heart of our business and by focusing on our clients we will achieve a profitable and sustainable business. Our focus is to consistently create excellent client experiences, by understanding our clients and by offering the products, services and solutions they need.	We strive to create a great place to work where our people feel deeply connected with our purpose and our clients, are empowered and recognised for delivering against our strategic objectives, and given opportunities to reach their full potential. How our people think and feel about work directly correlates with our client satisfaction levels and our ability to deliver our strategy.
How we measure our progress and performance	To understand our clients better we measure their satisfaction in terms of: • Net promoter score (NPS) for PBB • Client satisfaction index (CSI) for CIB. These scores are determined from client surveys conducted in phases throughout the year to obtain an annual result.	To determine engagement levels, we consider the following: • Employee promoter score, determined through Internal Service Score (eNPS) • Employee turnover rate.
Progress results of 2018	• NPS:**+29 up from +17 in 2017** • CSI: **+8.3% up from 7.8 in 2017**	• eNPS **:+35 up from +29 in 2017** • Employee turnover rate: **9.6%**
What we are working toward	Over and above these existing measures, the Bank is looking to develop a holistic client experience measure across segments and business units. This will provide more detail on accessibility, ease of doing business, personalised offerings, staff engagement, brand value and reputation, executional excellence and value for money.	To inform and enhance the effectiveness of our employee engagement, the Internal Service Score will be conducted annually and the RET will continue to be tracked monthly.

SRC: Social and Rational Capital **NC:** Natural Capital **HC:** Human Capital **IC:** Intellecutal Capital **MFC:** Manufuctured Captal **FC:** Financial Capital

The premise for our shared value strategy is the need to connect commercial and social realities in a dynamic environment of competing stakeholder expectations, complex competitive forces and fluid regulatory changes. Our ability to deliver sustainable returns to our shareholders is contingent on this holistic view of value creation and includes defining and measuring the key strategic value drivers required to generate a suitable financial outcome, as well as positive broader social outcomes.

RISK AND CONDUCT =	FINANCIAL OUTCOME	SEE OUTCOME
Doing the right business the right way	Delivering value to our shareholders	Creating and maintaining shared value
/FC - WE INVEST IN **/SRC** • Constructive relationships with regulators **/HC** • Embedding risk-aware, compliant and ethical conduct **/IC** • Risk and compliance frameworks, standards and policies • Embedding an ethical and risk-aware culture, and internal control systems.	**/HC** • Rewarding our employees for the value they deliver **/SRC** • Our good standing in the investment community **/FC** • Returns to shareholders.	**/SRC** • Supporting socioeconomic development **/NC** • Managing environmental risk.
Government and the central bank create and enforce regulatory frameworks to ensure a safe financial system, conducive to economic development, while protecting our clients. We undertake to ensure compliance with all regulatory requirements, relevant to different parts of our business.	Value creation for our shareholders is an important part of our strategy and this is measured by the Bank's financial outcomes which are directly driven by and dependent on clientsatisfaction, employee engagement and risk value drivers.	Our strategy centres on sustainability. We achieve our purpose of driving Uganda's growth by delivering social, economic and environmental value.
All employees are required to complete compliance training and follow group policies and procedures, to maintain and strengthen our control environment, and to operate within our risk appetite. In addition to this, we consider the following measures for compliance: • Liquidity asset ratio (LAR) • Average risk-weighted assets (RWA) • Capital Adequacy Ratio • BOU audits Refer to the Risk management report for additional detail on these measures. Pages 102-114	The primary measures describing our financial outcome include: • Return on Assets (RoA) • Return on Equity (RoE) • Cost-to-Income ratio (CTI) • Credit Loss Ratio (CLR) Refer to the Bank's financial review on Pages 32-33 for further detail.	**Social value:** This is the value for society, both internally with staff and externally with other stakeholders. **Economic value:** We drive economic growth in Uganda through supporting innovative and profitable ways of doing business. **Environmental value:** This is the value for the environment, created through conscious and responsible lending.
• LAR: **53.1%** • RWA: **UShs 4.4tn up from 3.6tn in 2017** • CAR: 1**8.9% compared to 12% regulatory requirements** • BOU audits: **Fair**	• ROA: **4% flat against 2017** • ROE: **23.5% down from 25.3% in 2017** • CTI: **51.3% up from 50.5% in 2017** • CLR: **0.1 down from 1.4% in 2017**	Refer to the Sustainability report on pages 46-100 for a detailed explanation of our SEE strategy and the progress we made during the year.
These metrics will continue to evolve as a result of both accounting and regulatory changes, such as IFRS 9 Financial Instruments, Basel III, and other regulatory changes. These ratios will continue to be used to monitor the resilience of the Bank's balance sheet.	The financial outcomes remain key measures to assess our value creation for our shareholders. Our focus is to maintain the CTI at acceptable levels and the CLR within the Bank's risk appetite, and to continuously drive growth in PAT and ultimately, our ROE to deliver superior returns to our shareholders.	Refer to the Sustainability report on pages 46-100 for a detailed explanation of our SEE strategy and the progress we have made during the year.

The future: Achieving our vision

On 19th February 2018, SBUL, ("the Company") published a public announcement in The New Vision and Daily Monitor in which "the Company" informed its shareholders that the Board of Directors ("the Board") resolved, on 14th February 2018, to reorganize the Company's corporate structure and operations through the formation of a group with a holding company to be called 'Stanbic Uganda Holdings Limited' owning several subsidiaries engaged in different lines of business.

Background

The Company began its operations in Uganda as the National Bank of India Limited in 1906, after several name changes it rebranded to Grindlays Bank.

In 1992, Standard Bank Group, through its subsidiary Stanbic Africa Holdings Limited ("SAHL"), acquired the ANZ Grindlays Africa network including the Company. Consequently, the Company adopted its current name in October 1993 with shareholding of 51% being held by SAHL and 49% being held by the Government of Uganda ("GoU"), with the 49% shareholding subsequently sold to SAHL in 1996.

In 2002, Standard Bank Investment Corporation acquired 80% shareholding in Uganda Commercial Bank Limited ("UCBL") and transferred the acquired interest to SBUL. Subsequently, SBUL and UCBL were merged by way of a share swap in which GoU acquired 10% shareholding in the combined entity.

In November 2006, SAHL and GoU o ered a combined 20% of their shareholding in SBUL for sale to the public. Following the public o er, GoU ceased to be a shareholder of SBHL.

In January 2007, the Company was listed on the Main Investment Market Segment of the Uganda Securities Exchange through an initial public o er of 20% of its issued capital to the public.

Prior to the acquisition of UCBL, the Company was a traditional niche corporate bank with two branches in Kampala. Following the acquisition of UCBL, the Company's strategy changed to that of providing a wider range of products and services. The successful combination of UCBL's largely retail operation with the Company's existing corporate bank led to a realisation of synergies that, in turn, led to substantial earnings growth and expansion of the deposit base for the Company.

SBUL's vision is to be the leading nancial services organisation in, for and across Uganda, delivering exceptional client experiences and superior value. Over the years, this has been a driving force as can be witnessed through the history of the Company, its growth and nancial performance.

On 28th November 2018, after obtaining all required approvals, SBUL changed it's name to SBHL as part of the re-organisation.

Rationale for the reorganisation

The company is regulated by Bank of Uganda under the provisions of the Financial Institutions' Act (FIA). Under the provisions of the FIA, the Company is only permitted to undertake financial institutions business. Commercial banking is an aspect of financial services and thus for SBHL to fulfil its vision of being the leading financial services organisation, it was necessary for the Company to be reorganized to allow it conduct other financial services in addition to banking.

The rationale, and accompanying benefits, for creating a holding company structure is below:

a) Universal financial services offering: The reorganisation will enable the addition to SBHL's service offering of non-banking financial services for the benefit of both SBHL customers and other users of financial services who are not SBHL customers. These non-banking financial services include but are not limited to; stock brokerage services, insurance brokerage services and fund management.

b) Flexibility to engage in financial technology (fin-tech) partnerships: Digitisation across the financial sector continues to increase and SBHL has partnered with different fin-tech service providers to deliver bespoke digital solutions to its customers. The proposed structure would include a software subsidiary thus providing better risk management with increased visibility and control of the fin-tech partnership whilst facilitating greater innovations for the benefit of SBHL's customers and the larger banking industry.

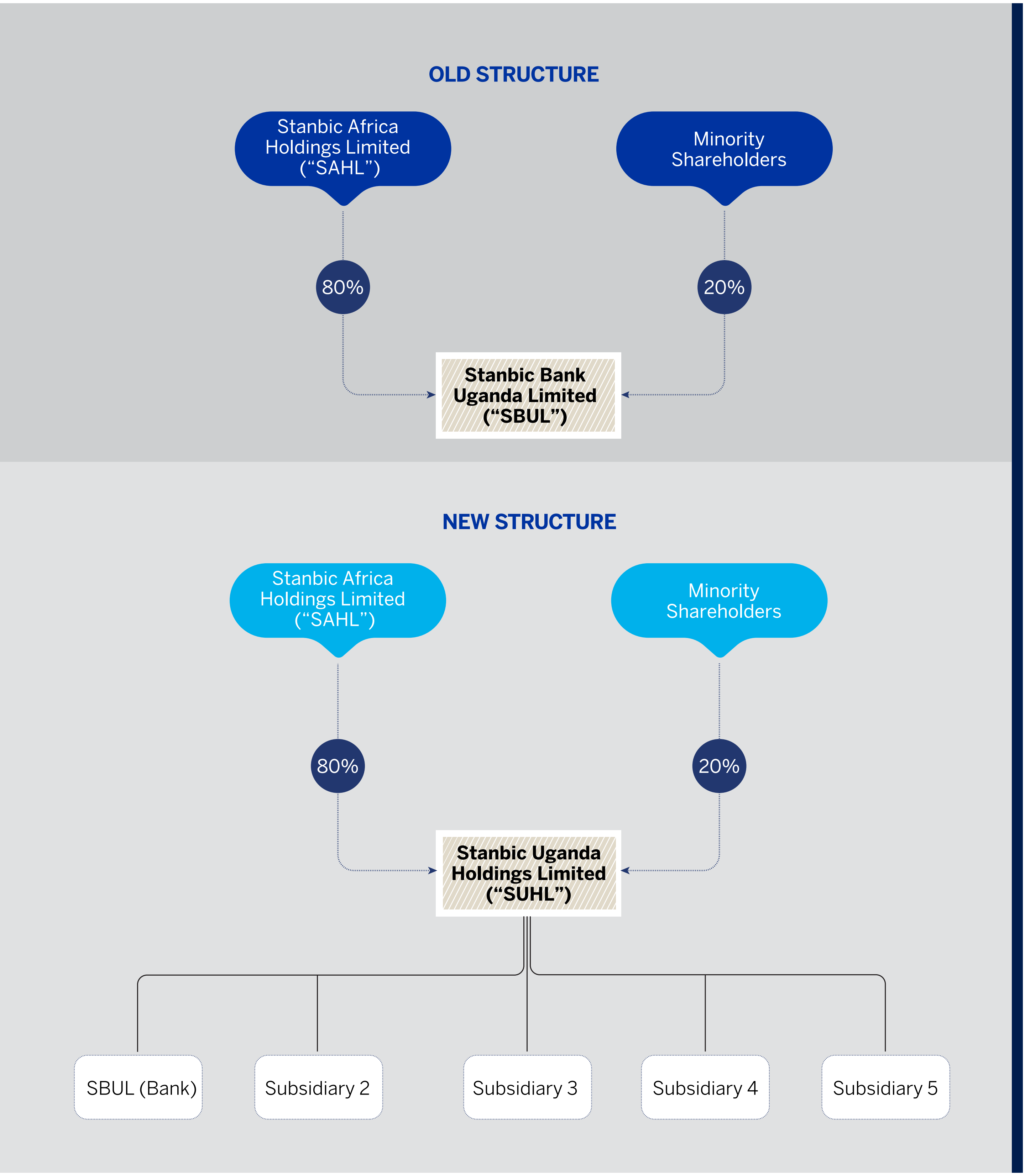
c) Capital Optimisation (material software systems owned by the group and leased to the banking subsidiary) The proposed reorganisation will enable the Group to acquire, maintain and hold software licences or systems under the holding company, which will allow for more optimal deployment of SBHL's capital to support growth of lending, amongst other things.

d) Flexibility to optimize real estate. SBHL owns property, which it would like to let out as part of it's branch premises rationalization. SBHL is further looking to own its head office and would look to finance and hold these premises in a separate subsidiary under the holding company.

The ultimate objective of the reorganisation is to move from the current legal and operating structure where SBHL is a public company listed on the USE that provides banking services directly to customers to a group structure that will comprise a holding company listed on USE (the current listed company) and several subsidiaries, including the Banking Subsidiary. The reorganisation is expected to be completed on 1 April 2019. Subsequently, the Company will form or acquire other (non-banking) subsidiaries. The New Banking Subsidiary will continue to provide banking services to the Company's current (and new) customers going forward.

As part of the final process, SBHL changed it's name to Stanbic Uganda Holdings Limited (SUHL) and it's memorandum and articles of association.

Graphical representation of the proposed structural changes



Our business

Corporate and investment banking provides financial services to multinationals, regional corporates, local corporates and Government parastatals operating within the country.

Corporate & Investment Banking


EMMA MUGISHA
Head, CIB

Overview of 2018

2018 was a unique year, with several ups and downs in the economy and banking industry, and by association, corporate and investment banking was directly impacted. Our Customers were faced with benign demand in a slow economy which translated in reduced appetite for credit. We however kept the engagements, and were able to grow our balance sheet on both assets and liabilities especially in the last half of the year and register a year-on- year growth in performance.

As Stanbic, we played a key role in the implementation of national projects for example the completion of Isimba Dam and several key roads. This goes a long way to reinforce our mission as a bank to drive growth in Uganda using our large footprint (the biggest in the country).

We rolled out the New Ways of Work concept that enabled collaboration across the Bank in providing customer solutions through multidisciplinary cross-departmental project teams. This understanding and knowledge sharing that produced exceptional results.

Client centricity

Our key purpose is to deliver to our client. We rolled out a new and refreshed strategy in 2018, with the client at the centre of everything we do and this required a cultural shift in customer service excellence. Our focus, and service quality is primarily built around listening to our client and partnering with them for the long term. Our most recent customer service survey gave us a score of 8.3 (out of 10), which is an improvement from 2017.

Risk and Conduct

We intensi ed our risk management approach, and this led to a nil credit loss impairment. Our support to clients in managing their risks resulted in none of our borrowing names under threat of default. This is because of the robust risk assessment structure in place that will ensure we take on good risk as well as the continuous monitoring framework that we follow.

Employee Engagement

In rolling out of our new strategy, we used a participative approach that allowed our people to express themselves and drive the transformation of the business. This produced impeccable results with our internal surveys showing signi cant improvement in engagement, collaboration and emotional standpoints. In terms of employee engagement, we had a score of +44 which was the second highest in Africa and was a tremendous improvement from 2017. The cultural shift with our people also allowed us to change the way we solution

↑ 8%

UShs 114 bn

PROFIT AFTER TAX
2017: 106billion

↑ 11.3%

UShs 1,050 bn

CUSTOMER LOANS
2017: 943billion

for customers by listening to them and using innovation through our New Ways of Work to provide lasting solutions in the shortest possible turn-around time. This also led to a need to provide an end-to-end digitally enabled client experience which has become a focus point for our product teams, going forward into 2019 and beyond.

Financial performance

We had an improvement in performance from 2017, registering a revenue growth of 7% with strong growth on revenue streams related to fees on our o -balance sheet products. Attributed to a growth in the underlying products themselves. Our continued focus on cost discipline trickled down to a 10% year on year growth in pro ts after tax which was also commendable.

On the Balance sheet, we grew our asset book by 11% year-on-year and provided additional liquidity by growing our customer deposit base by 5%.

We also performed exceptionally on trade by growing our guarantee book by close to 30% and maintaining our position as market leaders in that space with a commanding market share of over 40%.

Looking ahead

Oil and Gas is expected to have a transformative e ect on the Ugandan economy and resultantly; the banking and nancial industry space. With the expectation of signi cant investment owing into the country, there will be a trickledown e ect on the local markets, further made relevant by the Local content requirements stipulated by the Government.

All indications point towards the Final Investment Decision between the International Oil Companies and the Government of Uganda taking place in 2019 and this will kick start the sets of activities that will begin to take place to provide a foundation for Uganda's Oil and Gas journey.

As Stanbic, we will continue to be at the forefront of this process as thought leaders, providing advisory services to the players and act as a link between the foreign investors and potential local content owners. We are well placed to drive business internationally through our partner banks (ICBC in China) as well as our o shore o ces in London and New York. We will also leverage our experience and relationships across the continent where the Oil and Gas industries have been developed.

In addition to oil and gas, we will continue partnering with the Government & the community to drive growth in major sectors of agriculture, energy, infrastructure & consumables.

We will continue to execute on our newly refreshed strategy, placing the customer at the centre of everything we do and provide added value on top of the continued service excellence that we constantly strive to achieve.

Finally we will continue to invest in our people, our key asset, to ensure they have the requisite competencies to meet the demands of our customers and that they are engaged, enthused and empowered to deliver those customer requirements.

Our business

Personal and Business Banking provides banking and other financial services to individuals, commercial businesses, medium and small enterprises, public sector and non- government organisations across the country.

Personal & Business Banking (PBB)

"In 2018, we posted strong growth in earnings due to strong loan growth and an improved quality of the lending book bolstered by previously written off loan recoveries. Our customer numbers grew year-on-year through our continued focus to deliver a superior customer service experience. We continued to enhance the capabilities of our digital channels and improve the customer onboarding and lending journeys to make these frictionless. We invested in our branch network and other points of presence including Agency Banking to improve convenience and customer experience. We continue to build a profitable and sustainable business as we deliver on our purpose. Uganda is our home, we drive her growth."

KEVIN WINGFIELD
Head, PBB

Review of 2018

We focused on continuing to improve how our customers experienced us as a Bank. We achieved this through listening more to our customers and solving their most frequent pain points. This included improving our system stability across all our platforms, enhancing and growing our digital platforms and continuing to invest in our people and working to bring them closer to our customers. On the product front, we began to provide more convenience through paperless account opening, and delivering short and medium term unsecured credit to personal customers through our online and mobile channels. Our Wealth business began to gain momentum with the ramping up of our insurance products sales capability in our branches and the launch of our Wealth and Investment offering. On customer access we delivered a number of new features on Mobile and Online Banking, continued to rollout our real time cash deposit machines and grew the Agent Banking network across the country.

Client focus

Customer experience is something we remain obsessed about and the feedback from our customers on the continued improvement they are experiencing is testament to our commitment to this. We continue to listen more to our customers through our face to face engagements, feedback from compliments and complaints as well as the surveys we conduct throughout the year. This coupled with our rich customer data on their interactions with the Bank inform the customer need we solution for. Once the solution is developed, we test with our staff and customers for their satisfaction and continuous improvement and as a result we are developing more relevant solutions for our customers as has been experienced in this last year.

Our customer experience feedback scores continued to improve in 2018 as we focused on creating a better branch experience through reduced queues, improving our system and digital channel stability and reliability and improving our staff engagement with customers.

The active customer numbers grew marginally through the year. We continued to see customers becoming inactive and we are working to improve the customer experience through ease of joining the bank and an effective and seamless onboarding journey. This will be achieved through more effective use of technology and data which will remain a key focus in 2019.

Digital transformation

Aligned to our digital strategy, we processed 78% of our transactions on digital channels. We revamped our ATM fleet with an additional 40 new machines and 10 Cash Deposit Machines. This improved our service availability to 98.85% in 2018 and increased our transaction volumes by 14% from 2017.

↑ 28%
UShs 97 / bn
PROFIT AFTER TAX
2017: 76billion

↑ 22.5%
UShs 1,459 / bn
CUSTOMER LOANS
2017: 1,191billion

Based off our customer feedback, we introduced an additional 45 new security and user features to the mobile and online banking offering to enhance our customer experience on the platform. As a result, we won 3 accolades at the 2018 Uganda Digital Impact awards which were;

- Best Cards Enabler
- Best Mobile Banking App
- Best Bank Brand on Social Media

In addition, we rolled out agency banking closing the year with 756 active agents across the country. Agency banking is a critical channel that has eased customer access to banking services by reducing transaction times and queues, which has enabled us to repurpose our branches for deeper and more customer focused conversations. Features on this channel include; cash deposits, cash withdrawals, mobile money float purchase, school fees and utility bill payments.

Security of our digital services for customers remains paramount to us and we continued to invest significantly in enhancing Information Technology security features on all our banking platforms and digital channels.

Our commitment is to continue delivering superior and exceptional digital financial solutions to our customers towards becoming the leading digital bank of choice in Uganda.

Employee engagement

To effectively deliver to our customers our Staff need to be fully aligned across the organisation with a common understanding of our purpose, vision and strategy, collaborating and working in teams to deliver for our customers. We spent a lot of time cascading our purpose and strategy to the Stanbic team and worked at assisting them to connect this to the work they do. During the year a customer L.O.V.E * campaign was launched that was designed to rally our team towards passionate dedication to and service of with our customers, empowering them to act and deliver as connected teams across the organisation.

The adoption of a more agile framework for delivering what matters to customers was successfully adopted. This is also beginning to drive a change in how our team thinks about improving customer experience. This framework is based on real customer insights and feedback that maps customer journeys and delivers in rapid sprints to enhance customer experience.

We continued to invest in building for the future skills that will be required to meet our customers, ever changing needs and a rapidly digitizing world. Our learning interventions were aligned with our agreed critical skills and learning pathways that will ensure that we build relevant capabilities within our team.

Our team needs to feel connected to the organisation and our employee satisfaction surveys for 2018 continued to show an improvement in our employee engagement levels and that Stanbic continues to be an employer of choice.

***L.O.V.E:** The Bank continued to focus on promoting customer service excellence among its staff and employees. The LOVE cultural shift was launched in 2018 to summarise our behaviours as people who Leap in to action, Own issues and owning that is from end to end, Vow to make it right and Enlighten with information.

Financial Performance

We registered a strong financial performance for the year with loans and advances growing 23% compared to 11% in 2017. Customer deposits grew by 9% in 2018 compared to 16% in the prior year. The strong loan-book growth was supported by improved private sector credit growth on the back of the Central Bank's expansionary monetary policy coupled with greater risk appetite in areas like self-employed customers. Key sectors that registered growth for the bank included household lending, agriculture and trade, in alignment to the economy.

Our revenues in 2018 grew by 9%, arising from Net interest income which was driven by a more stable interest rate environment, growth in loans and advances coupled with interest expense savings from a lower fixed deposit book and early repayment of some of the Bank's foreign currency borrowings. Non-interest income grew by 5% and we continue to pursue initiatives to accelerate this. The quality of the loan book remained well managed and we were able to register significant credit recoveries. We continued to realize efficiencies in our business with operating costs only growing 6% compared to the prior year supported by ongoing cost management initiatives such as Optimisation of the distribution network.

Outlook for 2019 and Beyond

We remain committed to providing a consistent and superior experience to our customers and to growing a sustainable business through some of the following key themes;

- Listening more to our customers and ensuring that what we deliver to them is based on insights from them and feedback as to how we can improve.
- Providing a comprehensive and seamless customer onboarding experience that the customers, journey from joining us, transacting through us and building their banking relationship with us into the future.
- Continuing towards work to digitising all our customer products and services, to make these remotely accessible and the purchase experience frictionless.
- Becoming more relevant to our customers by enhancing our offerings to small enterprise and self-employed customers including scaling our Business Incubator across the country to reach more small businesses.
- Growing our wealth offering through increasing insurance penetration and building a Wealth and Investment customer base.
- Continue to invest in our branch and non-branch channels to improve customer convenience and ensure that we remain relevant for the customer of the future.

We commit to do all this whilst maintaining a sound risk and control environment in our operations and with the support of our great team to fulfil our purpose – Uganda is our home, we drive her growth.

Sustainability report

Delivering our sustainability vision

Our sustainability and business success are underpinned by our contribution to creating shared prosperity and promoting the wellbeing of the societies in which we operate. This reinforces the basis of our purpose; Uganda is our home, we drive her growth.

Increasingly the success and sustainability of an organisation like ours is defined not only by its profitability, provision of affordable credit, and availability of banking products and services, but also by its investment in activities that directly impact the communities in which it operates. This is done through our shared value approach that seeks to measure the Social, Economic and Environmental ("SEE") impact across our broad range of stakeholders.

PATRICK MWEHEIRE
Chief Executive

Social: I am delighted to report that our social investment increased by 74% to UShs 2.5 billion in 2018, the highest in the history of the Bank, reaching over 295,254 beneficiaries and touching 1.6 million lives. Our flagship National Schools Championship was run countrywide to promote access to better rounded education and enhance skills development through equipping students with entrepreneurial and critical thinking skills that we believe will better prepare them to be job creators in the future. Whereas direct participation involved 60 schools and 6,000 students, a much more significant number of teachers, students and community members benefited from the various business and financial literacy trainings that were implemented. Furthermore, the national champion, Muni Girls Secondary, School from Arua, as part of the grand prize won a solar system, currently supporting over 700 students by addressing power shortages that affect the student body's ability to study effectively. Several other top performing schools received similar solar and water systems.

Economic: We arranged UShs 405 bn of new credit to key sectors in the economy that facilitated several enterprises to grow and create employment. We also launched our SME incubator in 2018 and were able to train over 192 SME's and 514 individuals. We are fully committed to improving the SME mortality rate in this country where less than 30% of SME's make it through their third anniversary. Our research has shown that most of them fail due to the lack of the basic governance framework, keeping financial records and lack of access to markets to sell their products. Our Incubator intervenes in these areas and provides them the necessary entrepreneurial skills development and mentorship opportunities to compete more effectively in the market place at no cost to them. The Bank continues to play an active thought leadership role on enabling stronger economic growth, affordable housing development, and improving the agriculture value chain as well as supporting financial Inclusion through agency banking and other convenient digital channels.

Environmental: In 2018, we registered notable milestones on our key environmental impact measures, particularly fuel and energy consumption, out of deliberate deployment of more energy efficient technologies at our various points of representation. To this effect, the Bank featured as overall "Energy Efficient Entity" in the Financial Services sector at the inaugural Energy Management Awards by Ministry of Energy. A notable drop was further realised on paper consumption, which reduced by 17% or 34 tonnes, following implementation of paperless deposits and continued momentum on our digital and alternate channels. We continued to drive other energy saving initiatives through wider installation of energy efficient technologies and enhanced monitoring on our utility consumption to identify any emerging areas for proactive interventions.

About this report

The 2018 Stanbic Bank Holdings Limited (the Bank) Sustainability Report presents a comprehensive analysis of our sustainability performance for the year ended 31 December 2018. Any material events after this date and up to Board approval are included. The intended readers of this report are SBHL's broad base of stakeholders, specifically those with whom we have direct relationships and regularly communicate, including our shareholders, clients, employees, government and regulatory authorities, industry bodies and service providers.

More broadly, our stakeholders further include those who may be impacted by our business activities. These stakeholders include the communities we operate in, business associations, civil society groups as well as our natural environment, community development and non-governmental organisations.

Why sustainability?

Sustainability Performance Indicators focus attention on the impact the Bank has on the communities in which we operate and discloses how the risks that may arise from interactions with our stakeholders and other institutions, are managed and mediated. We recognise that we have a diverse set of stakeholders with different information needs. We seek to balance these needs with our regulatory requirements by preparing a number of reports. Our annual integrated report, our primary report for our shareholders, provides a holistic assessment of how our strategy, governance, performance and prospects create value over time.

This report, our report to society, is for a broader set of stakeholders. It aims to communicate, in a concise and accessible way, how we create shared value for you. Our focus is on the material issues that affect you, our stakeholders, and our ability to deliver on our purpose – **Uganda is our home, we drive her growth.**

Scope and boundary

This report covers the bank's operations in Uganda and the terms we use describe the geographic regions in which we operate across Uganda. The report focuses on the most material aspects of our business in relation to our strategy. We consider an issue to be material if it is likely to impact our ability to achieve our strategy, and to remain commercially sustainable and socially relevant. In particular, material issues are those that have a strong bearing on our stakeholders' assessments of the extent to which we fulfil their needs over the long term. We also take into account the factors that affect the economic growth and social stability of the communities in which we do business.

The material issues identified in 2018 have been reaffirmed as being the most relevant to the bank for the period ending 2018. These issues are detailed in the reporting practices section.

Sustainability approach

Our ongoing sustainability is linked directly to our being a valuable member of our communities and of society in general, now and into the future. Our social impact sets out our commitment to positively contribute to the societies in which we operate through our business activities. This means that we have an implicit agreement with our society to cooperate for social benefits. When considering our social and environmental impact, we look beyond our direct impacts to the indirect impact of the services we offer and the finance we provide. This is considered material to our operation. Our supply chain may not be extensively covered in this report as it is considered not under direct influence of the Bank, thus non-material reporting area for this report, however, where we identify a downstream risk within the supply chain we work with our suppliers to find mitigation measures.

Frameworks applied

Various benchmarks and international frameworks inform our reporting. The issues raised by our internal and external stakeholders in our day-to-day interactions are also taken into account. We report in reference to t the Global Reporting Initiatives (GRI) guidelines supported by the G4 Financial Services Sector Supplement.

Our ability to create value depends on our use and impact on certain resources and relationships (capitals). We apply the capitals model, adopted by the International Integrated Reporting Council in the International Reporting (IR) Framework, in managing and accessing our ability to create value over time and our sustainability performance. The following six capitals are fundamental to the long-term viability of our business; natural, social, human, intellectual, manufactured (or manmade) and financial. The capitals are considered in commentary in this report.

Stanbic Bank's Sustainability Strategy:

The SEE framework

At Stanbic Bank Holdings Limited (the Bank), sustainability is an integral part of our business strategy. We proactively embed sustainability thinking and sustainable business practices at every level of our business. We believe that our most important contribution to sustainable development is to operate an effective and profitable bank. By providing access to credit, savings and investment products, we enable individuals to improve their quality of life and enhance their financial security. By providing finance to large and small businesses we facilitate economic growth and job creation, and by financing infrastructure and the development of key sectors, we assist in resolving national challenges such as energy and food security, access to primarily health care, tourism, mining and information communications technology.

At Stanbic Bank, we believe in **Doing the right business the right way.** This is our shared value that means being aware of the indirect impact of our actions, including impact on the societies in which we operate, and impacts on future generations. We continue to embed an approach we refer to as SEE – being very clear about the **Social, Economic and Environmental** impacts (SEE) of every project or partnership in which we get involved.

What is the SEE value driver?

Our commitment to doing the right business the right way is both a moral and commercial imperative. The sustainability and competitiveness of our business are linked to the prosperity and well-being of the societies in which we operate. Our business therefore needs to support and contribute to this prosperity and wellbeing, through our core business activities.

The SEE value driver relates closely to *shared value* i.e. the commitment to generating economic value for the business in a way that produces value for society by addressing its challenges.

The SEE value driver does require us to think differently about the broad impacts of our business decisions, and to weigh these against the money to be made. It explicitly requires us to take a long-term view, to assess the positive and negative impacts of every business decision–not just for the Bank, but for the communities in which we operate–and to ensure that the positive social, economic and environmental impact of any project, product or client relationship outweighs any negative impacts. We aim to deliver economic and social success simultaneously.

Common themes across these plans include the need for:

- Infrastructure development
- Employment creation and poverty alleviation, particularly through support for enterprise development and entrepreneurship
- Investment in education
- Sustainable use of resources, protection of eco-systems and stabilising the climate
- Good governance, and efforts to combat crime and corruption
- Improved financial inclusion
- Economic thought leadership

What is SEE?

The purpose of our SEE framework is to create shared value for our stakeholders and Stanbic Bank – using our corporate assets to address social, economic and environmental needs, whilst simultaneously identifying and creating new business opportunities.

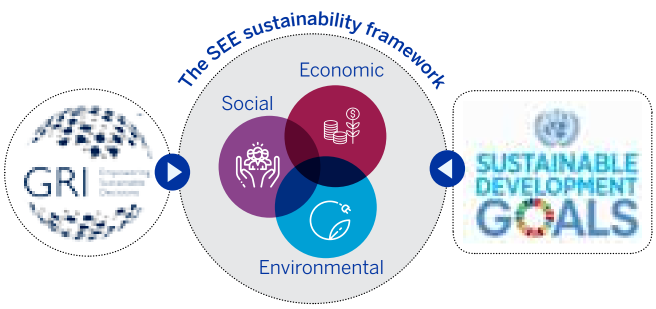
Social: Addressing social needs to help Uganda grow by using our financial services to make life better for Ugandans.

Economic: Developing financial tools to help Uganda advance economically by: being a catalyst for economic change in Uganda: Stanbic Bank drives economic growth in Uganda through creating social and environmental value, which also leads to more innovative and profitable ways of doing business.

Environmental: Driving materia-efficient processes and investing in renewable and efficient energy and a sustainable carbon neutral option, and energy with the least environmental impact as well as the longest shelf-life. This also fits with financing sustainable energy solutions by: partnering with solar energy providers.

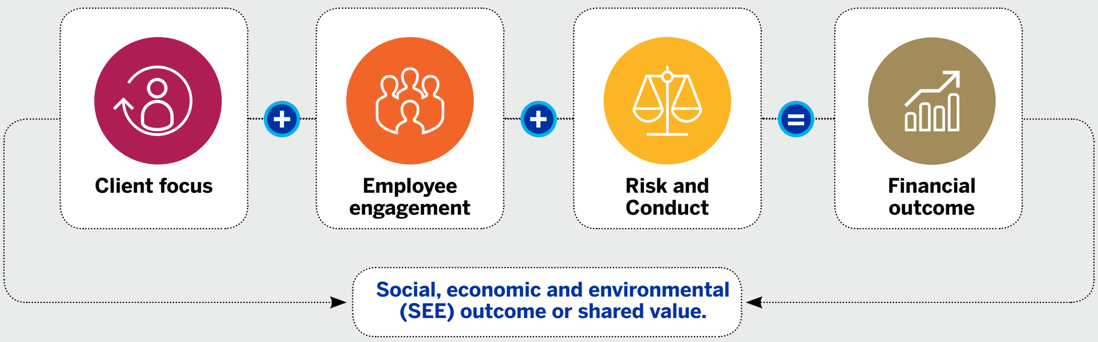
Ensuring our sustainability

The very nature of our business positions us to help our customers and stakeholders manage social, economic and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of local markets. The success of our customers and stakeholders guarantees future business, which underpins our sustainability.



SEE (Social, Economic and Environmental) Shared Value

We understand shared value quite simply: In order for us to continue as a successful and sustainable business we must measure value beyond financial outcomes. We determined that our progress on our strategy is measured with strategic value drivers, as follows:



Delivering Social, Economic and Environmental (SEE) value

What are the Social, Economic and Environmental (SEE) needs in Uganda?

What contribution can financial services make to meeting these needs?

SEE our impacts:
SOCIAL, ECONOMIC AND ENVIRONMENTAL

SOCIAL:
The value Stanbic Bank creates for society, as measured by the value created for our people in areas such as skills development and transformation; the shared value our business generates for our customers and clients, and other stakeholders, through deepening financial inclusion, supporting investment in infrastructure, and supporting job creation through enterprise development and financing entrepreneurs; and our investment in education that benefits communities and future generations.

ECONOMIC:
The value Stanbic Bank creates for our shareholders and more broadly for society, by driving inclusive economic growth in Uganda, developing and implementing better ways of doing business, and supporting Ugandan economic integration and development.

ENVIRONMENTAL:
The value Stanbic Bank creates for the natural environment, through businesses we finance, our drive and investments towards reducing carbon print, emissions and any other environmental degradation, and by helping our customers and suppliers to lessen negative impact on climate change.

SHARED VALUE

We are more than a Bank

Our SEE shared value....

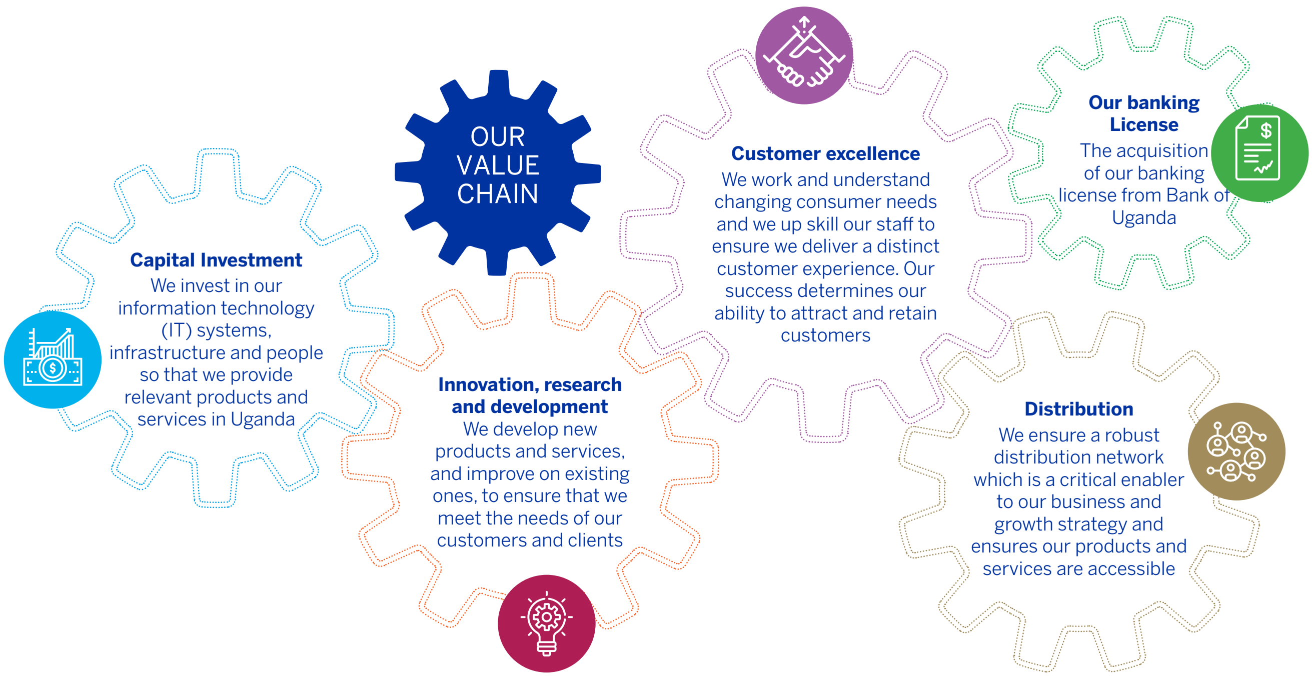
CATHY ADENGO: Communications Manager

Through our purpose, we continue to drive Uganda's growth by creating shared prosperity in communities through our impact on society, the economy and the environment. As part of this journey, we're working to embed our SEE framework to help us assess the social, economic and environmental impacts of our decisions and how best to create value for the business in a way that also produces value for society.

We are a catalyst for economic change, enabling progress for businesses and supporting national development initiatives in key sectors including power, infrastructure and oil & gas. In communities, we continue to implement key initiatives in education, to create a positive impact in schools and promote to access to better quality education. The Bank also continues to put effort into implementing environmentally friendly technologies and optimisation initiatives that are reducing our carbon foot print and improving our operational efficiency.

How we create value

The success of our customers and clients, and the trust and support of all our stakeholders, underpin our commercial sustainability. This interdependence requires that we conduct our business ethically and responsibly to create value in the long-term interest of society. We intermediate between providers of capital and employers of capital, providing the former with competitive returns on their investments, and the latter with access to the liquidity and capital they need to realize their objectives. These functions of our core business can in no way be separated from our developing social and environmental context. We believe that a community-minded worldview is integral to our legitimacy and represents a consistent and considered level of integrated thinking, which in effect corresponds to the capitals model of value creation.



Our code of ethics addresses the following:

- Treating customers fairly
- Providing secure banking facilities
- Providing professional development opportunities
- Evaluating performance objectively
- Sustainable value creation for shareholders
- Adhering to good corporate governance
- Protecting intellectual property
- Avoiding anti-competitive behaviour
- Rewarding innovation
- Working in unity
- Respecting human dignity
- Protecting our physical assets
- Honesty
- Addressing conflicts of interest
- Combating unethical and criminal activities
- Prohibiting giving and receiving of bribes
- Responsibly giving and receiving gifts.

Our values and code of ethics provide our framework for doing the right business in the right way and building trust with our stakeholders, and support values-based behaviour.

Our employee training and engagement programmes place a strong emphasis on assessing behaviour in line with our ethics and values, which ultimately influences how people are rewarded.

Assessing the impact that our decisions and operations have on our stakeholders is at the heart of responsible finance and conscious risk-taking.

Our SEE framework helps us assess this impact on our stakeholders by enabling our people to be more aware of the social, economic and environmental aspects of our activities.

Our commitment to shared value is embedded in our values and code of ethics and is fundamental to the success of our vision and fulfilment of our purpose. This report illustrates our journey towards developing a systematic approach to measuring and reporting on the shared value we create, and in this way accounting to our stakeholders for our performance.

Our Purpose: Uganda is our home, we drive her growth.

Our existence is intertwined with the communities we operate in and as such we aim to provide value to the societies in which we operate in a bid to transform lives. Our proactive aim to transform lives manifests in a number of ways that range from providing affordable financial services for members of our communities, providing directly to members in the community through various CSI initiatives and above all supporting our customers as well as suppliers. The existence of the Bank has been beneficial to a number of other entities and individuals that range from customers to whom we provide financial services, employees who directly work for the Bank, to suppliers and service providers who directly support our value chain. We have provided a few case studies of major customers and suppliers whose stories are linked to Stanbic Bank.

CUSTOMER TESTIMONIAL

GERTRUDE KOMWERU KIYONGA

I started banking with Stanbic back in the 70s when it was UCB and owned by the government. As a teacher, our salaries were automatically channeled through our accounts at the Bank. There were privately owned banks then but most Ugandans preferred and trusted the government owned Bank more at the time. Naturally, when Stanbic took over in 2002 I stayed with them as I was and still am a salaried teacher. My salary still comes through my account at the Bank. It is because of Stanbic that I was able to put my children through school using the loan facilities they offered. I keep a fixed account where I have my savings that earn me interest automatically. The services have improved over time. We no longer have to visit the banking hall to access services. Back in the day, a lot of paper work was involved in the banking processes meaning that access to finances would take weeks, sometimes months. Today, these processes have been shortened significantly and when I have to visit the branch I do not line up any more. In addition, with my Visa Card, I am able to access my money in a timely and convenient manner.

Sustainability Highlights in numbers

		2018	2017	2016
Shareholders				
Net profit after tax	UShs 'millions	**215 140**	200 468	191 152
Return on equity	%	**23.5%**	25.3%	30.3%
IT spend as a % of operating costs	%	**10%**	12%	14%
Customers				
Number of customers		**522 972**	551 896	665 417
Number of branches		**69**	69	78
Number of CSPs		**10**	10	4
Number of ATMs and CDMs		**175**	173	173
Suppliers				
Number of suppliers		**898**	861	799
Total procurement spend	UShs 'millions	**156 456**	158 419	164 841
% of procurement spend with local suppliers	%	**90%**	87%	88%
Environment				
Electricity purchased	kilowatt hours	**4 806 373**	4 916 616	4 063 358
Fuel consumed	litres	**476 498**	519 755	543 205
Water consumed	kilolitres	**24 268**	21 980	18,800
Paper consumed (Copier)	tonnes	**57**	73	66
Paper consumed (Other)	tonnes	**106**	124	107
Employees				
Number of employees		**1 665**	1751	1802
Number of female employees		**857**	909	937
Training spend	UShs 'millions	**3 581**	2,658	2,713
Number of employees trained		**1 656**	1660	1310
Number of Interns		**47**	75	81
Number of female managers		**166**	163	158
Communities				
Corporate social investment spend	UShs 'millions	**2 525**	1 450	1,133

Inputs

NATURAL CAPITAL

Renewable and non-renewable resources required to sustain our business. Natural capital underpins all other forms of capital, as such we must deploy our financial capital in such a way that promotes the preservation of natural capital.

Energy consumption

4 806 373 kilowatt hours

Paper consumption

57 tonnes

Water consumption

24 268 litres

HUMAN CAPITAL CAPITAL

Competencies and capabilities of our people and their motivation to improve and develop products and services that meet the needs of our customers.

Number of employees (Permanent and Non-Permanent):

1 665

Training expenditure:

UShs 3 581 million

SOCIAL AND RELATIONSHIP CAPITAL

Our relationships with stakeholders and communities which gives us our social license to operate. Stakeholder engagement:

Number of customers

522 972

Number of suppliers in 2018

898

Number of direct CSI beneficiaries

295 254

Inputs

INTELLECTUAL CAPITAL

Our experience and brand strength which contributes to our reputation. This is closely related to financial, human and manufactured capital given the nature of our business.

Strong brand & brand ranking
Local presence and knowledge in Uganda since 1906

156 years of experience within Standard Group

MANUFACTURED CAPITAL

Our investment in IT systems, distribution channels and head office buildings, required to conduct our business activities.

IT spend:
UShs 32 billion

Number of Branches
69

Number of Customer Service Points
10

Number of Point of Sale Terminals
658

Number of ATMs and CDMs
175

FINANCIAL CAPITAL

Economic and financial resources available for us to use to support our business activities and invest in our strategy.

Cash generated through operations and investments
UShs 1 562 billion

Number of shares:
51 189 million

Retentions to support future business growth:
UShs 117 640 million

Outputs

NATURAL CAPITAL

Our digital strategy and the ongoing Digitisation of our operations seeks in part to reduce the paper intensiveness of our business.

Our reliance on diesel to counter the un stable national grid to power all our installations.

Stanbic Bank Holdings carbon emissions
7371 tonnes of carbondioxide equivalent emissions from electricity and diesel usage

MANUFACTURED AND INTELLECTUAL CAPITAL

We contribute to effective markets through secure and reliable transactional systems and procedures.

We ensure that customers and clients have safe and convenient access to their savings and funds.

Our IT systems enable us to provide innovative products and services that are affordable and accessible to our customers, specifically those in remote areas.

Moving customers to digital channels reduces the operating costs associated with physical banking infrastructure.

Registered mobile banking customers
162,721

Registered internet banking Customers
14,869

Registered Smart Apps customers
2,837

HUMAN CAPITAL

The salaries and wages we pay enable our employees to support our families and buy goods and services, contributing to economic activity.

Our development programmes help our employees adapt to rapidly changing labour markets in Uganda and beyond.

Salaries, wages and other benefits
UShs 149 billion

Overall employee turnover
9.6%

Employees trained
1 656

FINANCIAL CAPITAL

Maintaining a robust business means we are able to provide returns to our providers of capital

Return on equity
23.5%

Cost - to - income ratio
51.3%

Profit after tax
UShs 215 Billion

Credit loss ratio
0.1%

SOCIAL AND RELATIONSHIP CAPITAL

We facilitate relationships between public and private sectors which drives investment in Uganda and stimulates economic development.

We provide access to financial services which enables socioeconomic development, personal wealth creation and financial protection.

We facilitate credit, investment capital, trade finance and infrastructure financing which supports economic growth.

We make sizeable contributions to governments through taxes and facilitate tax payments for government.

Our investment in education builds skills in the broader economy.

We contribute to employment levels both through the people we employ and through the businesses we provide financing to.

The goods and services we buy supports local businesses across all sectors of the economy.

Gross loans and advances
UShs 2.6 trillion

Wealth created
UShs 469 339 million

CSI spend
UShs 2 525 million

Total procurement Spend
UShs 156 456 million

Local procurement Spend
UShs 140 961 million

Our General Contribution to the Economy

Stanbic Bank plays a pivotal role in the economic development of Uganda. Being one of the domestic systemically important banks, our imprint on the economy of Uganda is not only limited to provision of banking services but it goes as far as facilitating economic growth in the country. Stanbic Bank lends to a wide range of growth sectors ranging from primary growth sectors such as real estate and oil and gas as well as others such as trade and services.

The size of our workforce is part of our commitment to providing employment opportunities to citizens, with the Bank directly employing 1665 employees directly as well as several others indirectly. This directly enables on our contribution to improving the standards of living of several citizens as well as contributing to the growth of a middle class within the country which is a key ingredient for sustainable economic development.

Given our wide range of shareholders, profitability of the Bank is key as it impacts a wide range of the general citizenry. NSSF, which is our second largest shareholder, represents contributions from the general workforce in the largest part of the economy. As a result, our profitability stretches to impact the livelihoods of majority of Ugandans who subscribe to the Fund.

Lending to the primary growth sector constituted more than 40% of our loan book in the year 2018. Primary growth sectors include agriculture, building and mortgage construction, manufacturing, oil and gas, mining and quarrying, as well as transport and communication. This shows our unwavering commitment to supporting economic growth in the country through supporting these sectors.

At Stanbic Bank we understand that majority of Ugandans do not have access to collateral needed to access financial services and as result, we encourage unsecured lending and this has enabled a number of entities and individuals who can't access collateral access financing needed to uplift their undertakings thereby transforming their lives for a better Uganda.

Various initiatives have been undertaken by the Bank to enable access to financial services for rural communities and this has been done by availing several channels through which financial services can be accessed. These include ATMs in some of the remote areas, various point of sale terminals as well as several digital channels and mobile banking.

In 2018, Stanbic Bank facilitated a number of key transactions in the country which included but were not limited to the following;

Guangzhou Dongsong: Stanbic Bank in partnership with ICBC (strategic partner with Standard Bank) supported funding to infrastructure construction and equipment purchase for Guangzhou Dongsong Ltd. This was toward an organic phosphate plant, which will not only support Uganda's sludge resources by developing the fertilizer industry in Uganda but also, will improve environmentally friendly agricultural productivity.

- A total of 1209 locals were employed to work at the site and Stanbic Bank provided low-cost banking services to them .
- Its expected that once production kicks off, it will significantly promote and drive the economic development of Tororo District

Various Engnineering, PC contractors: Off-balance sheet financial solutions (bid, performance and advance payment guarantees) to facilitate implementation of large scale national infrastructure projects namely 3 lots of the critical oil roads project and road corridor transport development for economic growth

- Stanbic Bank has continued to support the myriad of road projects in combating risk by way of bank guarantees on various road projects.
- The 6 oil roads (698km) have been identified by GoU as being critical to the development of the oil & gas sector.
- The 340km North Eastern Road Asset Management Project (NERAMP) project from Tororo to Gulu will help rehabilitate one of Uganda's major transport corridors, laying the foundation for greater regional trade and enhancing the integration of countries in the East African Community (EAC).

Focus on Agriculture and Agribusiness

The Agricultural Sector remains a key and sector in Uganda, employing approximately 69% of the population and contributing about 25% to the GDP. Agricultural products accounts for 73% of total export earnings and a third of Uganda's foreign exchange earnings. The main traditional cash crops include; coffee, tea, cotton, grain, cocoa, sugar cane and tobacco. The dairy and beef industry has seen a tremendous growth in the last 5 years as well. agro-processing, value addition and export have played a prominent role in the agricultural value chain, ensuring value for the crop and animal products produced and increasing export earnings for the country.

Stanbic Bank plays a leading role in financial intermediation within the agriculture sector. This is done through financing and support to the agriculture sector in commercial production, aggregation, processing, and storage of crop and livestock products.

In 2018, Stanbic Bank facilitated key value chain transactions with major players in the grain sector including Agro-ways Uganda Ltd (UShs 62bn), Grain Pulse Ltd (UShs 30bn), FOL logistics (U) Ltd (UShs 21bn), Afrokai Ltd (UShs 15bn).

On the other hand, key participation in Tobacco was approximately USD 6m and USD 5m on key financial intermediations in sugar and tea production.

Our **loan balances** grew by **18%** in 2018, in a reflection of our stronger commitment to provide financial intermediation to uganda's enterprises and households

Financial Inclusion

Financial inclusion involves enabling individuals and businesses to have full access to useful and affordable financial products and services that meet their needs, delivered with dignity, in a responsible, convenient and sustainable way. Financial inclusion strives to address and offer solutions to the constraints that exclude people from participating in the financial sector.

Stanbic Bank supports the Bank of Uganda Strategy on financial inclusion and implemented the following innovations and interventions toward improved financial inclusion in the year 2018.

Agent Banking

Access to timely, affordable, and adequate financial services to all citizens, plays a key role in promoting inclusive economic growth. It enables citizens to raise their incomes, accumulate savings and better cope with shocks to their income, thereby enhancing their welfare.

Stanbic Bank is very proud to contribute toward improved financial inclusion, in line with the National Financial Inclusion strategy (2017 -2022) and Bank of Uganda Financial Inclusion objectives, by extending banking services to unbanked communities across the country through agent banking.

Agent banking was launched in 2018 as an alternative channel through which our customers can access basic banking services. At our agents, customers can; deposit money, withdraw money, pay for school fees, utility bills, goods and services as well as rates and taxes.

Stanbic Bank has built an agent network by recruiting, training and equipping over 750 local businesses, operating various outlets across the country, with digital Point of Sale (POS) devices through which they can carry out bank transactions securely and in real time, on behalf of customers. In the first year of operation, Stanbic Bank agents carried out 2.8 million transactions, worth UShs 1.4 trillion, a strong adoption indicator for the channel especially in its ability to address basic banking needs.

Agent banking has further created additional revenue streams for local businesses from transaction commissions and has generated employment opportunities for young people at agent outlets. Stanbic Bank is committed to being more than just a provider of financial products and services, and seeks to be a catalyst for economic change, that makes life better for our communities by positively contributing to business growth and increase in household incomes. Over the next 3 years, Stanbic Bank will grow its agent network to operate alongside its ATMs, cash deposit machines, mobile and online banking, to become the primary channels through which customers access basic banking services, accounting for over 90% of bank transactions.

Instant Money Transfers:

Stanbic Bank has through Instant Money Transfers enabled customers to make payments to third parties and transfer money more easily to both banked and unbanked masses, using the mobile phone. The service allows a Stanbic Bank account holder to transfer sums directly from their account to a third party's mobile number, which sums can be accessed or withdrawn on our wide ATM base across the country, enabling seamless financial transactions between the banked and unbanked. This eases access to basic financial services and has realised strong adoption with a growth of 162% from 2017.

Our SEE shared value....

STEPHEN SEGUJJA,
Head, Enterprise Banking

In my view, SEE is about value creation for the Bank, our Staff and our clients. In the end, the ultimate goal is to ensure we create value within the Bank by delivering a sustainable business to last for generations, empowering our team to serve our clients with confidence and ensuring our clients' businesses grow to have a lasting impact on our home Uganda.

The Stanbic Bank SME Incubator

Stanbic Bank recognises that SMEs are a key engine for economic growth in Uganda. SMEs employ over 2.5 million people and account for about 90% of private sector employment. Despite their significant contribution to GDP, SMEs, face numerous challenges including skills and knowledge gaps and access to both finance and markets. Through the business incubator, the Bank offers capacity building and entrepreneur development programmes purposed to support and nurture SMEs and enable them to survive and thrive. The Business Incubator was launched in February 2018 and is supported by various stakeholders both private and public.

The Business Incubator programme is largely structured to provide business development; training programmes and follow-up on support interventions; a learning environment through workshops and panel group discussions; networking events and access to subject matter experts; mentoring and coaching of entrepreneurs as well as enhanced access to funds and markets.

Realised impact in 2018

192 companies trained over 4 Cohorts in 2018

Focus on **Oil and Gas local content development.** Specific attention in 2018 was on fabrication and construction, camp services, transport and logistics, and hospitality

514 entrepreneurs and business owners trained

48% were female.

Subject	Pioneer Cohort	Cohorts 2 – 4
Cohort duration	3 months (February 07 – May 04, 2018)	4 months (July 10 – November 02, 2018)
Chosen sector	Oil and Gas	Oil and Gas
Cohort industry	Fabrication and Construction	Cohort 2: Camp Services Cohort 3: Transport and Logistics Cohort 4: Hospitality
Number of companies	40 companies recruited of which 34 graduated	152 companies on boarded in the 3 cohorts as follows: › Camp Services – 53 companies › Transport and Logistics – 53 companies › Hospitality – 46 companies A total of 121 companies graduated (80%) after 4 months
Number trained	A total of 94 people were trained, 30% of whom were female	A total of 420 people were trained in the 3 cohorts, 53% of whom were female with details follows: › Camp Services – 146 people (59% female) › Transport and Logistics – 163 people (42% female) › Hospitality – 111 people (60% female) In comparison to cohort 1 with 30% female participants, there are significantly more women on the programme this time round, as a percentage across the 3 cohorts.
Number of courses	A total of 15 courses were held under programme, supported by 4 focus group discussions	A total of 16 courses were undertaken as part of the programme, supported by focus group discussions. These were facilitated by both the Bank staff and industry subject matter experts. 9 of the 16 courses were offered pro bono (56%).
Partners	Other than the Bank, a total of 13 companies participated in the program, 9 of which offered their services pro bono (69%)	Other than the bank, a total of 13 companies participated in the program, 10 of which offered their services pro bono (77%).
Course evaluation	Feedback about the course through course evaluations was positive with an average score of 83%, with the lowest score of 76% and the highest score of 90%.	Feedback on the various course modules was undertaken through course evaluations and subsequent post course feedback. This was positive on the whole, with an average score of 82% across all cohorts. The lowest average course rating was 79% and the highest 86%.
Coaches	Coaches received training and were matched with SMEs for continual support.	entreprenuers and business owners . The coaching of cohort 1 is ongoing, although the participation is very low and the success thereto is less than optimal. There is a need to review the model and process before the coaching for cohorts 2 – 4 commences in January 2019. Details are below: › 15% of companies not interested or are unavailable › 24% of the companies are making good progress with the support of their coaches › 58% of the companies have not started or progressed over the last 3 months › 3% started late but are progressing fairly well

Key focus for 2019: Planned and ongoing

In order to support an increasing number of SMEs across the country and ensure national impact, key changes have been approved for implementation in 2019 including:

- Refurbishment of the Incubator premises to increase its capacity and enable learning in a more conducive environment.
- Establishment of regional training centres; 3 regional training centres are planned for 2019 with the refurbishment of the same commencing in January 2019. The purpose of the refurbishments is to develop and deliver training programmes to the smaller companies in the regions that are unable to attend the training in Kampala. The regional centres will be located as follows;
  - Mbarara – Covering of the western region and focusing on the dairy and beef sector which has linkages with the oil & gas.
  - Gulu – Supporting the northern region focusing on the grain sector and food supply the the oil sector.
  - Mbale – Covering the eastern region and focusing on the agriculture and transport sectors.
- Introduction of business development services; This is purposed to assist the SMEs make real changes to their companies, increase compliance, undertake compliance and respond to calls in the market especially in respect of bid management.
- Business Networking; To be held on a monthly basis and sponsored by partners at the business incubators.
- Introduction of Business Clinics; To support SMEs on a quarterly basis in the regional centres in Mbarara, Mbale and Gulu.

Testimonials from companies in SME Incubator cohorts 1 – 4

AKA CONSTRUCTION COMPANY

(CAMP SERVICES COHORT)

During the programme and after studying the various course modules, we immediately made some much needed changes in my company as follows:

a) We established a business network to effectively deliver wide supply chain solutions and services to potential clients in urban and remote environments. We are planning to undertake a joint venture supply chain business development to improve our supply value chain in readiness for the oil and gas sector

b) After the corporate governance and management program, we streamlined our management structure which is functional and effective with personnel roles clearly drawn and documented.

c) We developed, approved and operationalized a stock management system to monitor, manage, truack our inventory performance and we developed a policy guidelines and procedures for the same.

We are in the process of making changes in respect to areas including suppliers' staff sourcing and vetting, financial management, financial access, and tax compliance.

AKA CONSTRUCTION COMPANY

CHARLES AKENA

TESTIMONIAL 1

I established AKA Construction (U) Ltd in 2001 at the peak of the war in northern Uganda. I run the Company single handedly as the managing director, administrator, engineer, cashier and sometimes as the foreman. Put simply, I was the alpha and omega for the company. After successfully attending this four months training, I realized that I have to separate myself from the company. Through guidance from my Coach Grace Muwanguzi, in the short time since then, I have been able to reorganize my company especially in the following areas:

a) Establish specific goals and objectives of the company: After running my company for 17 years, I had run out of ideas as the company had achieved all I needed. There was no further plan for growth. I was just sustaining the company in order to provide myself with employment. I now have set new goal, both short and long term. I am now dedicated to taking actions towards achieving these new goals. Currently all the people in the office realize that we are working for the company, not for me as the proprietor.

b) I am as well working more easily and productively with others. My peers in the office have repeatedly told me that my management style has changed. We plan together as a team and ensure that the work is done. Each employee myself inclusive, now has a signed contract with specific objectives geared towards achieving the company goals.

c) I am now taking greater responsibility and accountability for our actions and commitments especially to our clients so that they consider us not only as a service provider, but also as partners in achieving a common goal.

We now realize that we have got a lot to do internally in terms of having documented policies within our company to be better prepared for the oil and gas sector. So far, We have put in place Human Resource Policy, a Financial Policy and are working on a Health, Safety and Environmental Policy.

I am lucky to have chosen a wonderful person in Grace as my coach. She has demonstrated high commitment in the short while we have been with her. She was invited to our office in Gulu where we held a fruitful discussions with our Staff.

TESTIMONIAL 2

BLUSH MEDIA – RACHEAL ARINAITWE (HOSPITALITY COHORT)

After joining the incubator, the company realised the importance of specialization of personnel and departmentalization and in effect, different staff and different departments were set up. Staff in marketing, human resource and budgeting have since been brought on board in respective departments and this has boosted the smooth running of business both internally and externally.

Blush media acquired exposure to new markets. Not only did the company staff learn how to market and polished their marketing skills but fellow trainees offered an avenue for business discussions and business opportunities.

Prior to the training sessions, bid preparation and sourcing for business was done differently and inefficiently and to that effect, a database with-in the company has been created which is maintained and referred to whenever a bid needs to be prepared. Bid management skills are being applied and the different required procedures are in place. This has also resulted better and effective communication with-in the company and the immediate stakeholders.

Prior to the training programme, Blush media had business going on well but since joining, the results have been improving because risks in business are now assessed better. Risks of non-compliance or weak business procedure are critically analysed, the company has walked away from the 'panic button' and the responsibility of achieving results has been highlighted among all staff. This is steadily resulting into transparency and smoother business as well

TESTIMONIAL 3

UNI-MOVERS – STEPHEN BATANDA (TRANSPORT AND LOGISTICS COHORT)

In my understanding, incubation is synonymous with nurturing, much as one leads into another. Stanbic Bank has taken the initiative, that is to incubate business operators in what could be deemed a rebirth, renewal or resuscitation of business ethos, most of which could have been lost in the trials and travails of staying afloat or simply our norms. We, the beneficiaries are being nurtured to grow, prosper and excel beyond ourselves in embracing best practices in building sustainable businesses.

The course was wide, cross-cutting and well facilitated. It was quite vivid and refreshing in shared experiences and rekindling the basics hitherto overshadowed by routine and mundane activity a moment for genuine reflection of what it could be if we endeavored to stay the course, and not the short cuts that define our business ethic and practices.

One of the key takeaways is 'corporate governance', that defines more than what we actually know or do. As a company we have taken a leap in tackling this with an implementation timeframe of January 2019 to redress the shortfalls. The other main reason is that it plays a significant role in all changes that we intend to do (human resource, process review, finance and quality certification), of essence involve the business owners. They too must have well defined goals and objectives aligned to the enterprise beyond just the benefits that accrue from the business.

Thank You Stanbic Bank, 'A better tomorrow' is imminent!

Our SEE shared value....

TONY OTOA,
Head, SME Incubator

SEE to me is embedded in everything that we do in Enterprise Development. SEE is concerned with themes of job creation, investment in education, infrastructure development, good governance, financial inclusion, economic thought leadership, which form part of our core duties at the SME Incubator.

It is our desire to see Stanbic as a major contributor to Uganda's economy and the development of Small and Medium Enterprises that play a huge role in the economy.

Economic thought leadership interventions

SME upskilling: Enterprise Conference

Uganda is ranked among the top entrepreneurial countries in the world with over 160,000 Small and Medium Sized Enterprises (SME's) the country. 50% of new SME's survive less than 12 months in business and yet they account for 90% of the entire private sector. They generate 80% of manufactured output and contribute 20% of GDP. They employ over 2.5 million people and 69% of SME businesses are aged between 1 – 10 years. Stanbic Bank through its Enterprise Banking, serves over 40,000 SMEs with various offerings. In a bid to deepen the relationships within this segment, we organised the first ever enterprise conference. The two day conference adopted a sector-focused approach with plenary sessions where issues within sectors of agriculture, oil & gas, telecoms, power & infrastructure, consumer, retail and public sector informed the topics for discussion. The conference attracted over 500 businesses and 1000 delegates from across the country.

Economic Outlook: Annual Budget Forum 2018

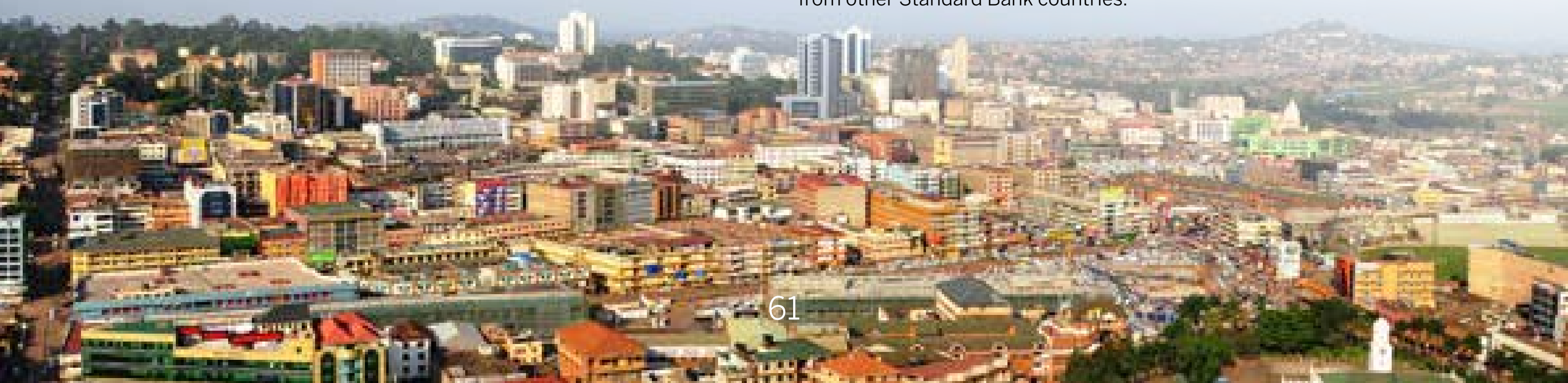
As is our custom, we host clients, analysts, stakeholders and shareholders to an annual national budget review session. This year, we opted for a change in approach from an event to **an analytical commentary of the budget reading aired LIVE** on National TV the Monday following the budget reading. Our six member panel comprised of thought leaders, analysts, business owners and economists hosted by the Board Chairman, Japheth Katto. We opted to maintain the national budget theme "Industrialisation for Economic growth and prosperity". and this informed the topics for discussion around the key issues this budget would address. As the commentary was aired live during prime time. i.e. 7:30-8:30pm, we reached over 20 million Ugandans. Viewer contributions to the discussion was via social media primarily on the NBS & Stanbic platforms; facebook live and twitter.

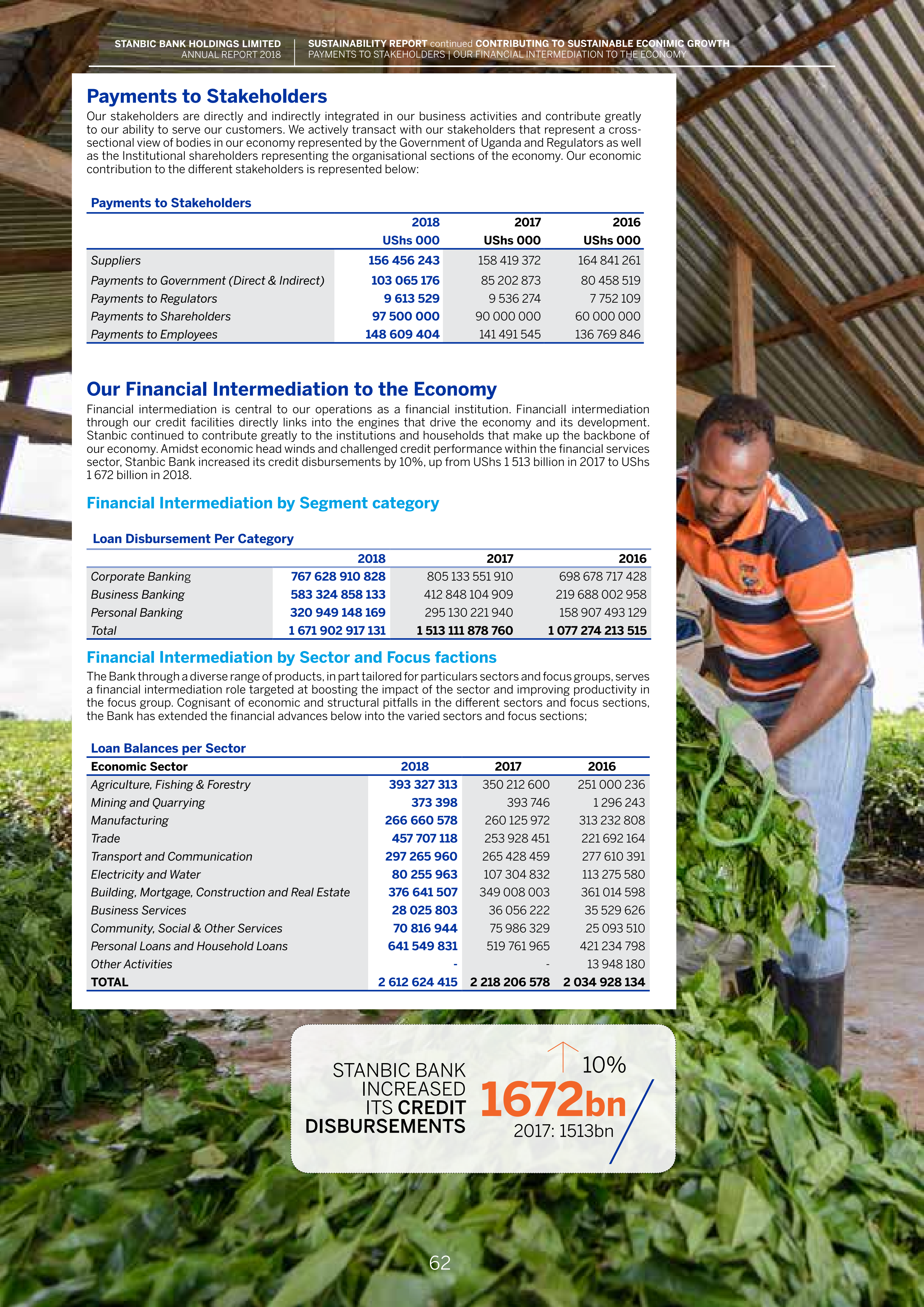
Government Enablement: URA Annual Tax payer appreciation week (TPAW) partnership

Stanbic Bank has been a consistent partner of one ofUganda Revenue Authority's biggest annual events; the Tax Payers Appreciation Week (TPAW). Due to previous successes of TPAW, the festivities were extended to last a month climaxing in a week-long expo at Kololo Independence grounds. The week attracts millions of Ugandans who interact with the various government agencies and ministries as they showcase how they have put the taxes to use. Stanbic is an enabler through cash and in-kind sponsorship to make facilitate the event's success. As a result, this year Stanbic was recognized with an accolade delivered by the URA executives led by the Ag. Commissioner General for being a loyal and a large tax payer who pays dues in time. Stanbic is currently the highest tax payer in the banking sector and fourth highest overall having paid over UShs 100 billion in taxes for financial year 2017/18.

Client Exposure: Trans-Regional Conference

Stanbic Bank sent a 17 memnber delegation comprising of 13 clients and 4 staff to the conference, enabling them to network with businesses across the continent, share experiences best practices and forge partnerships to support the growth of their local entities. This was part of the Standard Bank Group Annual Trans Regional Conference held in Lagos from 1 - 4 July. For the first time, business clients were invited from across the group to participate alongside key government officials, legislators, representatives of regional growth and development bodies from across Africa. A key insight realized from previous conferences was that increasingly, trade was no longer a regional opportunity but a Pan-African one meaning that gatherings of this nature can assemble, identify and unlock key intra-African trade and business opportunities – on a scale wide enough to transform Africa's growth and development trajectory. An additional feature of this year's conference was the focus on leveraging Africa's special relationship with China through the 20% shareholding of ICBC in Standard Bank Group. Overall feedback has been positive with our clients who were extremely appreciative of the conference content, insights and opportunities to network with delegates from other Standard Bank countries.





Payments to Stakeholders

Our stakeholders are directly and indirectly integrated in our business activities and contribute greatly to our ability to serve our customers. We actively transact with our stakeholders that represent a cross-sectional view of bodies in our economy represented by the Government of Uganda and Regulators as well as the Institutional shareholders representing the organisational sections of the economy. Our economic contribution to the different stakeholders is represented below:

Payments to Stakeholders

	2018 UShs 000	2017 UShs 000	2016 UShs 000
Suppliers	**156 456 243**	158 419 372	164 841 261
Payments to Government (Direct & Indirect)	**103 065 176**	85 202 873	80 458 519
Payments to Regulators	**9 613 529**	9 536 274	7 752 109
Payments to Shareholders	**97 500 000**	90 000 000	60 000 000
Payments to Employees	**148 609 404**	141 491 545	136 769 846

Our Financial Intermediation to the Economy

Financial intermediation is central to our operations as a financial institution. Financiall intermediation through our credit facilities directly links into the engines that drive the economy and its development. Stanbic continued to contribute greatly to the institutions and households that make up the backbone of our economy. Amidst economic head winds and challenged credit performance within the financial services sector, Stanbic Bank increased its credit disbursements by 10%, up from UShs 1 513 billion in 2017 to UShs 1 672 billion in 2018.

Financial Intermediation by Segment category

Loan Disbursement Per Category

	2018	2017	2016
Corporate Banking	**767 628 910 828**	805 133 551 910	698 678 717 428
Business Banking	**583 324 858 133**	412 848 104 909	219 688 002 958
Personal Banking	**320 949 148 169**	295 130 221 940	158 907 493 129
Total	**1 671 902 917 131**	**1 513 111 878 760**	**1 077 274 213 515**

Financial Intermediation by Sector and Focus factions

The Bank through a diverse range of products, in part tailored for particulars sectors and focus groups, serves a financial intermediation role targeted at boosting the impact of the sector and improving productivity in the focus group. Cognisant of economic and structural pitfalls in the different sectors and focus sections, the Bank has extended the financial advances below into the varied sectors and focus sections;

Loan Balances per Sector

Economic Sector	2018	2017	2016
Agriculture, Fishing & Forestry	**393 327 313**	350 212 600	251 000 236
Mining and Quarrying	**373 398**	393 746	1 296 243
Manufacturing	**266 660 578**	260 125 972	313 232 808
Trade	**457 707 118**	253 928 451	221 692 164
Transport and Communication	**297 265 960**	265 428 459	277 610 391
Electricity and Water	**80 255 963**	107 304 832	113 275 580
Building, Mortgage, Construction and Real Estate	**376 641 507**	349 008 003	361 014 598
Business Services	**28 025 803**	36 056 222	35 529 626
Community, Social & Other Services	**70 816 944**	75 986 329	25 093 510
Personal Loans and Household Loans	**641 549 831**	519 761 965	421 234 798
Other Activities	**-**	-	13 948 180
TOTAL	**2 612 624 415**	**2 218 206 578**	**2 034 928 134**

STANBIC BANK INCREASED ITS **CREDIT DISBURSEMENTS**

10%

1672bn

2017: 1513bn

Financial Enablement for Our Employees

We firmly believe in empowering the communities in which we operate. We are deeply rooted in our communities and our employee capability is built from the communities in which we operate. Financial intermediation for our employees is at the heart of empowering our communities, but most importantly the employees who bring a diverse range of capability to contribute in delivering the Bank purpose.

The Bank through its employee value proposition has enabled acquisition of 62 staff homes in 2018 and extended UShs 16bn unsecured financial enablement to 1480 employees the same year..

		2018		2017		2016
	No. of Staff	**Amount**	**No. of Staff**	**Amount**	**No. of Staff**	**Amount**
Staff Home Loans	**62**	**8 825 493 929**	**52**	4 741 604 386	50	4 966 079 538
Staff Personal Loans	**1480**	**16 273 176 224**	**1345**	11 526 030 473	968	8 080 524 532
Total	**1 542**	**25 098 670 153**	**1397**	**16 267 634 859**	**1 018**	**13 046 604 070**

Value Added Statement

Value added is calculated as the company's revenue performance minus payments such as cost of materials, depreciation and amortization. The resulting amount is distributed to the stakeholders who include employees, shareholders, community investments and government. The total wealth created by the bank in 2018 was UShs 469 billion as shown in the value-added statement below.

Of the total wealth created in 2018 the following is the total flow of capital among some key stakeholders;

- UShs 148 billion or 32% was distributed to employees as remuneration and benefits (Up from UShs 141 billion in 2017).
- UShs 103 billion or 22% was distributed to the Ugandan government in form of taxes (Up from UShs 85 billion in 2017).
- UShs 97.5 billion or 21% was paid in dividends to shareholders both ordinary and non-controlling interests;

The value-added statement below shows our economic impact on society in 2018.

Value added statement for year ended 31st December 2018	**2018**	**% of wealth created**	**2017**	**% of wealth created**	**2016**	**% of wealth created**
	UShs '000		**UShs '000**		**UShs '000**	
Value added						
Interest Income	**404 291 586**	86%	403 527 401	103%	423 855 935	103%
Commission fee income	**141 231 581**	30%	131 246 286	31%	114 632 676	31%
Other revenues	**148 961 059**	32%	152 011 393	34%	152 458 492	34%
Interest paid to depositors	**(33 372 120)**	-7%	(50 780 272)	-11%	(47 500 476)	-11%
Other operating expenses & impairments	**(191 772 158)**	-41%	(207 391 713)	-57%	(233 932 487)	-57%
Wealth Created	**469 339 948**	**100%**	**428 613 095**	**100%**	**409 514 140**	**100%**
Distribution of wealth						
Employees	**148 609 404**	32%	141 491 545	35%	136 769 846	35%
Government	**103 065 176**	22%	85 202 873	20%	80 458 519	20%
Ordinary shareholders - (Dividends)	**78 000 000**	17%	72 000 000	9%	48 000 000	9%
Non-Controlling Interests	**19 500 000**	4%	18 000 000	2%	12 000 000	2%
Corporate Social Investment (CSI) spend	**2 525 282**	1%	1 450 887	0%	1 133 941	0%
Retentions to support future business growth	**117 640 086**	25%	110 467 790	33%	131 151 834	33%
Wealth Distributed	**469 339 948**	**100%**	**428 613 095**	**100%**	**409 514 140**	**100%**

Our SEE shared value....

ISRAEL ARINAITWE,
Head Personal Markets

SEE to me resonates with the Bank's ability to design products and solutions that meet the needs of our customers and drive the economy sustainably. Being a partner and driver of Uganda's growth, the Bank is now able to provide financial services to most Ugandans notably farmers and the self-employed community. We are also at the forefront of providing these solutions digitally making the Bank more convenient and accessible to all our clients.

OUR STAKEHOLDERS

SERVICE PROVIDERS AND **SUPPLIERS**

CUSTOMERS AND **CLIENTS**

REGULATORS, INDUSTRY BODIES AND **BUSINESS ASSOCIATIONS**

SHAREHOLDERS both local and foreign

EMPLOYEES

GOVERNMENT Including local authorities at district level across Uganda

INDIRECT STAKEHOLDERS WHO MAY BE IMPACTED BY BUSINESS ACTIVITIES

1. Communities we operate in across Uganda
2. Research organistions and think tanks
3. Civil society groups
4. Environmental and community development non-governmental organisations

How we engage with Stakeholders

Our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation. We proactively engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, minimise reputational risk and influence the environment in which we do business. The ways in which we engage with our stakeholders, and the frequency with which we do so, vary according to each stakeholder group as shown below.

If you are reading this report, you are a Stanbic Bank stakeholder. You are someone we recognise as a partner in driving Uganda's growth. Whether you are a first-time home buyer looking for a home loan, a small business needing working capital, an employee growing your career, a shareholder wanting to better understand our strategy, a supplier in our value chain, a policymaker in government, a parliamentarian, a regulator overseeing our conduct, a student with a Stanbic Bank bursary, or a young professional considering a career in banking, you affect and are affected by our activities.

Our work seeks to better understand what matters to you and to create long-lasting shared value. We seek to do this by providing financial solutions tailored for Ugandan markets, which contribute to Uganda's economic growth, support job creation, and help to economically empower individuals and businesses. In doing so, we simultaneously expand the market for our products and services, making Stanbic Bank a more viable and sustainable business.

Key stakeholder group	How we engage	Concerns/ Issues raised	Our response
Shareholders	• Analyst briefings, results presentations • Annual general meeting • Company website • Annual report • Investor road shows	Return on Equity Competitive performance, good governance, transparency and good present and future value for investment	We continued to generate record earnings, remaining the best capitalized and most profitable bank in Uganda with continued aspiration to deliver superior returns to our shareholders. We continue to invest in Information Technology (IT) and position our digital growth strategy in order to better serve our customers and improve business efficiency.
Customers and clients	• Satisfaction surveys. • Various customer channels including the distribution network. • Marketing initiatives. • Relationship and business managers.	Service and fit for purpose products Cybercrime Convenience	In 2018, we launched agency banking as an alternative channel through which our customers can access basic banking services. At our agents, customers can; deposit money, withdraw money, pay for school fees, utility bills, goods and services, rates and taxes. We also revised our product offering to include a **Pay As You Go** value proposition towards enabling client choice on consuming bank services. Our digital banking solutions provide great convenience and autonomy to clients, with strong investment in cyber security to safeguard client interface.
Government and Regulators		**BOU**	
	Formal meetings, policy discussions, conferences. Onsite visits and compliance inspections.	Emphasis on consumer protection: Bank of Uganda directive to introduce to all customers a "key fact "document that outlines all the facts, terms & conditions of any product before customer assents to use of the product. This ensures that the customer understands the product they are using before they contract with the bank to use it Financial inclusion: Bank of Uganda urged banks to avail financial services to people usually left out of traditional banking services Cybersecurity	We fully support the Bank of Uganda position regarding customer protection. We therefore fully implemented this directive and introduced the key fact document across all our points of representation. All customers are required to read and sign their consent before they make use of our products. Our product development strategy in the digital channel space will enable more people to access financial services in a more cost efficient and client friendly manner. Furthermore, launch of agency banking will anable the Bank bring banking services closer to the people at affordable and inclusive propositions. A detailed update in the interventions under way are included on Page 111 in the Risk Management report
		URA	
	Formal meetings, adhoc discussions, workshops and conferences, Onsite visits and audits	URA's key expectation is to ensure effective tax compliance Strategic partnerships; Act as a tax agent in ensuring tax compliance and collection	The bank has firm processes in place for ensuring timely tax and return submission on both Corporation and Agent. The bank further engages services of the Tax experts and consultants to ensure and sustain highest levels of tax compliance
		CMA & USE	
	Formal meetings, adhoc discussions, analysts' briefings	Build confidence and trust in the Uganda Capital Markets through providing a true and fair view of the Bank operations and performance.	Partnership with CMA and USE in enhancing financial literacy for media stakeholders. Elaborate and detailed annual reports providing a transparent, impartial view of the Bank operations and performance.

Employees	Employee engagement surveys, training programmes, conferences, staff events, connect sessions, internal communications, internal meetings and discussions	An inclusive, engaging and enabling work environment Employment equity Managing costs Higher education funding	The Bank has invested in technology to enable and simplify staff processes. committed to developing employee capability in our ever-evolving environment and through learning and development interventions, facilitated capability enhancement for all staff. The Bank is further strongly involved in employee wellness programmes as well as a robust performance and reward system.
Suppliers	Supplier engagement forums, Supplier Awareness forums, vendor performance meetings	Collaborative relationship and mutual partnership on delivering commensurate value and benefit. Preferential procurement.	The Bank holds regular supplier and vendor awareness forums that present an open and transparent platform for suppliers to interact with the Management and Procurement functions, refresh understanding of bank procurement policies, practices and highlight commitment to building trusted supplier relations.

Accolades from our Stakeholders

Over the year 2018, our stakeholders recognised varied areas of excellence and outstanding and contributions of the Bank to society, economy and environment. Areas of recognition ranged from outstanding integrated reporting to best Bank in Uganda as highlighted below;

CFO Award

Stanbic Bank Chief Financial Officer Sam Mwogeza won the top accolade among Uganda's Chief Financial Officers at the 2018 annual CFO Awards. The initiative by ACCA and Deloitte Uganda recognizes the essential role the finance function plays to build resilient organisations.

Sam was recognised in the category of **"Strategy Execution Award"** and the **"CFO of the Year Award".**

Sustainability FiRe Award (East Africa Region and Uganda)

The Bank Sustainability Report was named Overall Best Sustainability Report at the 2018 East Africa FiRe (Financial Reporting) Awards in Kenya and Overall Best Sustainability Report at the 2018 ICPAU FiRe Awards in Uganda. The Bank has received this accolade for two years in a row, basing on;

- Objective account of our business practices in aspects of SEE,
- Articulating a clear Sustainability Framework,
- Initiatives towards addressing adverse sustainability trends,
- Account of key stakeholder engagement frameworks, and
- Ramp up on our Economic Impact Initiatives.

Digital Impact Awards

The Annual Digital Impact Africa Awards champion digital inclusion, financial inclusion and cyber security across the African continent. In the 2018 edition, Stanbic Bank emerged winner in 3 categories for best brand on social media, best app and best cards payment enabler.

The accolades are a vote of confidence in the digital solutions that meet the customer needs.

FiRe Awards

In recognition for excellence, quality and content of the annual reporting to promote transparency, Stanbic Bank received 4 accolades at the 8th Edition of Financial Reporting (FiRe) Awards. These included: Report of the year Award – Silver, Sustainability Reporting - Overall winner, Best Listed Entities Award- Overall winner, Banking Services Award- 1st runners up.

Euro Money

Recognised as Best Bank in Uganda at the Euro Money Awards 2018, Stanbic Bank received this global accolade for its role in supporting economic transformation and as a key enabler in agriculture, manufacturing, infrastructure and trade sectors.

Euro money awards for excellence recognize the highest level of expertise, innovation, service in the global finance industry.

Primary Dealer

Stanbic Bank Holdings Limited has for the 6th consecutive year been named Best Performing Commercial Bank of the Year 2018 in the market for Government Securities (Treasury Bills and Bonds).

The Bank won this award for its consistent participation in the primary auctions, market making capabilities, consistent pricing as well as timely market intelligence.

Energy Management Award

Stanbic Bank was named Winner Energy Awards ;Commercial Buildings and Overall Winner-Best Energy Management Practices-Service Sector in recognition of the energy management practices.

Key energy management practices implemented included: LED light installation across our Bank network, AC automation at Umoja House which saved the Bank over UShs 1.43 billion, alternative power solution for off-the-grid locations, deployment of power backup units like UPS and automated generators, remote monitoring of fuel and electricity equipment at select branches and offsite ATM.

Global Finance Awards

Standard Bank won the Best Bank in Africa award, as well as Best Bank in Botswana, Mauritius, South Africa and Uganda.

This is attributed to the Bank's client-focused strategy across our African footprint, especially in the markets which have also shown strong uptake of our innovative digital banking platforms.

Procurement Practices

Stanbic Bank Holdings Limited subscribes to principles of transparency, integrity and fairness in its drive to implement best practice procurement principles across all its engagements with external supply partners. The Bank is committed to delivering mutually beneficial and sustainable outcomes from its external supplier relationships through consistent application of transparent, structured and risk-aware procurement practices across the end-to-end procurement process. Our influence on the local economy goes beyond provision of direct employment opportunities and payment of wages and taxes. The Bank endeavors to give as many suppliers/service providers and contractors as is reasonably possible, opportunities to participate in its tender processes while at the same time ensuring that there is alignment to the Bank's standards for solution quality, sustainability and commercial viability. This approach not only enhances SME growth but maintains community relations. Our commitment to this is demonstrated by the spend breakdown between local and foreign suppliers over the 2016 to 2018 period.

Sustainable Procurement

As provided for by our Procurement Policy, it is the Bank's practice to establish and foster supply relationships with entities that adhere to principles and practices that protect the environment, respect basic human rights and are committed to upholding the highest standard of ethics and integrity, as well as providing equal opportunities to all their employees. It is through this approach that the Bank has been able to establish sustainable partnerships with its external suppliers.

Our vendor selection and award principles (through prequalification and RFP processes) are structured to establish supplier compliance to these standards/expectations at the onset. Supplier commitment to the standards is enforced through related contract clauses and ongoing compliance monitoring throughout the tenure of the various contractual relationships.

Supplier Development

Over the past years, the Bank has endeavoured to drive strategic partnerships with its service providers through focus on extending financial support to SME providers to aid the satisfactory performance of their contractual obligations. The providers also benefited from knowledge disseminated through targeted Supplier Forums to support them address challenges of bid preparation, financial management and book keeping, among other initiatives. Such interventions were carried on and enhanced throughout 2018.

Furthermore, efforts have been directed towards supporting strategic suppliers to improve the control environment in their operations throughout 2018. This has been achieved through targeted Supplier Control Assurance activities related to business continuity management, information security, occupational health and safety, among others. All these are critical for sustainable business growth and position compliant entities to expand their horizons beyond the local market and compete favourably internationally.

Procurement Spend

	2018	2017	2016
	UShs (millions)	**UShs (millions)**	**UShs (millions)**
Total Procurement Spend	**156 456**	158 419	164 841
Amount Spent on Local Suppliers	**140 961**	138 221	144 650
Amount Spent on Foreign Suppliers	**15 496**	20 198	20 191
Percentage Spent on Local Suppliers	**90%**	87%	88%

Our SEE shared value....

EDWARD CHARLES MUTEBI,
Head, Procurement

To me, SEE represents the need to uphold the practice of nurturing the competencies needed to drive socially and environmentally responsible procurement, thereby contributing to the consistent application of structured and risk-aware practices throughout all the stages of the procurement process to deliver sustainable commercial advantage (value for money) for both the Bank and its supply partners.

Investing in our employees

Our SEE shared value....

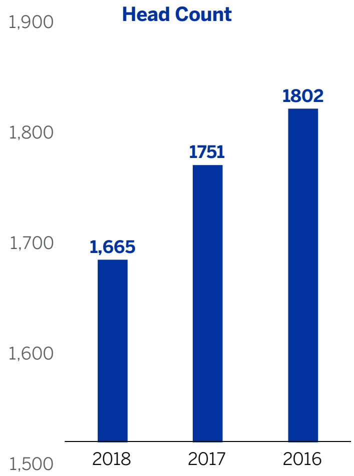
MOSES MBUBI WITTA
Head Human Capital

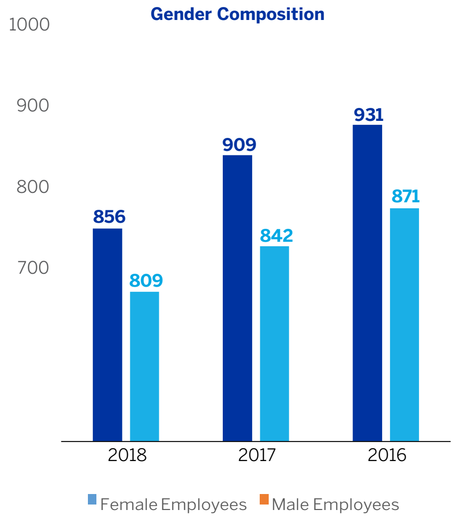
To me SEE resonates with how the Bank is transforming lives at both individual level and in the community where we do business. The employees have great opportunities to learn and grow their careers with the Bank as it provides them with the platform to practice their skills and knowledge as they execute the Bank strategy. **99% of the Bank employees are Ugandan** which speaks of itself in solving the confidence in our people to deliver our business strategy. Our people pride themselves in solving real business challenges that build our clients businesses into sustainable entities, provide more employment opportunities and build our economy for the foreseeable future.

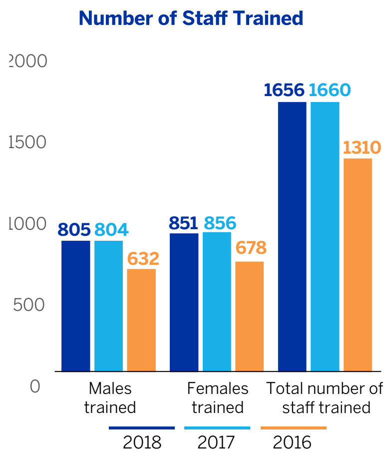
At the community level, the expertise of our team continues to be a catalyst for businesses to grow and thrive through great partnerships built solely for the benefit of our customers. Our team engages with our clients to help them grow their business and bring their dreams to reality.

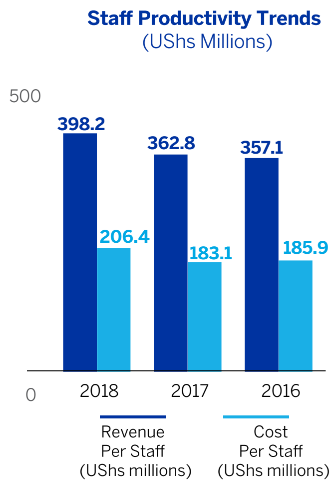
At Stanbic Bank, the team is proud to be transforming lives on a daily basis and continues to support our clients, not for the sake of completing their tasks but for the great benefit that impacts the livelihood of our clients and communities in a sustainable way and helps everyone to move forward.

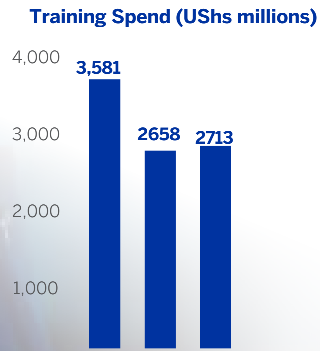
	2018	2017	2016
Total Employees	**1 665**	1751	1802
Staff Costs (UShs millions)	**148 609**	141 492	136 769
Female Employees	**857**	909	931
Interns	**47**	75	52
Employee Turn Over	**9.6%**	17%	14%
Temporary Staff	**112**	117	114
Revenue Per Staff(UShs millions)	**398.2**	362.8	357.1
Cost Per Staff(UShs millions)	**206.4**	183.1	185.9
Males trained	**805**	804	632
Females trained	**851**	856	678
Total number of staff trained	**1656**	1660	1310
Training expenditure (UShs millions)	**3 581**	2,658	2,713

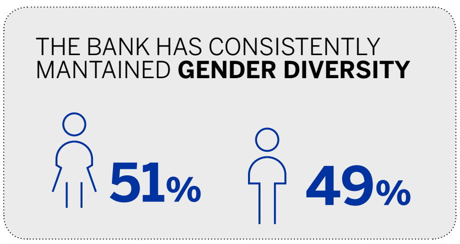












A POSITIVE OVERALL **EMPLOYEE NET PROMOTER SCORE OF:**

↑ 8%

+35

2017: +27

A POSITIVE OVERALL **EMOTIONAL PROMOTER SCORE OF**

↑ 15%

+79

2017:+61%

Employee Engagement

The confidence in our ability to continue to deliver great results and drive Uganda's growth stems from our great teams. This is premised on the Bank's commitment to continually providing an inclusive, engaging and enabling work environment where people can find opportunity, make a difference and grow their careers.

An Engagement Survey "Are you a fan" conducted in October 2018 showed an overall Employee Net Promoter Score of +35. This implied that the Bank had more promoters than detractors who would recommend Stanbic Bank Holdings Limited as a great place to work. The Emotional Promoter Score was +79 implying that our team is proud to be associated with Stanbic Bank Holdings Limited. This has been the result of the banks investment in its people which has translated into high performance.

80% of employees agree that they have opportunities to grow and advance their careers, this is 6% higher than the result of 74% in 2017. However, this is still the lowest scoring item in the survey despite being 9 points higher than group average of 71% for the same survey question.

Diversity

Having an employee base that reflects the diversity of the societies in which we operate enables us to better understand and serve our unique universe of diverse customers, which is crucial to our continued success. It also gives us access to a range of skills and talent, as well as diverse thinking which facilitates innovation and sustainable solutions for the organisation and our customers. The bank had a total Headcount of 1665 staff in 2018, of which majority are female (51%). Female employees also held 42% of the managerial roles in 2018, down from 46% in 2017. The bank provides equal opportunities to all Ugandans and hire is based on merit, a total of 84 employees were hired in 2018 and 186 employees were promoted.

Women hold 50% of executive management positions

EMPLOYEE TESTIMONIAL

BARBARA DOKORIA
HEAD COMPLIANCE

Stanbic is the biggest Bank in the industry. For me this means I have a daunting responsibility to uphold not only the Bank's standards but also industry standards. Working here also gives me opportunity to offer thought leadership because we are seen as the go-to bank for anything that needs to be implemented even from a regulatory perspective. As Head of Compliance, my role is to ensure the Bank operates within the statutory and regulatory framework. I need to be constantly aware of the impact this Bank has not only on the industry but also the economy.

With such responsibility comes the need to compliment with personal growth and development. Stanbic has given me an opportunity to rise up the ranks throughout my 15 year journey with the Bank. It has empowered me to dream and exposed me to opportunities to work regionally.

In addition, as a Bank whose staff is made up of 51% women, Stanbic set up a mentorship program for women dubbed IGNITE, -which I have had the privilege of being part of. It is an initiative aimed at developing senior women leaders and igniting untapped value and opportunity in our people across Africa. There have been great positive stories from it. Being part of a leadership team that understands the role of a woman and the impact that role can have on their work allows me to make concession and deliver.

EMPLOYEE TESTIMONIAL

AARON AKAMPA

MANAGER CONSUMER SECTOR, BUSINESS BANKING

Working at Stanbic Bank has provided a clear path for growth. You shape your journey based on your work ethic and your own drive. Stanbic has a strategy to build a digital bank which is an aspect that is millennial led. In the last four years therefore, the bank has focused on mentoring the youth so they can become leaders and build a better tomorrow. This is a great initiative because we have the second youngest population in the world. 80% of Uganda's work force is under the age of 35. If these are the people you are serving as an organisation, you have to be relevant to them.

As a millennial, we are often categorized under an age bracket but also through our thought process and how we perceive and do things. We have been labelled entitled, spoilt and we want everything now. An employer can choose to see that as a bad thing or as an opportunity. We are the most innovative generation. We move very fast and do not settle until we have achieved what we set out to do. If it is not working we lose interest. We are always looking for a new challenge and when we stop being challenged we get bored which breeds redundancy and productivity drops.

Stanbic Bank has been able to create for me an environment of curiosity giving me an opportunity to add value to our clients but also to facilitate my growth.

There is always the perception that banks are rigid but at Stanbic there is room for fluidity and mentorship).

66% of bank staff were **millennials, 31%** of whom held **management roles**.

Nurturing young talent

As a Bank we aim to attract and retain smart, independent thinkers who are focused, tenacious and energetic, and who will keep our business agile and innovative. We invest in hiring and developing young people with specialised skills and with the potential to become future leaders.

We are committed to developing young employees with future leadership potential, and invest in ongoing management and leadership development programmes to accelerate their career growth.

In 2018, as part of young leadership development, Stanbic Bank partnered with LéO Africa Institute to nurture and grow young leaders. This partnership trained and oriented values of self-advancement, integrity, social responsibility, and socioeconomic transformation under the Young and Emerging Leaders Project (YELP). The programme focused on millennials who are transforming communities and driving social change, to which 4 Bank young talent were trained.

In 2018, 66% of Bank staff were millennials, 31% of whom held management roles. The Bank continued developing an agile working environment that caters for characteristics, ambitions drive and energy of the millennials, to which a millennial strategic workstream was formed to drive cultural shift and build relevant millennial value propositions.

Stanbic Bank Internship Programme:

Stanbic Bank believes in nurturing talent and aspires to support development of practical skills, industrial knowledge and workplace experience towards enhancing employable outlook for students and recent graduates. To this effect, Stanbic Bank runs an Internship programme every year between May and October to provide relevant practical and enriching work experiences for students and recent graduates in various career areas.

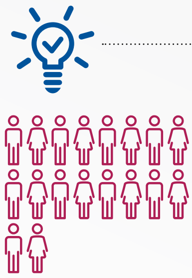
The Bank provides a platform for students to apply their knowledge to real work situations and learn to contribute in a workplace environment. The Bank further offers learning opportunities to interns, part of a contribution towards building employable skills that enable these students to join our external recruitment pool for future recruitments.

Over the past 3 years, 174 students and recent graduates have been supported through the Stanbic Bank Internship programme. (47 Interns in 2018).

Technology Investment on Employee platforms

The Bank upgraded its HR Management system SAP which provides capability for employees to self-serve with anywhere, anytime, any smart mobile device-access in line with the digital agenda. This employee self-service capability has eased employees work life cycle by automating processes like performance management, leave, overtime, salary and benefits information. In addition, it allows for speed of service delivery to staff and improved overall service experience. Furthermore, the HC People Portal aids progressive change management communications, taking on a multimedia approach to enhance effective communication for improved efficiency, communication, HC data and employee experience.

We continued to invest in simplifying employee HC processes with the automation of the relocation & club membership processes. There is continuous support in sensitisation on the automated tool aimed at enabling seamless employee interface.



Over the past 3 years, **174 students** and **recent graduates** have been supported through the Stanbic Bank Internship programme (47 Interns in 2018).

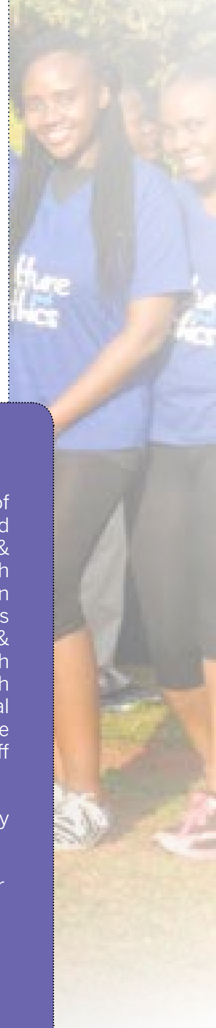
The wellbeing of our employees

At Stanbic Bank, we believe that employee health, wellbeing and improved quality of life impact on their productivity. We strive to create an environment that proactively engages and encourages our employees to adopt a lifelong commitment to making healthy choices which address their physical, mental & social wellness. When shaping and reviewing our people strategies, we believe and consider performance, engagement and organisational health.

We have partnered with Liberty Health insurance for access to the best health care in Uganda and the region, even in the management of acute cases in other locations of speciality. The Bank pays up to 75% of the medical care cost. Through Liberty Health, Stanbic Bank employees are able to access over 85 service providers spread out in different areas in the country, making accessibility to health solutions convenient for our employees.

The Bank provides 24-hour counselling services through The **International Counselling & Advisory Services (ICAS) platform**. This service is extended to all Staff and their families recognising that Staff are a representation of their environments and covers mattering cutting across family, work, legal and financial wellness. According to ICAS 2018 report, Uganda's individual Utilisation figure increased from 2.9% in 2017 to 3.7% in 2018.

The Bank has focused on providing support through the comprehensive wellness program not only focused on health but financial wellness as well.



Stanbic Bank Health month

The 2018 Health month aimed at enabling staff to understand the status of their own health & consistently track the same. The theme was reinforced by talks on ergonomics, health & fitness, reproductive health, safe water & children brain stimulation & building higher self-esteem. The health month reinforced simple, creative and cost effective ways to improve wellness in all dimensions of life whether at home or at work. Other wellness activities included: back yard gardening, breast cancer screening, eye checks & aerobics - dance classes, wellness clinics, Fitness centres etc. The health month involved participation by our key partners, such as, Liberty Health which engaged with staff and provide information and support on the medical benefits. Voluntary enabling Tessting services (VCT) - were facilitated by the Aids Information Centre (AIC) in preparation for the World AIDS day – for staff and customers in all major locations.

A total of 1,200 staff and customers across the country had the opportunity to learn and experience these interventions.

The 2017 Health and wellness event focused on detoxification, breast cancer screening, cervical cancer screening, medical insurance, bancassurance, physical fitness, health promoting products, eye checks, aerobics, stress management / work life balance. Several staff participated in the October event and explored simple, creative and cost-effective ways to improve wellness in all dimensions of life.

Sports Gala and Corporate League

The Bank also sponsors our employees to participate in sports activities like the monthly Corporate Leagues & Bankers' Gala to enhance fitness & brand loyalty. The Bank also sponsors the team to participate in country marathons like the MTN, NSSF and Cancer Marathons

Stanbic Bank Staff participated in the 2018 Bankers' Sports Gala & corporate league. The competition featured various games including football, basketball, volleyball, netball and indoor games. Other games included football, athletics, basketball and tug of war.

Mama's lounges for recent mothers

Stanbic Bank officially opened doors to **Mothers' rooms** at its head office locations. The Mama's Lounges purposed for lactating mothers were launched by the **Board Chairman, Japheth Katto**, together with the Bank Chief Executive, the Board and other executive members.

The initiative was planned to provide a convenient and clean space for mothers to express and store breast milk at work. This was in line with the Bank's commitment to equal opportunities for all by supporting and enabling mothers to continue working during breastfeeding month and be their best at work.

Our LOVE Oath

Bringing L.O.V.E culture to customer service excellence

The Bank continued to focus on promoting customer service excellence among and employees. The LOVE cultural shift was launched in 2018 to summarise our behaviours as people who **Leap** in to action, **Own** issues and owning it is from end to end, **Vow** to make it right and **Enlighten** with information. This was socialised as our service principles across the Bank and the Branch Shield to recognised teams that demonstrated excellent service, through our chosen behaviours, denoted by the L.O.V.E acronym.

The Bank recognized Bugolobi branch for excellence in customer service delivery. The branch beat 6 finalist branches out of 70 participating ones to emerge the overall service shield champion of 2018. The recognition was due to their performance over 2018 which spiked on account of good customer service.

Serving and satisfying customers Is very crucial, but what stood out with the Bugolobi branch was the ability to go the extra mile by listening to the customers, getting real time recognition of what the issues were, owning them and finding solutions to suit the operating environment.

Customer service delivery has improved over the last four years and continue to improve, as we focus on the L.OVE culture.

Learning and Development

Stanbic Bank invests in learning and development towards preparation of our people for the future. The Bank recognises that with the 4th industrial revolution, skills are going to be the currency of the future. It is therefore important to make sure our learning and development allows our employees to remain productive in the changing times. We have identified a couple of future skills at departmental level that we try to prepare our people for. Over 1,656 staff have been trained in identified future skills for theBank and over 7,000 videos and 300 courses completed during the Linked-In future skills campaign.

A big part of the learning and development was also focused on our strategic goals, the major one being customer centricity. We have had to up skill our employees on how to become more be customer centric. So that they are able to deal with the ever changing customer needs.

OUR CONTRIBUTION TO BUILDING CAPABILITY IN FUTURE SKILLS HAS REGISTERED TREMENDOUS SUCCESS SO FAR

99.5% (1,656) of the staff have completed a training in 2018

56% of training were compliance courses

421 classroom based **vs** 984 web- based interventions

Delivered 11 leadership development programs to **321** leaders

Delivered the 1st ever HC Pop-up week

Operations Academy:

The Operations Academy was conceived as part of the solutions towards responding to the pace of change, in and outside the Bank. The academy aim was to continuously build the agility of our people through skills development as well as nurturing the right business approach for the future.

The Academy comprised of a blended learning programme of formal training, mentoring / coaching and experiential learning.

The class of 2018 focused on our service promise - L.O.V.E for our customers, the Academy aimed to enable the Operations team build the skills needed to deliver exceptional experiences. The program provided opportunity to the participants to tackle real-world banking challenges through hands-on project work guided by in-house subject matter experts. The team tackled challenges in the areas of: **Cash cost management, Credit application management, Mentoring and coaching development**.

Our SEE shared value....

ANITA KUGONZA, Senior Manager Learning & Development:

To me, SEE is about is running a business that is deliberate about making a positive impact on the lives in the communities we serve today and in the future. It is about being honest to our purpose "Uganda is our home, we drive her growth". Therefore on a day to day basis I look out for ways to enable our employees discover their purpose and use that to impact their communities and Uganda at large. As L&D we also provide them with the knowledge and skills they need to develop and grow their careers. As the largest bank in the market it is about understanding that every action or inaction impacts a wider ecosystem and therefore we should be prudent but also bold and deliberate in all our actions.

Leadership and Mentoring For Stanbic Women: Ignite Women Leadership Development

Stanbic Bank in 2018, launched the Ignite Women's Leadership development Programme, which deals with leadership development to bridge the gap between men and women and equip women for leadership positions at the Bank. The programmed aimed at raising the leadership impact of women in the Bank, enhancing the potential of members to become authentic leaders, developing workable sustainable solutions and enabling higher accountability amongst the participants.

The platform enabled women build their skills and become empowered to grow professionally and transcend barriers and challenges in their careers. Each program run for 6 months with monthly topics and assignments for the members to complete, from which the alumni built a mentorship circle for other women across the Bank, ensuring that those women leaders through their behaviour, attitude & results pass on the knowledge to their reports and create a circular ripple effect, personally and professionally.

EMPLOYEE TESTIMONIAL

ELIZABETH LUWUGGE

MANAGER, HUMAN CAPITAL OPERATIONS

I joined the Bank when it was UCB, immediately after acquiring my Bachelor of Commerce degree from Makerere University. I was appointed as a trainee Banking Officer after which I was transferred to Masaka as a Branch Accountant. I then worked in the reconciliation department as a Payroll Manager until Stanbic took over. Through that transition period I was appointed Shared Services Manager handling recruitment, benefits, retrenchment as well as the entire integration processes of human resource. Currently, I am the Head of Shared Services in the Human Capital Department. Stanbic is a great bank and I am glad to be part of its journey. It is important to work in an institution that is not only focused on making money but also one that invests in the growth of its people. Over the time that I have worked with Stanbic I have found new challenges in my various positions and grown through them. In addition, working at the Bank has helped me create networks within the business, in the industry as well as the continent. I have had a lot of training through the years meaning I am not limited in the kind of work I can do. Being in one place does not always mean doing the same job and luckily, Stanbic is a big, vibrant bank with vast opportunities for growth. I believe once you make the right choice the first time, then there is no need to leave as long as there is continuous personal development.

Employers should work to ensure they create an environment that will make people want to come to work, a place of growth and opportunities. When an institution offers you productive challenges then you can work as long as possible.

Performance and reward

During the year, our team continued to have meaningful conversations about things that matter to them as they measured progress on the goals they had agreed earlier in the year. The People Portal continued to enable these conversations by being available and accessible 24/7 on all mobile platforms. Our performance management philosophy emphasises that performance management is something teams do together. It provides consistent and continuous clarity of vision and purpose through conversations, calibration and understanding for our people. The role of our values in performance management is critical and the process looks to uphold and stay true to them. We reward our people for superior performance and identify and address their development needs. In 2018, **74%** of our staff met or exceeded their goals maintaining the same percantage as the previous year which aligns with the Bank's performance. Our reward philosophy supports high performance, fairness, and a focus on total reward that is competitive.

Mark of Excellence and Beyond Excellence performance recognitions

All employees play an important part in delivering our promise to our customers. There are however those who went the extra mile and stood out in their performance in 2018. The Mark of Excellence and Beyond Excellence philosophies sought to reward outstanding performance for teams and individuals that set the example on our values and core strategic drivers around client obsession, risk management, team work, leadership, innovation and more.

Occupational Health and Safety

Occupational Health and Safety remains a key focus area for the Bank. In 2018 a number of actions were taken to address OHS requirements and ensure that employees have a safe and secure workplace. These initiatives include OHS specific inspections which were conducted at all Bank premises and GAP analysis done. The OHS requirements are now incorporated in the premises' maintenance plans. OHS guidelines were designed and circulated to all staff. Safety committees were also instituted and OHS officers trained. Additionally, full OHS risk assessment was incorporated on the 2018 work plan.

The bank has further received work certificates for all the Bank's branches from the Ministry of Labour. A total of 15 branches were refurbished in 2018 to ensure compliance with the OHS standards and a further 20 branches scoped for 2019. Further, staff were trained on first aid, fire safety, wellness, ergonomics and lifting techniques in areas where the work involves lifting more.

Compliance Practices

Changes in regulatory approaches, increased scrutiny at a national and global level, heavier fines and an emphasis on conduct, have contributed to increased awareness of the impact of regulatory compliance on the way in which business is conducted.

The overall objective for the Bank is to embed a culture of compliance in all areas of business and to ensure that all staff understand the different parameters within which they can operate.

The Bank has a robust compliance framework which ensures that we stay abreast with the evolving laws and regulations impacting our business so that it is conducted within statutory, supervisory and regulatory requirements, thereby mitigating regulatory sanctions and reputational risk. A comprehensive regulatory universe is in place with controls embedded and designed to ensure that the Bank remains compliant with all existing legislations, with continuous monitoring done.

AMOUNT OF TAXES COLLECTED ON BEHALF OF URA

3.9TN

REVENUE CONTRIBUTIONS TO THE NATIONAL BUDGETED AND 2018

↑ 18%

103BN **UShs**

2017: 87BN

Compliance Policy focus in 2018

The Compliance Policy Framework supports the Bank strategy by embedding a culture of compliance, which enhances the sustainability of the Bank as an ethical and trusted brand. To further harness the Bank's impact on society, the economy and the environment, the Compliance function has designed policies on themes such as Anti-Bribery and Corruption, Anti-Competitive behaviour, and data privacy among others.

Bribery and corruption is detrimental to economic, political and social development. It distorts market competition, undermines productivity and ultimately impedes sustainable economic growth. Effective anti-bribery and corruption systems and controls have been deployed to ensure that the Bank is protected from the risks of bribery and corruption.

Compliance with competition laws and managing a competition law compliance programme forms part of good business practice and corporate governance and is an integral part of the risk management strategy of the Bank. The Bank's focus on promoting fair trading, consumer choice, fair pricing and quality products ensures a robust competition law compliance programme.

The Bank has a duty to protect the personal information of its clients, employees, third party suppliers and business partners. This duty is supplemented by statutory privacy obligations such as the Data Protection and Privacy Act 2019 and European Union General Data Protection Regulations (GDPR) 2016. The Bank's Data Privacy Policy and Data Privacy Minimum Standards reinforce the requirement to conduct its business in accordance with applicable data protection legislation.

Regulatory Updates in 2018

Two Regulations were enacted in 2018; the Clearing House Rules and Financial Institutions (Capital Adequacy) Regulations 2018.

The Uganda Clearing House Rules and Procedures, 2018: the Clearing House Rules regulate the automated clearing of interbank payment instruments (direct credits, direct debits and cheques) to be exchanged among banks. The Rules also provide guidelines for other activities embedded in the clearing process such as currencies, settlement timelines, penalties for breaches as well as transaction fees.

The Financial Institutions (Capital Adequacy) Regulations 2018, The Financial Institutions (Capital Adequacy) Regulations 2005 were revoked and replaced with the Financial Institutions (Capital Adequacy) Regulations 2018. Key amendments include an increase in minimum capital funds unimpaired by losses of a licensed bank from UShs. 4 billion to UShs. 25 billion and increase in the core capital adequacy ratio from 8% to 10%.

Draft laws such as the National Payments Systems Bill, Anti-Money Laundering Amendment Regulations and the Financial Institutions (Deposit Protection Fund) Regulations are imminent in 2019.

Regulators and Government

At Stanbic Bank, our purpose is to drive Uganda's growth and fulfil aspirations of the people of Uganda. To deliver this, we strive to build strong partnerships with the Government of Uganda at a broader level and public sector organisations at a granular level. The breadth of our focus under the public sector captures the entire value chain of client relationships which includes Government (authorities, agencies, parastatals, Local Governments), Development Organisations (Embassies, High commissions, Donor agencies, Development partners) and United Nations Agencies clients within Uganda. The structure of our business ensures that services reach the intended grass root beneficiary.

We have a long history in the sector supported by our origins in Uganda as a bank of the people. We have maintained the culture of supporting Government programs and our commitment is manifested in some of the landmark transactions executed across Uganda's public sector.

Our support to the public sector is also reinforced by our revenue contributions to the national budget and 2018 saw us contribute UShs 103 billion in form of tax (direct and indirect) up from UShs 85 billion in 2017. We further collected over UShs 3.94 trillion in taxes on behalf of URA.

Customer Experience

Client centricity remains a key strategic priority of the Bank. Stanbic Bank strives to inspire its employees to connect to and deliver its promise to the clients. To achieve this, we have strengthened our culture and defined the standards for the culture we want to live that will in turn enable us consistently deliver an excellent and consistent experience to our clients.

Our customer focus means that we will be deliberate about understanding our customers and offer solutions and services that they need to achieve their goals; we continue to aspire to serve our customers quickly, efficiently, reliably and respectfully and continue to earn and keep our customers' trust. We measure our success in this area using customer experience, Net Promoter Score, Customer Service Index and Brand Appeal measures.

In 2018, the Bank implemented a culture change programme, part of which involved holding of a customer week with both internal and external activities to reinforce the importance of putting the customer at the centre of everything we do. We recognized about 1,000 customers that have banked with us for more than 35 years at our various branches. Our customers shared their testimonials of how the bank has enabled them achieve their life's dreams over the years. During the year the Bank also introduced the branch service shield, a campaign among the branch teams to strive to deliver an excellent and consistent client experience. This has supported the culture change programme and is driving the right behaviour with more teams striving to ensure they offer a good experience to their customers.

The Bank also carried out programmes to improve processes and systems by the agile methodology of delivering customer needs using the insights attained from our customers through direct engagements at the branch, forums, customer contact centres and from data generated through compliments and complaints we receive.

The Bank further made a number of process enhancements in the branches and enhanced client solutions and services as well as investing in enhancing the look and feel of our branches and ATMs to give our customers the best in class experience at our touch points.

WE COMMIT TO

1. **Understand our clients/customers and offer solutions that enable them to meet their financial needs and achieve their goals**

2. **Serve our clients quickly, efficiently, reliably and respectfully**

3. **Earn and keep our clients' trust**

Our SEE shared value....

CATHERINE KAKIIZA,
Service Quality Manager, PBB

To me SEE means recognising that our world is made of individuals that each have unique needs. Our understanding of each individual's needs and earning their trust as their trusted adviser will enable us find solutions to make progress real to improve their livelihood and in turn improve their environment and ability to create wealth. This we do by serving our customers quickly, efficiently, reliably and respectfully

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Leveraging Technology and Cyber Security

Consistent with our strategy to put the customer at the center of everything we do, the Bank has continued to invest in technology and innovation to significantly enhance customer experience while providing unmatched protection for your savings and the Bank's assets from cybercrime and other related technology risks. Over the last one year through leveraging our technology we have enabled our customers to;

- Complete International (cross border) payments 24/7 from the comfort of their homes or offices on our Internet Banking offering.
- Transact (inquiries, school fees and biller payments) from touch points closer to their homes or business locations through agent banking further reducing the cost of access to banking services, decongesting branches, collapsing service queues and playing a significant role in the financial inclusion journey.
- Make automated, secure and fast bulk deposits using our newly commissioned Cash Deposit Machines.
- Enjoy faster turn around time on cheque clearing by integrating the automated Clearing House systems including cheque truncation.
- Access instant overdrafts and unsecured loans through mobile and internet banking platforms.
- Access our prevailing and competitive forex rates from the comfort and convenience of their homes or work place using our online portals.

Additionally, in the technology space we have established high value strategic partnerships with fintechs to offer flexible and customer friendly payment solutions such as tax payments using debit or credit cards, school fees and shopping payments directly using mobile banking. Internally, we have re-organised to deliver our technology solutions using the scaled agile framework enabling us to respond to customer needs in quicker time frame.

Over the last one year we have also observed a continued exponential rise of the cyber threat characterised with financial impact in the cases of the Cosmos Bank of India, State Bank of Mauritius (India Operations), Punjab National Bank and City Union Bank in Asia; and massive data loss in case of Marriot Hotels, British Airways and Facebook. Our continued support for innovation is benefiting from our deliberate strategy to invest in and enhance our Information Security Management Capability over the years especially in the cyber security domain. To this end in the year 2018 the controls below have been successfully activated to provide superior cyber security in ensuring safety of our client value propositions;

- The Bank implemented a Network Access Control (NAC) solution to enhance baseline protection around the Banking systems. This controls ensures that only verified, authenticated and secure devices can connect to our networks.
- Consistent with the culture of proactively identifying and mitigating risk we completed Penetration Testing and Vulnerability Assessment for agent banking across all layers of integration and the issues identified addressed.
- We have completed upgrades on the privileged user management system Cyber-ark to enhance protection of our administrators against identity theft and to improve monitoring and recording of their activities for accountability. We also upgraded Database and File Activity monitoring to enhance the capability for detection of suspicious Database and File Activity on critical servers. We have also extensively reduced and restricted the use of elevated privileges through effective use of delegated rights capability.
- We enabled Multi-Factor authentication for the SWIFT system and access to email from the internet to mitigate the risk of identity theft and SWIFT heists.
- We successfully conducted our annual Cyber Security Incident Response Plan simulation to rehearse the critical roles, responsibilities and procedures of incident handling and to verify the effectiveness of our plans
- The Bank also successfully carried out the annual Failover and Disaster Recovery Tests to verify the effectiveness and veracity of DR plans to restore the critical infrastructure and supports our operations in the event of unavailability of our primary processing center. Subsequently we updated the Backup and Recovery policies and procedures to incorporate changes in systems, backup strategies and lessons learned
- We maintain a persistent staff awareness program on cyber threats and run routine Mock Phishing Campaigns to test staff vulnerability to phishing attacks.

The Bank will continue to deliberately harness advancements in technology for opportunities to better secure client transactions, protect personal information shared with us and enrich the options available to you to do business at your convenience.

Customer Satisfaction.

Year on year, we have continuously registered improvement in the Net Promoter Score (NPS) from +16 in 2017 to +29 in 2018. The Net Promoter Score is the main measure of customer satisfaction that we use and it is a question that seeks to find out whether customers would recommend the Bank to a family member, a friend or a colleague. The improved NPS rating is an affirmation of the focus we have placed as a Bank on the customer by putting the customer at the centre of everything we do supported by a number of other customer satisfaction metrics we track.

The feedback from the survey indicated that our customers promote us for the good products and services, quick and efficient service, for being accessible across the entire country, and for being a reputable and international Bank.

We were also pleased to learn that our customers are starting to promote us for the alternative channels that are making banking with Stanbic more convenient for both our bank and non-bank customers.

Our overall customer satisfaction saw an upward movement from 7.7 in 2017 to 8.1 in 2018 with notable increase in personal markets on account of improved customer service, brand image, wide range of products and services, footprint and quality of staff.

NET PROMOTER SCORE INCREMENT

↑ 81%

+29

2017: +16

This is supported by the transformation journey the Bank embarked on including upgrading our Customer Relationship Management tool to enable us have a single view of our customers and better resolution of customer queries and complaints across all our engagement channels. We continue to realign ourselves internally and adopt a more agile approach at work to enable us respond quickly to customer needs to be a relevant partner to them. We believe this will be enable our customers to grow and thus drive Uganda's growth.

Managing complaints

Our aim remained to develop a consistent approach to complaints-management aligned to regulatory requirements and ensure that customer complaints are handled in an accessible, transparent and efficient manner in line with the Bank's commitment to treating its customers fairly. The diversity of our client base by age, location, banking needs, nationality, business lines and gender means that every interaction with the Bank is an opportunity for us to make a memorable contribution to their lives but also means we can jeopardize this valuable relationship by being unresponsive to complaints from our customers.

Our strengthened customer complaints framework that embeds all Bank operations gave us the ability to collect real time feedback, and the opportunity to address it in a timely manner for improved customer experience. We launched the rate my service on email for relationship-managed segments and the option to use the USSD code *290*0# for customers that use our other channels to give us real time feedback on their interaction with us at any of our touch points. The real-time feedback from customers on their interactions with us gave us the opportunity to improve customer relationships and improve resolution of queries and complaints.

Identifying, tracking and solutioning root cause for systemic customer queries and complaints enabled us see a reduction in the top customer pain points. This continues to be a focus area across our departments as we continue to aspire to place the customer at the centre of everything we do. We have taken bold steps to create convenient platforms for our customers to give feedback at every touch point using our 24/7 Customer Care Centre, Rate my service on USSD and email, website, branches, media and social networks, email and postal correspondence and other channels that we continue to introduce. We further enhanced our quality assurance to ensure queries are resolved to the satisfaction of the customer on first call.

Inclusive customer value propositions

In 2018 we leveraged on the various Bancassurance products to enrich the Customer Value Proposition in Personal and Business Banking. We have seen a reduction in queues and improved customer experience at the branches through migration of customer deposits to Agent Banking and Cash Deposit Machines. This has resulted into freeing up time for the frontline staff to upskill through the Universal Banking academy to deliver enriched customer engagements beyond transaction processing.

As a Bank, we have taken bold steps to listen to our customers and develop solution for what matters most to them through our different customer engagement channels like Social Media, Enterprise Direct and the Incubator that deliver enhanced business customer relationship; and reviewed processes under customer journeys on onboarding, lending and cash. All these have resulted in the positive trend toward improved products and services.

Our SEE shared value....

EMMANUEL RUKEEBA
Head Products, PBB

SEE for me is how we truly personify our purpose, 'Uganda is our Home, We Drive Her Growth' to enable our customers create value and achieve their long-term goals. By proactively anticipating and providing superior relevant solutions to each of our customers, we create partnerships to a build a sustainable, integrated and fulfilling life and legacy. When we stay true to who we are and what we truly stand for, we enable stronger and competitive economic activities in a manner that ensures that we leave a better Uganda for the future generations.

Contributions to Society

NUMBER OF BENEFICIARIES REACHED

↑ 144%

295,254
2017: 120,285

Introduction

While achieving growth, Stanbic Bank continues to reaffirm its commitment to supporting and transforming the lives of people in our communities through our Corporate Social Investment (CSI) programmes, in line with our purpose, 'Uganda is our home and we drive her growth." We focus on developing sustainable programmes that have a positive impact and enable the communities to benefit in the long term.

The key focus area for our Corporate Social Investments is Education. We believe that quality education is critical to achieving social and economic growth. We therefore focus on creating sustainable interventions that support education at different levels including; early childhood development, primary and secondary level education, tertiary education, adult education in financial literacy and entrepreneurship training.

Through our renewed approach to social investments, our varied programmes reached over 295 254 beneficiaries in 2018, 144% up from 120,825 lives in 2017, through interventions in this report. We will continue to make progress towards improving the learning experience of our children and generally empower individuals with entrepreneurial skills to provide greater impact and generate long-term sustainable development in communities where we operate.

OUR FOCUS ON EDUCATION IN 2018 FOCUSED ON THE FOLLOWING AREAS

Primary School initiatives: Solar project with Mkopa to support the dwindling literacy levels and study test paper booklets for primary schools.

Secondary Schools: National Schools Championship. Flagship program that inspires excellence among secondary school students by sharpening critical thinking skills but most importantly skilling the students out of the classroom thus our theme: Empowering the Job cCreators of Tomorrow.

Millennial project: To empower our young minds to be proper thought leaders especially in areas of social entrepreneurship and social leadership projects to make Uganda the country we want.

Financial Literacy: Initiatives encouraging financial literacy among youth and adults especially low-income earners in partnership with the central bank and staff.

Our CSI interventions

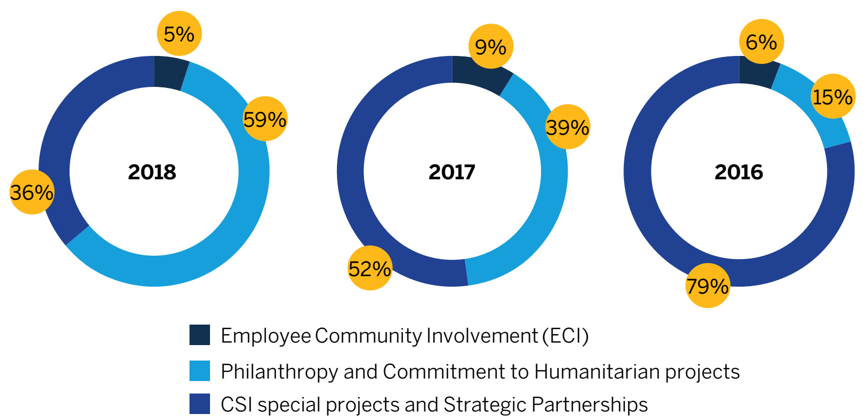
Our CSI reach and related Investment in society initiatives

Our Investment in society initiatives grew by 74% in the financial year 2018 to UShs 2 525 282 654, from UShs 1 450 886 855 in 2017. This was notably ahead of our revenue, that grew by 4% in the same period, further affirming our commitment to investing and supporting long term sustainable development in the communities where we operate.

CSI Intervention Reach (Number of Beneficiaries)	2018	2017	2016
Employee Community Involvement (ECI)	15 361	10 570	627
Philanthropy and Commitment to Humanitarian projects	173 739	47 448	1 474
CSI Special Projects and Strategic Partnerships	106 154	62 807	8 044
Total	**295 254**	**120 825**	**10 145**

CSI Investment	2018	2017	2017
CSI Investment (UShs)	**2 525 282 654**	**1 450 886 855**	**1 133 941 274**

CSI Intervention Reach (Number of. Beneficiaries)



CSI Special Projects and Strategic Partnerships

Our CSI Special Projects carry our flagship society interventions in areas of Education and Economic Development, with key programmes like the National Schools Championships, MKOPA solar project among others. The reach, size and uniqueness of these projects enables to partner with key institutions to further a shared commitment to developing the communities in which we operate. We've continued to harness the expertise and unique experience that partners bring in helping us achieve our shared mission.

The Stanbic Bank national schools championship

The Stanbic Bank National Schools Championship is Stanbic Bank's Flagship Education development initiative aimed at broadening participants skills and enabling applied business principles through the business start-up project thus the theme

"Empowering the Job Creators of Tomorrow". It's an exciting competition that saw students from 60 secondary schools participate in a series of educational activities.

The Championship involved five major stages i.e. classroom tests, oral quiz competitions, essay competitions, debate competitions and business execution competitions

Our Involvement

Stanbic Bank partnered with the Ministry of Education for the third season of the national schools' competition targeted for secondary schools across Uganda to stimulate students to sharpen their critical thinking, while enabling problem-solving skills and a thinking out of the box mentality while also learning a variety of skills sets (technical and soft skills).

The main objective is to enhance skills development through equipping participants with business and enterprise skills, exposing participants to a variety of vocational skills, training participants on basic financial education and life skills principles, promoting team work through group activities and educating participants on how to convert a business idea into a business plan. The teams were tasked to open business start-up projects that provided a practical simulation for the participants, create a competitive environment to bring out creativity, ingenuity and boost the participants self-esteem while empowering participants to become job creators

Impact/outcome

- **60 Patron teachers from 60 schools** were comprehensively inducted to help them prepare students for the competition.
- **6,000 students from 60 secondary schools** participated in the competition in which they were trained on the following skills among others; Financial Literacy, Leadership, Crisis Management, Conflict resolution, Selling skills, Communication and self-expression, and Entrepreneurship
- **Over 1m Plus students** and teachers plus community were also impacted by the different project ideas as well as the various financial literacy trainings in the various schools
- 4 Business projects executed
- **Solar Project for 700 students in Muni Girls**(all classes were put on solar) and water system for 4000 students in Kibuli Senior Secondary, UShs 7m worth of scholastic materials for Bweranyangi and Nakanyonyi Girls Schools

Stanbic Bank in partnership with LEO Africa to nurture young and upcoming Ugandan entrepreneurial talent

Stanbic Bank partnered with Leo Africa Institute on the Young and Emerging Leaders Project. The Young and Emerging Leaders Project (YELP) is an initiative of the LéO Africa Institute that annually inducts outstanding thought leaders into a fellowship program designed to train and orient values of self-advancement, integrity, social responsibility, and socioeconomic transformation. The fellowship imparts critical skills needed in leadership that transforms the individual and society around them. This is achieved through critical reflection sessions, conversations with leaders from various sectors, peer-to-peer sharing and readings about different leaders in Africa and the rest of the world. This initiative selects 30 young emerging leaders from around Africa

Our Involvement

Stanbic donated 47,939,500 towards this initiative because of the way it engages young talent as well as the follow-up initiatives it has in place to achieve success for its alumni.

Impact/outcome

- **Strategic networking opportunities** for these upcoming emerging leaders with mentors across the continent
- **Networking opportunities** with their own fellows Africa wide
- **Engaging and powerful leadership trainings** that at graduation make them join an elite group of emerging leaders that are recognized
- This platform also connects the fellows to a wide range of **investors and job opportunities**

Stanbic Bank in Partnership with MKOPA to light up Primary Schools

Stanbic Bank partnered with MKOPA:

1. To light up at least 20 schools with a focus on candidate classes and the library
2. To provide eco – friendly energy

The objective

Stanbic Bank contributed fifty million Uganda Shillings to the MKOPA project to provide and install Solar Home System Packages M-KOPA 5 Control Units to twenty (20) schools. The Partnership with MKOPA was to tackle the low literacy levels thus powering and library or a candidate class was a good initiative that assisted schools that were not on the electricity grid which is 99% of the UPE schools.

Impact/outcome

1. Students do not have to use lanterns to study and neither do they have to wait for lighting
2. Improved study hours there by improving quality of learning
3. These classes/libraries are also used by teachers to set and mark papers
4. The communities in which they operate now can have study hours as well for non-students (adult learners/book enthusiasts)

USAID/RTI reading card project in partnership with Stanbic Bank

USAID/Uganda Literacy Achievement and Retention Activity (LARA or "the Project") is supporting the Ministry of Education and Sports (MoES) to run a national Uganda Learning Campaign dubbed "Tusomere Wamu" meaning Let's Read Together. The Uganda Learning Campaign is aimed at improving parental engagement in their children's reading practice at home.

Our Involvement

Stanbic chose to support this project as we know that these early years are critical formative years and the essence of a good foundation. Stanbic contributed UShs 20m towards this initiative.

Impact/outcome

- The cards reached **30,000 students**
- In places like Buvuma island Literacy levels in schools **increased by 40%**
- **Parents are now more inclined in the children going to school** due to the fact that these cards not only cater for the students but are a learning tool for the parents and guardians as well
- The cards have made the teachers **work easier as they enable teachers** teach proper etiquette while improving literacy and reducing the reliance on text books as they tend to be expensive for these schools

Other CSI Special Projects and Strategic Partnerships

Initiative/ Project	Our Involvement and Impact	Contribution	Beneficiaries
MTN Marathon	Partnership with MTN to run for a cause – Maternal Health	250 000 000	42 000
Business Incubator	Business incubator program to support and nurture SMEs	600 000 000	514
UCU scholarships	Stanbic Bank Scholarship fund	50 830 000	21

Philanthropy and Commitment to Humanitarian projects

At Stanbic Bank we are cognizant of the fact that every community is different and their needs are divergent. We provide both financial and in-kind support to our communities to enable each of them reach their distinct goals. In 2018, we contributed to a wide variety of initiatives in form of donations and sponsorships. Below are some of the key initiatives we supported:

NSSF hash run

NSSF has been holding a seven hills hash run for the last 4 years with the aim of reconstructing public schools

Involvement: Stanbic partnered with NSSF to raise UShs 400m to give back to KCCA Schools. Stanbic Contributed UShs 15m towards this initiative and also involved the staff members to run for a good cause

Impact: All proceeds went towards the renovation of structures of St. Paul Primary school, Nsambya and Mbuya Primary School.

Rotary cancer run

Rotary Uganda holds an annual cancer run whose proceeds go towards buying two linear accelerators and construction of a bunker in Nsambya. The estimated cost for this is UShs 18bn thus the theme 2018 "keep running"

Our involvement: Stanbic contributed UShs **10 million shillings** towards this initiative and over 60 staff members participated.

Impact: the new and finished center will cater for **300 students with proper inhouse facilities**

Angels center

Angels center focuses on educating and integrating children with down syndrome, cerebral palsy and autism. The center houses 89 children and 64 in the outreach program

Our Involvement

We donated UShs 7m towards the ground breaking of the center as they were building a bigger facility to cater for more students

Impact/outcome

The students now have text books in braille for them to read. They also got walking canes as well that they can use to move around freely

Gulu Sports Tourism International

Gulu Sports Tourism International runs programs that promote tourism through sports while heavily engaging schools

Our Involvement

Stanbic donated UShs **5 million** towards this initiative as it promoted sports in schools and also made this into a tourism attraction that made it an income generating activity

Impact/outcome

Over **1500 students** were involved in this initiative and the community was also greatly impacted due to the activities around the sports events

Salaama school of the blind in Mukono

Salaama school of the blind in Mukono is home to 100 plus blind children. There are only two schools for the blind in the whole country. They are low on everything. However, the school teaches a lot of integration programs so that these students can fend for themselves once done with primary school

Our Involvement

We gave scholastic materials for the blind worth UShs 10m to help the teachers and students move freely but most importantly have the braille reading material and tools needed for class work

Impact/outcome

The students now have text books in braille for them to read. They also got walking canes as well that they can use to move around freely

Other philanthropy and sponsorship projects:

Initiative/ Project	Our Involvement and Impact	Contribution	Beneficiaries
Donation Boxes	Boxes for FUFA CSI partnership	4 500 000	50 000
USAID - Bududda	Support for Bududa victims	10 000 000	20 000
Irene Gleeson Memorial	Charity walk to contribute towards the construction of a community library in Kitgum	5 000 000	10 000
Iftar Donations total	Iftar handover of items	25 000 000	8 000
Uganda RED Cross	Health Literacy programs across Buliisa, Kampala, Iganga and Mbale	20 000 000	5 000
Hoima Kingdom	Coronation day celebrations	2 000 000	5 000
Church of Uganda	Uganda Martyrs Commemoration 2018	10 000 000	5 000
Uganda Youth Parliament	2018 youth parliament programs	5 000 000	5 000
UPDF	ECI workplace banking - Building a Recruiter shed	10 000 000	5 000
Rotary Club of Bugolobi	Family Health day	1 000 000	5 000
Rotary District Conference	Partner with Rotary to host the Rotary 93rd District Conference and Assembly	15 000 000	4 000
One-dollar HIV initiative	Sponsorship	5 000 000	3 500
China Uganda Conference	Conference held at Serene Suites	3 000 000	2 500
Arts R US	Arts children festival day from 3 to 11 years	10 000 000	2 000
Sports Tourism International	Promoting Tourism in the North through sports	5 000 000	1 500
Directorate of Interpol and International Relations Uganda Police force	Buy a new printer for the unit	12 900 000	1 500
Concern for the girl child	Fundraising cocktail	1 000 000	1 500
Rising Star Football Academy	Recreation and Education soccer outreach program for under-privileged children in Gayaza	10 000 000	1 200
Busega Youth Development	Entrepreneurship skills development training	3 300 000	1 000
School for the physically handicapped	The school is holding an event to give back	6 000 000	500
Rotary club of Kabarole	Contribution towards an ambulance project	2 000 000	500
Wipe tears Africa	Christmas party and gifts	1 000 000	300
Braille Press (U) Limited	Financial assistance to print Braille books for the blind	10 000 000	150
Kampala City Deaf Football	NDC Edition Tournament	1 500 000	120
Rotary Club of Kampala Ssese Islands	Support towards a school construction in Ssese Islands	3 000 000	80

Our SEE shared value....

GRACE MUWANGUZI,
Manager Change, Service Quality

To me, SEE is about understanding our employee and clients individual needs, to enable their contribution to Uganda's growth as a whole, in their own unique way. Each individual and company has a special purpose in the grand scheme of things. Our role in making this a reality makes me proud to be part of Stanbic Bank.

Employee Community Involvement (ECI)

Through our Employee Community Involvement program, we encourage staff to actively volunteer on community programs they are both passionate about and are aligned with our CSI focus areas. The Bank through its Grant Matching policy extends the impact of volunteerism by contributing to causes that staff have donated. In 2018, over 340 staff volunteered their expertise, time and financial contributions to help solve some of the social challenges encountered by our communities.

Besides grant matching, our staff also volunteer on some of the programs that the bank is undertaking such as the MTN, NSSF and Rotary marathons. In all, our volunteering programs, we focused on building on our staff's talents and skills to make a positive difference within the communities. We are confident that encouraging volunteerism and engaging staff in CSI activities they are truly passionate about makes them believe in our mission and work towards delivering on it while supporting their leadership development thereby creating a lasting transformation in the communities where we operate. Below are key Employee Community Involvement (ECI) initiatives;

Gulu Branch- Financial Literacy training

Market vendors especially women were lacking in financial literacy skills thus having a lot of issues around saving money habits.

The team in Gulu saw a niche that they could help grow through financial literacy trainings and we gave UShs 2m towards this initiative

Impact/outcome

- Improved saving habits
- Most of these vendors realised the value of having a bank account and opened one.
- The branch was consequently considered as a place to go for financial advice not just account opening which was a great value add to the community

Finance department CSI – Donation to the Kampala School for the Physically Handicapped

Kampala school for the physically handicapped is one of the few schools in Uganda that has a primary and vocational school for the physically handicapped children. Due to the integration into schools being difficult, the school focuses on getting the basic primary school learning tools for these children and sending them to vocational school which is within the same campus so that they can be able to fend for themselves

Challenge:

Barely 5% of the physically handicapped children go through secondary school. And of those that make it very few are able to be integrated into the work force leaving a lot of them on the streets.

Our involvement:

The finance department offered to support and provide assistance to the Kampala School for the pyhisically handicapped children. The team donated 2 water tanks to improve access to clean water, assorted food stuffs and internet connection to enable learning. The team further donated UShs 7 million towards other scholastic needs for the children.

Impact/Outcome:

Access to clean water, assorted food stuffs and internet access for 180 boarding children and 500 day school children.

Marketing department CSI – Donation to Loving hearts

Loving hearts babies home was started by Africa Renewal Ministries to speak to the prostitutes/ underage abandoned babies.This home caters for kids aged between 0 -3 years and also houses an adoption agency where over 200 babies have been adopted over time to worthy families

Challenge:

Makindye area has a high rate of prostitution. Last year alone recorded abandoned babies were over 100+ and that's those that we knew. Sanyu babies home that is in the same vicinity was always full to capapcity plus the adoption of these babies to Ugandan families was a challenge. At the moment loving hearts can only take 34 thus its also full to capacity and with very few resourses

Our Involvement

The marketing department reached out to help during the christmas season for the home was running low on supplies as donor monies had dwindled. The team donated 5m worth of food, toiletry and sanitary items towards this initiative

Impact/outcome

- These children had enough supplies through the season
- Some team members also introduced friends that could be potential adoption parents

Biira COU Primary School – PLE past paper donation

The Operations department has been dedicated to supporting Biira COU primary school for 3 years now. Supporting the growth of this school has been transformational

Challenge

UPE schools have a lot of challenges that affect them from lack of food, to poor infrastructure and lack of scholastic materials. Biira is one of the schools that is challenged with the same issues.

Impact/outcome

Over 150 will be able to properly prepare for their exams

Our Involvement

The team **donated PLE past papers that will assist over 150 students** as they prepare for their primary leaving exams. This was a challenge for the school that the team identified and rose to solve the problem

Other Employee Community Involvement (ECI) initiatives:

Initiative/ Project	Our Involvement and Impact	Contribution	Beneficiaries
Arua Branch	Muni Girls return parade	2 927 500	10 000
Kisiizi hospital Rukungiri	Social support for the hospital to assist with the basic needs especially after the floods hit	2 000 000	1 500
Entebbe Municipal Council	Marathon to support Public Schools	2 000 000	1 000
Wakisa Ministry	Metro ECI - Women empowerment		700
Nyaka Foundation	Learning to fly children project	10 000 000	332

Environmental Responsibility

Climate change has never been more important than it is today in order to secure the sustainability of not only humans but also that for other species as well. Good environmental practices are encouraged as they secure the wellbeing of the general economic divide. This section assesses the bBank's impacts on living and non-living natural systems, including ecosystems, land, air, and water. Environmental Indicators cover performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions, effluents, waste). In addition, they cover performance related to biodiversity, environmental compliance, and other environmental expenditure and the impacts of bank products and services.

Stanbic Bank Holdings Limited is committed to the support of the environmental conservation programmes through ensuring use of adequate infrastructure, tools and methods for environmental sustainability. The Bank's employees' awareness and training programmes are designed to address environmental requirements. Bank operations are governed by standard processes and procedures that promote varied aspects of environmental sustainability.

Stanbic Bank Holdings' Limited goal is to reduce environmental emissions through green technologies and processes. We subscribe to the same Environmental Policies of Standard Bank Group. The Bank continuously tracks the consumption trends for its energy resources including water, diesel and electricity and implements any observed/recommended requirements for dealing any deviations from the desired trends.

Energy Management Awards 2018

Stanbic Bank was recognised for its work in energy management. The Bank was recognised for the best energy management practices in Financial Services at the first **Energy Management Awards** in Uganda. This was organized by the Ministry of Energy in partnership with GIZ - German Cooperation and Electricity Regulatory Authority, the award ceremony was held on **31st August 2018 at the Pearl of Africa Hotel**, Kampala.

The accolades were: **Winner Energy Awards Commercial Buildings and Overall Winner Best Energy Management Practices, Service Sector**. This was in recognition of the energy management practices at both Umoja and Crested Towers resulting in a 31% drop in utility bills. Notable of these practices is the LED project across the Bank Network and AC automation at Umoja House which saved the Bank over *UShs 1.43 Billion.*

This remarkable achievement was a result of the solid 3 year energy management strategy comprising the following initiatives and practices:

- Replacement of high wattage Fluorescent tubes with LED lights across its Bank Network.
- AC automation in Branches and Umoja House.
- Alternative Power solution in Kaabong which does not have grid power supply.
- Power backups like UPS and automated Generators.
- Ability to remotely monitor most of the electrical equipment's and consumption of fuel and electricity at some Branches and offsite ATMs.

Environmental Highlights

		2018	2017	2016
Electricity purchased	kilowatt hours	**4,806,373**	4,916,616	4,063,358
Fuel consumed	liters	**476,498**	519,755	543,205
Water consumed	kiloliters	**24,268**	21,980	18,800
Paper consumed (Copier)	tons	**57**	73	66
Paper consumed (Other)	tons	**106**	124	107
Carbon Emissions	tons	**7,371**	8,343	6,133

Energy Consumption

Energy consumption has a direct effect on operational costs and exposure to fluctuations in energy supply and prices. Our environmental footprint is shaped in part by our choice of energy sources. Energy utilized at Stanbic Bank is basically in the form of hydro-electric power that is required to power up out machines and at the same time provide lighting amongst other uses. Hydroelectric power is regarded as clean energy and thus doesn't pose any negative material impact to the environment. The Bank however runs diesel powered generators as back up supply for instances when the hydroelectric power is unavailable. There are two locations without Grid power supply i.e. Kotido and Kaabong and these had two generators each. Solar power supply system was installed at these locations last year after a successful proof of concept and it's now used as a primary source with one generator at each site as a backup. Alternative sources of power that are robust enough to run full branch infrastructure with no/ minimal impact to the environment are being explored and once confirmed to be suitable, a proof of concept will be carried out before adopting the solution.

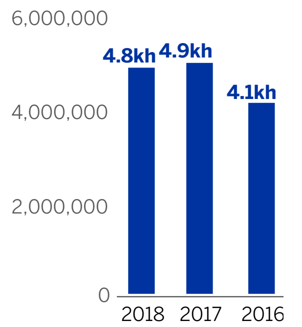
		2018	2017	2016
Electricity purchased	kilowatt hours	4,806,373	4,916,616	4,063,358

Our electricity consumption reduced in 2018 and this is attributed to various initiatives undertaken to reduce our total energy consumption despite the addition of new equipment in the network like the Bulk Note Acceptors (BNAs).

Energy efficiency initiatives implemented includede deployment of LED lights and automation of air conditioners for branches that underwent revamp.

Further, sensitisation was carried out across the network on energy usage and this has also greatly contributed to reduction of energy usage, this is coupled with reduction in the size of a number of branches over 2018.

ELECTRICITY PURCHASED



Fuel Consumption

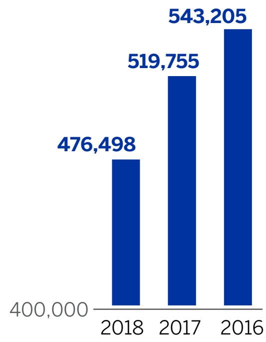
Fuel Consumption has a direct impact on the emissions released to the environment. At Stanbic, our fuel usage usually comes in the form of Motor Vehicle and Generator Fuel. Stanbic utilises electronic tracking & monitoring of fuel technology for both Vehicles and generators in order to check efficiency and total consumption by the bank.

		2018	2017	2016
Fuel consumed	liters	476,498	519,755	543,205

Fuel consumption reduced in 2018. This is attributable to the sensitasation of the network on efficient usage, timely engagements with Umeme to restore power and replacement of old and high fuel consuming generators with more efficient new generators. 8 new generators were installed at different branches to replace old and high fuel consuming Generators.

Further, solar power system was installed in Kotido and Kaabong to provide 24/7 Power supply and minimize dependency on generator as a sole power source.

FUEL CONSUMED



Materials

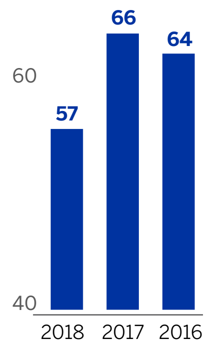
Our value creation process requires marginal input of materials and as such our major input is paper which is used in form of stationery of varied nature. This is used to print necessary source documents as well as various reports.

		2018	2017	2016
Paper consumed (Copier)	tonnes	57	73	66
Paper consumed (Other)	tonnes	106	124	107

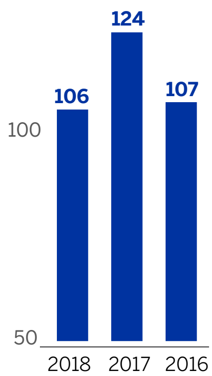
Paper consumption reduced in 2018 compared to the consumption in 2017. This is attributed to launch of paperless deposits, ramp up on our digitalization and Digitisation strategy as well as increased sensitisation on paper usage across the network.

This is expected to drop further once the paperless initiatives in place are fully adopted.

PAPER CONSUMED (COPIER)



PAPER CONSUMED (OTHER)



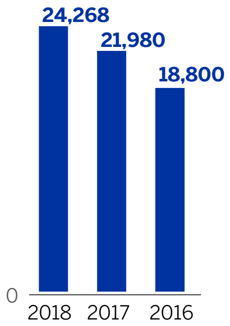
Water Usage

Clean fresh water is becoming increasingly scarce, and can impact production processes that rely on large volumes of water. Our value chain at Stanbic Bank does not require significant volumes of water and as such much of the water used is for basic laundry and sanitary services. The levels of water consumption do not pose a systemic risk to the environment.

		2018	2017	2016
Water consumed	kiloliters	24,268	21,980	18,800

The increasing trend in water over the years' results from a general increase in operations over the years. A number of branches specifically upcountry ones were revamped and fitted with two toilets (Male and Female) and a kitchen which in turn increased on water usage.

WATER USAGE



Green House Gas Emissions

Greenhouse gas emissions are the main cause of climate change. In July 2015 Uganda signed to the ratifications of the Kyoto Protocol an initiative of the United Nations Framework Convention on Climate Change. Under the Protocol, countries' actual emissions have to be monitored and precise records have to be kept of the trades carried out. Much of our value chain doesn't result into significant emissions into the environment, our operational practices however, cause emissions to the environment which arise in form of motor vehicle and Generator diesel combustion, flight, air- conditioning and Fluorescent emissions. Various initiatives are currently in place to reduce our emissions to the environment as indicated further on.

		2018	2017	2016
Carbon emissions	tons	7,371	8,343	6,133

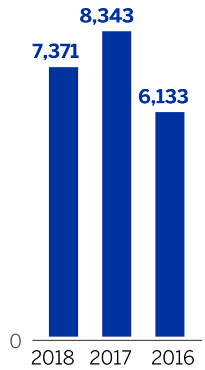
Our carbon footprint decreased in 2018 driven majorly by our lower reliance on diesel due to power stability and replacement of generator power with solar energy as well as a drop in commercial flights.

Various initiatives were undertaken in 2018 to reduce our carbon foot print and these include installation of alternative energy supply systems such as solar power to branches that do not have grid supply and were fully relying on generators.

Remote energy monitoring systems were also installed at key branches for real time monitoring of the energy supply and trends to further inform optimisation decisions/ actions

Automatic air conditioners which do not require human control were installed during the year. These are automatically switched off at specific times and switch on relative to given temperatures.

CARBON EMISSIONS



Strategic Environmental Initiatives

The Bank continues to take deliberate steps to cut down its energy consumption and optimize the spend on energy. To this end the following initiatives are being driven;

- Proposal to have ammonium powered generators – this project is under pilot with engagements underway with Ministry of Energy. It is projected to cut down the fuel costs by 20%.
- Proposal to install solar energy in other remote branches mainly in the North where hydro energy is very unstable leading to frequent usage of generator power which increases fuel costs. This will result into a 10% saving on fuel costs in 2019.

Reporting Practices

GRI Index

The 2018 Sustainability report was compiled in reference to the Global Reporting Initiative (GRI) guidelines and supported by the G4 Financial Services Sector Supplement.

CLAIM: Material references Disclosures 102(1-39), GRI 201(1-4), GRI 202(1-2) GRI 203(1-2), GRI 204 (1), GRI 205 (1-2), GRI 206(1) GRI301(1-3), GRI 302(1-5), GRI 303(1-3), GRI 304(1-3), GRI 305(1-7), GRI 306(1-5), GRI 307(1), GRI 308(1-2), GRI 401(1-3), GRI 402(1), GRI 403(1-4), GRI 404(1-3), GRI 405(1-2), GRI 406(1), GRI 407(1), GRI 408(1), GRI 409(1), GRI 410(1), GRI 411(1), GRI 412(3), GRI 413(1-2), GRI 414(2), GRI 415(1), GRI 416(1-2), GRI 417(1-3), GRI 418(1), GRI 419(1)

Disclosure Number	Description	Required for CORE	Cross Reference/ Heading	Page Reference
102-1	Name of the organisation	Core	About Stanbic Bank Holdings Limited	4
102-2	Activities, brands, products, and services	Core	Our products and services	9
102-3	Location of headquarters	Core	Company information	211
102-4	Location of operations	Core	Our footprint and Our branches	8 & 212
102-5	Ownership and legal form	Core	Who we are	6
102-6	Markets served	Core	Who we are	6
102-7	Scale of the organisation	Core	Who we are	6
102-8	Information on employees and other workers	Core	Investing in our employees	69-75
102-9	Supply chain	Core	Our Products and Services	9
102-10	Significant changes to the organisation and its supply chain	Core	Our Strategy - The future	40-41
102-11	Precautionary Principle or approach	Core		N/A
102-12	External initiatives	Core	Direct benefits to society	82-92
102-13	Membership of associations	Core		N/A
Strategy				
102-14	Statement from senior decision-maker	Core	Chief Executive's Sustainability Statement	48
102-15	Key impacts, risks, and opportunities		Compliance practices	78
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	Core	Covered in our values	7
102-17	Mechanisms for advice and concerns about ethics		Risk Management and Control	102-114
Governance				
102-18	Governance structure	Core	Corporate Governance	123
102-19	Delegating authority		Corporate Governance	123
102-20	Executive-level responsibility for economic, environmental, and social topics		Corporate Governance	N/A
102-21	Consulting stakeholders on economic, environmental, and social topics		Corporate Governance	120
102-22	Composition of the highest governance body and its committees		Corporate Governance	121
102-23	Chair of the highest governance body		Corporate Governance	118
102-24	Nominating and selecting the highest governance body		Corporate Governance	121
102-25	Conflicts of interest		Corporate Governance	121
102-26	Role of highest governance body in setting purpose, values, and strategy		Corporate Governance	121
102-27	Collective knowledge of highest governance body			121
102-28	Evaluating the highest governance body's performance		Corporate Governance	126
102-29	Identifying and managing economic, environmental, and social impacts		Risk Management and Control	102-114
102-30	Effectiveness of risk management processes		Risk Management and Control	102-114
102-31	Review of economic, environmental, and social topics		Corporate Governance	120
102-32	Highest governance body's role in sustainability reporting		Corporate Governance	120
102-33	Communicating critical concerns			N/A
102-34	Nature and total number of critical concerns			N/A
102-35	Remuneration policies		Remuneration Report	128-129
102-36	Process for determining remuneration		Remuneration Report	128-129
102-37	Stakeholders' involvement in remuneration		Remuneration Report	128-129
102-38	Annual total compensation ratio		Remuneration Report	128-129
102-39	Percentage increase in annual total compensation ratio		Remuneration Report	128-129

Stakeholder Engagement				
102-40	List of stakeholder groups	Core	Stakeholder Engagement	64-66
102-41	Collective bargaining agreements	Core		N/A
102-42	Identifying and selecting stakeholders	Core		N/A
102-43	Approach to stakeholder engagement	Core	Stakeholder Engagement	64
102-43 **102-44**	Approach to stakeholder engagement Key topics and concerns raised	Core	Stakeholder Engagement	64
102-45	Entities included in the consolidated financial statements	Core		N/A
Reporting Practice				
102-46	Defining report content and topic Boundaries	Core	About this report	49
102-47	List of material topics	Core	About this report	49
102-48	Restatements of information	Core		N/A
102-49	Changes in reporting	Core		N/A
102-50	Reporting period	Core	Our Report	49
102-51	Date of most recent report	Core	Our Report	49
102-52	Reporting cycle	Core	Our Report	49
102-53	Contact point for questions regarding the report	Core	Supplementary Information	211
102-54	Claims of reporting in accordance with the GRI Standards	Core	GRI Index	97
102-55	GRI content index	Core	GRI Index	97-100
102-56	External assurance	Core		N/A
Management Approach				
103-1	Explanation of the material topic and its Boundary	Core		N/A
103-3	Evaluation of the management approach	Core	Chief Executive's Statement	24-26
Economic Approach				
201-1	Direct economic value generated and distributed		Value added statement	63
201-2	Financial implications and other risks and opportunities due to climate change		Environmental Responsibility	94-96
201-3	Defined benefit plan obligations and other retirement plans			N/A
201-4	Financial assistance received from government			N/A
Market Presence				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage			N/A
202-2	Proportion of senior management hired from the local community			N/A
Indirect Economic Impacts				
203-1	Infrastructure investments and services supported			N/A
203-2	Significant indirect economic impacts		Covered in Environmental Responsibility	94-96
Procurement Practices				
204-1	Proportion of spending on local suppliers		Covered in Building a responsi-ble business.	68
Anti-Corruption				
205-1	Operations assessed for risks related to corruption			N/A
205-2	Communication and training about anti-corruption policies and procedures		Compliance Practices	78
205-3	Confirmed incidents of corruption and actions taken			N/A
Anti-Competitive Behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Compliance Practices	78
Materials				
301-1	Materials used by weight or volume		Environmental Responsibility	94-96
301-2	Recycled input materials used			N/A
301-3	Reclaimed products and their packaging materials			N/A
Energy				
302-1	Energy consumption within the organisation		Environmental Responsibility	94
302-2	Energy consumption outside of the organisation		Environmental Responsibility	94
302-3	Energy intensity		Environmental Responsibility	94
302-4	Reduction of energy consumption		Environmental Responsibility	94
302-5	Reductions in energy requirements of products and services		Environmental Responsibility	94
Water				
303-1	Water withdrawal by source		Environmental Responsibility	95
303-2	Water sources significantly affected by withdrawal of water		Environmental Responsibility	95
303-3	Water recycled and reused		Environmental Responsibility	95
Bio-Diversity				

304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			N/A
304-2	Significant impacts of activities, products, and services on biodiversity			N/A
304-3	Habitats protected or restored			N/A
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations			N/A
Emissions				
305-1	Direct (Scope 1) GHG emissions		Environmental Responsibility	96
305-2	Energy indirect (Scope 2) GHG emissions		Environmental Responsibility	96
305-3	Other indirect (Scope 3) GHG emissions		Environmental Responsibility	96
305-4	GHG emissions intensity		Environmental Responsibility	96
305-5	Reduction of GHG emissions		Environmental Responsibility	96
305-6	Emissions of ozone-depleting substances (ODS)		Environmental Responsibility	96
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions			N/A
Effluents and Waste				
306-1	Water discharge by quality and destination		Environmental Responsibility	96
306-2	Waste by type and disposal method			N/A
306-3	Significant spills			N/A
306-4	Transport of hazardous waste			N/A
306-5	Water bodies affected by water discharges and/or runoff			N/A
Environmental Compliance				
307-1	Non-compliance with environmental laws and regulations			N/A
Supplier Environmental Assessment				
308-1	New suppliers that were screened using environmental criteria			N/A
308-2	Negative environmental impacts in the supply chain and actions taken			N/A
Employment				
401-1	New employee hires and employee turnover		Investing in our employees	69-75
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Investing in our employees	69-75
401-3	Parental leave		Investing in our employees	69-75
Labour / Management Relations				
402-1	Minimum notice periods regarding operational changes			N/A
Occupational Health and Safety				
403-1	Workers representation in formal joint management–worker health and safety committees		Investing in our employees	77
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		Investing in our employees	77
403-3	Workers with high incidence or high risk of diseases related to their occupation		Investing in our employees	77
403-4	Health and safety topics covered in formal agreements with trade unions		Investing in our employees	77
Training and Education				
404-1	Average hours of training per year per employee		Investing in our employees	69-75
404-2	Programs for upgrading employee skills and transition assistance programs		Investing in our employees	69-75
404-3	Percentage of employees receiving regular performance and career development reviews		Investing in our employees	69-75
Diversity and Equal Opportunity				
405-1	Diversity of governance bodies and employees		Investing in our employees	69-75
405-2	Ratio of basic salary and remuneration of women to men			N/A
Non-Discrimination				
406-1	Incidents of discrimination and corrective actions taken			N/A
Freedom of Association and Collective Bargaining				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk			N/A
Child Labour				
408-1	Operations and suppliers at significant risk for incidents of child labor			N/A
Forced and Compulsory Labour				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor			N/A
Security Practices				

410-1	Security personnel trained in human rights policies or procedures			N/A
Rights of Indigenous People				
411-1	Incidents of violations involving rights of indigenous peoples			N/A
Human Rights Assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments			N/A
412-2	Employee training on human rights policies or procedures		Investing in our employees	68-73
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening			N/A
Local Communities				
413-1	Operations with local community engagement, impact assessments, and development programs		Contributions to society	82-87
413-2	Operations with significant actual and potential negative impacts on local communities		Contributions to society	82-87
Supplier Socio Assessment				
414-1	New suppliers that were screened using social criteria			N/A
414-2	Negative social impacts in the supply chain and actions taken			N/A
Public Policy				
415-1	Political contributions			N/A
Customer Health and Safety				
416-1	Assessment of the health and safety impacts of product and service categories			N/A
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services			N/A
Marketing and Labeling				
417-1	Requirements for product and service information and labeling			N/A
417-2	Incidents of non-compliance concerning product and service information and labeling			N/A
417-3	Incidents of non-compliance concerning marketing communications			N/A
Customer Privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data			N/A
Socioeconomic Compliance				
419-1	Non-compliance with laws and regulations in the social and economic area			N/A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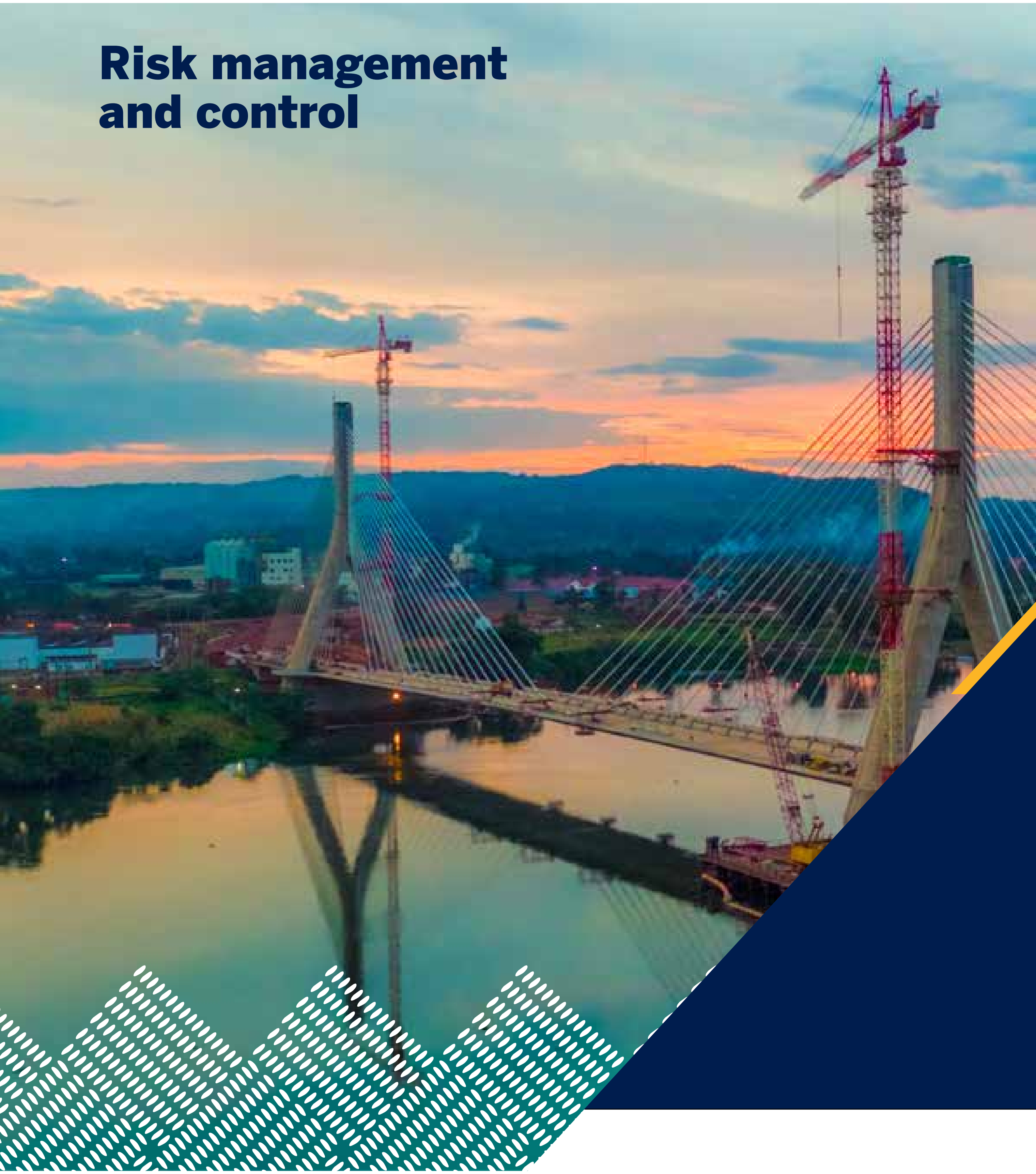
Risk management and control



Risk report

Reflections on the year

2018 saw several developments in our market and globally that required robust management of risks within our banking activities. Economic growth of the country recovered in the last quarter of the year, trending in the range of 6.5%, and it is anticipated that the growth mark of 7% could even be surpassed if Oil and Gas related infrastructure investments stay on track. Headline and core inflation were on an upward trend for most of the year, driven by depreciation of the shilling and global oil prices.

Following the record low monetary policy environment that was held at 9%, domestic financial conditions slightly tightened; with an increase in the Central Bank Rate to 10%, coupled with increases in lending and market interest rates across the industry. We have proactively managed our exposure to quality credit risk and to appropriate concentration mix in all sectors.

As the customer led shift of local bank operating models progresses to simpler, more convenient, more transparent, and more readily personalised services, it is becoming increasingly important for the Bank to remain forward-looking in its management of the risk environment. Through the continuous assessment and modelling of current and emerging risks, the Bank is better equipped to identify these potential risks and manage them effectively.

Financial crime and cyber risk remain key focus areas, of concern for the Bank as highlighted by the increase in the number of incidents that have been reported in the local and international media. Distributed denial of service and ransomware attacks are an increasing threat to financial institutions and we continually invest in strengthening our capability to prevent detect and respond to such attacks.

Introduction

Managing risk

Effective risk management is of primary importance to Stanbic bBank's overall operations. Throughout its history, the bank has maintained a conservative but pragmatic and consistent approach to risk, helping to ensure we protect customers' funds, lend responsibly and support the economy of the country. By diligently aligning our risk appetite to our strategy, we aim to deliver long-term shareholder returns.

All employees are responsible for the management of risk, with the ultimate responsibility residing with the Board. We have a strong risk culture, which is embedded through clear and consistent communication and appropriate training for employees.

A comprehensive risk management framework is applied throughout the Bank, with effective governance and corresponding risk management tools. Our risk management function oversees the framework and is led by the Chief Risk Officer. It is independent of the core business, including the products design, sales and trading functions, to provide credible challenge, appropriate oversight, and balance in risk/reward decisions.

Risk Governance

The Bank's governance structures are informed by Ugandan and South African regulatory requirements and the Standard Bank Group Risk framework and architecture, which support the management of risk across the enterprise. The Board of Directors is ultimately responsible for the level of risk taken by the Bank. The Bank's approach to risk management is based on set governance standards and processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting.

To support the governance structures and processes Stanbic Bank relies on:

1. Risk governance standards for the major risk types to ensure a standardised approach across business units for the management of risk across the risk life cycle from identification, monitoring, management and reporting.
2. Policies and procedures, implemented and independently monitored by the risk management team. This is to ensure that exposures are within agreed risk appetite parameters.
3. Regular and detailed risk reporting to enable the management and/or identification of emerging risks evident from visible trends.
4. Clear segregation of duties and responsibilities to avoid conflict of interest, ensure independence and objectivity and minimise operational risk.

Roles in risk management

Board of Directors

Stanbic's Board of Directors has the ultimate responsibility for risk management. This mandate includes evaluating key risk areas and ensuring the process for risk management and systems of internal control are implemented. The Board has delegated its risk-related responsibilities primarily to these five committees: the Board Risk Management Committee (BRMC), Board Audit Committee (BAC), Board Credit Committee (BCC), the Risk Management Committee (RMC) and Credit Risk Management Committee (CRMC), with each committee focusing on different aspects of risk management.

Board Risk Management Committee and Board Credit Committee

The two Board sub-committees responsible for risk are the Board Risk Management Committee (BRMC) and the Board Credit Committee (BCC) which report to the Board of Directors through their committee chairpersons. The Bank's Board risk management committees provide independent oversight of risk, compliance and capital management across the Bank:

1. Determining the Bank's risk appetite as set out in the risk appetite framework and risk appetite statement (RAS).
2. Monitoring the current and future risk profile of the Bank to confirm that it is managed within risk appetite.
3. Evaluating the results of stress tests and providing oversight of the adequacy and effectiveness of the Bank's risk governance framework.
4. Approving governance standards, frameworks and policies in terms of the risk governance framework.
5. Reviewing reports on the implementation of the IT governance framework and updates on significant IT investments.
6. Evaluating and approving significant IT outsourcing arrangements.

7. Promoting a risk awareness culture within the Bank.
8. Reporting to the Board any matters within its remit where action or improvement is needed and making recommendations as to the steps to be taken.

Board Audit Committee

The BAC reviews the Bank's financial position and makes recommendations to the Board on all financial matters, financial risks, internal financial controls, fraud and, to the extent they impact financial reporting, IT risks. In relation to risk and capital management, the BAC plays a role in assessing the adequacy and operating effectiveness of the Bank's internal financial controls.

Internal audit

Internal Audit is mandated by the Board Audit Committee to provide independent and objective assurance and advisory services designed to add value and improve Bank operations.

The role of the audit function is therefore to assist the Board to:

1. Discharge governance responsibilities.
2. Protect the assets, reputation and sustainability of the organisation; and
3. Establish and maintain robust governance and risk management processes and a sound internal control environment.

Internal Audit remains independent and has fully discharged its mandate and responsibilities. Issues raised in various audit reviews, are reported to both management for remediation and to the Board Audit Committee for oversight. A tracking system is in place to ensure remedial actions for all issues identified during the audit process are tracked to completion and completion can be independently validated. Disclosure of the actual control breaks, remedial actions and timelines are confidential and therefore circulation is restricted.

Management committees

Executive management has responsibility for all material risk types that have been delegated by either BRMC or BCC to assist the Board subcommittees fulfilling their mandates. The Risk Management Committee (RMC) and Credit Risk Management Committee (CRMC) are management committees responsible for risk management within the Bank.

The Asset and Liability Committee (ALCO) is responsible for the ongoing assessment of the demand for capital and the updating of the Bank's capital and liquidity plan. The capital and liquidity plan takes the following into account:

- Current regulatory capital and liquidity requirements and our assessment of future standards
- Demand for capital and liquidity due to business growth forecasts, loan impairment outlook and market shocks or stresses
- Available supply of capital and liquidity,and the raising options. The Bank formulates a capital and liquidity plan with the help of internal models and other quantitative techniques.

The Bank uses a model to assess the capital and liquidity demand for material risks, and supports this with our internal capital adequacy assessment. Other internal models help to estimate potential future losses arising from credit, market and other risks, and, using regulatory formulae, the amount of capital required to support them.

In addition, the models enable the Bank to gain an enhanced understanding of its risk profile, for example, by identifying potential concentrations and assessing the impact of portfolio management actions. Stress testing and scenario analysis are an integral part of capital planning, and are used to ensure that the Bank's internal capital adequacy assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events and how these could be mitigated through appropriate management actions. The capital modelling process is a key part of our management discipline. A strong governance and process framework is embedded in our capital planning and assessment methodology. The key capital management committee is the Asset and Liability Committee.

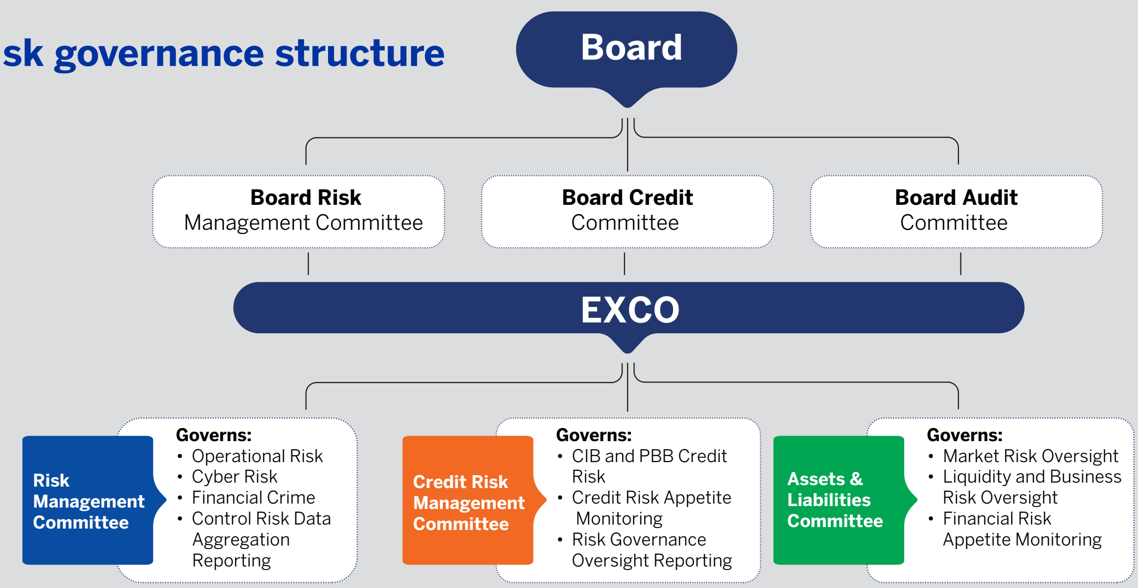
Business units

Business units are the owners of the risk and manage the risks on a day to day basis.

Governance documents

These documents set out the requirements for identification, assessment, measurement, monitoring, management and reporting of risk; for effective oversight of compliance and effective management of capital. Governance policies are approved by the relevant Board sub-committee.

Risk governance structure



Key components of the enterprise risk management process

Risk Management framework

Managing risk is a key part of the Bank's everyday activities. The framework ensures risks are managed in a consistent way across the Bank with appropriate oversight and accountability.

The Board and its subcommittees

The Board has the ultimate responsibility for the oversight of risk, including approval of strategy and risk appetite.

Executive Committee and its Risk Committees

These committees are responsible for management of all risks and implementation of risk governance processes, standards, policies and frameworks.

The three lines of defence

1st LINE of defence

This is made up of management of business lines and has responsibility for measuring, assessing and controlling risks through the day-to-day activities of the business within the governance framework.

2nd LINE of defence

This provides independent oversight and consists of the finance function, risk management function, legal function and governance and assurance functions excluding internal audit. These units implement governance standards, framework and policies for each material risk type to which the Bank is exposed and report to management and Board governance committees. Compliance with the standards and frameworks is ensured through annual self-assessments by the second line of defence and reviews by Internal Audit.

3rd LINE of defence

Internal Audit (IA) is the third line of defence and operates under a mandate from Board Audit Committee. The mandate is to provide independent and objective assurance of first and second lines of defence; IA has authority to independently determine the scope and extent of work to be performed and reports to the Board Audit Committee.

Enterprise risk management process

- Risk apetite
- Emerging enterprise risks
- Risk types
- Stress testing

The Bank's risk appetite statement sets out the aggregate level and types of risk that the Bank is willing to accept to meet its strategic objectives. Enterprise risk management processes enable the Bank to measure, monitor, actively manage and mitigate risks to ensure it remains within risk appetite.

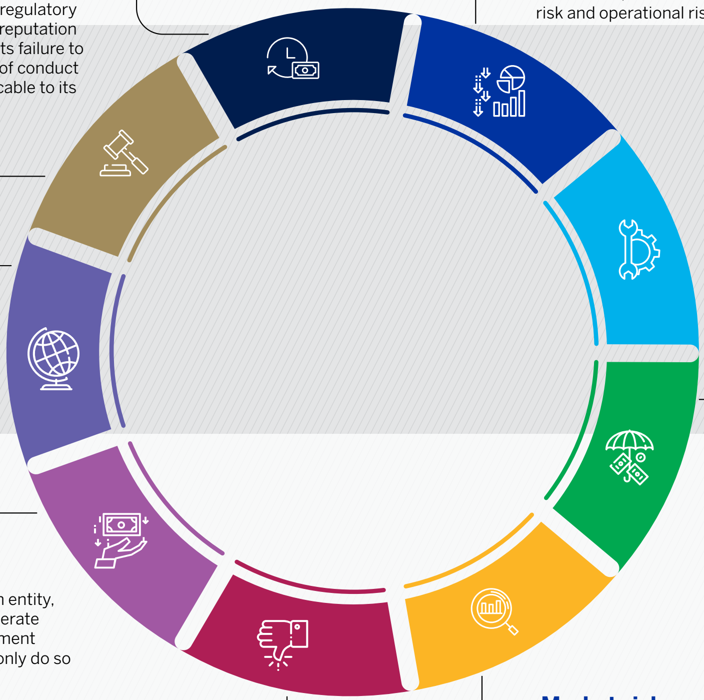
Control framework

Risk standards, frameworks, policies,and internal controls

RISK TYPES IN BANKING ACTIVITIES

Each risk is defined below. The relevant sections include:

- an explanation of the application of the bank's enterprise risk and governance framework to the specific risk
- a description of the relevant portfolio characteristics both in terms of prescribed disclosure and the bank's business model.



Credit risk
Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk.

Business risk
Business risk is the risk of earnings variability, resulting in operating revenues not covering operating costs after excluding the effects of market risk, credit risk, structural interest rate risk and operational risk.

Operational risk
Operational risk is the risk of loss incurred as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.

Insurance risk
Insurance risk is the risk that actual future underwriting, policyholder behaviour and expense experience will differ from that assumed in measuring policyholder contract values and in pricing products. Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts.

Market risk
Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

Reputational risk
Reputational risk is the risk of potential or actual damage to the Bank's image which may impair the profitability and/or sustainability of its business.

Funding and liquidity risk
Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Country risk
Country risk, also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign) will be able to fulfil obligations due to the bank given political or economic conditions in the host country.

Compliance risk
Compliance risk is the risk of legal or regulatory sanction, financial loss or damage to reputation that the Bank may suffer because of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its financial services activities.

1.

CREDIT RISK

Year in brief

Credit demand increased year on year reflected by growth in our total loan book by 17.8%. This growth was mostly seen in the trade, agriculture, and unsecured personal lending sectors. Within this environment of growth and expansion of our balance sheet, the credit loss ratio (CLR) for the bank improved significantly by 83%, to close the year at 0.23%.

In the retail and business portfolios, the focus for the year was on proactive engagement with distressed customers, growth of assets book in line with customer growth aspirations, acquire key business banking clients in the most influential sectors, Digitisation of credit processes and enhancements in customer scoring.

The PBB total CLR improved from 2.25% in 2017 to 0.42% in 2018, largely due to the decline in impairments within secured products but also reflective of some consumer resilience.

The credit risk appetite measures that were agreed with and committed to Management and the Board were well within appetite at the close of the year. Key to note were the credit loss ratio, non-performing loans (NPL), specific debt provision coverage, and concentration caps were all within agreed risk tolerance limits.

The Corporate and Investment Banking portfolio saw a 10% year on year growth in loans and fees across the key product segments; trade, cash management, investor services, and investment banking. No credit losses were registered within the year, and lower impairments were recorded year on year.

However, this performance was underscored by challenges with Utilisation of limits and conversions of deals in our Investment banking and TPS units.

CIB NPLs as a percentage of loans and advances reduced year-on-year to 1.55% (Dec 2017: 2.07%) despite the 11% growth in exposure and the increasing complexity in the operating environment. Similarly, watch listed accounts as a percentage of loans and advances net of non-performing loans also reduced to 4.8% at Dec 2018 from 10.20% the previous year.

Accounts on close monitoring and the early arrears portfolio remained muted with no significant exposure noted at the end of the year.

During the year, IFRS 9-Financial Instruments (IFRS 9) was successfully implemented; this meant computation of provisions on expected credit loss basis (rather than incurred loss basis). Furthermore, the scope was widened to include Financial Assets at amortized cost, Loan Commitments, Financial Guarantees and Lease Commitments. Under the IFRS 9 regime, there were nil credit losses reported for the year ended Dec 2018 (Dec 2017, CLR: 0.47%) reflecting Management's robust oversight of the credit end to end environment.

Focus areas for 2019

The economic environment improved in the second half of 2018 and there was an improvement in credit uptake from the private sector. Against this backdrop, we also expect further acceleration in economic activity triggered by build up to Uganda's first oil. Considering this climate, the bank will focus on the following in 2019:

- Adopt a fit for purpose risk appetite to support growth sectors in the economy and the priority segments for the business.
- Constantly review CIB credit processes with a view to optimize turnaround time without assuming undue risk.

2.

COUNTRY RISK

Uganda recorded modest economic growth due to greater investment in public infrastructure. However, growth was stymied by the country's current account deficit.

Year in brief

Relatively low debt levels and favorable external debt structure reduce risks posed by the government's planned accumulation of external debt. Economic vulnerability to weather shocks remained weak due to weak agricultural resilience.

The focus continued to be on mitigating transfer and convertibility risks and managing risk appetite within agreed parameters, and proactively managing country-specific risks and concentrations on a forward-looking basis.

Focus areas for 2019

The focus will continue to be on managing country specific risks, extending local currency risk products and mitigating foreign currency liquidity risks. The effects of climatic changes and related emerging risks remain a focus in relevant markets and adequately mitigated.

3.

FUNDING AND LIQUIDITY RISK

Appropriate liquidity buffers were held in line with regulatory and internal stress testing requirements, taking into account the global risk profile and local market conditions.

Year in brief

The Bank maintained the liquidity coverage ratio (LCR) in excess of the 105% minimum regulatory requirement throughout 2018. And liquid assets to total deposits in excess of 20% regulatory requirements.

The Bank successfully managed the balance sheet structure in order to meet both the LCR and net stable funding ratio (NSFR) regulatory requirements with effect January 2018.

The Bank consistently assessed demand on liquidity as per projected business pipelines throughout 2018. The Bank's loan to deposit ratios were well within internal and regulatory limits.

Focus areas for 2019

During 2019, the Bank will focus on:

- Balance sheet Optimisation and mix in conjunction with both LCR and NSFR compliance from January 2019. This is to ensure that the Bank has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times while continuing to minimize the overall cost of funding
- Ongoing system enhancements to ensure continued data quality, efficiency and effectiveness, especially when considering the daily liquidity reporting requirements both local and foreign currency throughout 2019.

4.

INSURANCE RISK

Year in brief

The bBank within 2018 had adequate insurance cover for all key divisions and processes it engages in providing services to the customer. The premiums for local policies remained largely within the same limits as 2017 except for Assets All Risks that grew significantly by 43% mainly because of an increased asset base.

Focus areas for 2019

Focus will be placed on tighter expense management and simplifications in products and operational processes to drive further expense efficiencies in order to maintain competitive expense assumptions in the valuation of the policy holder liabilities.

5.

MARKET RISK

The Bank maintained its trading book market risk and banking book interest rate risk within the approved risk appetite and tolerance levels in the context of market volatility and rate changes.

Year in brief

Examples of market volatility experienced include:

- Emerging market selloff beginning with the Turkish Lira but impacting other emerging markets currencies including the Uganda Shilling.
- Negative sentiment driven by larger than budgeted borrowing.
- Change in monetary policy stance to cautionary which resulted in the tightening of the CBR towards the end of the year.

The bank continued to enhance its interest rate risk management and make changes to its market risk framework.

Focus areas for 2019

The Bank will continue to focus on monitoring and managing the traded market risk, banking book interest rate, equity risk, own equity-linked transactions, foreign currency risk and associated hedges in the context of current market volatility, including monetary policy decisions and rate changes.

6. COMPLIANCE RISK

As regulation becomes more complex and compliance costs grow, the Bank's focus is on making efficient regulatory compliance a competitive advantage, and embedding a strong culture of compliance across the organisation.

Year in brief

Compliance continued to partner with the other internal assurance risk partners and the approach to combined assurance was formalized to ensure that all compliance risks are adequately addressed.

The compliance training approach was further refined with the rollout of simplified and easy to read policy digests and more face to face interactions, which led to increased awareness on compliance related matters.

We serve our clients by putting them at the heart of what we do, we strive for professionalism and discipline in everything we do, and we conduct our business ethically to ensure the Bank's sustainability.

Digitisation being a key pillar of the Bank's strategy has resulted in more efficiencies in the compliance processes to enhance service delivery through improved turnaround times and quality of output.

Key legislative developments in 2018 included the enactment of the Financial Institutions Capital Adequacy Requirements Regulations 2018 which increased the core capital adequacy ratio from 8% to 10% and the Uganda Clearing House Rules for facilitating automated clearing of interbank payment instrument.

Focus areas for 2019

The compliance function will continue to support the bank to do the right business the right way.

Opportunities to optimize surveillance capabilities and client onboarding processes to provide customers with a seamless onboarding experience have been identified.

Training initiatives will further be streamlined to ensure that Board Members, Executive management and all staff are made aware of their legislative obligations in time and in a cost-efficient manner.

Emphasis will continue to be placed on cross and up-skilling across the bank considering the changing regulatory environment.

7. CAPITAL MANAGEMENT

Our approach to capital management is to maintain a strong capital base to support the development of our business, to meet regulatory capital requirements at all times.

Strategic, business and capital plans are drawn up annually covering a three-year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained to support our strategy.

There is an expectation that Bank of Uganda will increase the minimum capital requirements as a result of adoption of components of Basel 3 that speak to holding of additional capital buffers. We anticipate a 4%-5% increase to the requirement which is attuned to ensuring banks protect depositors and equity stakeholders through adverse economic down turns. We as Stanbic Uganda are prepared and already hold enough capital in respect of these anticipated changes.

Year in brief

The bank remained adequately capitalized above minimum regulatory requirements throughout the year.

During 2018, the Central Bank amended the capital requirement regulations and introduced a market risk capital charge and increased the minimum core capital adequacy ratio requirement from 8% to 10%. The Bank had anticipated the changes in regulatory capital requirements and incorporated them in its capital plan. The profitability performance of the Bank in 2018 that saw a growth in net after tax profits from the previous year resulted in a further improvement in capital adequacy levels.

This capital adequacy base provides assurance to the Bank's growth aspirations for 2019, among other factors. The Bank closed at total capital adequacy ratio of 18.9% versus 12% (regulatory) and 16.2% on core capital adequacy ratio versus 10% (regulatory).

Focus areas for 2019

During 2019, the bBank will focus on:

- Optimizing the level and composition of capital with due consideration of business plans, as well as current and future regulatory requirements
- Effectively allocating resources, including capital and liquidity between product lines, trading desks, industry sectors and legal entities to enhance the overall bank economic profit and return on equity (ROE)
- Stress testing allocated resources against the evolving macro and micro economic landscape to ensure challenges to capital adequacy are well anticipated and adequately mitigated.

8.

OPERATIONAL RISK

The group's operational risk profile trended moderately and operational risk losses from current economic and operational activity continue to improve. Pressures on business growth, technology evolution and regulatory evolution require renewed focus.

Year in brief

For 2018, in light of economic changes and regulatory reform, operational risk governance matured by applying principle based methodologies. Additionally, operational risk has gained experience in implementing operational risk management frameworks, loss data collection exercises, quantitative impact studies, and a range of practice reviews covering governance, data and modelling issues, which has contributed to industry and supervisory knowledge and the emergence of sound industry practices.

The Bank continued to invest in anti-fraud capabilities that proactively predict, detect and prevent fraud on the evolving digital channels. The anti-fraud landscape is migrating towards predictive analytics and artificial intelligence that will continuously contribute towards the desired customer experience.

2018 saw a continued focus on improving cyber security capabilities. A cyber Security Operations Centre was established in country to ensure timely detection and adequate mitigation of cyber security threats. The reduction in phishing sites and incidents is largely due to the implementation of new prevention and detection controls.

The group continues to partner with technology partners in order to deliver digitized and innovative products and offerings to our customers. These partners are subjected to a vigorous on boarding due deligence process to ensure risks introduced in the system are adequately mitigated. The controls that are considered with partnering with fintechs include the ability to manage sensitive information and data, minimum standards on logical access and security controls and layers of anti-fraud measures that complement internal controls in place.

In 2018, the Bank introduced new technology and processes to enable detection, monitoring and intervention, to known threats and fraudulent activities on customers' accounts. To ensure that responses to fraud incidents are efficient and in near-real time, a digital forensics laboratory was established in country with state of the art forensics capability designed to detect fraud and suspicious activity on customer accounts. Additionally the Bank conducted test simulations on its business continuity management, recovery and resolution plans and risk data aggregation and risk reporting readiness, which proved successful in preparing for times of stress.

Focus areas for 2019

For the year ahead, operational risk will continue to focus on creating a secure, collaborative customer- centric organisation where risk is managed within appetite and opportunities are linked to reward for both the customer and group.

The evolution of the Bank's operating model, to enable customers to engage with us more digitally will require an evolved operational risk oversight program.

The growing popularity of e-commerce transactional volumes also provides the ideal opportunity for criminals to siphon or breach sensitive card data. In 2019, the group will continually strive to maintain a balance between the customer experience and anti-fraud measures by analyzing data to establish behavior, further enabling the prediction, prevention, detection and rapid response to changes in the card fraud threat landscape.

Focus will be placed on the quality of IT service, particularly as it pertains to service, availability and stability of systems.

With the aim of ensuring that information is secure and customers are consistently educated, the bank will:

- Enhance its targeted awareness campaigns in 2019 to drive risk-conscious behavior
- Improve third-party management
- Establish behavioral analytics capabilities
- Research on trending information risk topics and implement.

RISK APPETITE AND STRESS TESTING

Risk appetite and stress testing comprise of the following key components:

I. Risk appetite is an expression of the amount or type of risk that the Bank is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions. The metric is referred to as the risk appetite trigger. Risk appetite could be exceeded either as a result of an adverse economic event more severe than that envisaged under the range of stress conditions (passive), or as a result of a decision to increase the risk appetite to accommodate market, customer or portfolio requirements.

II. Risk tolerance is the maximum amount or type of risk the Bank is prepared to tolerate above risk appetite for short periods of time on the understanding that management action is taken to get back within risk appetite. The metric is referred to as the risk tolerance limit.

III. Risk capacity is the maximum amount of risk the Bank is able to support within its available financial resources.

Risk profile is the amount or type of risk the Bank is currently exposed to (current risk profile) or will be exposed to under both expected and stressed economic conditions (forward risk profile).

Risk appetite setting and management framework.

Stanbic's risk appetite governance framework provides guidance on the following:

1. The approach to setting risk appetite triggers and risk tolerance limits
2. Responsibilities for monitoring risk profile
3. The escalation and resolution process where breaches occur

Executive management is responsible for recommending the Risk Appetite Statement (RAS), which is ultimately approved by the Board.

Stress testing is a management tool and is used to assess the vulnerability of the Banks key resources, namely; profitability, capital, liquidity, and reputation, to a range of adverse events.

Stress testing provides a forward looking assessment of risk. It assists in the proactive detection of vulnerabilities, so that mitigating actions can be assessed and implemented timely.

The stress testing process supports a number of business processes that include but are not limited to strategic planning and financial budgeting, liquidity planning, and risk appetite definition.

Year in brief

During 2018, a number of risks threatened to escalate further. Key among these were:

- Rising geopolitical volatility
- Elections across several sub-Saharan nations in 2018 resulted in outbreaks of violence and public unrest, particularly in volatile environments such as Zimbabwe, DRC, and South Sudan.
- Oil production cuts by the OPEC drove global oil prices higher resulting pressure on commodity prices
- The technology industry trends that drove growth in 2018 increased the potential for cyber risks. Cyber-attacks are becoming bigger and more complex with companies such as Facebook, Yahoo, Equifax and Uber becoming recent victims.
- In Uganda, pessimism over the possibility of the first oil production happening before 2022 rose due to delay of key decisions and infrastructure projects.

  These all formed the basis of various macroeconomic stress testing exercises performed during the year within the Bank.

Tabulated below are some of the key metrics, extracted out of our Risk Appetite Statement that we were tracking against, with indication of where we closed the year against each. Table 1

Component	Measure	Risk Appetite limit	2018
Capital	Total regulatory capital	>=18.5%	18.9%
Liquidity	Loan to deposit ratio (FCY)	<80%	65.7%
Loan impairment	Non-performing loans ratio	<7.5%	5.3%
Portfolio Metrics	Liquid assets to total deposits	<20%	53.7%
	Operational losses to gross revenue	<0.9%	1.25%

Focus areas for 2019

Stress testing has evolved from a regulatory tool used by supervisors to assess banks' ability to withstand stress, to an internal risk management tool. Embedding the use of stress testing results to benefit risk management and decision-making at various levels in the bank is ongoing, driven by a focus on:

- Continual refinement of internal models to determine the impact of stress scenarios
- Further integration of stress testing and risk appetite with strategic planning, as well as financial planning
- Monitoring the consequences of a number of events.

Emerging enterprise risks

Emerging enterprise risks are identified annually to empower conscious risk-taking. These enterprise-level risks are closely linked to the Bank's strategy. The Bank faces an assortment of external pressures which influence our internal risk profile. The bank's risk management framework is central to the identification and management of these risks.

Risk	Risk drivers	Mitigants
TECHNOLOGY The inability to manage, develop and maintain secure, agile technology assets to support strategic objectives	• a multi-channel digital experience means more technology to keep relevant, up-to-date and safe from fraud attacks. • new types of devices span an extremely wide range of security requirements and have very different security postures.	• dedicated simultaneous development, security and operational teams focus on speeding up implementation of projects and changes. • continual testing of technology and applications to identify and rectify potential weaknesses that can be exploited.
CYBER The risk of financial loss, disruption or damage to reputation from breaches or attacks on transaction sites, systems or networks	• remote presence technologies may increase the avenues for attack. • increasing number and sophistication of cybercrime incidents globally.	• use of adaptive cyber security which uses a combination of artificial intelligence and other methods to dynamically shift tactics and detect and remove threats as quickly as possible • multi-factor authentication integrated into all critical payment applications and end-user devices • the 24/7 cyber security operation centres are enabled with improved monitoring capabilities for evolving cyber vulnerabilities and attacks.
REGULATORY IMPACT The risk of reputational and financial losses due to the inability to comply with or keep abreast of regulatory requirements	• changing regulatory and supervisory requirements often come at a high cost and are human resource intensive. • public interest, social drivers and consumerism may initiate legislative change, requiring appropriate response strategies.	• ongoing engagement with government and regulators to support evidence-based policy-making and dialogue between public and private sectors • monitoring of international developments, learnings and benchmarks to identify future supervisory focus areas.
FRAUD The risk of regulatory sanction and reputational and financial losses due to fraud, crime and misconduct from staff or syndicates	• increasingly advanced cyber and malware attacks are expected, which may result in fraud being perpetrated. • aggressive advancements in technology may cause unforeseeable fraud threats.	• enhanced digital detection capability covering people, processes and technology • development of predictive fraud detection and prevention capabilities using agile methodologies.

INFORMATION

The risk of loss due to inaccurate data, data breaches or being unable to protect client information

RISK DRIVERS

- changing regulatory and supervisory requirements often come at a high cost and are human resource intensive.
- public interest, social drivers and consumerism may initiate legislative change, requiring appropriate response strategies.

MITIGANTS

- ongoing awareness encourages a consistent information protection culture
- ongoing research and threat intelligence to stay abreast of developments and to ensure the protection of information assets.

PEOPLE

The risk of failure of the workforce to adequately and efficiently serve clients, support operations and deliver business strategy

RISK DRIVERS

- personnel not having requisite skills to execute and provide service offerings.
- a rise in digitisation and automation will deliver efficiencies and reduce demand for certain skillsets.

MITIGANTS

- a range of learning and development solutions ensure that employees can adapt and remain relevant in the changing work environment through continuous learning
- recognition programmes support a culture where success is celebrated and employees feel valued for their contribution to the business.

BUSINESS DISRUPTION

The risk of infrastructure/ change failure or environmental impacts disrupting the services to and from the group

RISK DRIVERS

significant system changes always pose the risk of unforeseen consequences or disruption to clients and business activities

- Over reliance on third -party service providers.

MITIGANTS

- continue to improve system production stability and reliability to minimise disruption of digitally enabled services to clients
- business continuity plans are prepared for all business areas and tested
- simplify the IT landscape to improve agility, enhance customer experience and ensure the relevance of services the group offers to its clients.

THIRD-PARTY

The risk of infrastructure/ change failure or environmental impacts disrupting the services to and of the group

RISK DRIVERS

- emergence of third-party partnerships and outsourcing as business enablers, for example, partnering with fintechs
- failure to properly identify key service providers to third party service providers

MITIGANTS

- predictive profiling of suppliers to drive improved supply chain management
- enhanced due diligence activities pefermed to determine key relationships, to third party service providers

CONDUCT

The risk of harm being caused to the Bank, its clients and markets due to inappropriate execution of business activities

RISK DRIVERS

- cultural misalignment due to inappropriate ethics, behaviours and values being applied that result in poor business practices.
- growth in the complexity of regulatory frameworks.

MITIGANTS

- by driving a culture of doing the right business the right way, the Bank will continue to embed the desired values, ethics and behaviours
- continuing to refine the approach to training through the rollout of more interactive and digital methods of training that are standardised across the Bank
- embedding and monitoring conduct-related metrics in business units and corporate functions across the Bank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Corporate Governance

Board of directors

GENDER 2/ 7/

JAPHETH KATTO [67]
Chairman Board
BCom Honours, FCCA
CPA - Uganda
Appointed: 2014
Committee: None

PATRICK MWEHEIRE [48]
Chief Executive
BSc (Econ, Daemen)
MBA (Harvard)
Appointed: 2012
Committee: Credit and Risk

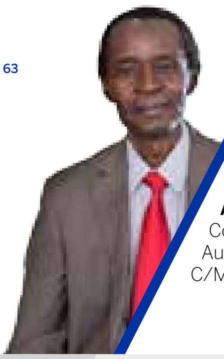
KEVIN WINGFEILD [50]
Executive Director
BCom.University of Natal, Pietermaritzburg
Chatered Accountant South Africa
Appointed: 2016
Committee: Risk

GREG BRACKENRIDGE [61]
Non-Executive Director
Chief Executive East Africa Region Standard Bank Group
Associate Institute of Bankers South Africa
Appointed: 2016
Committee: Human Capital

BARBARA MULWANA [53]
Non-Executive Director
BSc (Electrical Engineering and Computer Science, Northwestern),
Appointed: 2009
Committee: C/M Human Capital, Credit

SAM ZZIMBE [65]
Non-Executive Director
MA Finance and Investment, ACCA
Appointed: 2017
Committee: C/M Audit

CLIVE TASKER [63]
Non-Executive Director
BA. LIB (Natal)
AMP (Wharton, Pennsylvania)
Appointed: 2016
Committee: Audit, C/M Credit



PATRICK J. MANGHENI [66]
Non-Executive Director
PhD Functional Analysis (Oxford)
Appointed: 2015
Committee: Audit & Credit C/M Risk

EVA KAVUMA [56]
Non-Executive Director
BSc Business Administration (Ithaca, New York)
MA Interntional Management (Thunderbird, Arizona)
Appointed: 2016
Committee: Credit and Human Capital

C/M: Chairman

Executive committee

GENDER 6/ 6/

PATRICK MWEHEIRE
Chief Executive
Joined the Bank: 2012
Joined Exco: 2012

Qualifications
BSc (Econ, Daemen)
MBA (Harvard)

KEVIN WINGFIELD
Head, Personal & Business Banking
Joined the Bank: 2015
Joined Exco: 2015

Qualifications
BCom.University of Natal, Pietermaritzburg
Chatered Accountant South Africa

EMMA MUGISHA
Head, Corporate & Investment BankingJoined the Bank: 2013
Joined Exco: 2018

Qualifications
B.SWASA, MUK
MBA, Rotterdam

SAMUEL FREDRICK MWOGEZA
Chief Financial Officer
Joined the Bank: 2010
Joined Exco: 2015

Qualifications:
B.Comm (Acc.) MUK
MBA, Edinburgh Business School
CPA - Uganda
FCCA

CANDY WEKESA OKOBOI
Head, Legal/
Joined the Bank: 2016
Joined Exco: 2016

Qualifications
L.L.B MUK;
PGD.L.P, LDC
MBA, Edinburgh Business School

MOSES MBUBI WITTA
Head, Human Capital
Joined the Bank: 2013
Joined Exco: 2013

Qualifications
B.SWASA, MUK
MBA, Edinburgh Business School

GLADYS MUCHAE
Head, Credit
Joined the Bank: 2017
Joined Exco: 2017

Qualifications
B.Comm (B.Admin) Daystar University
MBA, Nairobi

HERBERT OLOWO
Chief Information Officer
Joined the Bank: 2015
Joined Exco: 2015

Qualifications
PGD (Eng);
Msc IT Security, Liverpool;
MCSE; MCSA;
MCP; ENA; ENS;
ITIL – Foundation

PATRICIA N. MUSIIME
. Head, Operations
Joined the Bank: 2014
Joined Exco 2018

Qualifications
BA(SS), MUK
MBA, Nkozi

MARTIN SEKAZIGA
Ag. Chief Risk Officer
Joined the Bank: 2019
Joined Exco: 2019

Qualifications
BA ComSc, Park University USA; MS Acc, University of Missouri Kansas City
CPA, NY, MO; CISA;
Certified Fiduciary and Investment Risk Specialist
Certified Anti-Money Laundering Specialist

BARBRA DOKORIA
Head, Compliance
Joined the Bank: 2003
Joined Exco 2018

Qualifications
B.Comm (Acc.) MUK
ACCA

RITA KABATUNZI
Ag. Company Secretary
Joined the Bank: 2018
Joined Exco: 2018

Qualifications
L.L.B, MUK; PGD L.P, LDC
Fellow ICSA;
MBA, Leicester, UK

Corporate governance statement

This Corporate Governance statement sets out the governance framework adopted by the Board of Stanbic Bank Holdings Limited (the Bank) and highlights the key activities during the 2018 financial year.

The Bank's governance approach is built on by the Capital Markets Authority Corporate Governance Guidelines; the Financial Institutions Act (Corporate Governance) Regulations, 2005; the Uganda Securities Exchange Listing Rules, 2003; the Code of Corporate Governance, Companies Act 2012 and the King approach adopted by the Standard Bank Group. This comprehensive framework has facilitated adherence to good governance best practice and enabled the Board to effectively fulfil its mandate as is evident from the various awards and recognitions received for good governance.

At Stanbic, we recognize that sound governance practices are fundamental to building trust and sustainability. We uphold the tenets of governance which include ethics, transparency, accountability, fairness and social responsibility in the conduct of business. In line with these principles we have adopted recommended best practice embedding key elements of good governance such as good board practices, shareholder and stakeholder relations, accountability, robust control environment and good citizenship driven by an ethical culture evident in our values, processes and operations.

The annual report forms part of the Bank's culture of accountability and its level detail is evidence of our commitment to transparency for shareholders, the public and stakeholders. The Bank discloses its performance to shareholders at the annual general meeting, through publication of summary audited financial statements and half year unaudited results widely circulated in the press, via email and website. In the spirit of transparency, disclosure and accountability, a briefing on performance and strategic direction facilitated by the Chief Executive and Chief Financial Officer is held with stakeholders including investor analysts, business partners, potential investors and the media in attendance. Participants are given an opportunity to ask questions. The Bank is guided by principles of Fairness in its financial decisions on investment, dividends and all shareholders should receive equal, just, and unbiased consideration by the directors and management.

This statement details how the key elements of good governance underpinned by the principles are applied at Stanbic.

Board of Directors

The role of the Board

The Board is the ultimate decision-making body in the company accountable for good governance and organisational performance. It provides entrepreneurial leadership to, and oversight of management, sets the strategic direction and organisational values. The Board approves policies, reviews appropriateness and relevance to the business as well as compliance. It also approves budgets and financial statements and ensures an effective risk management system is in place and a robust internal control environment. The Board also monitors management's performance against agreed objectives.

The role of the Chairman and the CEO are separate and in line with best practice, as the Chairman is independent.

The roles and responsibilities of the Board are embodied in the Board Mandate.

Building value through good governance

Strategy

The Board is responsible for the Bank's strategic direction. It approves strategic objectives, monitors implementation on a quarterly basis and reviews the strategic plan annually. The strategy is aligned with the Bank's vision, values, sustainability objectives and to the risk management framework. The annual strategy session dedicated to strategy review was held on 1-2 December 2018.

Diversification

The Board is cognizant of its responsibility to promote and drive the success of the business both in the short and long term as a means to sustainability. The Board continues to adopt an outward, future oriented focus to create value for the shareholder and society as a whole. Key focus this year was on operationalizing the organisational restructure as approved by shareholders at the annual general meeting of May 31st 2018. Reorganising into a holding company is driven by a vision of leadership in the financial services sector beyond the banking industry. Diversification into other financial services and other industries such as technology, real estate will deliver additional value to the customer, enhance return on equity to shareholders and sustainability.

Stakeholder centricity

The Board and Management are cognizant of the need to uphold the interests of all stakeholders in line with best practice and take this into account in crafting strategy and in decision making. Effort is made to balance these often-divergent interests. We believe that this stakeholder approach and our Corporate Social investment strategy build shared value in the form of social value for society and economic value for the shareholder.

Driving Uganda's growth

Uganda is our home, we drive her growth; At Stanbic our purpose, mission and hope for a better tomorrow drive our daily activities and choices. Our desire to contribute to sustainable transformation for all of Uganda, urban and rural, is evident in our choice of social change and community projects in key sectors of the economy such as power & energy; infrastructure; spearhead financial inclusion in agriculture and SMEs; education and employment-as one of the top private sector employers.

We continue to finance key national projects, leverage our brand and market leadership to build partnerships capable of scale and impact to deliver solutions to socio economic problems in Uganda.

Our corporate social investment in several projects notably education, entrepreneurship and health grew from UShs 1.45bn to UShs 2.52bn. Our community projects impacted at least 200,000 individuals. The annual National school competition reached 6000 secondary school students from 60 schools, job creators of tomorrow who were equipped with business and entrepreneurship skills. We invested UShs 600 million in our business incubator program targeted at Small and Medium Enterprises (SMEs) who are central to economic and social growth. As is evident from the comments of participants in pages 58-60, the program, transparent and open to customers and non-customers provided opportunities for improvement, access to markets and ultimately will lead to access to capital, already achieved in some instances as well as sustainability of businesses. We are proud to be contributing to a better tomorrow for Uganda and her citizens.

Details are contained in the sustainability report on pages 46-100

Size & Composition

Composition

The Board of Directors is a unitary board with a total of nine directors for the period of reporting comprised of Executive and Non-Executive Directors (NEDs) majority of whom are independent including the Board Chairman. The composition for the reporting period was as indicated as below;

Classification	No
Executive Director	2
Non-Executive Director	3
Independent Non-Executive Director	4

The Board size is appropriate to facilitate effective discharge of responsibilities and mandates including at committee level, quorum and to ensure productive meetings. This composition ensures balance of power so that no individual or group dominates discussion or decision making.

The NEDs bring independent judgment, expertise and useful contact to the Board. They also bring objective constructive challenge to management ideas and proposals. The Executive Directors as the implementers of strategy and board decisions provide useful insight and perspective of business and market realities enabling the board to contextualize their decisions.

Director Duties

Directors are cognizant of their fiduciary duty to the company which underpins them in the discharge of their responsibilities and their contribution to decision making. They are required to act in the best interests of the company as a whole to promote the success of the company exercising diligence and care. In order to fulfil their duty to avoid conflict of interest, directors periodically declare their interests through annual personal declaration forms submitted to the regulator Bank of Uganda. As part of every meeting, directors have an opportunity to declare any interest in any item on the agenda that could result conflict of interest which serves as regular reminder of the need to exclude themselves from participation in any discussion or decision of which they are conflicted.

Skills and experience

Diversity in skills, experience, gender, age and other attributes is important and is present at the board. Diversity translates into diversity in perspective, constructive challenge and ultimately Board effectiveness. We recognize that the collective knowledge of the core business and sufficient expertise to provide strategic direction and oversight are crucial. The board boasts a wide range of skills including international, local banking experience, entrepreneurship, financial, accounting, and audit procedures, technology as well as legal expertise. Directors on the board boast a wealth of board experience of, both macro and micro-economic factors affecting the Bank and the banking industry. The Board has the benefit of tapping into director experiences in international as well as local business which include SMEs. Summary of skills and experience mix are summarized as follows; universal banking, asset management, sub Saharan Africa business experience, accounting, auditing, technology, people development, business and human resource management, governance.

In preparation for the reorganisation, the skills matrix was updated and additional necessary skills at the holding company required to support the new subsidiaries were identified such as digital business skills and entrepreneurial experience to enrich the existent mix.

Appointment and recruitment

The appointment of Directors is governed by the Bank's articles of association and is subject to regulatory approval in line with applicable legislation and regulation.

Directors go through a rigorous internal recruitment process. Following internal vetting, the identified suitable candidates undergo external vetting by Bank of Uganda to ensure suitability before presentation to shareholders for election at an AGM. Directors must pass the "fit and proper test" as required by the Financial Institutions Act. Recruitment is governed by the Board Succession Policy informed by identified gaps in skills, knowledge and experience as per the skills matrix that is regularly reviewed which was last updated in August, 2018.

It is recognized that gaps in skills could be filled through training and Utilisation of expertise available within the Group or in the market. The gaps in skills reviews therefore inform both director recruitment and director development plans.

Induction and board development

The bBoard ensures that directors possess the skills, knowledge and experience necessary to fulfil their duties and undertakes ongoing board education. The Directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the Bank and its operations. Additional time is scheduled outside of Board meetings to run dedicated sessions highlighting key issues for the Board. This programme is supplemented by on-site visits and briefs from the management teams to augment understanding of core business areas. Trainings by experts are also identified and arranged as necessary.

The Bard was trained during the year on anti-Bribery and corruption which focused on the legal framework, the board's role and responsibilities. The Board also received training on Group Governance particularly timely and insightful because of the planned corporate reorganisation to create a local group. These sessions were facilitated by experts from the Standard Bank Group. The chairperson of the Board risk management committee also attended a training facilitated by Strathmore Business School focused on Board leadership particularly on the role of a Board chairperson and the value add of a chairperson.

On appointment, each new Director receives an induction pack containing relevant governance information such as mandates, organisational structures, significant reports, important legislation and policies. Meetings are scheduled with management to introduce new directors and to explain operations. The Bank Secretary is responsible for the induction and ongoing education of Directors.

Ways of working

Meetings

The Board meets once a quarter with an additional annual meeting to consider strategy as scheduled in the annual Board calendar. The Board meetings are guided by an agenda informed by priority decisions and discussions necessary to drive the business forward. Emphasis is laid on strategy and financial performance. The Board considers reports from the Board committees which, along with strategy and financial performance items, form the bulk of discussions.

As part of fulfilling his role the Chairman continued to focus on creating a climate of trust, sage environment for constructive challenge. Ample time is allowed for debate and constructive discussion. Meetings are focused on productivity rather than length which is enabled by the clarity and quality of the reports. Directors are provided with Board briefing papers containing management reports 5-7 days prior to each meeting scheduled to facilitate director preparedness. Management briefs are concise with action–oriented and focused on material, relevant updates and well supported requests for decision. The Board operates with a presentation system where power point presentations of a standard length of Six slides are circulated 5-7days ahead of meetings to facilitate director preparation. Focus is laid on discussion of content and forward thinking. This facilitates recommended Board focus on tracking of performance and ensures the Board discussions remain strategic and not operational. Minutes are approved and signed at the meeting following the one for which they were captured as a record. A minute book is maintained and stored in a safe. Management is kept accountable for agreed actions arising from the minutes through an action log updated with progress which is discussed at the Board meetings.

Decisions are reached by consensus following discussion and debate. Constructive challenge is encouraged. The Board Chairman and chairpersons at committee level scored highly creating a Boardroom climate that fosters discussion in the annual peer evaluation. The diversity in composition extends to diversity of thought which guards against group think ensuring the best possible decision is reached. In the event the Board is not satisfied with the reporting,or requires further consultation by Management decisions are deferred.

The Board approves an annual calendar and adheres to it. Attendance of meetings remained very good with well-reasoned absence of directors for health or travel reasons. Ad hoc meetings are held only in emergency cases but are generally

Table 2: Board Meetings and attendance in 2018

	Q1					Q2				
Name of Director	13-Feb HC	13-Feb BAC	13-Feb BCC	13-Feb BRMC	14-Feb Board	29-May HC	29-May BAC	29-May BCC	29-May BRMC	30- May Board
J.B Katto Chairman	NA	NA	NA	NA	√	NA	NA	NA	NA	√
R. Emunu	NA	√	NA	√	√	NA	√	NA	√	√
S. Zimbe	NA	√	NA	NA	√	NA	√	NA	NA	√
B. Mulwana	√	NA	√	NA	√	√	NA	√	NA	√
K. Wingfield	NA	NA	NA	NA	√	NA	NA	NA	NA	√
P. Mweheire	NA	NA	√	√	√	NA	NA	√	√	√
E. Kavuma	√	NA	√	NA	√	√	NA	√	NA	√
P. Mangheni	NA	NA	√	√	√	NA	NA	√	√	√
C. Tasker	NA	√	√	NA	√	NA	√	√	NA	√
G. Brackenrigde	√	NA	NA	NA	√	√	NA	NA	NA	√

	Q3				Q4					Offsite strategy
Name of Director	31-July BAC	31-July BCC	31-July BRMC	01-Aug Board	06-Nov HC	06-Nov BAC	06-Nov BCC	06-Nov BRMC	07-Nov Board	01-Dec
J.BKatto Chairman	NA	NA	NA	√	NA	NA	NA	NA	√	√
R. Emunu	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
S. Zimbe	√	NA	NA	√	NA	√	NA	NA	√	√
B. Mulwana	√	NA	NA	A	√	√	NA	NA	√	√
K. Wingfield	NA	NA	√	√	NA	NA	NA	√	√	√
P. Mweheire	NA	√	√	√	NA	NA	√	√	√	√
E. Kavuma	NA	NA	√	√	√	NA	NA	√	√	√
P. Mangheni	√	√	√	√	NA	√	√	√	√	√
C. Tasker	√	√	NA	√	NA	√	√	NA	√	√
G. Brackenrigde	NA	NA	NA	√	√	NA	NA	NA	√	√

√ = Attendance; **A** = Apology; **NA** = Not Applicable; **BAC** – Board Audit Committee
BRMC – Board Risk Management Committee **BHC** – Board Human Capital Committee **BCC** – Board Credit Committee

discouraged. The effective alternative to ad hoc, unscheduled meetings is exploitation of digital technology for online voting where urgent decisions are required between meetings. This has enabled Stanbic to build the discipline of planning and avoiding unscheduled meetings.

Digital technology

The Board has embraced the centrality of technology in its operations and adopted online processes through the Diligent Board software through which reports are circulated and decisions are made. The system offers security of information. This has enabled the Board not only to operate effectively exploiting available digital solutions but also furthered the corporate Social Environment Economic (SEE) goals on waste management to safeguard the environment. Online circulation is an example of reduced use of paper and this culture as set at the top has cascaded to bank operations for example increased paperless transactions which contributed to the 17% drop in waste from last year.

Culture

The Board structure is inclusive of shareholder representatives, majority and minority, who bring shareholder insight and perspective to discussions and decisions. Inclusivity also extends to gender. The Board aims to attain at least one third female representation for diverse perspective. This year the skills audit determined that inclusivity of gender and age could be improved as well as age representation which is heavily skewed to 60-69 (5 directors). Future recruitment shall be informed by these areas for improvement.

The Board continues to embrace bottom up learning to inform its decisions and facilitate understanding of the business. In 2018, the Board and Management adopted an inclusive approach to the strategy review process at the annual strategy retreat. The event provided an opportunity for the Board to engage and interact with key stakeholders including customers and employees including front line staff. Opportunities for small group interaction and presentations, panel discussions were adopted which resulted in a wealth of insight.

This inclusivity extends to management employment practices which have been aligned for more balanced representation on age and gender. This has led to a diversified workforce as follows; 52% female, while 42% of total managers are female with 6 out of 12 Executive managers being female. Millennials are 66% of the population with females contributing 51% of this population.

Board structure

Delegation of Authority

The Board delegates its authority to facilitate effectiveness, timely discharge of obligations as well as Utilisation of expertise at both committee and management level. Board committees facilitate the detailed, technical consideration of aspects of its mandate. Each committee has a mandate that is approved by the board and reviewed at least annually. Details of how these committees operate are elucidated below.

The Board delegates day to day management to the Chief Executive who controls, oversees and accounts for bank operations. The Chief Executive further delegates management of units to an Executive Committee which assists him in the execution of his mandate within documented thresholds. The Board retains control and independent, objective oversight through a well governed framework allowing management to fulfil its responsibility free of interference but ensuring accountability through reports to the board, at least on a quarterly basis, and via digital means in between quarter meetings.

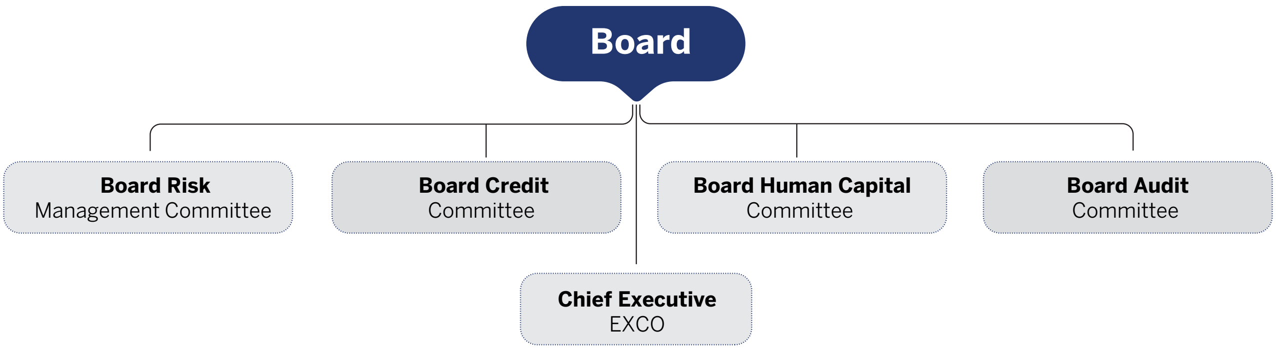
Board Committees

The Board delegates some of its responsibilities to committees but remains ultimately accountable to shareholders. The committees are a means to tap into the specialized skills available on the board and management who attend by invitation or as members. Board committees facilitate in depth, efficient consideration of issues applying director expertise to specific areas. This structure is a means to develop subject-specific expertise on key operations, such as financial reporting, risk management, and internal controls. It is also a means to enhance Board objectivity and independent judgment in key areas such as remuneration, director nomination, and oversight controls. To preserve this independence the Board chairman is neither a Chairperson nor a member of any committee.

The committees consider in detail matters mandated to them by documented Terms of Reference, considering reports from management or from experts at quarterly committee meetings. The committees report to the board with recommendations for board consideration and approval where required.

Each of the committees has a mandate, approved by the bBoard and reviewed annually for relevance and appropriateness, taking into consideration changes in the legal, regulatory framework, governance best practices and trends in the business environment. These mandates set out the role, responsibilities, scope of authority, composition and procedures to be followed.

The Board is comprised of fFour standing committees as follows; Audit, Risk Management, Credit and Human Capital committees.



Board Audit Committee

The Committee is comprised solely of independent Non-Executive Directors. The Chief Executive (CE) attends on invitation.

The role of this committee is to review the Bank's financial position and make recommendations to the Board on all financial matters, risks, internal financial controls, fraud and IT risks relevant to financial reporting. This includes assessing the integrity and effectiveness of accounting, financial compliance and control systems. The committee has a constructive relationship with the Head Internal Audit, who has access to the committee members as required. The Committee also ensures effective communication between the internal auditors, external auditors, the Board, management and regulators.

The Head Internal Audit reports directly into this committee which ensures the independence of the Internal Audit function. The Head Internal Audit compiles quarterly reports on gaps and weaknesses in controls that have been identified, including financial controls, and considers corrective actions to be implemented by management to prevent such incidences recurring. However, reporting on internal audit takes place as needed even between meetings. The Head Internal Audit interacts with the committee chairperson outside of meetings to discuss audit matters and briefs the Chair on key issues ahead of committee meetings.

The committee oversees the relationship between the external auditor and the rest of the company including annual reporting to the board. It recommends for approval the appointment of external auditors taking into consideration the auditor firm profile, record as well as quality of expertise on core aspects of its business and oversees their relationship with the shareholders including on annual financial reporting.

The Committee is responsible for the internal control framework, which combines the bank's three lines of defence model with the corporate governance framework. The audit, risk and compliance functions, as part of the three lines of defence, provide reports for review and discussion as part of monitoring effectiveness. More detail on the approach to risk management is provided in the Risk and Capital Management section which starts on pages 102-114

This committee considers whether internal financial and operational controls and systems are robust including internal control over financial reporting to ensure the integrity of both qualitative and quantitative financial information. The Chief Financial Officer is ultimately responsible for implementing and maintaining internal financial controls. Assurance of the effectiveness of internal financial controls is achieved through management's confirmation that the financial governance controls and internal financial controls, supporting the assertions in the financial statements, operated effectively during the year. It assures itself, and the board ,that coordinated audit work by the internal and external auditors as part of their annual risk-based audit plans was carried out. The board relies on this committee to satisfy itself of the accuracy and integrity of financial information including the annual audited and half year unaudited financial accounts.

The audit committee has complied with its mandate in the year under review, as well as its legal and regulatory responsibilities. Four scheduled meetings were held in the year.

Board Risk Management Committee

The Board is ultimately responsible for risk management and relies on this committee to provide independent and objective oversight of risk management and make relevant recommendations for improvement. The committee reviews the company's risk-management framework to ensure effective risk management considering quarterly management reports. Several management committees, primarily the risk management committee, facilitate the committee in fulfilling its mandate. The risk management committee, has the authority to manage the risks within the business in line with the parameters laid down by EXCO and the Board Risk Management Committee. Other key management committees include Credit and ALCO committees that meet on a monthly basis.

To achieve oversight, the committee reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are managed effectively and contribute to a culture of discipline and control that reduces the opportunity for fraud. Assurance on the effectiveness of the risk management processes is provided to the committee through management reporting.

Risk Management

Key risks are identified for the period, the risk profile is regularly reviewed and updated and the committee considers and satisfies itself of the adequacy and appropriateness of the risk management responses and the ranking by management. Bank of Uganda also reviews and satisfies itself on the risks identified, and ranking taking into account risk responses and progress in implementation of previous recommendations based on the key risk register. The rankings of Bank of Uganda do not significantly differ from those of management and this provides additional assurance to shareholders that risks are well managed.

The board continued to lay emphasis on the impact of technology on business and the risks associated with e-commerce including cyber and digital risk.

The board risk management and audit committees work in partnership with an expected overlap in duties however the committee chairs work closely to avoid duplication. This committee, like the Audit committee, is reliant on the three lines of defence model for assurance of effective risk management. The risk management framework is comprised of three lines of defence function as follows; the first/ front line functions determines and advises on risk impact on clients, operational processes and strategies, existing and possible vulnerabilities and threats. The second line, risk and compliance functions ensure policies and standards are in place to meet regulatory requirements, effective operation of first line processes & controls. This line report and provide assurance to the management executive committee and the Board through the risk management committee on governance, risk management and controls. The internal Audit function and external auditors are the third line that assesses overall effectiveness of the activities of the other two lines in managing and mitigating risks.

The committee is comprised of four members comprised of equal split between independent Non-Executive and Executive directors.

The committee complied with its mandate for the year under review as well as its legal and regulatory responsibilities. Four scheduled meetings were held.

A comprehensive risk management report is provided starting at pages 102-114, which sets out the framework for risk and capital management.

Board Credit Committee

The role of this committee is to ensure that effective frameworks for credit governance are in place in the Bank. This involves ensuring that the Credit Risk Management Committee and the credit function operate according to clearly defined mandates and delegated authority, and providing for the adequate management, measurement, monitoring and control of credit risk, including country risk.

The committee reports to the Board on credit portfolios, adequacy of provisions and status of non-performing loans. It approves significant facilities which are not within the armbit of the credit risk management committee and function. Further detail on the management of credit risk is set out in the comprehensive risk management report provided starting on pages 102-114.

The Committee's composition includes an Executive Director and 2 Non-Executive Directors.

The credit committee complied with its mandate for the year under review as well as its legal and regulatory responsibilities. Four scheduled meetings were held in the year.

Board Human Capital Committee

The committee comprises solely of Non-Executive Directors. The Chief Executive attends the meetings by invitation. Other members of Executive Management can be invited to attend when appropriate to assist the committee in fulfilling its mandate.

The role of the Board Human Capital Committee is to:

1. Provide oversight on the compensation of executive and senior management and other key personnel and ensure that compensation is consistent with the Bank's culture, objectives, strategy and control environment
2. Ensure that the Bank develops and maintains compensation policies which will attract and retain the highest quality executives and senior managers and reward the executives and senior managers of the Bank for the Bank's progress and enhancement of shareholder value
3. Perform other duties related to the Bank's compensation structure in accordance with applicable law, rules, policies and regulations

The goal of the committee is to maintain compensation policies which will attract and retain the highest quality executive and senior managers and which will reward the executives and senior managers of the Bank for the Bank's progress and enhancement of the shareholder value. The committee oversees the welfare, talent and skill development, and other human capital matters. In fulfilling its mandate, the committee is guided by the Standard Bank Group philosophy and policy as well as by the specific social, legal, economic context of Uganda.

No individual, irrespective of position, participates in the discussion or decision on his or her remuneration. The Committee complied with its mandate for the year under review as well as its legal and regulatory responsibilities. Four scheduled meetings were held in the year.

The committee reviews strategic human resource decisions.

The recruitment practice is as follows;

The Board has reserved for itself consideration of appointment of key executives. Information as relates to the current Executive Management including qualifications is contained on page 119.

Further details on HR practice are contained in the sustainability report captured on pages 69-77 and in the Board remuneration report of page 128.

Nominations

A select panel of Three directors handles matters as relates to nominations. The panel is currently made of; the Board Chairperson, a non-executive director and the Chief Executive.

The committee meets on a need to basis to consider composition of the board and the appointment of new directors and considers succession planning guided by a Succession planning policy that is in place.

In 2019, the Holding company structure shall take effect and it is expected that two committees to handle Audit and Nominations/ Governance matters shall be set up.

Technology

The continued disruption occasioned by technology to the banking industry and business in general was noted and a review undertaken of the appropriateness of the current board structure in providing strategic and risk oversight. The board noted the growing trend of board technology committees however the decision was taken that there was sufficient oversight of cyber, digital risk by the Board risk management committee and sufficient capabilities existed at board level therefore no immediate need existed to establish a separate technology/digital board committee.

Remuneration

The Board ensures appropriate levels of remuneration for the Board and executive management are in place and has reserved for itself final approval of Board and executive remuneration. The Board human capital committee considers proposals on remuneration for staff as a whole including bonus payments paid out as incentives for good performance. The Board determines what is payable following consideration of performance against set objectives and is guided in its decision on management pay by the need to remunerate competitively to attract and retain talent which is balanced against the need for a good shareholder return.

In consideration of non executive director remuneration, proposals include benchmark against similar companies or the industry, market realities, the need to attract and retain skilled, experienced directors to drive the business. Proposals on non executive director remuneration are presented and justified to the shareholders at the AGM who approve them if satisfactory. This year proposals for remuneration shall be presented taking into account the new structure that includes a holding company. In determining appropriate remuneration the entire company. The remuneration structure includes quarterly retainers and fees paid per meeting. The Board chairperson and committee chairpersons receive slightly higher fees in recognition of the additional responsibilities and contribution expected including availability for consultation in between Board meetings and detailed preparation that includes pre-Board and committee meetings with managers reporting into committees.

Further details on remuneration are included in the remuneration report at page 128.

Board changes

At the AGM held on 31st May 2018, Mr. Samuel Zimbe was presented to and appointed by the AGM. Mr. Japheth Katto, the board Chairman, and Professor Patrick James Mangheni, the Board Risk Management Committee Chairperson were re-elected while Mrs. Ruth Emunu retired from the Board following nine years of remarkable service.

At the AGM in May 2019, in line with our articles of association and best practice, four directors will be due for rotation. Two of the directors Mr Greg Brackenridge and Ms Eva Kavuma will be presented for re-election while Mr Tasker opted not to offer himself for re-election. As a non-resident director, he indicated challenges with the time commitment requirements around travel. Ms Barbara Mulwana being eligible but due for retirement in line with adopted practice of retirement after nine years of service. The Bank recognized with gratitude their contribution of perspective, skill and experience over the years.

Succession Planning

Succession planning is handled on an ongoing basis informed by the strategic needs of the Bank considering the skills, experience, knowledge and director attributes necessary to ensure balance, constructive challenge and healthy Board dynamics. Anticipated changes on the Board arising from rotation, retirement or other necessitated exit, augmented by gaps identified as part of Board evaluation or periodic skills audits inform the skills matrix which is considered during succession planning and as part of the recruitment process.

The Board has adopted as a practice a maximum nine-year tenure however in line with best practice and its Group subsidiary framework it reserves the right to determine whether a director having served nine years may still remain independent and crucial to the business owing to specialized expertise, knowledge and skill. This may be especially important to ensure continuity of committee responsibilities.

The Board also satisfies itself, as part of its oversight role, that appropriate skills are available at Executive management level to drive performance, support strategy implementation and ensure proper operation of the Bank. Management succession planning is an ongoing consideration under the oversight of the Board Human Capital committee which makes recommendations to the Board.

Board Evaluation

The Board is committed to continuous improvement. As is the practice, assessment of performance of the Board, committees, directors, Board and committee chairpersons, Chief Executive and company secretary was undertaken. The assessment was internally facilitated using a detailed tool with evaluation criteria linked to roles and responsibilities and goals. The findings were discussed by the Board which agreed an action plan for improvement including the Board development plans, need for alignment of mandates to the new holding company governance structure, need for the succession plan and director recruitment processes to take into account a younger demographic representative, digital skills, further alignment of the audit and risk committee responsibilities and compositions.

A proposal to establish a separate Board IT committee was considered however it was agreed that the roles of such a committee could be discharged by the Board and where necessary an ad hoc committee to handle specific aspects assisted by experts where relevant.

Relationship with shareholders

Regular, pertinent communication with shareholders is part of the Bank's fundamental responsibility. In addition to the ongoing engagement facilitated by the Investor Relations Manager and Bank Secretary, shareholders are encouraged to attend the Annual General Meeting which serves as a forum for engagement and dialogue. Directors are available at the meeting to answer shareholder questions. Voting at General Meetings is conducted by show of hands and every item is presented and voted on separately.

Shareholders who still hold shares in hard copy certificated form are encouraged to migrate to the USE electronic system and encouraged to notify the Bank's Share Registrars, C&R in writing of any change in their postal or email addresses or Bank account details to keep the share register current.

During the year, the Bank in line with its digitisation strategy developed and will implement electronic circulation of dividend warrants via electronic channels effective the next dividend payment cycle. The e-dividend warrant enables shareholders receive their dividend accountability by either SMS to mobile number on the share register or registered email. Shareholders are therefore encouraged to update their details with the share registrar. Details of the share registrar are included in the company information at page 211.

Relationship with stakeholders

The Bank's relevance to the markets and societies in which we operate depends on continued and meaningful engagement with all stakeholders. Stakeholder management at the Bank involves the optimal employment of the organisation's resources to build and maintain good relationships with stakeholders. This helps the Bank to manage the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

Access to information and resources

Executive Management and the Board interact regularly. The Executive Committee Members are invited to attend Board Meetings where necessary. In addition, Non-Executive Directors meet without the Executive Directors in closed sessions, where necessary.

Directors have unrestricted access to management and the Bank information, as well as the resources required to carry out their roles and responsibilities. This includes external legal and other professional advice at the Bank's expense where necessary. The Directors also has unlimited access to the advice and services of the Bank Secretary, who assists in providing any information or documentation that may be required to facilitate the discharge of their duties and responsibilities.

Ethics and organisational integrity

The code of ethics is designed to empower employees and enable effective decision making at all levels of our business according to defined ethical principles. It also aims to ensure that as a significant organisation in the financial services industry, we adhere to the highest standards of responsible practice. The code interprets and defines Standard Bank Group "Group" and the Bank's values in greater detail and provides value-based decision-making principles to guide our conduct. It is aligned with other Bank policies and procedures and supports the relevant industry regulations and laws.

The code specifies acceptable and unacceptable practices and assists in making ethical infringement easy to identify. It also promotes awareness of, and sensitivity to, ethical issues.

The Chief Executive is ultimately responsible for its implementation.

Ethics incidents are reported via the ethics and fraud hotline, human resources department, risk department and business unit ethics officers. Reported incidents for the period related to fraud and human resources-related issues which are anticipated risks and well managed as part of the Bank's risk management process.

The Bank has strong whistle blowing policies and procedures in place which staff are periodically trained on as part of induction and ongoing development. Staff are tested on knowledge and required to undertake further tests should they fail. The duties and responsibilities of all staff towards an ethical culture, responsibility to whistle blow, assurance of protection and the hotlines available are well publicized on the intranet and by the internal communications and compliance teams, regularly checked by audit.

Codes and regulations

As a licensed commercial Bank and listed entity, the Bank operates in a highly regulated environment and for the financial year 2018 complied with legislation, regulations and codes of best practice.

Complying with all applicable legislation, regulations, standards, codes and policies is integral to the Bank's culture. The Board delegates responsibility for compliance to management and monitors this through the compliance function. The compliance function and governance standards are subject to review by internal audit.

Oversight of compliance risk management is delegated to the Board risk management committee which annually reviews and approves the compliance plan. Every quarter, the Board reviewed reports from the compliance function on, among others, the status of compliance risk management in the Bank and significant areas of non-compliance. The Committee also reviewed the significant interactions and correspondences with Bank of Uganda.

Management assesses the impact of new and proposed legislation and regulations and escalated to the Board risk management and audit committees material regulatory issues and legislative developments.

The Bank throughout 2018 continued to nurture a strong culture of governance and responsible risk management in line with Standard Bank Group Risk appetite and governance framework. Stanbic Bank constantly monitored its practices to ensure that they are well suited for it and serve to enhance business and community objectives.

The Board is satisfied that it fulfilled its responsibilities in accordance with its mandate for the year 2018.

Dealing in securities

In line with its commitment to conducting business professionally and ethically, the Bank has a policy that restricts dealing in securities by directors and employees. A personal account trading policy and an insider trading policy are in place to prohibit employees and Ddirectors from trading in securities during closed periods, which are in effect from 1, June to the publication of the interim results and from 1, December to the publication of results. During other periods, where employees are in possession of price sensitive information, closed periods are imposed on these employees. Compliance with the policies is monitored on an ongoing basis.

Going concern

The Directors have sufficient reason to believe that the Bank has adequate resources to continue operating as a going concern.

Bank Secretary

The role of the Bank Secretary is to ensure the Board remains cognizant of its duties and responsibilities. In addition to guiding the Board on discharging its responsibilities, the Bank Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Bank Secretary also oversees the induction of new directors as well as the ongoing education of directors. To enable the Board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments which may affect the Bank and its operations. All directors have access to the services of the Secretary.

Remuneration report

All Board Human Capital Committee decisions are guided by the Bank and the Group philosophy and policy, as well as by the specific social, legal and economic context of the country.

Where considered appropriate, the Board Human Capital Committee of the Bank initiates modifications to remuneration designs to ensure that regulatory requirements are met and our remuneration policies, are progressive and are consistent with, and promote effective risk management.

Remuneration philosophy and policy

The Bank is committed to building a leading emerging markets entity that attracts and retains world-class people. Consequently, we work to develop a depth and caliber of human resource that is capable of delivering sustainable growth across multiple geographies, products and regulatory regimes, and always within our agreed risk tolerance.

At the heart of this commitment lies the value we place on our people. Therefore, effective management and remuneration of our talent must be a core competency of our Bank.

As an integral part of growing and fortifying our human capital skills, the Human Capital Committee continually reviews the Bank's remuneration philosophies, structures and practices.

To determine the remuneration of employees of the Bank, the Board Human Capital Committee reviews market and competitive data, and considers the Bank's performance against financial objectives and individual performance. A key step in this development was taken by the committee and management to seek benchmarking guidance from Hay Group and Global Remuneration Services (GRS).

Certain specialist departments, for example, human resources and finance, provide supporting information and documentation relating to matters considered by the Board Human Capital Committee.

Structure of remuneration for managerial and general employees

Terms of service

The terms and conditions of employment of all managers and general employees are guided by local legislation and are aligned to Standard Bank Group practices. Notice periods are stipulated by legislation and can go up to three months.

Structure of the remuneration

Fixed pay

Fixed pay is intended to attract and retain employees by ensuring competitive positioning in the local market and in certain cases, globally. Fixed pay is normally reviewed annually, in the first quarter of the year and market data is used for benchmarking.
In the longer term the aim of the Board Human Capital Commitee is to move from a fixed salary and benefits to a 'cost-to-Bank' philosophy whereby a cash sum is delivered from which all benefits are deducted.

Benefits

Benefits are provided in line with market practice and regulatory requirements. The Bank provides medical cover and death benefits for staff and dependents. In addition, retirement benefits are provided on a deferred contribution basis linked to fixed pay.

Variable pay

Annual Incentive

Annual incentives are provided to ensure appropriate reward for performance. Incentive pools are allocated to teams shaped by a combination of overall bank and team performance within the set risk tolerance levels.

Individual awards are based on personal performance, both financial and non-financial. In some cases, a portion of the annual incentive above a certain threshold is deferred.

Deferral Schemes

Deferred Bonus Scheme (DBS)

The Bank has implemented a DBS, to compulsorily defer a portion of incentives over a minimum threshold for some senior managers and executives. This improves alignment of shareholder and management interests and enables claw back under certain conditions, supporting risk management. All employees who are awarded an incentive over a certain threshold are subject to a mandatory deferral of a certain percentage of their bonus into the DBS for up to 42 months.

To enhance the retention component of the scheme, additional increments of the deferred bonus become payable at vesting and one year thereafter.

Claw back provision

A claw back provision was introduced on the deferred remuneration plan. A key provision in the plans is that unvested awards may be reduced or forfeited, in full or in part, at the Board Human Capital Committee's discretion subject to prescribed conditions

Long term incentives

Share incentive schemes

The Standard Bank Group (parent company) runs a Standard Bank Equity Growth Scheme (EGS) and Group Share Incentive Scheme (GSIS) to which certain employees of Stanbic Bank Holdings Limited are eligible to participate in. Participation rights under the EGS and share options under the GSIS are granted to qualifying employees. Grants of rights or options are typically made annually as part of the annual reward review; however, grants are also made to new employees on appointment or as ad hoc awards for retention purposes. EGS and GSIS long term incentives are awarded to key talent and are motivated by an individual's current performance and future potential. No awards are made to Non-Executive Directors.

No participation rights or options are issued at a pricing discount, nor can they be re-priced, except as provided for in terms of the scheme in relation to a reduction or re-organisation of the issued share capital of Standard Bank Group.

The table below sets out the general vesting conditions of the various options or participating rights issued. The Standard Bank Group Directors have the discretion to vary the vesting categories but not the expiry periods.

Vesting Category	Year	Cumulative Vesting %	Expiry
A	3, 4, 5	50, 75, 100	10 years
B	5, 6, 7	50, 75, 100	10 years
C	2, 3, 4	50, 75, 100	10 years

Terms of employment

Retention agreements

Retention agreements are only entered into in exceptional circumstances and retention payments have to be repaid should the individual concerned leave within a stipulated period.

Severance payments

Severance payments are determined by legislation, market practice and where applicable, agreement with recognised trade unions to employee forums. It is not the practice of Stanbic Bank Holdings Limited to make substantial severance awards.

Restrictive covenants

Some executive employment contracts include restrictive covenants on poaching of employees or customers. No other restrictions are included in contracts at present.

Sign on payments

In attracting key employees, it may be necessary to compensate for the loss of unvested awards with their prior employer. In such cases we would consider compensating such new employees in the appropriate share incentive scheme or in certain situations a cash sign on payment may be made on joining, subject to repayment should the employee leave the Bank within a certain period.

Directors' remuneration

Remuneration of Executive Directors

The remuneration packages and long term incentives for Executive Directors are determined along with other employees on the same basis and using the same qualifying criteria.

The compensation of the Chief Executive is subject to an annual review process that includes the Board.

The disclosure of the remuneration of the highest paid employees who are not Directors, is considered competitor sensitive and after due consideration, the Board has resolved not to publish this information.

Non-Executive Directors' remuneration and terms of engagement

Terms of service

All Non-Executive Directors are provided with a letter of appointment setting out the terms of engagement.

Directors are appointed by shareholders at the AGM. Between AGMs interim appointments may be made by the Board. These interim appointees are required to retire at the following AGM where they then offer themselves for re-election by shareholders. In addition, one -third of Non-Executive Directors are required to retire at each AGM and may offer themselves for re-election.

If supported by the Board, the Board then proposes their re-election to shareholders.

There is no limitation on the number of times a Non-Executive Director may stand for re-election. Proposals for re-election are based on individual performance and contribution.

Fees

Non-Executive Directors receive a fee for their service on the Board and a meeting attendance fee for Board committee meetings. Fees are paid quarterly in arrears.

There are no contractual arrangements for compensation for loss of office. Non-Executive Directors do not receive short-term incentives, nor do they participate in any long term incentives schemes. The Board human capital committee reviews the fees paid to Non-Executive Directors annually and makes recommendations to the Board for consideration.

In determining the remuneration of the Non-Executive Directors, the Board considers the extent and nature of their responsibilities, and reviews of comparative remuneration offered by other major Ugandan and International banks.

The table below shows the breakdown of Directors' Emoluments for the year ended 2018.

Category	Services as Directors	Board Committee Fees	Cash Portion Of package	Performance Incentives *	Other Benefits	Pension Contributions	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Executive Directors	-	-	2 484 888	2 051 580	2 465 826	717 918	7 720 212
Non-Executive Directors	375 895	140 177	-	-	-	-	516 072
Former Non-Executive Directors	21 259	18 417	-	-	-	-	39 676
Total	**397 154**	**158 594**	**2 484 888**	**2 051 580**	**2 465 826**	**717 918**	**8 275 960**

The table below shows the breakdown of directors' emoluments for the year ended 2017

Executive Directors	-	-	2 317 269	1 764 589	3 757 636	612 279	8 451 773
Non-Executive Directors	354 822	149 743	-	-	-	-	478 075
Former Non-Executive Directors	21 259	6 222	-	-	-	-	27 861
Total	**376 081**	**129 855**	**2 317 269**	**1 764 589**	**3 757 636**	**612 279**	**8 957 709**

Performance-related pay is aligned to the financial year. Performance is assessed at the end of the year and paid in the following year. The amounts herein are performance awards paid in the current year but relate to performance in the prior year.

Report of the Audit Committee

This report is provided by the Audit Committee in respect of the 2018 financial year of Stanbic Bank Holdings Limited. The Committee's operation is guided by a detailed mandate that is informed by the Companies Act 2012, the Financial Institutions Act (2004 as amended) and is approved by the Board.

The Committee is appointed by the Board annually. Information on the membership and composition of the Audit Committee, its terms of reference and its activities is provided in greater detail in the corporate governance statement.

Execution of functions

The Audit Committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the Stanbic Bank accounting, internal auditing, internal control and financial reporting practices.

During the year under review, the committee, among other matters, considered the following:

In respect of the external auditors and the external audit:

- Recommended to the Board for an approval of the appointment of KPMG Certified Public Accountants Uganda, as external auditors for the financial year ended 31 December, 2018, in accordance with all applicable legal requirements
- Approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable
- Reviewed the audit process and evaluated the effectiveness of the audits
- Obtained assurance from the external auditors that their independence was not impaired
- Considered the nature and extent of all non-audit services provided by the external auditors
- Through the Chairman, approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount
- Confirmed that no reportable irregularities were identified and reported by the external auditors.

In respect of the financial statements:

- Confirmed the going concern principle as the basis of preparation of the annual financial statements
- Examined and reviewed the interim and annual financial statements prior to submission and approval by the Board
- Reviewed reports on the adequacy of the provisions for performing and non- performing loans and impairment of other assets, and the formulae applied by the Bank in determining charges for and levels of impairment of performing loans
- Ensured that the annual financial statements fairly present the financial position of the Bank, as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the Bank determined to be a going concern
- Ensured that the annual financial statements conform with IFRS
- Considered accounting treatments, significant unusual transactions and accounting judgements
- Considered the appropriateness of the accounting policies adopted and changes thereto
- Reviewed and discussed the external auditors' audit report
- Considered and made recommendations to the Board on the interim and final dividend payments to the shareholder
- Noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of the annual financial statements, internal controls and related matters.

In respect of the annual report:

- Recommended the annual report to the Board for approval
- Evaluated management's judgments and reporting decisions in relation to the annual report and ensured that all material disclosures are included
- Reviewed forward-looking statements, financial and sustainability information in respect of internal control, internal audit and financial crime control
- Reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter
- Considered reports of the internal and external auditors on the group's systems of internal control, including internal financial controls and maintenance of effective internal control systems
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to such findings
- Noted that there were no significant differences of opinion between the internal audit function and management
- Assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory
- Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof
- Based on the above, the committee formed the opinion that, at the date of this report, there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the Bank
- Reviewed and approved the mandate of financial crime as an independent risk function
- Discussed significant financial crime matters and control weaknesses identified
- Reviewed any significant legal and tax matters that could have a material impact on the financial statements
- Considered quarterly reports from the Bank's internal financial controls committee

- Considered the independent assessment of the effectiveness of the internal audit function
- In respect of legal, regulatory and compliance requirements
- Reviewed, with management, matters that could have a material impact on the Bank
- Monitored compliance with the Companies Act of Uganda, the Financial Institutions Act, all other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and compliance detailing the extent of this
- Noted that no complaints were received through the Bank's Ethics and Fraud Hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters
- Reviewed and approved the annual compliance mandate and compliance plan. In respect of risk management and it: considered and reviewed reports from management on risk management, including fraud and its risks as they pertain to financial reporting and the growing concern assessment

In respect of the coordination of assurance activities, the committee:

- Reviewed the plans and work outputs of the external and internal auditors as well as compliance and financial crime control, and concluded that these were adequate to address all significant financial risks facing the business
- Considered the expertise, resources and experience of the finance function and the senior members of management responsible for this function and concluded that these were appropriate

Independence of the external auditors

The audit committee is satisfied that KPMG Certified Public Accountants. are independent of the Bank. This conclusion was arrived at, inter alia, after taking into account the following factors:

- The representations made by KPMG Certified Public Accountants Uganda to the Audit Committee
- The auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the Bank
- The auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors
- The auditors' independence was not prejudiced as a result of any previous appointment as auditor
- The criteria specified for independence by the independent regulatory.

Board for Auditors and international regulatory bodies were met.

In conclusion, the Audit Committee has complied with its legal, regulatory and governance responsibilities as set out in its mandate.

On behalf of the Audit Committee
Chairman, Audit Committee
26 March 2019

Directors' report

The Directors submit their report together with the audited financial statements for the year ended 31 December, 2018, which disclose the state of affairs of Stanbic Bank Holdings Limited ("the Bank").

Principal activities

The Bank is a licensed financial institution under the Financial Institutions Act and is a member of the Uganda Bankers Association.

The Bank is engaged in the business of commercial banking and the provision of related banking services. The Bank is also among the six primary dealers selected by the Bank of Uganda to deal in Government of Uganda securities.

Results

The Bank's results for the year ended 31 December, 2018 are shown in the Financial Statements on pages 140 to 144.

Dividends

The Directors recommend the payment of final dividends of USh s 97.5 bn for the year ended 31 December, 2018.

Share Capital

The total number of issued ordinary shares as at year end was 51,188,669,700 of UShs 1 each.

Directors and Secretary

The Directors who held office during the year and to the date of this report were:

J Katto - Chairman
S Zimbe - Non-Executive Director
B Mulwana - Non-Executive Director
P Mangheni - Non-Executive Director
E Kavuma - Non Executive Director
C Tasker - Non Executive Director
G Brackenridge - Non Executive Director
P Mweheire - Chief Executive
K Wingfield - Executive Director
R Kabatunzi - Ag. Company Secretary

Directors' interest in shares

At 31 December, 2018, the following Director has held a direct interest in the Bank's ordinary issued share capital as reflected in the table below:

Director	Number of Shares
P Mangheni	100,000
Total	100,000

Insurance

The Bank maintained directors and officers' liability insurance during the year.

Events subsequent to balance sheet date

There is no material event that has occurred between the reporting date and the date of this report that would require adjustment to these financial statements.

Management by third parties

None of the business of the Bank has been managed by a third person or a company in which a director has had an interest during the year.

By order of the Board

Rita Kabatunzi
Ag Secretary, Board of Directors
26 March 2019

Statement of Directors' Responsibility

The Directors are responsible for the preparation and fair presentation of the financial statements of Stanbic Bank Holdings Limited set out on pages 140 to 202 which comprise the statement of financial position as at 31 December 2018, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, the Companies Act of Uganda and the Financial Institutions Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors' responsibilities include; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. They are also responsible for the safeguarding the assets of the Company.

Under the Companies Act of Uganda, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the operating results of the Company for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, and the reporting requirements of the Financial Institutions Act and the Companies Act of Uganda. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results for the year ended 31 December, 2018.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements of Stanbic Bank Holdings Limited, were approved by the Board of Directors on 26 March 2019 and were signed on its behalf by:

....

Chairman
26 March 2019

....

Chief Executive
26 March 2019

Independent Auditors' Report

Opinion

We have audited the financial statements of Stanbic Bank Holdings Limited ("the Bank") set out on pages 140 to 202, which comprise the statement of financial position as at 31 December 2018, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of Stanbic Bank Holdings Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Companies Act of Uganda and the Financial Institutions Act, 2004 (as amended 2016).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Uganda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements taken as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment of loans and advances to customers	
Refer to accounting policy 2 (IFRS 9-transistion), notes 11 and 19 to the financial statements.	
As described in the notes to the financial statements, the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a new and complex accounting standard which requires significant judgment to determine the level of impairment. Key areas of judgment include among others; — The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model. — The identification of exposures with a significant deterioration in credit quality. — Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices). — The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	Our audit procedures in this area included, among others: — We assessed the modeling techniques and methodology against the requirements of IFRS 9. — We assessed the design and tested the operating effectiveness of relevant controls over the: — Data used to determine the impairment provision, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of date and interfaces to the expected credit loss model; — Expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy — We assessed and tested the material modeling assumptions as well as overlays with a focus on the: — Key modeling assumptions adopted by the Bank. — Basis for and data used to determine overlays; — Sensitivity of the provisions to changes in modelling assumptions. — We examined a sample of exposures and performed procedures to evaluate the: — Timely identification of exposures with a significant deterioration in credit quality. — Expected loss calculation for exposures assessed on an individual basis. — We involved our internal IT specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model). — We assessed the accuracy of the disclosures in the financial statements. — Challenging management's assumptions on projected cash flows when assessing stage 3 impairment by evaluating the assumptions against current economic performance, assumptions most commonly used in the Banking industry, and also comparison with external evidence.

Key audit matter	How the matter was addressed in our audit
Fair value measurement of financial instruments	
Refer to note 3(h) and accounting policy 2(n), 2(o) and 2(u) in the financial statements	
The Bank has UShs 995,843,845 of its financial instruments held at fair value and qualifying under level 2 and 3 of the fair value hierarchy. These instruments included cash and balances with central banks, derivatives, government securities and amounts due from/to group companies. The levels 2 and 3 require the Directors to determine the fair value of the qualifying financial instruments which is based on complex and significant judgement around fair value methodologies. These fair value calculations are dependent on various sources of data inside and outside the Bank and complex modelling techniques. The valuation of the Bank's financial instruments was determined to be a key audit matter due to the degree of complexity involved in determining fair value for level 2 and level 3 financial instruments and the significance of the judgments and estimates made by the Directors.	Our audit procedures in this area included among others; — Testing the design and operating effectiveness of the key controls in the Bank's financial instrument valuation processes including the controls over data inputs into valuation models and the controls over testing and approval of new models or changes to existing models. — Assessing the effectiveness of the general IT controls on the fair valuation models by IT specialists. — Testing a sample of financial instruments using independent models and source data from reputable independent third parties and comparing the results to the Bank's valuations. — Checking the accuracy of inputs into the model against the source data. — We evaluated the accuracy and adequacy of the fair value disclosures in the financial statements.

Key audit matter	How the matter was addressed in our audit
Transfer pricing on related party transactions	
Refer to note 37 and accounting policy 2(j) in the financial statements	
In the normal course of business, the Bank incurs expenses with related parties mainly arising from, recharges by the parent company in South Africa. These expenses are reported under operating expenses in the financial statements. The tax treatment of these expenses is subject to transfer pricing rules issued by Uganda Revenue Authority (URA). Under these rules the Bank is required to maintain documents of sufficient quality so as to accurately and completely describe the transfer pricing analysis conducted and efforts to comply with the arm's length principle. Also among other requirements is the need for the Bank to document assumptions and information regarding factors that influenced the setting of prices or the establishment of policies with the related party. The Bank is also required to demonstrate comparability for similar services and goods received. During the year the Bank purchased the NBOL system from the parent company at a cost of UShs 33,108,992,529. These rules are complex and require the directors to apply a high level of judgment in determining an appropriate amount for these related services which are recognised in the financial statements. The significant judgments made by the directors included the tax treatment of the transaction. Due to the complexity and judgement involved, transfer pricing on these related party transactions was considered a key audit matter.	Our audit procedures in this area included, among others; — Obtaining an understanding of the process followed by the Directors in determining the appropriate tax treatment of related party expenses. — On a sample basis, recomputing and assessing the reasonableness of the recharges relating to expenses against the principles agreed between the Bank and its parent. — Using our internal tax specialists to assist us in assessing whether a transfer pricing report prepared by the Bank's external tax experts is consistent with the URA transfer pricing regulations. The report also assessed the methodology applied in arriving at the recharges for consistency with the Organisation for Economic Co-operation and Development (OECD) guidelines.

Key audit matter	How the matter was addressed in our audit
IT Systems and Controls	
The Bank is dependent on IT systems to (1) serve customers, (2) support business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of the Bank's internal controls over financial reporting are dependent upon automated application controls and completeness and integrity of reports generated by the IT systems. The Bank continuously procures new systems and modifies existing systems. The Bank has multiple systems that interface with the core Banking system to run its day to day operations. Given the complexity of the infrastructure of the multiple systems that interface with the core Banking system and a high dependency on technology, we considered this to be a key audit matter for our audit.	Our audit procedures in this area included, among others: — Assessing management principles and processes for modifications to the IT-environment. — Evaluating segregations of duties for personnel working with development and production environment. — Evaluating controls around the interfaces of various systems of the bank. — Evaluating the process for identity and access management, including access granting, change and removal. — Evaluating the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures. — Evaluating whether the various interfaces between various financial reporting systems are operating effectively. — Evaluating the appropriateness of controls for security governance and system hardening to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the Companies Act of Uganda and the Financial Institutions Act, 2004 (as amended 2016), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

— Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial statements of the Bank to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Companies Act of Uganda we report to you, based on our audit, that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

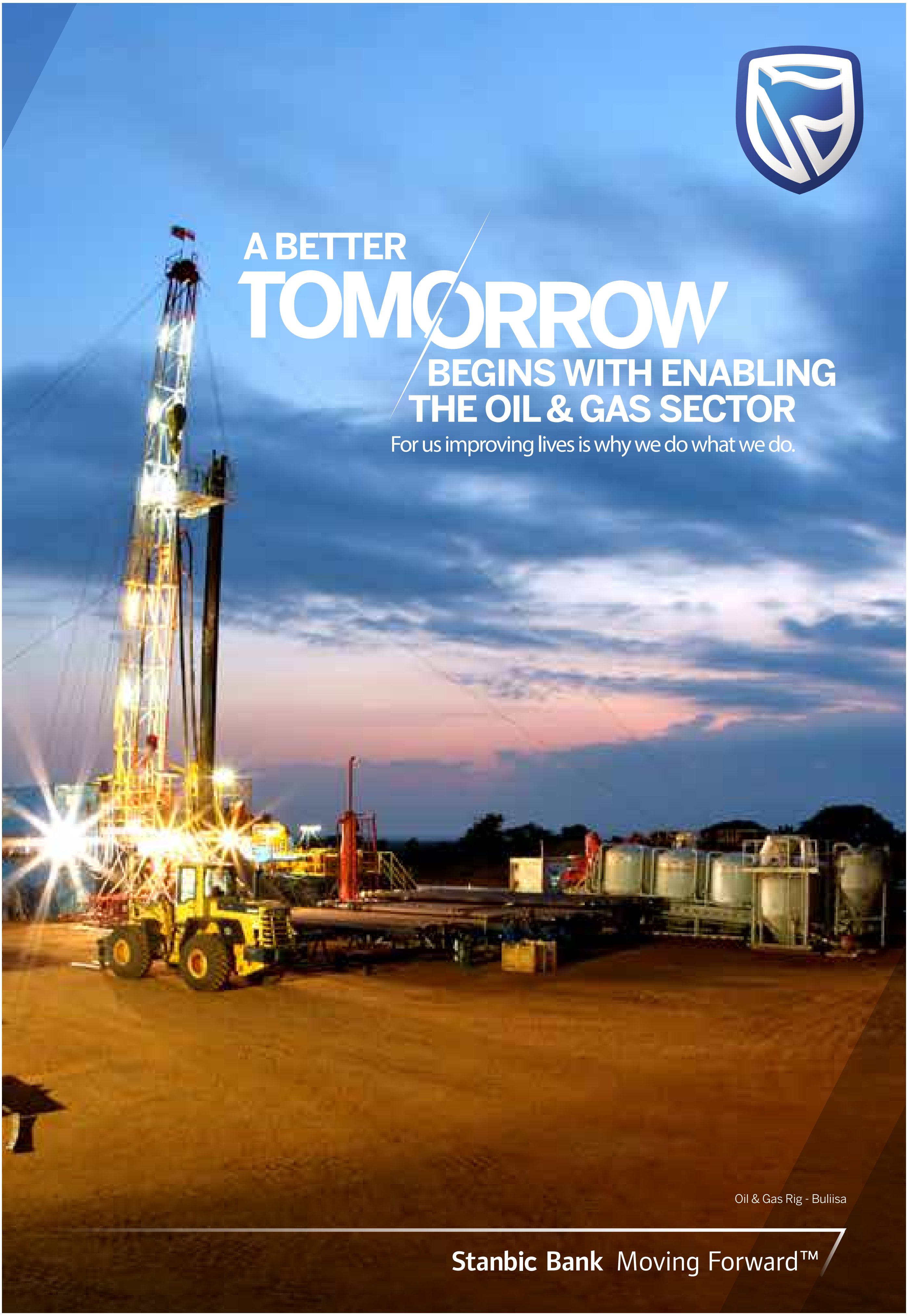
iii. The Bank's statements of financial position, income statement and comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Stephen Ineget - P0401.

KPMG

Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda

Date: 26 March 2019


A BETTER
TOMORROW
BEGINS WITH ENABLING
THE OIL & GAS SECTOR
For us improving lives is why we do what we do.
Oil & Gas Rig - Buliisa
Stanbic Bank Moving Forward™

Financial statements and notes

Income statement for the year ended 31 December 2018

	Notes	2018 UShs' 000	2017 UShs' 000
Interest income	5	**404 291 586**	403 527 401
Interest expense	6	**(33 372 120)**	(50 780 273)
Net interest income		**370 919 466**	352 747 128
Fee and commission income	7	**148 609 405**	135 830 032
Fee and commission expenses	7	**(7 377 824)**	(4 583 746)
Net fees and commission income		**141 231 581**	131 246 286
Net trading income	8	**142 363 350**	144 964 170
Other losses on financial instruments	9	**(509,695)**	-
Other operating income	10	**7 107 404**	7 047 223
Total income before credit impairment charge		**661 112 106**	636 004 807
Impairment charge for credit losses	11	**(2 271 012)**	(28 922 014)
Total income after credit impairment charge		**658 841 094**	607 082 793
Employee benefit expenses	12	**(148 609 404)**	(141 491 545)
Depreciation and amortisation	23 &24	**(29 985 027)**	(26 311 737)
Other operating expenses	13	**(183 568 817)**	(173 613 553)
Profit before income tax		**296 677 846**	265 665 958
Income tax expense	14	**(81 537 760)**	(65 198 169)
Profit for the year		**215 140 086**	200 467 789
Earnings per share for profit attributable to the equity holders of the Bank during the year (expressed In UShs per share):			
Basic & diluted	**15**	**4.20**	**3.92**

The Bank has, as permitted by IFRS 9, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis.

The notes set out on pages 145 to 202 form an Intergral part of these financial statements

Statement of comprehensive income for year ended 31 December 2018

	Notes	2018 UShs' 000	2017 UShs' 000
Profit for the year		**215 140 086**	200 467 789
Other comprehensive income for the year after tax:		-	-
Items that may be subsequently reclassified to profit and loss		-	-
Net gains on available for sale financial assets - IAS 39	26	-	16 717 213
Net change in debt financial assets measured at fair value through other comprehensive income (OCI) - IFRS 9	26	**(16 109 145)**	-
Total comprehensive income for the year		**199 030 941**	217 185 002

The bank has, as permitted by IFRS 9, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis. Refer to the accounting policy elections, IFRS 9 transition and restatement for more detail.

The notes set out on pages 145 to 202 form an integral part of these financial statements.

Statement of financial position as at 31 December 2018

	Notes	2018 UShs' 000	2017 UShs' 000
Cash & balances with Bank of Uganda	16	**1 214 176 966**	856 532 804
Derivative assets	28	**16 197 011**	12 117 502
Trading assets	17	**308 424 330**	392 911 207
Financial investments	17	**601 865 521**	516 341 492
Current income tax recoverable	14	**14 655 628**	23 748 226
Loans and advances to banks	18	**422 581 229**	1 100 636 288
Amounts due from group companies	37	**65 931 960**	177 449 478
Loans and advances to customers	19	**2 508 827 698**	2 133 986 423
Other assets	22	**67 394 861**	47 493 184
Property and equipment	24	**51 526 577**	69 292 586
Goodwill and other intangible assets	23	**109 499 257**	71 909 841
Prepaid operating leases	21	**77 984**	88 322
Deferred tax asset	20	**11 899 938**	1 651 991
Total assets		**5 393 058 960**	5 404 159 344
Shareholders' equity and liabilities			
Ordinary share capital	25	**51 188 670**	51 188 670
Available for sale revaluation reserve	26	**-**	19 788 336
Fair value through OCI reserve	26	**3 679 191**	-
Statutory credit risk reserve	27	**11 073 905**	19 171 113
Share-based payment reserve	38	**2 148 507**	2 018 851
Retained earnings	39	**790 761 466**	690 112 651
Proposed dividend	34	**97 500 000**	90 000 000
		956 351 739	872 279 621
Liabilities			
Derivative liabilities	28	**30 747 453**	4 211 626
Deposits from customers	29	**3 892 294 649**	3 620 945 573
Deposits from banks	30	**101 384 439**	342 769 174
Amounts due to group companies	37	**49 359 838**	266 614 006
Borrowed funds	31	**13 788 121**	16 364 653
Subordinated debt	33	**74 176 983**	72 801 196
Other liabilities	32	**274 955 738**	208 173 495
		4 436 707 221	4 531 879 723
Total equity and liabilities		**5 393 058 960**	5 404 159 344

The financial statements on pages 140 to 202 were approved for issue by the Board of Directors on 26 March 2019 and signed on its behalf by:

....	....
Chairman	Chief Executive
....	....
Director	Ag. Company Secretary

The Bank has, as permitted by IFRS 9, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis. Refer to the accounting policy elections, IFRS 9 transition and restatement for more detail.

The notes set out on pages 145 to 202 form an intergral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2018

	Notes	Share capital	Available for sale revaluation reserve	Fair value through OCI reserve	Statutory Credit Risk Reserve	Proposed dividends	Share-based payment reserve	Retained earnings	Total
		UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Balance as at 31 December 2017		51 188 670	19 788 336	-	19 171 113	90 000 000	2 018 851	690 112 651	872 279 621
IFRS 9, transition adjustment			(19 788 336)	19 788 336				(25 088 479)	(25 088 479)
Balance as at 1 January 2018		51 188 670	-	19 788 336	19 171 113	90 000 000	2 018 851	665 024 172	847 191 142
Profit for the year								215 140 086	215 140 086
Other comprehensive (loss)/income after tax for the year	26	-	-	(16 109 145)	-	-		-	(16 109 145)
Transactions with owners recorded directly in equity									
Dividend paid		-	-	-	-	(90 000 000)		-	(90 000 000)
Statutory credit risk reserve		-	-	-	(8 097 208)	-		8 097 208	-
Equity-settled share-based payment transactions	38	-	-	-	-	-	129 656		129 656
Proposed dividend	34	-	-	-	-	97 500 000		(97 500 000)	-
Balance at 31 December 2018		51 188 670	-	3 679 191	11 073 905	97 500 000	2 148 507	790 761 466	956 351 739

	Notes	Share capital UShs' 000	Available for sale revaluation reserve UShs' 000	Fair value through OCI reserve UShs' 000	Statutory Credit Risk Reserve UShs' 000	Proposed dividends UShs' 000	Share-based payment reserve UShs' 000	Retained earnings UShs' 000	Total UShs' 000
At 1 January 2017		51 188 670	3 071 123	-	22 893 968	60 000 000	1 866 225	575 922 007	714 941 993
Profit for the year		-	-	-	-	-	-	200 467 789	200 467 789
Net Loss/gain in available for sale revaluation reserve	26	-	16 717 213	-	-	-	-	-	16 717 213
Transactions with owners recorded directly in equity									
Dividend paid		-	-	-	-	(60 000 000)	-	-	(60 000 000)
Statutory credit risk reserve		-	-	-	(3 722 855)	-	-	3 722 855	-
Equity-settled share-based payment transactions	38	-	-	-	-	-	152 626	-	152 626
Proposed dividend	34	-	-	-	-	90 000 000	-	(90 000 000)	-
Balance at 31 December 2017		**51 188 670**	**19 788 336**	**-**	**19 171 113**	**90 000 000**	**2 018 851**	**690 112 651**	**872 279 621**

The notes set out on pages 145 to 202 form an intergral part of these financial statements.
Refer to the accounting policy elections, IFRS 9 transition and restatement for more detail on the IFRS 9 transition.

Statement of cash flows for the year ended 31 December 2018

	Notes	2018 UShs' 000	2017 UShs' 000
Cash flows from operating activities			
Interest received		394 465 805	397 013 080
Interest paid		(32 148 327)	(50 366 037)
Net fees and commissions received		152 478 637	137 555 397
Net trading and other Income/recoveries		164 253 183	161 244 419
Cash payment to employees & suppliers		(365 488 153)	(345 757 785)
Cash flows from operating activities before changes in operating assets & Liabilities		313 561 145	299 689 074
Changes in operating assets & liabilities			
Income tax paid	14	(65 002 367)	(83 959 360)
Increase in derivative assets		(4 079 509)	(2 050 885)
(Increase)/decrease in financial investments		(235 955 202)	81 767 514
Decrease/(increase) in trading assets		84 486 877	(142 426 936)
Increase in cash reserve requirement		(19 190 000)	(42 540 000)
Increase in loans and advances to customers		(414 831 768)	(188 677 753)
Increase in other assets		(31 148 730)	(4 481 259)
Increase in customer deposits		270 125 283	562 026 574
(Decrease)/increase in deposits and balances due to other banks		(241 384 735)	49 042 447
(Decrease)/increase in deposits from group companies		(217 254 168)	23 808 760
Increase in derivative liabilities		26 535 827	3 619 491
Increase in other liabilities		98 313 301	44 667 079
Net cash from/(used in) operating activities		(435 824 046)	600 484 746
Cash flows from investing activities			
Purchase of property & equipment	25	(18 540 109)	(25 130 425)
Purchase of computer software	23	(33 108 993)	-
Proceeds from sale of property & equipment		260 668	334 534
Net cash used in investing activities		(51 388 434)	(24 795 891)
Cash flows from financing activities			
Dividends paid to shareholders		(90 000 000)	(60 000 000)
(Decrease)/Increase in borrowed funds		(2 576 532)	4 785 289
Increase in subordinated debt		1 375 787	663 810
Net cash used financing activities		(91 200 745)	(54 550 901)
Net (decrease)/increase in cash and cash equivalents		(578 413 225)	521 137 954
Cash and cash equivalents at beginning of the year		2 140 716 931	1 619 578 977
Cash and cash equivalents at end of the year	36	1 562 303 706	2 140 716 931

The notes set out on pages 145 to 202 form an integral part of these financial statements.

Notes

1. General Information

Stanbic Bank Holdings Limited provides personal, business, corporate and investment Banking services in Uganda. The Bank is a limited liability company and is incorporated and domiciled in Uganda. The address of its registered office is: Plot 17 Hannington Road Short Tower - Crested Towers, PO Box 7131, Kampala. The Bank's shares are listed on the Uganda Securities Exchange (USE).

For Companies Act of Uganda reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the income statement in these financial statements.

2. Summary Of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The annual financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act 2012 and the Financial Institutions Act. The financial statements are presented in the functional currency, Uganda Shillings (UShs), rounded to the nearest thousand, and prepared under the historical cost convention except for assets and liabilities held for trading, financial instruments designated at fair value through profit or loss; liabilities for cash- settled share-based payment arrangements and available-for-sale financial assets that are measured at fair value.

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The following principle accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using Trade Date Accounting (accounting policy (i));
- The portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy (i)).
- Intangible assets and property and equipment are accounted for using the cost model (accounting policy J and T).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 3.

New and amended standards adopted by the Bank

The accounting policies are consistent with those reported in the previous year except for the adoption of the following standards and amendments effective for the current period.

IFRS 15 Revenue from Contracts with Customers (with effect from 1 January 2018)

This Standard replaces the existing revenue standards and the related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition. The group adopted IFRS 15 on 1 January 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. The standard does not apply to revenue associated with financial instruments, and therefore does not impact the majority of the Bank's revenue.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (IFRIC 22)

The Standard provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The above mentioned standards and interpretation to the IFRS standards, adopted on 1 January 2018, did not effect the Bank's previously reported financial results or disclosures and did not impact the Bank's results upon transition or the Bank's accounting policies.

Share-based Payment IFRS 2 (amendment) effective for annual periods beginning on or after 1 January 2018.

The amendments are intended to eliminate diversity in practice in three main areas of the classification and measurement of share based payment transactions. These include;

- The effects of vesting conditions on the measurement of a cash-settled share based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

IFRS 9 Financial Instruments (IFRS 9) with effect from 1 January 2018, replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 introduced new requirements which included an expected credit loss (ECL) impairment model and new requirements for the classification and measurement of financial assets, refer to page 147-152 for more detail. IFRS 9, adopted on 1 January 2018, impacted the Bank's results upon transition and materially impacted the Bank's accounting policies, refer to page 147-152 for more detail.

Standards and Interpretations issued but not yet effective

IAS 19 Employee Benefits–amendments (effective for periods beginning 1 January 2019 but earlier application permitted)

The amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined..

IFRS 10 and IAS 28 Sale or Contribution of Assets between an investor and its associate or joint venture (The effective date is yet to be confirmed).

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and have no impact on the Bank's financial statements.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

This standard will replace the existing standard IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a Right Of Use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 have not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17.

In addition, the standard requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.

The standard will be applied using the full retrospective approach. The impact on the annual financial statements as at 1 January, 2019 is shown below:

	UShs'000
Right of Use Asset (ROU)	35, 432,757
Lease liability	(31,760,710)
Prepaid Lease Asset Adjustment	(3, 672,047)

IFRIC 23 Uncertainty over Income Tax Treatments (Effective for annual periods beginning on 1 January 2019 with earlier application permitted)

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

IFRS 3 Business Combinations - amendment (1 January 2020 with earlier application permitted)

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is not expected to have a material impact on the group.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendment (Effective for periods beginning 1 January 2020 with earlier application permitted).

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of material is consistent across all IFRS standards. The amendments will be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.

The amendments will be applied prospectively. The impact on the annual financial statements has not yet been fully determined.

IFRS 9 Financial Instruments (amendment) (Effective for periods beginning 1 January 2019 with earlier application permitted)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively. The amendment is not expected to have a material impact on the Bank's Financial Statements.

Annual improvements 2015-2017 cycle

Effective date: 1 January 2019 with earlier application permitted

The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the Bank's annual financial statements.

IFRS 9 - transition

Background

With effect from 1 January 2018, IFRS 9 replaced IAS 39. IFRS 9 introduced new requirements which included an Expected Credit Loss (ECL) impairment model and new requirements for the classification and measurement of financial assets as follows:

ECL impairment requirements	IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the Bank. Financial assets measured at amortised costs, at fair value through OCI and loan commitments where there is a present commitment to extend credit (unless these are measured at FVTPL) and guarantees are all within the scope of the ECL impairment requirement ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL. However, where the lifetime is less than 12 months, lifetime ECL will be measured for the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
Classification and measurement	IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to the IAS 39 requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at FVTPL due to changes in own credit risk are required to be recognised within OCI.

Adoption of IFRS 9

The Bank retrospectively adopted IFRS 9 on 1 January 2018 with an adjustment to the Bank's opening 1 January 2018 reserves and, as permitted by IFRS 9, did not restate its comparative financial results. Accordingly, the Bank's previously reported financial results up to 31 December 2017 are presented in accordance with the requirements of IAS 39 and for 2018, and future reporting periods, are presented in terms of IFRS9.

IFRS 9's ECL requirements

The most material IFRS 9 transition impact for the Bank is that of IFRS 9's new ECL requirements which results in the earlier recognition of credit impairment provisions primarily as a result of the drivers outlined in the table below. This impact was solely as a result of the adoption of IFRS 9 and is not as a result of changes in the credit quality of the Bank's loan exposures.

12-month ECL for performing loans (stage 1)	IFRS 9 contains a minimum 12-month ECL for exposures for which there has not been a significant increase in credit risk (SICR), whereas IAS 39 required credit impairments to be recognised only following the identification of objective evidence of impairment.
Significant increase in credit risk (SICR) (stage 2)	A lifetime ECL is recognised for all exposures for which there has been a SICR, being a material change in the probability of default, since origination.
Off-balance sheet exposures	IFRS 9's scope includes off-balance sheet exposures, such as unutilised loan commitments (except those loan commitments at fair value through profit and loss), banker's acceptances, guarantees, and letters of credit.
Lifetime model work out requirement	In terms of determining ECL for stage 1 and 2 exposures where there is a probability of default, the potential loss from a lifetime perspective is considered, which would include the probability of recovery post default and subsequent re-default. For stage 3 exposures, being exposures that are either in default or where default is imminent, this would include consideration of cures and subsequent re-default.
Forward looking economic expectations	IFRS 9 requires an adjustment for forward looking economic expectations in the determination of SICR and in the measurement of the ECL

IFRS 9 key financial impacts

Table 1: Impact on the STANBIC Bank Holdings extracted statement of financial position on 1 January 2018

		IFRS9 transition adjustment at 1 January 2018			
Stanbic Bank	**IAS 39 at 31 December 2017 UShs' 000**	**IFRS 9 ECL UShs' 000**	**IFRS 9 classification and measurement UShs' 000**	**Total UShs' 000**	**IFRS 9 at 1 January 2018 UShs' 000**
Assets					
Financial Investments	909 180 793	(99 637)	-	**(99 637)**	**909 081 156**
Loans and advances to Banks	1 100 636 288	(43 420)	-	**(43 420)**	**1 100 592 868**
Loans and advances to Customers	2 133 986 423	(33 624 671)	-	**(33 624 671)**	**2 100 361 752**
Other Financial and non financial assets	1 260 355 840	10 752 205	-	**10 752 205**	**1 271 108 045**
Total Assets	5 404 159 344	(23 015 523)	-	**(23 015 523)**	**5 381 143 821**
Equity and Liabilities					
Equity					
Equity attributable to the ordinary shareholder	872 279 621	(25 088 479)	-	**(25 088 479)**	**847 191 142**
Equity attributable to other equity holders					
Equity attributable to non-controlling interest	-	-	-	**-**	**-**
Liabilities	4 531 879 722	2 072 957	-	**2 072 957**	**4 533 952 679**
Total Equity and liabilities	5 404 159 343	(23 015 522)	-	**(23 015 522)**	**5 381 143 821**

UShs2bn materially relates to the recognition of ECL on off-balance sheet letters of credit, bankers acceptances and guarantees.

Table 2: Impact on the STANBIC Bank Holdings extracted statement of changes in equity on 1 January 2018

Stanbic Bank	IAS 39 at 31 December 2017 UShs' 000	IFRS 9 transition adjustment at 1 January 2018 UShs' 000	IFRS 9 at 1 January 2018 UShs' 000
Ordinary Share Capital and Share Premium	51 188 670	-	**51 188 670**
Retained earnings	690 112 651	**(25 088 479)**	**665 024 172**
Other	130 978 300	-	**130 978 300**
Total Ordinary shareholder's equity	872 279 621	**(25 088 479)**	**847 191 142**

1 The change in the retained earnings relates to IFRS 9's classification and measurement and ECL changes.

Table 3: Impact on financial instrument classification (excluding impact of IFRS 9 ECL)

		IFRS 9 transition adjustment at 1 January 2018					
Stanbic Bank	**IAS 39 at 31 December 2017 UShs' 000**	**Held for trading UShs' 000**	**Fair value through profit or loss**	**Amortised Cost UShs' 000**	**Fair value through OCI**	**IFRS 9 1 January 2018 UShs' 000**	**Transitional adjustment UShs' 000**
Financial assets							
Trading assets	405 100 615	405 100 615	-	-	-	405 100 615	-
Loans and receivables	4 482 789 143	-	583 327 547	3 876 545 710	-	4 459 873 257	(22 915 886)
Available for Sale	516 269 586	-	-	-	516 169 949	516 169 949	(99 637)
Total Financial assets	**5 404 159 344**	**405 100 615**	**583 327 547**	**3 876 545 710**	**516 169 949**	**5 381 143 821**	**(23 015 523)**
Financial liabilities	-	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-	-
Designated at fair value	-	-	-	-	-	-	-
Other amortised cost	4 531 879 723	-	-	4 533 952 680	-	4 533 952 680	(2 072 957)
Total Financial liabilities	**4 531 897 723**	**-**	**-**	**4 533 952 680**	**-**	**4 533 952 680**	**(2 072 957)**

1 The financial instruments no longer designated at fair value through profit or loss is as a result of the IFRS 9 designation criteria not being met.

2 Cash and balances with central banks was in terms of IAS 39 classified as loans and receivables. Coins and bank notes and the reserving requirements held with the central bank have been classified as at fair value through profit or loss - default as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

Classification and measurement of financial instruments

The Bank applied IFRS 9's classification and measurement requirements based on the facts and circumstances at 1 January 2018 in determining the transition adjustment. As at 1 January 2018 the Bank determined the classification of financial assets on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. An assessment of the instrument's contractual terms was performed to determine whether the terms give rise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding (referred to as SPPI) and whether there is an accounting mismatch.

For debt financial assets that meet IFRS 9's business model (held to collect) and the SPPI tests and are to be classified as amortised cost or at fair value through OCI, the Bank assessed whether there is an accounting mismatch based on the facts and circumstances as at 1 January 2018. Where an accounting mismatch exists, these financial assets were designation as at FVTPL.

Equity financial assets are assessed to be designated as at fair value through OCI based on the facts and circumstances as at 1 January 2018.

From a classification perspective, with the exception of what is noted below, both IAS 39 and IFRS 9 have the same requirements for the classification of financial liabilities. From a recognition of gains and losses perspective, the amount of the change in fair value that is attributable to changes in the credit risk of financial liabilities that have been designated at fair value through profit and loss shall, in terms of IFRS 9, be recognised in OCI with the remaining amount of the change in the fair value of the financial liability being presented in profit or loss. The gains and losses presented in OCI are not subsequently recognised in profit or loss. Where, however, presenting the changes in the fair value of the liability due to changes in credit risk in OCI would create or enlarge an accounting mismatch in profit or loss, IFRS 9 permits the gains and losses due to changes in the credit risk of that liability to be recognised in profit or loss.

Table 4: The transition from IAS 39 to IFRS 9's impairment requirements by segment and asset class

Stanbic Bank	IAS 39- 31 December 2017 Performing portfolio provision UShs' 000	Specific debt Provision UShs' 000	Total IAS 39 provision (excluding IIS) UShs' 000	IIS UShs' 000	Total IAS 39 provision (including IIS) UShs' 000	IFRS 9- 1 January 2018 Stage 1 UShs' 000	Stage 2 UShs' 000	Stage 3 UShs' 000	Total IFRS 9 provision (including IIS) UShs' 000	IFRS 9- transition adjustment- 1 January 2018 Gross UShs' 000	Tax UShs' 000	Net UShs' 000
Personal & Business Banking (PBB)												
Loans and advances measured at amortised cost												
Mortgage loans	2 182 993	3 839 342	**6 022 335**	32 292	**6 054 627**	825 579	4 902 492	3 839 342	**9 567 413**	3 545 078	1 063 523	**2 481 555**
Vehicle and asset finance	292 977	2 530 320	**2 823 297**	-	**2 823 297**	968 468	3 065 897	2 530 320	**6 564 685**	3 741 388	1 122 416	**2 618 972**
Card debtors	86 918	161 802	**248 720**	-	**248 720**	70 734	259 669	161 802	**492 205**	243 485	73 046	**170 439**
Other loans and advances	6 223 258	22 650 442	**28 873 700**	953 859	**29 827 559**	12 696 817	24 624 326	22 739 603	**60 060 746**	31 187 046	9 356 114	**21 830 932**
Off balance sheet exposures												
Letters of credit and bankers acceptances	-	-	-	-	-	58 228	-	-	**58 228**	58 228	17 468	**40 760**
Guarantees	-	-	-	-	-	986 527	-	-	**986 527**	986 527	295 958	**690 569**
Corporate & Investment Banking (CIB)												
Loans and advances measured at amortised cost	-											
Corporate	10 784 759	13 592 961	**24 377 720**		**24 377 720**	4 694 496	1 328 164	13 262 735	**19 285 395**	(5 092 325)	(1 527 697)	**(3 564 628)**
Sovereign					-	43 362	58	-	**43 420**	43 420	13 026	**30 394**
Debit financial investments measured at Fair value through OCI												
Sovereign	-	-	-	-	-	99 637	-	-	**99 637**	99 637	29 892	**69 745**
off balance sheet exposures												
Letters of credit andk bankers acceptances	-	-	-	-	-	503 157	46 231	-	**549 388**	549 388	164 816	**384 572**
Guarantees	-	-	-	-	-	474 942	3 871	-	**478 813**	478 813	143 644	**335 169**
Total	**19 570 905**	**42 774 867**	**62 345 772**	**986 151**	**63 331 923**	**21 421 947**	**34 230 708**	**42 533 802**	**98 186 457**	**35 840 685**	**10 752 206**	**25 088 479**

Key Management Assumptions

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. Post the implementation of IFRS 9 on 1 January 2018, unless otherwise stated, no material changes to assumptions have occurred during the year. The following represents the most material key management assumptions applied in preparing these financial statements.

Expected credit loss (ECL) on financial assets - IFRS 9 drivers

For the purpose of determining the ECL:

- The PBB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The IFRS 9 impairment provision calculation has been amended to exclude post write off recoveries (PWOR) from the loss given default (LGD) in calculating the expected credit loss impairments. This change in the modelling assumption and estimates have been applied prospectively.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

- The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetime is less than 12-months).
- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetimes include consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime periods and the potential ECL.
- The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

Significant increase in credit risk (SICR) and low credit risk

PBB

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

The Bank also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's non-rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

CIB (including certain PBB business banking exposures)

The Bank uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Bank's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Bank's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9 purposes.

Incorporation of forward looking information in ECL measurement

The Bank determines the macroeconomic outlook, over a planning horizon of at least three years, for each country based on the Bank's global outlook and its global view of commodities.

For PBB these forward looking economic expectations are included in the ECL where adjustments are made based on the Bank's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Bank's macro-economic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI, such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustment.

The Bank's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the Bank's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the Bank's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Bank has not rebutted IFRS 9's 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. VAF, homes loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Bank's CIB or PBB Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

Amendments to the estimation technique

Refinements to some of the PBB ECL models have been made during the course of 2018. The amendments include improved SICR classification and enhancements to certain assumptions within the modelling techniques ECL calculations.

The Bank's forward-looking economic expectations were applied in the determination of the ECL at the reporting date:

A range of base, bullish and bearish forward looking economic expectations were determined, as at 31 December 2018, for inclusion in the Bank's forward-looking process and ECL calculation.

Ugandan economic expectation

- The base case for Uganda is that there is an improvement in domestic liquidity conditions supporting credit growth to the private sector in the near-term underpinning GDP growth. Increased FDI inflows into the oil sector pre and post final investment decision in H2:19 boosting GDP growth to above 6% in the near term and then 7.0% over the medium term. That said, we see Final Investment Decision being made in H1:19 despite the likelihood that international oil prices could stabilize from current levels.
- Material risk of a bearish scenario in that BOU increases the CBR more aggressively to counter inflation pressures that could arise from the weaker UShs; MPC raises its key benchmark rate as a precaution to counter a rise in inflation expectations as the economy begins to perform above its potential and fiscal slippage risks grow around 2021 elections. Final investment decision on oil production is delayed to 2020 due to delays in sourcing funding for oil related infrastructure such as the pipeline to Tanga; as so, Commercial oil production only begins in 2022.
- With a rather low probability on the bullish case, the assumption allows for faster recovery in GDP growth as private sector credit growth and domestic demand pick up sharply following the accommodative monetary policy stance, while final investment decision is made earlier than H1-2019 end and commercial oil production begins in 2020. The bull case also assumes that the BOU will prefer to leave its policy stance more accommodative despite risks to inflation from second round effects of the UShs and fiscal slippage closer to general elections.

Main Macroeconomic Factors

The following table shows the main macroeconomic factors used to estimate the allowances for credit losses on loans. For each scenario, namely, the base case, bullish and bearish scenario, the average values of the factors over the next 12 months and over the remaining forecast period are presented below.

	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**
Uganda						
Inflation	4.5	5.2	6.5	6.4	3.8	4.1
Real GDP	6.4	7.0	5.6	6.2	7.7	8.5
Exchange rate (USD/UShs)	3 967.5	4 463.8	4 255.0	4 419.4	3 845.0	4 035.0
Prime	18.0	18.5	20.5	20.0	18.0	17.0

Sensitivity Analysis of PBB allowances for credit losses on non-impaired loans

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired exposures under IFRS 9 as at 31 December 2018 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

Macroeconomic factors	Allowances for credit losses (m)
Forward looking impact on IFRS 9 provision	
Scenarios	
100% Base	13 280 511
100% Bear	68 233 199
100% Bull	64 771 736

Debt financial investments

In terms of IFRS 9, this impairment provision is calculated per exposure for the shorter of 12 months or the remaining lifetime of the exposure. Such exposures generally did not carry an impairment provision in terms of IAS 39's incurred loss impairment requirements.

Off-balance sheet exposures – bankers acceptances, guarantees and letters of credit

The requirement to hold ECL on off-balance sheet financial instruments, such as guarantees and letters of credit, resulted in a requirement to hold additional credit impairment provisions which were not held in terms of IAS 39.

In addition to the measurement of impairment losses on loans and advances in accordance with the International Financial Reporting Standards as set out above, the Bank is also required by the Financial Institutions Act (FIA) 2004 to establish minimum provisions for losses on loans and advances as follows:

i) A specific provision for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances established by the Bank of Uganda, as;
   a) Substandard assets being facilities in arrears between 90 and 179 days – 20%.
   b) Doubtful assets being facilities in arrears between 180 days and 364 days – 50%.
   c) Loss assets being facilities in arrears between over 364 days – 100%.

ii) A general provision of at least 1% of their total outstanding credit facilities net of specific provisions and interest in suspense.

Where provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act 2004 exceed amounts determined in accordance with International Financial Reporting Standards, the excess is taken to the statutory credit risk reserve as an appropriation of retained earnings. Otherwise, no further accounting entries are made.

Credit impairment losses on loans and advances - IAS39

This applies to the 2017 comparative numbers

(i) Assets carried at amortised cost

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as default or delinquency in interest or principal repayments;
- The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter Bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - Adverse changes in the payment status of borrowers in the group.
  - National or local economic conditions that correlate with defaults on the assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statements.

(i) Renegotiated loans

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

The effective interest rate of renegotiated loans that have not been derecognised is redetermined based on the loan's renegotiated terms.

(ii) Assets carried at fair value

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the statement of financial position date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been re-measured to fair value directly through equity, is impaired, the impairment loss is recognised in the income statement. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to the income statement and is recognised as part of the impairment loss. The amount of the loss recognised in the income statement is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement. This is applicable to debt instruments only as for equity instruments the revisal is through OCI.

Financial liabilities

The Bank's holding in financial liabilities represents mainly deposits from Banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortized cost.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument.

A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

Financial assets that may be sold or repledged by the Bank's counterparty in the absence of default by the Bank would be represented in the statement of financial position as pledged assets.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

(vii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Reconciliation of expected credit losses for debt financial investments measured at FVOCI

	Opening ECL 2018/01/01 Shs'000	Total transfers between stages Shs'000	Income statement movements				Net impairments raised/(released) Shs'000	Impaired accounts written-off Shs'000	Exchange and other movements Shs'000	Closing ECL 2018/12/31 Shs'000
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				Shs'000
			Shs'000	Shs'000	Shs'000	Shs'000				
Financial investments measured at FVOCI										
Stage 1	99 638	-	40 753	-	(33 227)	(26 387)	(18 861)	-	-	80 777
Stage 2	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-
Total	**99 638**	**-**	**40 753**	**-**	**(33 227)**	**(26 387)**	**(18 861)**	-	-	**80 777**

Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note)

Reconciliation of expected credit losses for loans and advances measured at amortised cost

	Opening ECL 2018/01/01	Total transfers between stages	Income statement movements		Net impairments raised/ (released)[1]	Impaired accounts written-off	Exchange and other movements	Closing ECL 2018/12/31
	Shs'000	Shs'000			Shs'000	Shs'000	Shs'000	Shs'000
			ECL on new exposures raised	Subsequent changes in ECL				Shs'000
			Shs'000	Shs'000				
Personal & Business Banking (PBB)								
Mortgage loans								
Stage 1	825 579	1 185 622	302 805	(1 350 545)	(1 047 740)	-	-	963 461
Stage 2	4 902 492	(930 802)	473 643	63 498	537 141	-	-	4 508 831
Stage 3	3 839 342	(254 820)	-	5 247 997	5 247 997	(1 808 323)	-	7 024 196
Vehicle and asset finance								
Stage 1	968 468	(70 591)	1 287 956	(322 905)	965 051	-	-	1 862 928
Stage 2	3 065 897	(367 481)	667 771	(1 679 468)	(1 011 697)	-	-	1 686 719
Stage 3	2 530 320	438 072	-	265 108	265 108	(1 137 140)	-	2 096 360
Stage 1	70 734	120 780	62 326	23 865	86 191	-	-	277 705
Stage 2	259 669	(71 194)	79 564	593 401	672 965	-	-	861 440
Stage 3	161 802	(49 586)	767	292 025	292 792	(304 564)	12 282	112 726
Stage 1	12 697 048	8 367 663	3 647 775	(12 511 459)	(8 863 684)	-	-	12 201 027
Stage 2	24 624 325	(9 180 950)	6 167 573	(6 968 728)	(801 155)	-		14 642 220
Stage 3	22 739 603	813 287	1 812 580	21 299 216	23 111 796	(16 077 718)	(4 566 401)	26 020 567
Corporate & Investment Banking (CIB)								
Loand and advances to customers								
Stage 1	4 694 208	1 105 499	1 222 637	(2 633 220)	(1 410 583)	-	-	4 389 124
Stage 2	1 328 222	(1 105 499)	485 414	(163 010)	322 404	-	-	545 127
Stage 3	13 262 735	-	-	(62 245)	(62 245)	-	-	13 200 490
Total	**95 970 444**	**-**	**16 210 811**	**2 093 530**	**18 304 341**	**(19 327 745)**	**(4 554 119)**	**90 392 921**

UShs37 billion is the contractual amount outstanding on financial assets that were written off during the reporting period that are still subject to enforcement activities.
Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note)

Reconciliation of expected credit losses for off-balance sheet exposures

	Opening ECL 01 Jan 2018	Total transfers between stages Shs'000	Income statement movements			Net impairments raised/ (released)[1]	Closing
			ECL on new exposures raised Shs'000	Subsequent changes in ECL Shs'000	Change in ECL due to derecognition Shs'000		Shs'000
Off BS Committed Facilities							
Stage 1	471 895	44 176	238 328	23 104	(191 444)	69 988	586 059
Letters of credit and bank acceptances							
Stage 1	89 491	(1 981)	6 948	(32 136)	(994)	(26 182)	61 328
Stage 2	46 230	(42 195)	960	217 666	(9)	218 617	222 652
Stage 3	-	-	-	-	-	-	-
Guarantees	-	-	-	-	-		
Stage 1	1 461 469	(4 281)	188 670	(579 066)	(26 732)	(417 128)	1 040 060
Stage 2	3 872	4 281	6 735	(3 714)	(2 405)	616	8 769
Stage 3	-	-	-	-	-	-	-
					-		
Total	**2 072 957**	**-**	**441 641**	**(374 146)**	**(221 584)**	**(154 089)**	**1 918 868**

Net impairments raised/(released) equals income statement impairment charge (refer to credit impairment charges note).

6.4 Modifications on loans and advances measured at amortised cost

	Stage 1		Stage 2		Stage 3		Purchased/originated credit impairment		Total	
	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000
2018										
Mortgage loans	9 582 948	(115 609)	-	-	4 009 672	105 585	-	-	13 592 620	(10 024)
Vehicle and asset finance	-	-	-	-	-	-	-	-	-	-
Card debtors	-	-	-	-	-	-	-	-	-	-
Corporate	27 588 761	383 226	-	-	-	-	-	-	27 588 761	383 226
Sovereign	-	-	-	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-	-
Other loans and advances	221 418	(1 116)	2 217 484	(90 303)	82 174	8 135	-	-	2 521 076	(83 284)
Total	**37 393 127**	**266 501**	**2 217 484**	**(90 303)**	**4 091 846**	**113 720**	**-**	**-**	**43 702 457**	**289 918**

(b) Interest income and expense

Interest income and expense are recognised in the profit or loss using the effective interest method for all interest bearing financial instruments, except for those classified at fair value through profit or loss.

The 'Effective interest rate' is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial assets; or
- The amortised cost of the financials liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit- impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received between parties of the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the income statement include interest on financial assets and financial liabilities measured at amortised cost.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the original effective interest rate that is used to discount future cash flows for the purpose of measuring the recoverable amount.

Fair value gains and losses on realised debt financial instruments, including amounts reclassified from OCI in respect of financial investments financial assets, and excluding those classified as trading assets, are included in net interest income.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(c) Net fees and commission

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Loan syndication fees, where the Bank does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

(d) Net trading revenue

Net trading revenue comprises gains or losses related to trading assets and liabilities, and include all realised and unrealised fair value changes, interest and foreign exchange differences.

(e) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity investment.

(f) Segment reporting

An operating segment is a distinguishable component of the Bank engaged in providing products or services that are subject to risks and returns that are different from those of other business segments and whose operating results are reviewed to assess its performance and for which discrete financial information is available. The Bank's primary business segmentation is based on the Bank's internal reporting about components of the Bank as regularly reviewed by the Board and executive management committees. Segments results include items directly attributable to a segment as well as those that are allocated on a reasonable basis. Business segments are the only segments presented since the Bank operates in a single geographical segment, Uganda.

In accordance with IFRS 8, the Bank has the following business segments: Personal and Business Banking, Corporate and Investment Banking and Treasury and Capital Management The Transactions between segments are priced at market related rates.

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates Uganda UShs ("the functional currency"). The financial statements are presented in Uganda UShs (UShs) and figures are stated in thousands of UShs unless otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as fair value through OCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non- monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(h) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold buildings over the shorter period of lease or 50 years Furniture and fittings	5 years
Motor vehicles	5 years
Other computer equipment	5 years
Laptops and personal computers	4 years
Office equipment	8 years

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

(i) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (Cash – generating units). Prior impairments of non- financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(j) Income tax

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act. The rates used are based on laws enacted or substantially enacted at the reporting date.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised or for items recognised in OCI and Equity.

Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses
- investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using tax rates currently enacted.

(k) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months'maturity from the date of acquisition, including cash and non-restricted balances with Central Banks, treasury bills and other eligible bills, loans and advances to Banks, amounts due from other Banks and government securities.

(l) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases where the lessee assumes substantially all the risks and rewards incidental to ownership are classified as finance leases.

(i) With the Bank as lessee

To date, all leases entered into by the Bank are operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(ii) With the Bank as lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised under loans and advances to customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before income tax), which reflects a constant periodic rate of return.

(m) Employee benefits

(i) Retirement benefit obligations

The Bank operates a defined contribution pension scheme for its employees. The defined contribution plan is a pension plan under which the Bank pays fixed contributions into a fund managed by a board of trustees and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

In addition all employees are obliged to be members of the National Social Security Fund, a state managed defined contribution pension scheme. The Bank contributes to the scheme in line with the requirements of the National Social Security Fund Act. The regular contributions by the Bank and employees constitute net periodic costs for the year in which they are due and as such are included in employee benefit expenses.

The Bank's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

(iii) Short term benefits

Short term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expenses as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans or accumulated leave if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Bank is committed without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be reliably estimated. A liability is recognised tothe best estimate of the amount to settle the obligation

(v) Share based payment transactions

The grant date fair value of equity-settled share-based payment awards (i.e.stock options) granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The estimate of the number of options/shares expected to vest is reassess the remaining vesting period. Also include the accounting treatment upon vesting and settlement of shares/options.

(vi) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(n) Derivative financial instruments

Derivatives, which comprise forward foreign exchange contracts and swaps, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the statement of financial position date or appropriate pricing models. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the net trading income.

(o) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(p) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability is included under deposits from Banks and deposits from customers.

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other Banks or customers, as appropriate.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financials.

(q) Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

(r) Intangible assets

Goodwill

Goodwill arises on business combinations and represents the excess of the consideration transferred over the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non – controlling interest in the acquiree.

Goodwill on acquisitions is reported in the statement of financial position as an intangible asset.

At each statement of financial position date the Bank assesses whether there is any indication of impairment. If such indications exist, The goodwill is first allocated to a cash generating unit (CGU) once an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable.

A write down is made if the carrying amount exceeds the recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of other assets in the CGU on a pro rata basis.

Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed fifteen years.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised on the basis of the expected useful lives.

(s) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees.

A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

(t) Share capital

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Ordinary shares are classified as equity.

Dividends on ordinary shares

Dividends on ordinary shares are charged to equity in the period in which they are declared. Dividends declared after the statement of financial position date are disclosed in the dividend note. This is transfered from retained earnings to a separate item of equity.

Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to other Banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial investment, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any

financial obligation arising at the statement of financial position date.

(v) Equity compensation plans

The parent company operates two equity settled share based compensation plans through which certain key management staffs of the Bank are compensated. The fair value of equity settled share options is determined on the grant date and accounted for as an employee service expense over the vesting period of the share options. At each Statement of financial position date the estimate of the number of options expected to vest is reassessed and adjusted

against income over the remaining vesting period.

3. Financial Risk Management

3(a) Strategy in using financial instruments

By their nature, the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Risk management is carried out centrally under policies approved by the Board of Directors. The Global Markets team identifies, evaluates and hedges financial risks in close co- operation with the Bank's operating units.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The Bank also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances; the Bank also enters into guarantees and other commitments such as letters of credit & performance, and other bonds.

The Bank also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bonds, currency and interest rate. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

(b) Capital management

The Bank's objectives when managing capital, which is a broader concept than the equity on the face of the statement of financial position, are:

- To comply with the capital requirements of the regulator, Bank of Uganda, that are enshrined in the Financial Institutions Act and accompanying Financial Institutions (Capital Adequacy Requirements) Regulations, 2018.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank monitors the adequacy of its capital using capital adequacy ratios established under the Financial Institutions Act, which ratios are broadly in line with those for the Bank for International Settlements (BIS). In addition under the same law, the Bank is required to maintain minimum paid up capital of UShs 25 bn. The Bank is compliant with this requirement with a holding of UShs 51 bn. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off-balance- sheet commitments at weighted amounts to reflect their relative risk.

The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, and 100%) are applied. Certain asset categories have intermediate weightings. The Bank is required at all times to maintain a core capital (tier 1) of not less than 10% of total risk adjusted assets plus risk adjusted items off the statement of financial position and a total capital (tier 1 + tier 2) of not less than 12% of its total risk adjusted assets plus risk adjusted items off the statement of financial position.

Off-balance-sheet credit related commitments and forwards are taken into account by applying different categories of credit conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, deferred income tax asset and investments in financial companies, not consolidated. Tier 2 capital includes the Bank's eligible long-term loans, and general provisions. Tier 2 capital is limited to 50% of Tier 1 capital.

The table below summarises a composition of the regulatory capital

	2018 UShs' 000	2017 UShs' 000
Core capital (Tier 1)		
Shareholders' equity	51 188 670	51 188 670
Retained earnings	792 909 973	692 131 502
Available for sale revaluation reserve	-	-
Less: Deductions determined by Bank of Uganda	(125 770 925)	(85 428 382)
Total core capital	718 327 718	657 891 790
Supplementary capital (Tier 2)		
Unencumbered general provisions for losses	43 109 118	35 178 066
Subordinated term debt	74 176 983	72 801 196
Total supplementary capital	117 286 101	107 979 262
Total capital (core and supplementary)	835 613 819	765 871 052

Breakdown of deductions determined by the Financial Institutions Act

	2018 UShs' 000	2017 UShs' 000
Goodwill and other intangible assets	109 499 257	71 909 841
Unrealised Gains on securities and foreign exchange trading	4 371 730	11 866 550
Deferred tax asset	11 899 938	1 651 991
	125 770 925	85 428 382

The Bank's capital adequacy level was as follows:

	Financial position nominal balance		Risk weighted balance	
	2018 USh' 000	2017 USh' 000	2018 USh' 000	2017 USh' 000
Statement of financial position				
Cash and balances with Bank of Uganda	1 214 176 966	856 532 804	-	-
Financial Investment	601 865 521	516 341 492	-	-
Trading assets	308 424 330	392 911 207	-	-
Placements with local banks	50 086 465	740 741 395	12 066 794	10 006 164
Repo	100 125 535	100 075 538	-	-
Placements with foreign banks	272 369 229	259 819 355	164 441 678	157 547 534
Amounts due from group companies	65 931 960	177 449 478	65 931 960	177 449 478
Loans and advances to customers-regulatory	2 547 446 127	2 140 753 264	2 547 446 127	2 140 753 264
Prepaid operating leases	77 984	88 322	77 984	88 322
Other assets	80 946 807	83 358 912	80 946 807	83 358 912
Deferred tax asset	11 899 938	1 651 991	-	-
Goodwill	1 901 592	1 901 592	-	-
Other intangible assets	107 597 665	70 008 249	-	-
Property and equipment	51 526 577	69 292 586	51 526 577	69 292 586
	5 414 376 696	5 410 926 185	2 922 437 927	2 638 496 260
Off-balance sheet items				
Contingencies secured by cash collateral	28 997 968	40 270 614	-	-
Guarantees and acceptances	24 944 936	196 061 322	24 944 936	196 061 322
Performance bonds	1 620 058 129	1 074 892 142	810 029 065	537 446 071
Trade related and self liquidating credits	87 162 734	60 278 032	17 432 547	12 055 606
Other commitments	963 949 396	520 237 216	481 974 698	260 118 608
	2 725 113 163	1 891 739 326	1 334 381 246	1 005 681 607
Counter party risk			3 186 577	
Market risk			165 049 384	
Total risk weighted assets			4 425 055 134	3 644 177 867

	Capital		Bank ratio		FIA minimum ratio	
	2018 USh' 000	2017 USh' 000	2018 %	2017 %	2018 %	2017 %
Tier 1 capital	718 327 718	657 891 790	16.2%	18.1%	10%	8%
Tier 1 + Tier 2 capital	835 613 819	765 871 052	18.9%	21.0%	12%	12%

In 2018, the Bank of Uganda repealed the Financial Institutions (Capital Adequacy requirements) regulations, 2005 and replaces it with the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018. The new regulation was effective 30 September 2018 and came with the following changes

- An increase in core capital adequacy ratio from 8% to 10%.
- The introduction of trading counterparty credit risk and market risk capital charge to capital through an additional Interest Rate in the trading book charge, Foreign exchange risk charge and an Open option position charge.

Loans and advances to customers (net of provisions as required by Financial Institutions Act)

Loans and advances to customers -Bank of uganda

	2018 USh' 000	2017 USh' 000
Gross Loan and advances (Regulatory)	2 612 624 415	2 196 332 195
Less		
Specific Provisions (Regulatory)	(60 365 255)	(46 338 820)
Interest in suspense(regulatory)	(2 511 091)	(3 688 892)
	2 549 748 069	2 146 304 483
Less		
Secured by Cash Cover	(2 301 942)	(5 551 219)
	2 547 446 127	2 140 753 264

Reconciliation of Loans and advances between IFRS and FIA

	2018 USh' 000
Gross Loans and advances (IFRS)	2 601 024 300
Written off Facilities according to FIA	(16 491 663)
Staff Fair valuation	17 300 693
Effective interest Rate adjustment	10 791 085
Gross Loans and advances (regulatory)	2 612 624 415

The bank holds loans and advances for which it is required to write them off in accordance with the Financial Institutions Act (FIA). However, these loans are not yet due for write off in accordance with IFRS. These facilities are adjusted out of the loan book when preparing capital ratios.

All other IFRS requirements are also adjusted to arrive at the final loans and advances required by the Financial Institutions Act (FIA).

The Bank's credit concentration

As at 31 December 2018, the Bank had three customers with an aggregate amount exceeding twenty five percent of the Bank's core capital extended to a single person or group of related persons totaling to UShs 729bn. These were all off balance sheet exposures for which Bank of Uganda no objection was obtained.

3(c) Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

Approach to managing and measuring credit risk

The Bank's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivative and securities financing contracts entered into with our customers and trading counterparties. The management of credit risk is aligned to the Bank's three lines of defence framework. The business function owns the credit risk assumed by the Bank and as the first line of defence is primarily responsible for its management, control and optimisation in the course of business generation.

The credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while assuming optimal risk, is undertaken with integrity. Further second-line oversight is provided by the Bank risk function through independent credit risk assurance.

The third line of defence is provided by the Bank's internal audit, under its mandate from the Bank audit committee The fourth line of defence is provided by external audit.

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the Bank, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring the Bank's credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the Bank's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD). Pre-settlement counterparty credit risk (CCR) inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence, using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

Wherever warranted, the Bank will attempt to mitigate credit risk, including CCR to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where the Bank has an unassailable legal title, the Bank's policy is such that collateral is required to meet certain criteria for recognition in loss given default (LGD) modelling, including:

- is readily marketable and liquid
- is legally perfected and enforceable
- has a low valuation volatility
- is readily realisable at minimum expense
- has no material correlation to the obligor credit quality
- has an active secondary market for resale.

The main types of collateral obtained by the Bank for its banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- bonds over plant and equipment
- the underlying movable assets financed under leases and
- instalment sales.

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to Banks of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, the Bank typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure (CSA).

Netting agreements, such as collateral under the CSA of an ISDA agreement, are only obtained where the Bank firstly, has a legally enforceable right to offset credit risk by way of such an agreement, and secondly, where the Bank has the intention of utilising such agreement to settle on a net basis.

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (i.e. the probability of default (PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. The Bank has no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (i.e. specific wrong-way risk). General wrong-way risk, which arises when the correlation between EAD and PD for the counterparty, due mainly to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the Bank implements hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

Credit portfolio characteristics and metrics in terms of IFRS 9

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the Bank's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the Bank's master rating scale. Exposures that are not within 1 to 25 are considered to be in default.

Default

The Bank's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Bank will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or Banks of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

For PBB refer to IFRS 9-transition note.

Under IAS 39 that impacts the 2017 financial results.

Performing loans

Performing loans are classified into two categories, namely:

- **Neither past due nor specifically impaired loans:** these loans are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21, and close monitoring loans are generally rated 22 to 25 using the Bank's master rating scale.
- **Early arrears but not specifically impaired loans:** include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is unlikely but could occur if the adverse conditions persist.

Non-performing loans

Non-performing loans are those loans for which the Bank has identified objective evidence of default, such as a breach of a material loan covenant or condition, or instalments are due and unpaid for 90 days or more.

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of future cash flows, including collateral. Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows.

Specifically impaired loans are further analysed into the following categories:

- **Substandard:** items that show underlying well-defined weaknesses and are considered to be specifically impaired.
- **Doubtful:** items that are not yet considered final losses due to some pending factors that may strengthen the quality of the items.
- **Loss:** items that are considered to be uncollectible in whole or in part. The Bank provides fully for its anticipated loss, after taking collateral into account.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Derivatives

The Bank maintains strict control limits on net open derivative positions (ie, the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit.With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3 (d) Impairment Provision policy

	2018	
	Loans & advances %	Impairment provision %
Stage 1	90.1	0.8
Stage 2	5.3	0.8
Stage 3	4.6	35.0
	100.0	

	2017	
	Loans & advances %	Impairment provision %
Standard & special monitoring	93.2	0.9
Sub-standard, doubtful and loss	6.8	28.6
	100.0	

Credit risk exposures relating to assets included on the statement of financial position are as follows:

	2018 UShs' 000	2017 UShs' 000
Bank of Uganda	461 613 655	565 485 257
Loans and advances to banks	426 428 897	1 274 486 929
Financial Investments		
Treasury bonds - FVOCI	253 432 034	248 272 487
Treasury bills - FVOCI	348 363 530	267 997 099
Loans and advances to customers		
Loans to individuals		
Overdrafts	172 080 002	1 664 618
Term loans	940 233 546	511 443 959
Mortgages	124 418 513	251 731 343
Loans to corporate entities		
Large corporate entities	1 067 772 941	973 049 736
Small & medium size entities	296 519 300	458 442 539
Trading assets		
Treasury bonds	143 408 324	73 174 937
Treasury bills	165 016 006	319 736 270
Derivative assets	36 888 533	12 651 161
Other	108 795 534	50 558 362
	4 544 970 815	5 008 694 697

Credit risk exposure relating to assets not on the statement of financial position are as follows:

	2018 UShs' 000	2017 UShs' 000
Financial guarantees	1 666 287 999	1 303 395 151
Loan commitments and other credit related liabilities	1 058 825 163	588 344 175
	2 725 113 162	1 891 739 326
	7 270 083 977	6 900 434 023

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December, 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

The table below shows the collateral for the secured loans as at 31 December 2018

As at 31 December 2018				Collateral coverage		
	Customer loans	Netting off agreements	Exposure after netting off	51-100%	Over 100%	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Secured loans	1,171,403,116	2,301,942	1,169,101,174	701,980,575	398,086,038	1,100,066,613
Unsecured loans	1,429,621,184	-	1,429,621,184	-	-	-
	2,601,024,300	2,301,942	2,598,722,358	701,980,575	398,086,038	1,100,066,613

As at 31 December 2017				Collateral coverage		
	Customer loans	Netting off agreements	Exposure after netting off	51-100%	Over 100%	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Secured loans	989,596,821	1,852,526	987,744,295	461,522,025	436,413,239	897,935,264
Unsecured loans	1,206,735,373	-	1,206,735,373	-	-	-
	2,196,332,194	1,852,526	2,194,479,668	461,522,025	436,413,239	897,935,264

Management remains confident in its ability to continue to control the exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 90% and 5.3% of the loans and advances portfolio is categorised in stage 1 and stage 2 respectively (2017: 93% was categorised in the top two grades)
- Mortgage loans, are backed by collateral
- All debt securities held by the Bank are issued by the Bank of Uganda on behalf of the Government of Uganda.

(d) Loans and advances are summarised as follows

	2018	
	Loans & advances to customers	Loans & advances to banks
	UShs'000	UShs'000
Stage 1	2 413 159 524	413 681 691
Stage 2	49 469 839	8 907 441
Stage 3	138 394 938	-
Gross loans and advances	2 601 024 301	422 589 132
Allowances for impairment	(90 392 921)	(7 903)
Interest In Suspense	(1 803 682)	-
	2 508 827 698	422 581 229

	2017	
	Loans & advances to customers	Loans & advances to banks
	UShs'000	UShs'000
Neither past due nor impaired	1 951 687 960	1 100 636 288
Past due but not impaired	95 196 981	-
Impaired loans and advances	149 447 254	-
Gross loans and advances	2 196 332 195	1 100 636 288
Allowances for impairment	(62 345 772)	-
	2 133 986 423	1 100 636 288

The allowance for impairment are summarised per segment as follows:

	2018		2017	
	Loans & advances to customers UShs'000	Loans & advances to banks UShs'000	Loans & advances to customers UShs'000	Loans & advances to banks UShs'000
Personal and Business banking				
- Mortgage lending	(12 496 488)	-	(6 022 334)	-
- Instalment sales and fin. Leases	(5 646 007)	-	(2 823 297)	-
- Other loans	(54 115 686)	-	(29 202 118)	-
Corporate and investment banking				
- Corporate lending	(18 134 740)	(7 903)	(24 298 023)	-
	(90 392 921)	(7 903)	**(62 345 772)**	**-**

The total impairment provision for loans and advances is UShs 90,393 million (2017: UShs 62,346 million) of which UShs 88,137 million is stage 3 impairment (2017: UShs 42,775 million is individually impaired). Further information of the impairment allowance for loans and advances to Banks and to customers is provided in Notes 18 and 19.

e) Credit Quality

		SB 1-12		SB 13 - 20		SB 21- 25		Default							
	Total Gross Carrying Amounts UShs'000	Stage 1 UShs'000	Stage 2 UShs'000	Stage 1 UShs'000	Stage 2 UShs'000	Stage 1 UShs'000	Stage 2 UShs'000	Stage 3 UShs'000	Purchased/ originated credit impaired UShs'000	Total gross carrying amount of default exposures UShs'000	Securities and expected recoveries on default exposures UShs'000	Interest in suspense on default exposures UShs'000	Balance sheet expected credit loss on default exposures UShs'000	Gross default coverage (%)	Non-performing exposures (%)
Loans and advances at amortised cost															
PBB			-												
Mortgage loans	262 246 658	-	-	225 209 620	-	-	27 597 713	9 439 325	-	9 439 325	2 327 973	159 745	7 024 197	25%	4%
Vehicle and asset finance	65 065 908	-	-	50 201 742	1 004 113	-	9 465 051	4 395 002	-	4 395 002	2 394 275	-	2 096 359	54%	7%
Card debtors	4 078 374	-	-	2 001 318	-	-	1 964 330	112 726	-	112 726	-	-	112 726	0%	3%
Other loans and advances	**1 201 860 420**	**-**	**-**	**1 009 246 337**	**-**	**-**	**84 657 876**	**107 956 207**	**-**	**107 956 207**	**84 321 692**	**1 643 937**	**26 020 567**	**78%**	**9%**
Personal unsecured lending	652 516 744	-	-	619 737 836	-	-	21 632 451	11 146 457	-	11 146 457	1 189 402	910 211	9 080 847	11%	2%
Business lending and other	549 343 676	-	-	389 508 501	-	-	63 025 425	96 809 750	-	96 809 750	83 132 290	733 726	16 939 720	86%	18%
CIB		-	-	-	-	-	-	-		-	-	-	-	-	-
Corporate	1 067 772 940	203 185 243	-	801 910 867	12 866 910	19 678 285	13 639 958	16 491 677	-	16 491 677	-	-	13 200 490	0%	2%
Bank	422 589 132	361 510 330	-	52 171 361	8 907 441	-	-	-		-	-	-	-	-	-
Other service									-	-	-	-	-	-	-
Gross carrying amount	**3 023 613 432**	**564 695 573**	**-**	**2 140 741 245**	**22 778 464**	**19 678 285**	**137 324 928**	**138 394 937**		**138 394 937**	**89 043 940**	**1 803 682**	**48 454 339**	**64%**	**5%**
Less: Interest in suspense	(1 803 682)	-	-						-	-	-	-	-	-	
Less: Total expected credit losses for loans and advances	(90 400 823)	-	-						-	-	-	-	-	-	-
Net carrying amount of loans and advances measured at amortised cost	**2 931 408 927**	**564 695 573**	**-**	**2 140 741 245**	**22 778 464**	**19 678 285**	**137 324 928**	**138 394 937**	**-**	**138 394 937**	**89 043 940**	**1 803 682**	**48 454 339**	**64%**	**5%**
Financial investments at fair value through OCI															
Sovereign	603 554 106	603 554 106	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**603 554 106**	**603 554 106**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Add: Fair value reserve ralating to fair value adjustments (before the ECL balance)	(80 777)	(80 777)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total financial investment at fair value through OCI	**603 473 329**	**603 473 329**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance sheet exposures			-	-	-	-	-	-	-	-	-	-	-	-	-
Letters of credit and banker's acceptances	94 875 767	94 875 767	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees	1 666 287 999	1 666 287 999	-	-	-	-	-	-	-	-	-	-	-	-	-
Irrevocable unutilised facilities	963 949 396	963 949 396	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	**2 725 113 162**	**2 725 113 162**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expected credit losses for off-balance sheet exposures	(1 918 868)	(1 918 868)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	**2 723 194 294**	**2 723 194 294**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure to credit risk on financial assets subject to an expected credit loss	**6 258 076 550**	**3 891 363 196**	**-**	**2 140 741 245**	**22 778 464**	**19 678 285**	**137 324 928**	**138 394 937**	**-**	**138 394 937**	**89 043 940**	**1 803 682**	**48 454 339**	**64%**	**2%**
Add the following other banking activities exposures:															
Cash and balances with the central bank	1 214 176 966	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	16 197 011	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading assets	308 424 330	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	**7 796 874 857**	**3 891 363 196**	**-**	**2 140 741 245**	**22 778 464**	**19 678 285**	**137 324 928**	**138 394 937**	**-**	**138 394 937**	**89 043 940**	**1 803 682**	**48 454 339**	**64%**	**2%**

e) Credit Quality

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of financial asset for credit risk related items, based on the Bank's credit rating system.

		Performing loans		Non-performing loans				Total loans	Security against impaired loans	Net impaired loans
		Past due but not impaired	Total	Individually impaired	Doubtful	Loss	Total			
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
As at 31 December 2017										
Personal and Business banking										
- Mortgage lending	194 891 840	45 190 877	240 082 718	10 097 004	445 936	1 105 686	11 648 626	251 731 343	7 809 284	3 839 342
- Instalment sales and fin. Leases	49 232 770	6 278 315	55 511 085	5 394 631	1 099 754	424 156	6 918 541	62 429 626	4 388 221	2 530 320
- Other loans	754 544 061	43 727 789	798 271 850	96 635 207	5 656 441	8 557 991	110 849 639	909 121 490	87 948 234	22 901 406
	998 668 671	95 196 981	1 093 865 653	112 126 842	7 202 131	10 087 833	129 416 806	1 223 282 459	100 145 739	29 271 068
Corporate and investment banking										
- Corporate lending	953 019 289	-	953 019 289	47	20 002 294	28 106	20 030 447	973 049 736	6 526 647	13 503 800
	953 019 289	-	953 019 289	47	20 002 294	28 106	20 030 447	973 049 736	6 526 647	13 503 800
Total recognised financial instruments	1 951 687 960	95 196 981	2 046 884 942	112 126 889	27 204 425	10 115 939	149 447 253	2 196 332 195	106 672 386	42 774 868

(g) Loans and advances to Banks

The total gross amount of stage 3 loans and advances to Banks as at 31 December, 2018 is Nil (2017 Individually impaired nil). No collateral is held by the Bank.

(h) Other Financial Assets

No other financial assets in stage 3 (2017 individually nil). No collateral is held by the Bank.

g) Concentrations of risk of financial assets with credit risk exposure

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

Concentrations of risk of financial assets with credit risk exposure

	Financial institutions	Manufucturing	Agriculture	Transport	Individuals	Others	Total
	USHs' 000	USHs' 000	USHs' 000	USHs' 000	USHs' 000	USHs' 000	USHs' 000
As at 31 December 2018							
Financial investments	**601 795 564**		**-**	**-**	**-**	**-**	**601 795 564**
Loans and advances to banks	**488 521 092**	**-**	**-**	**-**	**-**	**-**	**488 521 092**
Loans and advances to customers	**44 011 261**	**263 628 403**	**388 854 821**	**293 885 773**	**640 095 550**	**968 744 810**	**2 599 220 618**
Held for trading							
- Debt securities	**308 424 330**	**-**	**-**	**-**	**-**	**-**	**308 424 330**
	1 442 752 247	**263 628 403**	**388 854 821**	**293 885 773**	**640 095 550**	**968 744 810**	**3 977 961 604**
As at 31 December 2017							
Government securities - AFS	516 269 586	-	-	-	-	-	516 269 586
Loans and advances to banks	1 278 085 766	-	-	-	-	-	1 278 085 766
Loans and advances to customers	282 677 034	276 336 594	340 836 859	256 123 459	514 257 609	526 100 640	2 196 332 195
Financial assets designated at fair value:							
- Debt securities	392 911 207	-	-	-	-	-	392 911 207
- Other assets	-	-	-	-	-	47 493 163	47 493 163
	2 469 943 593	276 336 594	340 836 859	256 123 459	514 257 609	573 593 803	4 431 091 917

3 (d) Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk measurement techniques:

As part of the management of market risk, the Bank's major measurement techniques used to measure and control market risk is value at risk and Pv01 (present value at one).

The Bank applies 'value at risk' methodology (VaR) to its trading and banking portfolio, to estimate the market risk of foreign exchange positions held and the maximum losses expected. Management applies Pv01 methodology to it's trading and non trading portfolios to estimate the market interest rate risk of positions held and the maximum losses that could arise. The estimates are based upon a number of assumptions for various changes in market conditions. The assets and liabilities committee (ALCO) sets limits on both the value of risk and Pv01 that may be acceptable for the Bank. These are monitored on a weekly basis by the Risk Management department.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VAR estimate. Pv01 is the present value impact of a one basis point move in an interest rate.

The use of these approaches does not prevent losses outside of these limits in the event of more significant market movements.

As VaR and Pv01 constitute an integral part of the Bank's market risk control regime, limits are established by the Board annually for all trading and non-trading portfolios. Actual exposure against limits, together with a consolidated group-wide VaR, is reviewed daily by the Bank's Treasury.

The quality of the VaR model is continuously monitored by back- testing the VaR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated.

Market risk measurement techniques

	12 months to 31 December 2018			
	Average	Maximum	Minimum	31 December 2018
	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Interest rate book - Trading	**119 452**	**610 926**	**31 812**	**120 582**
Interest rate book - Available for sale	**173 489**	**313 939**	**107 078**	**285 527**
Foreign exchange trading book VAR	**253 091**	**917 086**	**21 871**	**571 519**

	12 months to 31 December 2017			
	Average	Maximum	Minimum	31 December 2017
	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Interest rate book - Trading	283 091	871 993	52 155	193 473
Interest rate book - Available for sale	112 926	305 357	26 804	42 079
Foreign exchange risk VAR	316 237	2 497 736	17 820	176 482

2018 was characterized by heightened volatility in the Uganda shilling influenced by both local and global events both macro and political. The average volatility on the currency for the year was 3.6% up from 2.48% in 2017. Interest rates also experienced volatility as a sharp increase in domestic borrowing towards end of the 2017/18 financial year pushed rates higher across the curve before a gradual recovery as fiscal pressures subsided. Monetary policy was fairly neutral with the Central Bank Rate (CBR) opening at 9.5%, lowered to 9.0% before being raised to 10% as BOU's inflation outlook deteriorated while Private sector credit and growth maintained an upward trajectory.

The above macroeconomic environment created periods of extreme volatility and on occasion impacted the smooth functioning of the markets creating some headwinds for the interest rates desks within our Global markets business.

Average Value at Risk Utilisation for the year on the interest rate trading desks was UShs 119m which was lower than UShs 283m in 2017. On the Foreign exchange trading book, average utilisation was UShs 253m which was lower than the UShs 316m registered in 2017 due to the afore mentioned reasons.

(i) Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The Bank has the following significant foreign currency exposure positions (all amounts in millions of Uganda Shillings)

	USD UShs'm	Euro UShs'm	Other UShs'm	Total UShs'm
As at 31 December 2018				
Assets				
Cash and balances with Bank of Uganda	193 834	26 192	19 636	239 662
Loans and advances to banks	190 539	52 771	25 949	269 259
Amounts due from group companies	52 263	-	3 932	56 195
Loans and advances to customers	941 765	12 781	377	954 923
Other assets	203 107	359	446	203 912
Total Assets	1 581 508	92 103	50 340	1 723 951
Liabilities:				
Customer deposits	1 320 452	79 085	19 483	1 419 020
Amounts due to banks	130 382	6 108	367	136 857
Amounts due to group companies	16 402	-	6 823	23 225
Derivative liabilities	14 722	-	-	14 722
Subordinated bonds/debt	74 177	-	-	74 177
Other liabilities	25 142	1 746	2 276	29 164
Total Liabilities	1 581 277	86 939	28 949	1 697 165
Net statement of financial position	231	5 164	21 391	26 786
Net currency forwards	(70 528)	-	-	(70 528)
Commitments to extend credit	(355 007)	-	-	(355 007)
Net mismatch	(425 304)	5 164	21 391	(398 749)
As at 31 December 2017				
Total Assets	1 738 539	113 411	39 868	1 891 818
Total Liabilities	1 738 428	108 300	40 124	1 886 852
Net statement of financial position	111	5 111	(256)	4 966
Net currency forwards	(70 528)	-	-	(70 528)
Commitments to extend credit	(149 316)	-	-	(149 316)
Net mismatch	(219 733)	5 111	(256)	(214 878)

Foreign currency risk sensitivity in UShs equivalents

		USD
2018		
Total net long/(short) position	millions	(151 849)
Sensitivity (UShs depreciation)	%	10
Impact on OCI	millions	-
Impact on profit or loss	millions	6 428
2017		
Total net long/(short) position	millions	(71 506)
Sensitivity (UShs depreciation)	%	10
Impact on OCI	millions	—
Impact on profit or loss	millions	5 988

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

The table that follows summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on items not on the statement of financial position.

	Up to 1 month UShs'm	1 - 6 months UShs'm	6 - 12 months UShs'm	Over 1 year UShs'm	Non-interest bearing UShs'm	Total UShs'm
At 31 December 2018						
Asset:						
Cash and balances with Bank of Uganda	-	-	-	-	1 214 177	1 214 177
Government securities - FVOCI	72 536	276 029	19 702	233 599	-	601 866
Government securities - FVPTL	10 766	40 351	131 418	125 889	-	308 424
Deposits and balances due from other banks	422 581	-	-	-	-	422 581
Amounts due from group companies	65 932	-	-	-	-	65 932
Loans and advances to customers	627 366	339 603	234 229	1 307 629	-	2 508 827
Derivative assets	-	-	-	-	16 197	16 197
Tax recoverable	-	-	-	-	14 656	14 656
Other assets	-	-	-	-	240 399	240 399
Total assets	1 199 181	655 983	385 349	1 667 117	1 485 429	5 393 059
Liabilities and shareholders' funds:						
Customer deposits	3 777 119	85 154	29 985	37	-	3 892 295
Deposits due to other banks	101 262	-	-	122	-	101 384
Borrowed funds	11 030	933	1 014	811	-	13 788
Amounts due to group companies	49 360	-	-	-	-	49 360
Derivative liabilities		-	-	-	30 747	30 747
Other liabilities	-	-	-	-	274 956	274 956
Subordinated bonds / debts	-	-	-	74 177	-	74 177
Total liabilities	3 938 771	86 087	30 999	75 147	305 703	4 436 707
Shareholders' equity					956 352	956 352
Total interest repricing gap	(2 739 590)	569 896	354 350	1 591 900	223 374	-
At 31 December 2017						
Total Assets	1,850,380	591,140	495,288	1,384,444	1,082,907	5,404,159
Total Liabilities and shareholder's equity	3,889,702	135,259	18,011	276,523	212,385	4,531,880
Shareholders' equity					872,279	872,279
Total Interest Re-pricing gap	(2,039,322)	455,881	477,277	1,107,921	(1,757)	-

Furthermore the ALCO monitors the sensitivity of net interest income to changes in interest rates. Limits are set and monitored monthly.

NII sensititvity in for LCY (UShs) is as follows;

	31st December 2018		31st December 2017	
	Change in net interest Income UShs'000	% of net interest income	Change in net interest Income UShs'm	% of net interest income
100bps Increase in interest rates	13 125 318	4.1%	16 076 081	4.8%
100bps decrease in interest rates	(10 980 048)	-3.4%	(15 785 614)	-4.6%

NII sensitivity in for FCY (USD) is as follows;

	31st December 2018		31st December 2017	
	Change in net interest Income Usd m	% of net interest income	Change in net interest Income Usd m	% of net interest income
100bps Increase in interest rates	3 127 625	19.1%	2 553 809	16.9%
100bps decrease in interest rates	(1 751 750)	-10.7%	(1 328 479)	8.8%

3(e) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are overdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Bank is exposed to daily call on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Asset and Liability Committee sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter- Bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank's liquidity management process, as carried out within the Bank and monitored by the Treasury and Capital Management (TCM) team, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and managing the concentration and profile of debt maturities.
- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets

The assets and liability management (ALM) team within TCM also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

	2018 UShs' 000	2017 UShs' 000
Liquid assets to deposit ratio		
Total liquid assets	**2 185 759 898**	2 370 708 116
Total deposits	**3 892 294 649**	3 620 945 573
Liquidity ratio	**56.2%**	65.5%
Regulatory requirement	**20.0%**	20.0%

The table that follows presents the undiscounted cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date and from financial assets by expected maturity dates. All figures are in millions of Uganda Shillings.

	Carrying Amount	Gross norminal In/ out flow	Up to 1 month	2-6 Months	7-12 Months	1-5 Years	Over 5 Years
	UShs' m	UShs' m	UShs' m	UShs' m	UShs' m	UShs' m	UShs' m
At 31 December 2018							
Liabilities							
Deposits from customers	(3 892 295)	(3 896 794)	(3 803 857)	(73 318)	(19 303)	(316)	-
Deposits from other banks	(101 384)	(101 384)	(101 262)	-	-	(122)	-
Amounts due to group companies	(49 360)	(49 360)	(31 500)	(157)	(8 766)	(8 937)	-
Derivative liabilities	(30 747)	(30 747)	(58)	(3 782)	(3 610)	(8 884)	(14 413)
Borrowed Funds	(13 788)	(13 788)	(11 030)	(933)	(1 014)	(811)	-
Subordinated debt	(74 177)	(120 982)	-	(3 227)	(3 227)	(25 816)	(88 712)
Other liabilities	(268 893)	(268 893)	(268 893)				
Total financial liabilities (contractual maturity dates)	(4 430 644)	(4 481 948)	(4 216 600)	(81 417)	(35 920)	(44 886)	(103 125)
Assets		-					
Cash and bank balances with Bank of Uganda	1 214 177	1 214 177	1 214 177	-	-	-	-
Government securities- Available for sale	601 866	631 680	-	414	40 542	590 654	70
Government securities- Held for trading	308 424	373 571	10 816	41 861	144 059	129 155	47 680
Loans and advances to banks	422 581	422 546	422 546	-	-	-	-
Amounts due from group companies	65 932	66 286	8 173	38 731	2 042	2 927	14 413
Loans and advances to customers	2 508 828	2 981 896	425 273	414 191	142 974	1 495 601	503 857
Derivative Assets	16 197	16 197	554	2 165	3 451	10 027	-
Other assets	44 965	44 965	44 965				
Total financial assets (expected maturity dates)	5 182 970	5 751 318	2 126 504	497 362	333 068	2 228 364	566 020
Liquidity gap	752,326	1,269,370	(2,090,096)	415,945	297,148	2,183,478	462,895
Cumulative Liquidity Gap	752,326	1,269,370	(2,090,096)	(1,674,151)	(1,377,003)	806,475	1,269,370
Off-Balance Sheet							
Guarantees	(1 666 288)	(1 666 288)	(58 037)	(533 894)	(193 485)	(880 872)	-
LCs	(94 876)	(94 876)	(10 058)	(54 826)	(29 992)	-	-
Commitments to extend credit	(963 949)	(963 949)	(963 949)	-	-	-	-
Operating lease commitments	(40 719)	(40 719)	(2)	(200)	(1 880)	(38 637)	-
Total Off-Balance Sheet	(2 765 832)	(2 765 832)	(1 032 046)	(588 920)	(225 357)	(919 509)	-
Liquidity gap	(2,013,506)	(1,496,462)	(3,122,142)	(172,975)	71,791	1,263,969	462,895
Cumulative Liquidity Gap		(1,496,462)	(3,122,142)	(3,295,117)	(3,223,326)	(1,959,357)	(1,496,462)
As at 31 December 2017							
Total financial liabilities (contractual maturity dates)	(4 323 707)	(4 334 029)	(3 694 905)	(311 550)	(245 069)	(19 098)	(78 882)
Total financial assets (expected maturity dates)	5 189 975	5 793 502	2 426 188	742 677	405 004	1 583 480	636 153
Liquidity gap	866 268	1 443 998	(1 268 717)	431 127	159 935	1 564 382	557 271
Cumulative Liquidity Gap	866 268	1 443 998	(1 268 717)	(837 590)	(677 655)	886 727	1 443 998
Total Off Balance sheet	(1 913 346)	(1 913 346)	(701 506)	549 882	263 600	398 359	-
Net Liquidity gap	(1 047 078)	(469 349)	(1 970 223)	(118 755)	(103 665)	1 166 023	557 271
Net Cumulative liquidity gap		(469 349)	(1 970 223)	(2 088 978)	(2 192 642)	(1 026 620)	(469 349)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, Central Bank balances, items in the course of collection; loans and advances to Banks; and loans and advances to customers. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

3 (f) Off balance sheet

(i) Loan commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 35), are summarised in the table below.

(ii) Other financial facilities

Other financial facilities (Note 35) are also included below based on the earliest contractual maturity date.

(iii) Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are summarised in the table below.

	Not later than 1 year USh's'000	1 to 5 years UShs'000	Above 5 years UShs'000	Total UShs'000
As at 31 December 2018				
Letters of credit	**94 875 767**	**-**	**-**	**94 875 767**
Guarantees	**785 416 364**	**880 871 635**	**-**	**1 666 287 999**
Commitments to extend credit	**963 949 396**	**-**	**-**	**963 949 396**
Operating lease commitments	**666 608**	**40 052 685**	**-**	**40 719 293**
	1 844 908 135	**920 924 320**	**-**	**2 765 832 455**
As at 31 December 2017				
Letters of credit	68 106 959	-	-	68 106 959
Guarantees	925 493 792	377 901 360	-	1 303 395 152
Commitments to extend credit	520 237 216	-	-	520 237 216
Operating lease commitments	1 148 961	20 457 824	-	21 606 785
	1 514 986 928	398 359 184	-	1 913 346 112

3 (g) Fair Value of Financial assets and Liabilities

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value.

	Carrying Value		Fair Value	
	2018 UShs'000	2017 UShs'000	2018 UShs'000	2017 UShs'000
Financial assets				
Cash and Balances with Bank of Uganda	**1 214 176 966**	856 532 804	**1 214 176 966**	856 532 804
Loans and advances to banks	**422 581 229**	1 100 636 288	**422 581 229**	1 100 636 288
Amounts due from group companies	**45 240 438**	176 915 819	**45 240 438**	176 915 819
Loans and advances to customers	**2 508 827 698**	2 133 986 423	**2 508 827 698**	2 133 986 423
Other assets	**67 394 861**	47 493 184	**67 394 861**	47 493 184
		-		
Financial liabilities		-		
Customer deposits	**3 892 294 649**	3 620 945 573	**3 892 294 649**	3 620 945 573
Amounts due to other banks	**101 384 439**	342 769 174	**101 384 439**	342 769 174
Borrowed funds	**13 788 121**	16 364 653	**13 788 121**	16 364 653
Amounts due to group companies	**31 441 830**	250 749 314	**31 441 830**	250 749 314
Subordinated Debt	**72 801 196**	72 801 196	**72 801 196**	72 801 196
Other liabilities	**274 955 738**	208 173 495	**274 955 738**	208 173 495

Financial instruments

In terms of IFRS, the Bank is either required to or elect to measure a number of their financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

The Bank's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include.

Prices quoted in an active market:

The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the Bank establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group and company make use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Unobservable inputs are subject to management judgement and although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters corroborated by reference to independent market data, where possible, or alternative sources, such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments:

Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to: credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation between risk factors, prepayment rates, and other illiquid risk drivers. In making appropriate valuation adjustments, the group and company apply methodologies that consider factors such as bid- offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- Using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver;
- Raising day one profit provisions in accordance with IFRS;
- Quantifying and reporting the sensitivity to each risk driver; and
- Limiting exposure to such risk drivers and analysing this exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the group and company's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis by the market risk and asset and liability committees.

Portfolio exception: The Bank, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

The total amount of the change in fair value estimated using valuation techniques not based on observable market data (level 3) that was recognised in profit or loss for the year ended 31 December 2018 was a net loss of UShs 1.9 million (2017: 9.0 million net gain) for the Bank

(i) Due from other Banks and group companies

Due from other Banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Investment securities

Investment securities include only interest-bearing assets classified as financial investments are and measured at fair value. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics and equity securities at fair value through profit and loss.

(iv) Due to other Banks, customers and group companies

The estimated fair value of deposits with no stated maturity, which includes non- interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest- bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

3 (h) Fair value hierarchy

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The information below shows the classification of financial instruments held at fair value into the valuation hierachy as at 31 December 2018 and 2017.

31 December 2018	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Coin and bank notes	**752 563 311**	**-**	**-**	**752 563 311**
- Derivative assets	**-**	**16 197 011**	**-**	**16 197 011**
- Trading Assets	**-**	**308 424 330**	**-**	**308 424 330**
- Financial Investments	**-**	**601 795 564**	**69 957**	**601 865 521**
- Amounts due from group companies	**-**	**20 691 522**	**-**	**20 691 522**
Total assets	**752 563 311**	**947 108 427**	**69 957**	**1 699.741 695**
Financial liabilities				
- Derivative liabilities	**-**	**30 747 453**	**-**	**30 747 453**
- Amounts due to group companies		**17 918 008**		**17 918 008**
Total liabilities	**-**	**48 665 461**	**-**	**48 665 461**

31 December 2017	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
- Cash and balances with Bank of Uganda	856 532 804	-	-	856 532 804
- Derivative assets	-	12 117 502	-	12 117 502
- Government securities - Held for trading	-	535 338 143	-	535 338 143
- Government securities - AFS	-	391 597 331	-	391 597 331
- Amounts due from group companies	-	533 659	-	533 659
- Other investiment securities		-	71 906	71 906
Total assets	856 532 804	939 586 635	71 906	1 796 191 345
Financial liabilities				
- Derivative liabilities	-	4 211 626	-	4 211 626
- Amounts due to group companies		15 864 692		15 864 692
Total liabilities	-	20 076 318	-	20 076 318

Cash and balances with central banks was in terms of IAS 39 classified as loans and receivables. Coins and bank notes and the reserving requirements held with the central bank have been classified as at fair value through profit or loss - default as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding as per IFRS9.

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

Fair value instruments in level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December, 2018 and 2017.

Other Investment Fair valued through profit and loss

	2018 Shs'000	2017 Shs'000
Opening balance	**71 906**	62 930
Transfers into Level 3	**-**	-
Disposal	**-**	-
Gains and losses recognised in profit or loss	**(1 949)**	8 976
Closing balance	**69 957**	71 906
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under 'Other gains/losses'	**(1 949)**	8 976
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**-**	-

The table below shows Items not measured at fair value for which fair value is disclosed

31 December 2018	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Balance with Bank of Uganda	461 613 655	-	-	461 613 655
Loans and advances to banks	-	-	422 581 229	422 581 229
Amounts due from group companies	-	-	45 240 438	45 240 438
Loans and advances to customers	-	-	2 508 827 698	2 508 827 698
Other assets	-	-	67 394 861	67 394 861
Total assets	461 613 655	-	3 044 044 226	3 505 665 881
Financial liabilities				
Customer deposits	3 732 728 870	159 528 781	36 998	3 892 294 649
Amounts due to other banks	-	-	101 384 439	101 384 439
Borrowed funds	-	-	13 788 121	13 788 121
Subordinated debt	-	-	74 176 983	74 176 983
Amounts due to group companies	-	-	31 441 830	31 441 830
Other liabilities	-	-	274 955 739	274 955 738
Total liabilities	3 732 728 870	159 528 781	495 784 109	4 388 041 760

31 December 2017	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Loans and advances to banks	-	-	1 100 636 288	1 100 636 288
Amounts due from group companies	-	-	176 915 819	176 915 819
Loans and advances to customers	-	-	2 133 986 423	2 133 986 423
Other assets	-	-	47 493 184	47 493 184
Total assets	-	-	3 459 031 714	3 459 031 714
Financial liabilities				
Customer deposits	3 057 800 356	-	563 145 217	3 620 945 573
Amounts due to other banks	-	-	342 769 174	342 769 174
Borrowed funds	-	-	16 364 653	16 364 653
Amounts due to group companies	-	-	250 749 314	250 749 314
Other liabilities	-	-	208 173 495	208 173 495
Total liabilities	3 057 800 356	-	1 381 201 853	4 439 002 209

3 (i) Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table below sets out the Banks classification of financial assets and liabilities, and their fair values

	Note	FVTPL UShs' m	Designated at fair value UShs' m	Amortised cost UShs' m	FVOCI UShs' m	Other amortised cost[2] UShs' m	Other assets/ liabilities UShs' m	Total carrying amount UShs' m
2018								
Assets								
Cash and balances with central banks		752 563	-	461 614	-	-	-	**1 214 177**
Derivative assets		16 197	-	-	-	-	-	**16 197**
Financial Investiments		308 424	-	-	601 866	-	-	**910 290**
Loans and advances to banks	20	-	-	422 581	-	-	-	**422 581**
Loans and advances to customers		-	-	2 508 828	-	-	-	**2 508 828**
Amounts due from group companies	39	20 692	-	45 240	-	-	-	**65 932**
Other non-financial assets		-	-		-	-	255 054	**255 054**
		1 097 876	**-**	**3 438 263**	**601 866**	**-**	**255 054**	**5 393 059**
Liabilities								
Derivative liabilities		30 748	-	-	-	-	-	**30 748**
Deposits from banks		-	-	-	-	101 384	-	**101 384**
Deposits from customers		-	-	-	-	3 892 295	-	**3 892 295**
Subordinated debt		-	-	-	-	74 177	-	**74 177**
Amounts due to group companies	39	17 918	-	-	-	31 442	-	**49 360**
Borrowed Funds		-	-	-	-	13 788	-	**13 788**
Other liabilities		-	-	-	-		274 956	**274 956**
		48 666	**-**	**-**	**-**	**4 113 086**	**274 956**	**4 436 708**

	Note	Held for trading	Designated at fair value	Loans and receivables	Available for sale	Other amortised cost[2]	Other assets/ liabilities	Total carrying amount
2017								
Assets								
Cash and balances with central banks		-	-	856 533	-	-	-	**856 533**
Derivative assets		12 118	-	-	-	-	-	**12 118**
Government Securities		392 911	-	-	516 341	-	-	**909 253**
Loans and advances to banks	20	-	-	1 100 636	-	-	-	**1 100 636**
Loans and advances to customers		-	-	2 133 986	-	-	-	**2 133 986**
Amounts due from group companies	39	534	-	176 915	-	-	-	**177 449**
Other non-financial assets		-	-	-	-	-	214 184	**214 184**
		405 563	**-**	**4 268 070**	**516 341**	**-**	**214 184**	**5 404 159**
Liabilities								
Derivative liabilities		4 212	-	-	-	-	-	**4 212**
Deposits from banks		-	-	-	-	342 769	-	**342 769**
Deposits from customers		-	-	-	-	3 620 946	-	**3 620 946**
Subordinated debt		-	-	-	-	72 801	-	**72 801**
Amounts due to group companies	39	15 865	-	-	-	250 749	-	**266 614**
Borrowed Funds		-	-	-	-	16 365	-	**16 365**
Other liabilities		-	-	-	-	-	208 173	**208 173**
		20 077	**-**	**-**	**-**	**4 303 630**	**208 173**	**4 531 880**

4. Segment information

The principal business units in the Bank are as follows:

Personal and Business Banking (PBB): Banking and other financial services to individual customers and small to medium sized enterprises throughout Uganda.

PBB incorporates

- Mortgage lending- provides residential accommodation loans to individual customers. Instalment sales and finance leases: comprises two main areas - instalment finance in the consumer market mainly vehicles and secondly, finance of vehicles and equipment in the business market.
- Transactional and lending products- Transactions in products associated with the various points of contact channels such as ATMs, internet, and branches. This includes deposit taking activities, electronic Banking, cheque accounts and other lending products.

Corporate and Investment Banking (CIB):

Commercial and investment Banking services to larger corporates, financial institutions, and international counterparties in Uganda.

CIB incorporates

- Global markets - includes foreign exchange, fixed income, derivatives, and money market funding units.
- Investment Banking and trade finance - includes corporate lending and transactional Banking businesses, trade finance business and property related lending to corporates.

Treasury and Capital Management (TCM):

Oversees the management of liquidity, interest rate risk and surplus capital for the Bank. The segment results for the years ended 31 December, 2018 and 31 December, 2017 are as follows:

Income statement	Personal and Business Banking UShs' 000	Corporate and Investment Banking UShs' 000	Treasury & Capital management Shs' 000	Total UShs' 000
Year ended 31 December 2018				
Net Interest income	**249 553 554**	**166 372 579**	**47 011**	**415 973 144**
Net fees and commission	**125 236 118**	**15 368 859**	**561**	**140 605 538**
Net trading income		**99 712 213**	**(4)**	**99 712 209**
Other income	**5 774 757**	**567 508**	**35 903**	**6 378 168**
Total operating income	**380 564 429**	**282 021 159**	**83 471**	**662 669 059**
Impairment losses	**(4 958 948)**	**267 231**	**18 050**	**(4 673 667)**
Other operating expenses	**(241 025 279)**	**(126 518 560)**	**6 226 293**	**(361 317 546)**
Profit before tax	**134 580 202**	**155 769 830**	**6 327 814**	**296 677 846**
Income tax expense	**(37 843 850)**	**(42 010 643)**	**(1 683 267)**	**(81 537 760)**
Profit after tax	**96 736 352**	**113 759 187**	**4 644 547**	**215 140 086**
Year ended 31 December 2017				
Net Interest income	225 731 632	155 774 717	20 203 645	401 709 994
Net fees and commission	119 395 414	11 850 872	-	131 246 286
Net trading income	-	96 001 302	2	96 001 304
Other income	6 365 072	673 698	8 453	7 047 223
Total operating income	351 492 118	264 300 589	20 212 100	636 004 807
Impairment losses	(24 349 479)	(4 572 535)	-	(28 922 014)
Other operating expenses	(227 115 116)	(118 817 547)	4 515 828	(341 416 835)
Profit before tax	100 027 523	140 910 507	24 727 928	265 665 958
Income tax expense	(24 020 686)	(35 176 007)	(6 001 476)	(65 198 169)
Profit after tax	76 006 837	105 734 500	18 726 452	200 467 789

The segmental information in the table above includes transactions made between different segments with in the Bank that give rise to a cost in one segment and income to another segment. These transactions have no net impact to the Bank as a whole. In 2018 these transactions had a net interest income of UShs 42.7bn (2017:48.9bn) and net trading cost of UShs 42.7bn. (2017:48.9bn). The segmental information has been restated as a result of an increase in business activity around the channels Utilisation under our CIB business. This was primarily driven by the increase in biller related transactions under CIB which meant that we had to restate the cost allocation to the business units.

Statement of financial position	Personal and Business Banking UShs' 000	Corporate and Investment Banking UShs' 000	Treasury & Capital management Shs' 000	Total UShs' 000
As at 31 December 2018				
Total assets	**1 985 373 385**	**3 059 280 066**	**348 405 507**	**5 393 058 958**
Total Liabilities	**1 668 650 321**	**2 665 639 862**	**102 417 036**	**4 436 707 219**
Equity	**316 723 064**	**396 962 233**	**242 666 442**	**956 351 739**
Other segment items included in the income statement				
Depreciation	**(10 469 183)**	**(272 072)**	**(7 715 746)**	**(18 457 001)**
Amortisation of intangible assets	**(889 358)**	**-**	**(10 638 668)**	**(11 528 026)**
As at 31 December 2017				
Total assets	1 574 520 953	3 484 903 347	344 735 044	5 404 159 344
Total Liabilities	1 402 876 913	3 222 088 276	(93 085 467)	4 531 879 722
Equity	171 644 040	262 815 071	437 820 511	872 279 622
Other segment items included in the income statement				
Depreciation	(9 195 826)	(270 949)	(9 153 215.00)	(18 619 990)
Amortisation of intangible assets	-	-	(7 691 747)	(7 691 747)

5 Interest income

	2018 UShs' 000	2017 UShs' 000
Financial Investments -FVOCI	**72 024 659**	87 178 456
Loans and advances to customers-Amortised cost	**313 448 289**	290 431 854
Loans and advances to banks- Amortised cost	**13 367 839**	20 336 573
Placements with group companies- Amortised cost	**1 267 022**	616 074
Interest income on credit impaired financial assets	**4 183 777**	4 964 444
	404 291 586	403 527 401

All the amounts reported above include interest income calculated using the effective interest method.

6 Interest expense

	2018 UShs' 000	2017 UShs' 000
Current accounts	**10 827 259**	8 036 326
Savings and deposit accounts	**11 839 054**	21 215 742
Subordinated debt: - Group entity	**6 123 359**	5 200 933
Deposits and borrowings from banks	**3 330 199**	10 156 233
Amounts due to group companies	**1 207 403**	6 130 209
Interest paid on other money market borrowings	**44 846**	40 830
	33 372 120	50 780 273

All interest expense relates to financial liabilities at amortised cost.
All the amounts reported above include interest expense calculated using the effective interest method.

7 Net fee & commission income

a) Disaggregation of fees and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services.

	2018 UShs' 000	2017 UShs' 000
Fee and commission income		
Transactional & service related	**116 332 681**	116 060 124
Trade related	**21 255 860**	14 765 857
Credit related	**11 020 864**	5 004 051
	148 609 405	135 830 032
Fee and commission expense		
Transactional fees & commission expenses	**(7 377 824)**	(4 583 746)
Net fee and commission income	**141 231 581**	131 246 286

Net fee and commission income above excludes amounts included in determining the effective interest rate on financial assets measured at amortised cost of UShs 4,183 million (2017: UShs 4,964 million).

All net fee and commission income relates to financial assets or liabilities at amortised cost.

b) Performance obligation and revenue recognition policies

Type of service	Description of the service	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
Transactional and service related	These are service and transactional fee-based revenue that mainly comprise of but not limited to commissions on cheques cashed, statement charges, auxiliary charges, management fees, advisory fees, payments and collection related fees.	Revenue from account service fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Trade related	These are origination and processing fees relating to issuance of guarantees, performance bonds and letters of credit.	Revenue related to trade fees is recognised at the point in time when the transaction takes place.
Credit related	These fees include mainly loan arrangement fees, search fees, loan processing fees on short term facilities, commitment fees which are amortized over the period of the loan using the EIR model.	Revenue from credit related fees is recognised over time as the services are provided.

8 Net trading income

	2018 USh's' 000	2017 UShs' 000
Foreign exchange trading gains - Realised	**72 707 458**	19 419 461
Foreign exchange trading gains - Unrealised	**4 371 730**	9 813 239
Trading gains on Financial instruments	**67 974 817**	114 169 510
Unrealised gains/(Loss) on Financial instruments	**(2 307 679)**	2 053 311
Trading Income - Other	**(382 976)**	(491 351)
	142 363 350	144 964 170

Debt securities include the effect of buying and selling and changes in the fair value of government securities.

Included in foreign exchange are gains and losses from spot and forward contracts and other currency derivatives

9 Other gains and losses on financial instruments

	2018 UShs' 000	2017 UShs' 000
Derecognition gains/losses	**(509 695)**	-
	(509 695)	-

The other gains and losses on financial instrument are as a result of the modification of the assets or liabilities of the Bank.

Modification

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue.

10 Other Operating Income:

	2018 UShs' 000	2017 UShs' 000
Gain on disposal of property and equipment	**219 666**	-
Other	**6 887 738**	7 047 223
	7 107 404	7 047 223

The other operating income under other income includes profit share for bancassurance joint venture fees of UShs3.1bn (2017:5.8bn) and VISA ATM card fees of UShs3.2bn introduced in 2018 (2017: Nil).

11 Impairment charge for credit losses

	2018 UShs' 000	2017 UShs' 000
Net credit impairment raised and reversed for:		
Loans and advances to customers (Note 19)	**18 304 341**	37 953 723
Loans and advances to Banks (Note 18)	**(35 517)**	-
Financial Investments (Note 26)	**(18 861)**	-
Off balance sheet (Note 32)	**(154 089)**	-
Recoveries on loans and advances previously written off	**(13 712 125)**	(9 031 709)
Interest in suspense released on cured loans and advances	**(2 402 655)**	-
Modification gains and losses (Note 19)	**289 918**	-
	2 271 012	28 922 014

The Bank has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on basis of IAS 39. Refer to the accounting policy elections, IFRS 9 transition and restatement for more detail

12 Employment benefits and expenses

	2018 UShs' 000	2017 UShs' 000
Salaries and wages	**109 845 259**	106 490 453
Contributions to statutory and other defined benefit plans	**26 568 474**	23 454 963
Other	**12 195 671**	11 546 129
	148 609 404	141 491 545

13 Other operating expenses

	2018 UShs' 000	2017 UShs' 000
Premises costs	**23 869 371**	25 644 786
Office expenses	**4 771 007**	4 978 560
Auditors remuneration	**1 024 477**	869 976
Professional fees	**7 988 014**	5 140 788
IT expenses	**31 975 731**	36 362 406
Travel and entertainment	**8 552 374**	8 249 336
Marketing and advertising	**9 897 107**	8 456 680
Insurance	**4 360 043**	4 426 801
Deposit Protection Scheme Contribution	**6 562 961**	7 669 667
Security expenses	**11 910 011**	8 664 261
Franchise fees	**19 878 799**	19 057 552
Directors fees & expenses	**502 843**	554 785
Training costs	**3 580 770**	2 658 332
Operational losses and (recoveries)	**8 218 053**	(3 502 731)
Indirect taxes (VAT)	**21 527 416**	20 004 704
Bank charges	**1 141 847**	1 830 172
Leased equipment rental	**2 108 659**	1 620 058
Credit Bureau expenses	**626 043**	731 265
Other operating expenses	**15 073 291**	20 196 155
	183 568 817	173 613 553

Included with in the operational risk losses is UShs6.5bn relating to a failure in the operational process under the Vehicle and Asset Finance and UShs0.9bn relating to provision made for a probable loss attributed to the introduction of a new clearing system.

14 Income tax expense

	2018 UShs' 000	2017 UShs' 000
Current income tax	**74 094 964**	72 707 331
Deferred income tax (see note 22)	**7 442 796**	(7 509 162)
	81 537 760	65 198 169

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2018 UShs' 000	2017 UShs' 000
Profit before income tax	**296 677 846**	265 665 959
Tax calculated at statutory tax rate of 30% (2017: 30%)	**89 003 354**	79 699 787
Tax effects of:		
Income subject to tax at 20%	**(9 736 967)**	(15 945 168)
Expenses not deductible for tax purposes	**2 281 789**	1 547 702
Prior year current income tax under provision	**(10 416)**	(104 152)
	81 537 760	65 198 169

Current income tax recoverable

The movement in the tax recoverable is as follows:

	2018 UShs' 000	2017 UShs' 000
At start of year	**(23 748 226)**	(12 496 197)
Prior year under provisions	**(10 416)**	(104 152)
Income tax charge	**74 105 381**	72 811 483
Tax paid	**(65 002 367)**	(83 959 360)
At end of year	**(14 655 628)**	(23 748 226)

15 Earnings Per Share

	2018 UShs' 000	2017 UShs' 000
Basic		
Profit attributable to ordinary shareholders (UShs'000)	**215 140 086**	200 467 789
Weighted average number of ordinary shares in issue (thousands)	**51 188 670**	51 188 670
Basic earnings per share (expressed in Shs per share)	**4.20**	3.92
Basic		
Dividends proposed	**97 500 000**	90 000 000
Weighted average number of ordinary shares in issue (thousands)	**51 188 670**	51 188 670
DPS	**1.86**	1.76

There were no potentially dilutive shares as at 31 December 2018 or on 31 December, 2017. Therefore, diluted earnings per share are the same as basic earnings per share.

16 Cash & balances with Bank of Uganda

	2018 UShs' 000	2017 UShs' 000
Coins & bank notes	**441 093 311**	291 047 547
Balances with Bank of Uganda	**773 083 655**	565 485 257
	1 214 176 966	856 532 804

Banks are required to maintain a prescribed minimum cash balance with Bank of Uganda. The amount is determined by Bank of Uganda on a pre-set formula on a rolling fortnightly basis; 8.33% in 2018 (2017: 8.33%). The reserve as at 31 December, 2018 was UShs 311,470m (2017: UShs 292,280m). The cash reserves available for use in the Bank's day to day activities and may fall by upto 50% on a given day. However, there are sanctions for non-compliance.

17 Financial investments

	2018 UShs' 000	2017 UShs' 000
a) Government securities at FVOCI		
Treasury bills		
At start of the year	**267 997 099**	397 821 023
Additions	**360 692 156**	272 636 931
Disposals	**(278 379 461)**	(402 780 815)
MTM adjustments	**(1 946 264)**	319 960
At end of the year	**348 363 530**	267 997 099
Treasury bonds		
At start of the year	**248 272 487**	243 120 818
Additions	**101 053 885**	25 401 429
Disposals	**(74 712 143)**	(43 811 533)
MTM adjustments	**(21 182 195)**	23 561 773
At end of the year	**253 432 034**	248 272 487
Total at end of year	**601 795 564**	516 269 586
b) Trading Assets		
Treasury bills		
At start of the year	**319 736 270**	176 494 269
Additions	**738 055 887**	990 343 757
Disposals	**(891 161 186)**	(853 645 497)
MTM adjustments	**(1 614 965)**	6 543 741
At end of the year	**165 016 006**	319 736 270
Treasury bonds		
At start of the year	**73 174 937**	73 990 002
Additions	**912 166 761**	928 257 402
Disposals	**(842 474 722)**	(936 454 913)
MTM adjustments	**541 348**	7 382 447
At end of the year	**143 408 324**	73 174 937
	308 424 330	392 911 207
c) Other equity investiments		
S.W.I.F.T. SCRL	**69 957**	71 906
	69 957	71 906

Government treasury bills are debt securities issued by Bank of Uganda for a term of three months, six months or one year. Government treasury bonds are debt instruments issued by Bank of Uganda for a term of either two, three, five or ten years.

Government securities are categorised as fair value through other comprehensive income which are fair valued through reserves and trading assets, which are fair valued through the income statement. The weighted average effective interest rate on treasury bills and bonds was 13.84% (2017:13.84%).

These relates to investment in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) shares, an entity that provides a network that enables financial institutions to send and receive information about financial transactions in a secure, standardised and reliable environment.

18 Loans and advances to banks

	2018 UShs' 000	2017 UShs' 000
Items in course of collection - foreign banks	**5 679 987**	5 474 570
Placements with local banks	**150 212 000**	840 816 933
Placements with foreign banks	**266 697 145**	254 344 785
	422 589 132	1 100 636 288
Less provision for impairment (IFRS9)	**(7 903)**	
	422 581 229	1 100 636 288

The weighted average effective interest rate on loans and advances to Banks was 3.9% (2017: 0.2%)

The company has, as permitted by IFRS 9, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis. Refer to the accounting policy elections, IFRS 9 transition and restatement for more detail.

As at end of 2017, the bank had significant investments in REPOs of UShs 580bn with the Bank of Uganda and money market deposits with various commercial banks of UShs 261bn, that matured during the year 2018.

Reconciliation of expected credit losses for loans and advances to banks measured at amortised cost as at 31 December 2018

	Opening ECL 2018/01/01 Shs'000	Total transfers between stages Shs'000	Income statement movements				Net impairments raised/(released) Shs'000	Impaired accounts written-off Shs'000	Exchange and other movements Shs'000	Closing ECL 2018/12/31 Shs'000
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				Shs'000
			Shs'000	Shs'000	Shs'000	Shs'000				
Financial investments measured at amortised cost										
Stage 1	43 420	(8)	6 138	-	242	(42 843)	(36 463)	-	-	6 949
Stage 2	-	8	-	-	946	-	946	-	-	954
Stage 3	-	-	-	-	-	-	-	-	-	-
Total	**43 420**	**-**	**6 138**	**-**	**1 188**	**(42 843)**	**(35 517)**	-	-	**7 903**

19 Loans & advances to customers

	2018 USHs' 000	2017 USHs' 000
Personal and business banking		
Mortgage lending	**262,246,658**	251,731,343
Vehicle and asset finance	**65,065,908**	62,429,627
Card debtors	**4,078,374**	3,872,644
Other loans and advances	**1,201,860,420**	905,248,845
Corporate and investment banking		
Corporate lending	**1 067 772 941**	973 049 736
Gross loans and advances	**2 601 024 301**	2 196 332 195
Less interest in suspense	**(1 803 682)**	-
Less: Credit impairments for loans and advances (IAS 39)	**-**	(62,345,772)
Less: Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	**(90,392,921)**	-
	2 508 827 698	2 133 986 423
Current	**1 201 198 698**	1 030 968 423
Non-current	**1 307 629 000**	1 103 018 000
	2 508 827 698	2 133 986 423

Included in other loans and advances is the fair value adjustment of loans advanced to staff at off market rates of UShs 17,301m (2017: UShs 13,994m).

The company has, as permitted by IFRS 9, elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 basis. Refer to the accounting policy elections, IFRS 9 transition and restatement for more detail.

Movements in provisions for impairment of loans and advances are as follows:

Reconciliation of expected credit losses for loans and advances measured at amortised cost as at 31 December 2018

	Opening ECL	Total transfers between stages	Income statement movements: ECL on new exposures raised	Income statement movements: Subsequent changes in ECL	Net impairments raised/(released)[1]	Impaired accounts written-off	Exchange and other movements	Closing ECL
Personal and business banking								
Mortgage loans								
Stage 1	825 579	1 185 622	302 805	(1 350 545)	**(1 047 740)**	-	-	963 461
Stage 2	4 902 492	(930 802)	473 643	63 498	**537 141**	-	-	4 508 831
Stage 3	3 839 342	(254 820)	-	5 247 997	**5 247 997**	(1 808 323)	-	7 024 196
Vehicle and asset finance								
Stage 1	968 468	(70 591)	1 287 956	(322 905)	**965 051**	-	-	1 862 928
Stage 2	3 065 897	(367 481)	667 771	(1 679 468)	**(1 011 697)**	-	-	1 686 719
Stage 3	2 530 320	438 072	-	265 108	**265 108**	(1 137 140)	-	2 096 360
Card debtors								
Stage 1	70 734	120 780	62 326	23 865	**86 191**	-	-	277 705
Stage 2	259 669	(71 194)	79 564	593 401	**672 965**	-	-	861 440
Stage 3	161 802	(49 586)	767	292 025	**292 792**	(304 564)	12 282	112 726
Other Loans & Advances								
Stage 1	12 697 048	8 367 663	3 647 775	(12 511 459)	**(8 863 684)**	-	-	12 201 027
Stage 2	24 624 325	(9 180 950)	6 167 573	(6 968 728)	**(801 155)**	-	-	14 642 220
Stage 3	22 739 603	813 287	1 812 580	21 299 216	**23 111 796**	(16 077 718)	(4 566 401)	26 020 567
	76 685 279	**-**	**14 502 760**	**4 952 005**	**19 454 765**	**(19 327 745)**	**(4 554 119)**	**72 258 180**
Corporate and Investment Banking								
Stage 1	4 694 208	1 105 499	1 222 637	(2 633 220)	**(1 410 583)**	-	-	4 389 124
Stage 2	1 328 222	(1 105 499)	485 414	(163 010)	**322 404**	-	-	545 127
Stage 3	13 262 735	-	-	(62 245)	**(62 245)**	-	-	13 200 490
	19 285 165	**-**	**1 708 050**	**(2 858 475)**	**(1 150 425)**	**-**	**-**	**18 134 741**
Total	**95 970 444**	-	**16 210 811**	**2 093 530**	**18 304 341**	**(19 327 745)**	**(4 554 119)**	**90 392 921**

Movements in provisions for impairment of loans and advances as at 31 December 2017

	Mortage lending USh s' 000	Instalment sales and finance leases UShs' 000	Other loans and advances UShs' 000	Corporate and invest-ment banking UShs' 000	Total UShs' 000
Non performing loans					
At 1 January 2017	5 646 385	2 075 601	18 892 217	10 490 033	37 104 236
Impaired accounts written off	(4 364 883)	(2 216 870)	(21 270 595)	(247 077)	(28 099 425)
Net provisions raised/(released)	2 712 720	2 669 817	30 208 905	3 808 170	39 399 612
Effects of foreign exchange movements	(154 880)	1 773	(4 929 123)	(547 327)	(5 629 557)
At 31 December 2017	3 839 342	2 530 321	22 901 404	13 503 799	42 774 866
Performing loans					
At 1 January 2017	1 449 849	423 582	9 192 668	10 009 726	21 075 825
Net impairments raised	733 143	(130 605)	(2 891 956)	784 498	(1 504 921)
At 31 December 2017	2 182 992	292 977	6 300 712	10 794 224	19 570 904
Total	6 022 334	2 823 298	29 202 116	24 298 023	62 345 770

Modifications on loans and advances measured at amortised cost

	Stage 1		Stage 2		Stage 3		Purchased/originated credit impairment		Total	
	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000	Gross amortised cost before modification Shs'000	Net modification gain or loss Shs'000
2018										
Mortgage loans	9 582 948	(115 609)	-	-	4 009 672	105 585	-	-	13 592 620	(10 024)
Vehicle and asset finance	-	-	-	-	-	-	-	-	-	-
Card debtors	-	-	-	-	-	-	-	-	-	-
Corporate	27 588 761	383 226	-	-	-	-	-	-	27 588 761	383 226
Sovereign	-	-	-	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-	-
Other loans and advances	221 418	(1 116)	2 217 484	(90 303)	82 174	8 135	-	-	2 521 076	(83 284)
Total	**37 393 127**	**266 501**	**2 217 484**	**(90 303)**	**4 091 846**	**113 720**	**-**	**-**	**43 702 457**	**289 918**

The loans and advances to customers include finance lease receivables for both PBB and CIB as follows:

	2018 UShs' 000	2017 UShs' 000
Gross investment in finance leases		
No later than 1 year	**14 183 829**	11 913 690
Later than 1 year but no later than 5 years	**106 501 512**	111 833 781
Later than 5 years	**19 524 569**	-
	140 209 910	123 747 471
Unearned future finance income on finance leases	**(25 397 254)**	(18 856 883)
Net investment in finance leases	**114 812 656**	104 890 588
The net investment in finance leases may be analysed as follows:		
No later than 1 year	**11 957 199**	11 266 869
Later than 1 year but no later than 5 years	**88 849 655**	93 623 719
Later than 5 years	**14 005 802**	-
	114 812 656	104 890 588

As at 31 December 2018, the Bank had three exposures to a single borrower or group of borrowers exceeding 25% but less than 50% of the core capital of the bank and these were all off balance sheet exposures for which Bank of Uganda no objection was obtained.

20 Deferred tax asset

	2018 UShs' 000	2017 UShs' 000
As at 1 January	**1 651 991**	1 307 349
Adjustment on initial application of IFRS 9	**10 752 205**	-
Restated balance at 1 January	**12 404 196**	1,307,349
Income statement movement	**(7 442 796)**	7 509 162
Financial investments	**6 938 538**	(7 164 520)
As at 31 December	**11 899 938**	1 651 991
Deferred income tax assets		
Provisions for loans and advances	**12 941 513**	17 713 222
Financial investments	**(1 542 178)**	(8 480 716)
Other deductible temporary differences	**20 619 177**	5 870 929
	32 018 512	15 103 435
Deferred income tax liabilities		
Property and equipment	**(20 118 574)**	(13 451 444)
Net deferred income tax asset	**11 899 938**	1 651 991
Income statement movement		
Property and equipment	**(6 667 130)**	(2 552 585)
Provisions for loans and advances	**(3 681 964)**	7 028 669
Other deductible temporary differences	**2 906 298**	3 033 078
	(7 442 796)	7 509 162

21 Prepaid operating lease

	2018 UShs' 000	2017 UShs' 000
Cost		
As at 1 January	**239 141**	239 141
Additions for the year	**-**	-
As at 31 December	**239 141**	239 141
Amortisation		
As at 1 January	**(150 819)**	(140 481)
Charge for the year	**(10 338)**	(10 338)
As at 31 December	**(161 157)**	(150 819)
Carrying value		
As at 31 December	**77 984**	88 322
Current	**10 338**	10 338
Non-current	**67 646**	77 984
	77 984	88 322

The prepaid operating lease relates to lease rentals paid in advances for Land on which the Bank has property.

22 Other assets

	2018 UShs' 000	2017 UShs' 000
Clearances in transit	**13 139 182**	9 808 754
Prepayments	**22 430 129**	19 721 329
Fees receivable	**11 874 629**	6 936 684
Other accounts receivable	**19 950 921**	11 026 417
	67 394 861	47 493 184
Current	**52 397 387**	36 194 803
Non-current	**14 997 474**	11 298 381
	67 394 861	47 493 184

The fees receivable include commissions earned but not yet received from Bancassurance UShs 2,7bn, joint venture profit share UShs 3.1bn, custody fees UShs 0.6 bn, structured income of UShs 4.4bn and guarantee fees UShs 0.3bn.

23 Goodwill and other intangible assets

	Computer software UShs' 000	Goodwill UShs' 000	Total UShs' 000
Cost			
At 1 January 2018	**86 343 449**	**4 753 980**	**91 097 429**
Additions	**33 108 993**	**-**	**33 108 993**
Transfers	**16 008 449**	**-**	**16 008 449**
At 31 December 2018	**135 460 891**	**4 753 980**	**140 214 871**
Amortisation			
At 1 January 2018	**16 335 200**	**2 852 388**	**19 187 588**
Charge for the year	**11 528 026**	**-**	**11 528 026**
At 31 December 2018	**27 863 226**	**2 852 388**	**30 715 614**
Net book value			
At 31 December 2018	**107 597 665**	**1 901 592**	**109 499 257**
Cost			
At 1 January 2017	86 343 449	4 753 980	91 097 429
Additions	-	-	-
At 31 December 2017	86 343 449	4 753 980	91 097 429
Amortisation			
At 1 January 2017	8 643 453	2 852 388	11 495 841
Charge for the year	7 691 747	-	7 691 747
At 31 December 2017	16 335 200	2 852 388	19 187 588
Net book value			
At 31 December 2017	70 008 249	1 901 592	71 909 841

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment of goodwill identified in 2018 (2017: nil).

Intangible assets relate to Finacle-core banking system and New Business Online(Bol).

The UShs 16 bn transfered from assets under construction relate to a records management software developed to digitize the customer (KYC) records for the bank

24 Property & equipment

	Land and buildings UShs' 000	Furniture, fittings and equipment UShs' 000	Computer equipment UShs' 000	Motor vehicles UShs' 000	Work in progress UShs' 000	Total UShs' 000
Cost						
At 1 January 2018	**3 415 496**	**72 047 496**	**75 603 719**	**7 110 989**	**17 808 114**	**175 985 814**
Additions	**-**	**5 193 229**	**9 753 254**	**1 461 579**	**2 150 047**	**18 540 109**
Transfers	**-**	**1 825 081**	**-**	**-**	**(17 833 531)**	**(16 008 450)**
Disposals	**(12 500)**	**(2 126 915)**	**(4 134 118)**	**-**	**-**	**(6 273 533)**
Written off	**-**	**-**	**-**	**-**	**(1 799 665)**	**(1 799 665)**
At 31 December 2018	**3 402 996**	**76 938 891**	**81 204 855**	**8 572 568**	**324 965**	**170 444 275**
Depreciation						
At 1 January 2018	**1 088 566**	**50 845 829**	**51 280 085**	**3 478 748**	**-**	**106 693 228**
Charge for the year	**68 978**	**7 881 640**	**9 128 937**	**1 377 446**	**-**	**18 457 001**
On disposals	**(4 144)**	**(2 102 741)**	**(4 125 646)**	**-**	**-**	**(6 232 531)**
At 31 December 2018	**1 153 400**	**56 624 728**	**56 283 376**	**4 856 194**	**-**	**118 917 698**
Net book value						
At 31 December 2018	**2 249 596**	**20 314 163**	**24 921 479**	**3 716 374**	**324 965**	**51 526 577**
Cost						
At 1 January 2017	3 415 496	64 819 535	68 433 256	6 056 095	13 249 495	155 973 877
Additions	-	9 277 379	9 514 256	1 780 171	4 558 619	25 130 425
Transfers	-	-	-	-	-	-
Disposals	-	(2 049 418)	(2 343 793)	(725 277)	-	(5 118 488)
At 31 December 2017	3 415 496	72 047 496	75 603 719	7 110 989	17 808 114	175 985 814
Depreciation						
At 1 January 2017	1 019 485	45 398 412	43 227 851	3 010 127	-	92 655 875
Charge for the year	69 081	7 339 632	10 035 254	1 176 023	-	18 619 990
On disposals	-	(1 892 215)	(1 983 020)	(707 402)	-	(4 582 637)
At 31 December 2017	1 088 566	50 845 829	51 280 085	3 478 748	-	106 693 228
Net book value						
At 31 December 2017	2 326 930	21 201 667	24 323 634	3 632 241	17 808 114	69 292 586

The UShs 16 bn transfered from assets under construction relate to a records management software developed to digitize the customer (KYC) records for the bank

25 Ordinary share capital

	Number of ordinary shares (thousands)	Ordinary share capital UShs' 000	Total UShs' 000
Issued and fully paid			
At 1 January 2018	**51 188 670**	**51 188 670**	**51 188 670**
At 31 December 2018	**51 188 670**	**51 188 670**	**51 188 670**
Issued and fully paid			
At 1 January 2017	51 188 670	51 188 670	51 188 670
At 31 December 2017	51 188 670	51 188 670	51 188 670

The par value of ordinary shares is UShs 1 per share. The holders of the ordinary shares are entitled to one vote per share at the annual or special general meeting of the Bank. They are also entitled to dividends when declared.

26 Fair value through other comprehensive income

	2018 UShs' 000	2017 UShs' 000
Balance as at 31 December 2017	**19 788 336**	3 071 123
Adjustment on initial application of IFRS 9	**99 638**	-
Net gains/(losses) from changes in fair value	**(23 128 460)**	23 881 733
Deferred tax on fair value change	**6 938 538**	(7 164 520)
Net change in expected credit losses	**(18 861)**	-
Net movement for the year	**(16 109 145)**	16 717 213
At 31 December 2018	**3 679 191**	19 788 336

27 Statutory Credit Risk Reserve

The statutory credit risk reserve represents amounts by which provisions for impairments of loans and advances, determined in accordance with the Financial Institutions Act exceed those determined in accordance with International Financial Reporting Standards. These amounts are appropriated from retained earnings in accordance with accounting policy (j).

	2018 UShs'000	2017 UShs'000
Specific Provisions (Regulatory)	60 365 255	46 338 820
General Provisions (Regulatory)	43 109 118	35 178 065
	103 474 373	81 516 885
Less		
Identified impairment (in accordance with IFRS)	48 454 339	42 774 866
Unidentified impairment (in accordance with IFRS)	43 946 129	19 570 906
Statutory Credit risk reserves	11 073 905	19 171 113

28 Derivatives

The Bank uses currency forward derivative instruments and interest rate derivatives for non-hedging purposes. Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market foreign exchange rates on hand relative to their terms. The aggregate contractual or notional amount of derivative financial instruments, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The notional amount is the sum of the absolute value of all bought and sold contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts. The maturity analysis of the fair values of derivative instruments held is set out below.

	Fair value of assets		Fair value of liabilities		Notional amount	
	2018 UShs' 000	2017 UShs' 000	2018 UShs' 000	2017 UShs' 000	2018 UShs' 000	2017 UShs' 000
Interest Rate Swaps	-	11 616 088	(14 412 721)	-	1 282 289 441	1 258 014 649
Currency Options	8 331 257	-	(5 581 119)	-	357 412 363	-
Currency forwards	462 048	501 414	(1 473 740)	(4 211 626)	75 289 936	255 453 502
Currency Swap	7 403 706	-	(9 279 873)	-	516 646 977	-
	16 197 011	12 117 502	(30 747 453)	(4 211 626)	2 231 638 717	1 513 468 151

	Less than 1 year UShs' 000	1-5 years UShs' 000	Over 5 years UShs' 000	Total UShs' 000
As at 31 December 2018				
Assets				
Derivatives held for trading	-	-	-	-
Interest Rate Swaps	-	-	-	-
Currency Options	1,512,368	6,818,889	-	8,331,257
Currency forwards	457,035	5,013	-	462,048
Currency Swap	4,201,002	3,202,704	-	7,403,706
Fair value of assets	6,170,405	10,026,606	-	16,197,011
Liabilities				
Derivatives held for trading	-	-	-	-
Interest Rate Swaps	-	-	(14,412,721)	(14,412,721)
Currency Options	(2,654,552)	(2,926,567)	-	(5,581,119)
Currency forwards	(1,322,501)	(151,239)	-	(1,473,740)
Currency Swap	(3,474,131)	(5,805,742)	-	(9,279,873)
Fair value of liabilities	(7,451,184)	(8,883,548)	(14,412,721)	(30,747,453)
Net fair value	(1 280 778)	1 143 057	(14 412 721)	(14 550 442)
As at 31 December 2017				
Assets				
Currency forwards	428 490	72 924	-	501 414
Interest Rate Swaps	-	-	11 616 088	11 616 088
Fair value of assets	**428 490**	**72 924**	**11 616 088**	**12 117 502**
Liabilities				
Currency forwards	2 821 152	1 390 474	-	4 211 626
Fair value of liabilities	**2 821 152**	**1 390 474**	**-**	**4 211 626**
Net fair value	(2 392 662)	(1 317 550)	11 616 088	7 905 876

29 Customer deposits

	2018 UShs' 000	2017 UShs' 000
Current and demand deposits	**3 372 001 770**	3 057 800 356
Savings accounts	**324 928 901**	294 817 773
Fixed and call deposit accounts	**147 511 665**	237 471 557
Trading Liabilities	**47 852 313**	30 855 887
	3 892 294 649	3 620 945 573
Current	**3 892 257 651**	3 620 933 551
Non-current	**36 998**	12 022
	3 892 294 649	3 620 945 573

The weighted average effective interest rate on customer deposits was 0.62% (2017: 0.85%)

30 Deposits and balances due to banks

	2018 UShs' 000	2017 UShs' 000
Balances due to other banks - local currency	**89 334 709**	125 837 741
Balances due to other banks - foreign currency	**12 049 730**	216 931 433
	101 384 439	342 769 174
Current	**101 384 439**	342 769 174
Non-current	**-**	-
	101 384 439	342 769 174

31 Borrowed funds

	2018 UShs' 000	2017 UShs' 000
Bank of Uganda : Agricultural Credit Facility	**13 788 121**	16 364 653
	13 788 121	16 364 653
Current	**12 976 693**	12 375 969
Non-current	**811 428**	3 988 684
	13 788 121	16 364 653
Movement Analysis		
As at 1 January	**16 364 653**	11 579 364
New disbursements	**989 800**	7 548 942
Payments to BOU	**(3 566 332)**	(2 763 653)
Net movement	**(2 576 532)**	4 785 289
As at 31 December	**13 788 121**	16 364 653

The Government of Uganda, through Bank of Uganda, set up an Agricultural Credit Facility scheme for the purpose of supporting agricultural expansion and modernization in partnership with commercial Banks. All eligible Bank customers receive 50% financing from the Government of Uganda while the remaining 50% is provided by the Bank. The outstanding balance as at 31 December, 2018 was UShs 13,788 million (2017: UShs 16,364 million). The Bank does not pay any interest to the Government of Uganda. Refunds to the government are made half yearly and as at 31 December, 2018; the last payable instalment is due on 31 December, 2021.

The Bank complied with all the terms and conditions of the agreements during the year.

32 Other liabilities

	2018 UShs' 000	2017 UShs' 000
Uganda Revenue Authority - Tax revenue collections	**6 062 838**	4 167 482
Bills payable	**60 285 619**	73 475 162
Unclaimed balances	**23 715 634**	15 108 421
Sundry creditors	**31 620 980**	46 076 460
Unearned fees & commission income	**-**	1 199 826
Dividend payable	**12 181 393**	9 774 067
Expected credit loss provision for off balance sheet (note (32a)	**1 918 868**	-
Other liabilities	**139 170 406**	58 372 077
	274 955 738	208 173 495

Note : Included in other liabilities for 2018 is UShs 95.9bn relating to accepted usance letters of credit payable to third parties at a determined future date. (2017: 30.1bn) and bills payable country driven change the Bank projects of UShs 5.0bn (2017: UShs 10.9bn), UShs 6.9bn digital financial inclusion contribution (2017: 11.1).

32(a) Reconciliation of expected credit losses for off-balance sheet exposures

	Opening ECL 01 Jan 2018	Total transfers between stages Shs'000	Income statement movements				Net impairments raised/ (released)[1]	Exchange	Closing
			ECL on new exposures raised Shs'000	Change in ECL due to modifications Shs'000	Subsequent changes in ECL Shs'000	Change in ECL due to derecognition Shs'000			Shs'000
Off BS Committed Facilities									
Stage 1	471 895	44 176	238 328	-	23 104	(191 444)	69 988		586 059
Letters of credit and bank acceptances									
Stage 1	89 491	(1 981)	6 948	-	(32 136)	(994)	(26 182)		61 328
Stage 2	46 230	(42 195)	960	-	217 666	(9)	218 617		222 652
Stage 3	-	-	-	-	-	-	-		-
Guarantees	-	-	-	-	-	-			
Stage 1	1 461 469	(4 281)	188 670	-	(579 066)	(26 732)	(417 128)		1 040 060
Stage 2	3 872	4 281	6 735	-	(3 714)	(2 405)	616		8 769
Stage 3	-	-	-	-	-	-	-		-
						-			
Total	**2 072 957**	**-**	**441 641**	**-**	**(374 146)**	**(221 584)**	**(154 089)**		**1 918 868**

Staff cost provision

	2018 USh s' 000	2017 USh s' 000
Opening balance 1 January 2018	**27,790,274**	26,680,910
Less: provisions utilisation	**(26,475,438)**	(26,468,487)
Add: New provisions made in the year (2018)	**26,497,115**	27,577,851
Closing Balance 31 December 2018	**27,811,951**	27,790,274

33 Subordinated debt

As at 31 December 2018	Date of issue	Carrying value UShs' 000	Notional value UShs' 000
Subordinated loan facility - Standard Bank South Africa	31 March 2016	**74 176 983**	**74 176 983**
		74 176 983	**74 176 983**
As at 31 December 2017			
Subordinated loan facility - Standard Bank South Africa	31 March 2016	72 801 196	72 801 196
		72 801 196	72 801 196

Movement analysis

	2018 UShs' 000	2017 UShs' 000
As at 1 January	**72 801 196**	72 137 386
Interest Expense	**6 123 359**	5 200 933
Interest Paid	**(6 151 469)**	(5 228 519)
Exchange Rate movement	**1 403 897**	691 396
Net movement	**1 375 787**	663 810
As at 31 December	**74 176 983**	72 801 196

In 2016, the Bank signed an unsecured 10 year term subordinated loan facility agreement with Standard Bank of South Africa (SBSA) as the lender which commenced on 31 March 2016 amounting to USD 20 million at a rate of libor plus 5.9%. The subordinated loan was sourced to supplement SBHL capital and diversify funding sources.

34 Dividends

At the annual general meeting to be held in May 2019, a dividend of UShs 1.86 per share amounting to UShs 97.5bn in total is to be proposed. (2017: total dividend per share of UShs 1.76 amounting to UShs 90bn). The payment of dividends is subject to withholding tax at rates depending on the tax status or residence of the recipient.

35 Off-balance sheet financial instruments, contingent liabilities and commitments

In common with other Banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments including forward contracts for the purchase and sale of foreign currencies, the nominal amounts for which are not reflected in the statement of financial position.

	2018 UShs' 000	2017 UShs' 000
Contingent liabilities		
Acceptances and letters of credit	**94 875 767**	68 106 958
Guarantees and performance bonds	**1 666 287 999**	1 303 395 151
	1 761 163 766	1 371 502 109
Commitments		
Commitments to extend credit	**963 949 396**	520 237 216
Currency forwards	**(211 312 955)**	(70 527 897)
Operating lease commitments	**40 719 293**	21 606 786
	793 355 734	471 316 105
	2 554 519 500	1 842 818 214

Nature of contingent liabilities

An acceptance is an undertaking by a Bank to pay a bill of exchange drawn on a customer.The Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Pending litigation

The Bank is a litigant in several other cases which arise from normal day to day Banking. The directors and management believe the Bank has strong grounds for success in a majority of the cases and are confident that they should get a ruling in their favour and none of the cases individually or in aggregate would have a significant impact on the Bank's operations.

The directors have carried out an assessment of all the cases outstanding as at 31 December, 2018 and where considered necessary based on the merits of each case, a provision has been raised. In aggregate the total provisions raised amount to UShs 8.4bn (2017: UShs 8.4bn). Reported under other liabilities.

	2018 UShs' 000	2017 UShs' 000
Opening balance 1 January	**8 431 117**	8,212,773
Add: New provisions made in the year	**4 509 478**	3,249,914
Less: Cases settled	**(855 867)**	(2,080,976)
Less: Adjustments in provisions	**(2 677 890)**	(950,594)
Closing Balance 31 December	**9 406 838**	8,431,117

Other matters

Following the communication by Uganda Revenue Authority(URA) in August 2017 to the Uganda Bankers Association (UBA) indicating that the applicable stamp duty rate on performance bonds, indemnity bonds, guarantees is 1% of bond/guaranteed total value and not the fixed rate of UShs 10,000 that was being applied. This pronouncement created a potential liability on the bank. The bank through the UBA legal committee has challenged this decision at the High Court.

The Uganda Revenue Authority (URA) sort for clarity on whether guarantees and letters of credit are loan related and therefore not subject to excise duty from the Bank of Uganda. The Bank of Uganda (BoU) in a letter dated 22 August, 2018, provided URA with clarity on the financial transactions that are subject to Excise Duty. Following BoU's guidance on this matter to UBA in April 2018, commercial banks commenced applying excise duty. Excise duty was not collected previously pending the resolution of the issue of what constitutes "loan- related charges."

Given the sensitive nature of the above items, the directors are of the opinion that disclosing the details of the amounts that may arise could seriously prejudice the position of the Bank. As such, the amounts have not been disclosed in these financial statements.

36 Analysis of cash and cash equivalents as shown in the cash flow statement

	2018 UShs' 000	2017 UShs' 000
Cash and balances with Bank of Uganda	**1 214 176 966**	856 532 804
Cash reserve requirement	**(311 470 000)**	(292 280 000)
Government securities maturing within 90 days	**171 075 648**	298 378 361
Placements with other banks	**422 589 132**	1 100 636 288
Deposits from group companies	**65 931 960**	177 449 478
	1 562 303 706	2 140 716 931

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central banks, treasury bills and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Uganda. (See Note 1).

Refer to notes 31 and 33 for the reconciliation between opening and closing balances for liabilities arising from financing activities.

37 Related party transactions

The Bank is 80% owned by Stanbic Africa Holdings Limited, which is incorporated in the United Kingdom. The ultimate parent and controlling party of the Bank is Standard Bank Group Limited, incorporated in South Africa. There are other companies which are related to Stanbic Bank Holdings Limited through common shareholdings or common directorships. These include Standard Bank Isle of Man Limited, Standard Bank of South Africa, CfC Stanbic Bank Kenya Limited, Stanbic Bank Tanzania Limited, Stanbic Bank Botswana, Stanbic International Uganda Limited, StanLib, Stanbic International Insurance Limited and Liberty Life Assurance Uganda Limited. In the normal course of business, current accounts are operated and placings of foreign currencies are made with the parent company and other group companies at interest rates in line with the market.

Stanbic Bank Holdings Limited obtained a guarantee on 28th December 2018 for Uganda Breweries Limited (UBL), facilities of UShs 9,733,375,995 as at 31 December 2018 that prompts performance of UBL of payment of its obligations in respect to the above facility and indemnifies the Bank of demand against any loss or liability suffered by it, if any of the facility is or becomes unenforceable, invalid or illegal.

Related party transactions further breakdown

	2018			2017		
			USh's 000			USh's 000
	Parent	Other	Total	Parent	Other	Total
Amounts due from group companies						
Placements and borrowings	226 748	3 613 017	3 839 765	9 155 303	164 695 338	173 850 641
Other assets	3 347 692	43 862 138	47 209 830	2 839 761	5 900 555	8 740 316
Derivatives	20 691 522	-	20 691 522	533 659	-	533 659
	24 265 962	47 475 155	71 741 117	12 528 723	170 595 893	183 124 616
Amounts due to group companies						
Deposits and current accounts	790 819	2 797 765	3 588 584	187 224 351	-	187 224 351
Derivatives	17 918 006	2	17 918 008	15 858 268	6 424	15 864 692
Other liabilities	27 814 160	39 086	27 853 246	63 412 841	112 122	63 524 963
	46 522 985	2 836 853	49 359 838	266 495 460	118 546	266 614 006
Subordinated debt due to group companies						
Subordinated loans (see note 36)	74 176 983	-	74 176 983	72 801 196	-	72 801 196
Income and expenses						
Interest income earned	-	1 267 022	1 267 022	15 976	600 098	616 074
Interest expense paid	6 123 359	1 207 403	7 330 762	5 200 933	6 130 209	11 331 142
Commission		5 808 157	5 808 157		5 869 142	5 869 142
Operating expenses incurred	28 120 065	516 293	28 636 358	32 190 788	363 364	32 554 152

- During the year Stanbic Bank Holdings limited purchased an internally developed system from its parent company referred to as Business Online that supports internet banking transactions for our clients at a total cost of UShs 33bn.
- Stanbic Bank Holdings limited has a joint venture agreement with Liberty life, Liberty General and Stanlib. For which it receives a share of the profits derived from the Bancassurance business. The Bank also acts as an agent and receives commission.
- Included in other assets is commission earned but not yet received from the Bancassurance business and joint venture profit share of UShs 5.8bn.

Nature of the transactions with Related Parties

In the normal course of business, the bank performs the following transactions with its related parties;

- Current accounts operation and placement of foreign currencies
- IT services including procurement and maintenance of various banking systems like; Business Online (BOL)
- Payment of Franchise and management fees to the parent company
- Money market borrowing and lending
- Hedging of transactions like interest rate swaps with various clients
- Loans or Borrowings

Loans to key Management and related parties

Nam(s of Insider borrowers including related interests of the borrower(s)	2018 USh's' 000 Aggregate amount outstanding	Interest Rate Range	Status: Performing or Non Performing	Facility
Directors	1 733 458	7.5%-38%	Performing	Loans and Advances
Executive Officers	1 372 244	7.5%-38%	Performing	Loans and Advances
Credit extensions to related companies				
Uganda Breweries Ltd	9 733 376	7.30%	Performing	Loans and Advances
Credit extensions to individual affiliates	21 012	18% - 19.5%	Performing	Loans and Advances
Total	12 860 090			

Deposits with Key Management and related parties

Names of related Party	Aggregate amount outstanding '000	Interest Rate	Facility
Directors	258 553		Deposit
Executive Officers	563 098		Deposit
Deposits from related companies			
Uganda Breweries Ltd.	132		Deposit
Nice House of Plastics Ltd.	1 186 367		Deposit
Jesa Farm Dairy Ltd.	1 825 585		Deposit
Total	**3 833 735**		

Companies affiliated to directors and key management are Uganda Batteries Ltd, Nice House of Plastics, Jesa Farm Dairy Ltd, Uganda Breweries Ltd, Mulwana Group, UMEME Ltd. and Impala Heights Ltd.

Loans granted to non-executive directors and their affiliates are granted at commercial rates while those granted to executive directors and executives are: Mortgage – 50% of prime rate, staff miscellaneous and car loans – 75% of prime rate, study loans – 0%.

	2018 UShs' 000	2017 UShs' 000
Interest income from key management loans	132 971	123 038
	132 971	123 038
No impairment has been recognised in respect of loans advanced to related parties (2017: nil).		
Other related party transactions		
Deposits by key management and related parties		
As at 1 January	3 833 735	1 251 179
Net increase for the year	3 267 115	2 582 566
	7 100 850	3 833 735
Key management compensation		
Salaries and other short term employment benefits post-employment benefits	14 908 018	15 218 299
Post employment benefits	4 758 445	4 231 502
	19 666 463	19 449 801
Directors remuneration		
Directors fees	555 748	505 936
Other emoluments included in management compensation	7 720 212	8 451 773
	8 275 960	8 957 709

38. Equity linked transactions

The Group Share Incentive Scheme and the Equity Growth Scheme are equity linked schemes. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights.

The amounts reflected in the income statememt for the two schemes are:

	2018 USh's' 000	2017 UShs' 000
Group Share Incentive Scheme	37 772	139,283
Equity Growth Scheme	91 883	13,344
	129 655	152,627

Group Share Incentive Scheme

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 Years
Type B	5, 6, 7	50, 75, 100	10 Years
Type C	2, 3, 4	50, 75, 100	10 Years
Type D	2, 3, 4	33, 67, 100	10 Years
Type E	3, 4, 5	33, 67, 100	10 Years

A reconciliation of the movement of share options and appreciation rights is detailed below:

Group Share Incentive Scheme	Option price range (ZAR) 31-Dec-18	Number of options 31-Dec-18	31-Dec-17
Options outstanding at beginning of the period		26 500	25 950
Transfers	99.97	(2 500)	8 500
Lapsed			
Exercised			(7 950)
Options outstanding at end of the period		24 000	26 500

The following options granted to employees had not been exercised at 31 December 2018:

Number of ordinary shares (ZAR)	Option price range	Weighted average price (ZAR)	Option expiry period
19 625	111.94	111.94	Year to 31 December 2020
4 375	98.8	98.8	Year to 31 December 2021
24 000			

The following options granted to employees had not been exercised at 31 December 2017:

Number of ordinary shares (ZAR)	Option price range	Weighted average price (ZAR)	Option expiry period
19 625	111.94	111.94	Year to 31 December 2020
6 875	98.8-99.97	99.23	Year to 31 December 2021
26 500			

Equity Growth Scheme	Appreciation right price range (ZAR) 31-Dec-18	Number of rights 31-Dec-18	31-Dec-17
Rights outstanding at beginning of the period		79 099	13 000
Transfers			71 985
Granted			
Exercised	122.24-126.87	(15 000)	(5 886)
Rights outstanding at end of the period		64 099	79 099

At 31 December 2017 the group would need to issue 14848 (2017: 24311) SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees had not been exercised at 31 December 2018:

Number of rights	Price range (ZAR)	Weighted average price (ZAR)	Expiry period
12 500	111.94	111.94	Year to 31 December 2020
2 528	126.87	126.87	Year to 31 December 2024
31 339	156.96	156.96	Year to 31 December 2025
17 732	122.24	122.24	Year to 31 December 2026
64 099			

The following rights granted to employees had not been exercised at 31 December 2017:

Number of rights	Price range (ZAR)	Weighted average price (ZAR)	Expiry period
12 500	111.94	111.94	Year to 31 December 2020
14 528	126.87	126.87	Year to 31 December 2024
31 339	156.96	156.96	Year to 31 December 2025
20 732	122.24	122.24	Year to 31 December 2026
79 099			

	2018 USh's' 000	2017 UShs' 000
As at 31 January 2018	**2 018 851**	1 866 225
Equity-settled shared based payment transactions	**129 656**	152 626
	2 148 507	2 018 851

39. Retained earnings

This comprises prior period retained profits, plus profit for the year (less)/plus appropriation of statutory risk reserve less propose paid dividend.

40. Subsquent Events

During the year 2018, Stanbic Bank Uganda Limited changed its name to Stanbic Bank Holdings Limited and created a new company following a special resolution passed at the Annual General Meeting on 31 May 2018. This was part of a series of stages that will culminate in the creation of a local holding company structure. The Holding company structure is expected to be completed on 1 April 2019. Except for the above, there was no other significant events to report (2017 Nil)

41. Ultimate parent company

The ultimate parent company is Stanbic Africa Holdings Limited as it owns 80% of the shares of the Bank.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GREAT UGANDAN FOOTBALL
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Supplementary information

Shareholder analysis

Top ten shareholders as at 31 December 2018

Name	Number of shares	Percentage shareholding
STANBIC AFRICA HOLDINGS LIMITED	40 950 935 760	80.00%
NATIONAL SOCIAL SECURITY FUNDS	1 335 166 934	2.61%
DUET AFRICA OPPORTUNITIES MASTER FUND IC DUET AFRICA OPPORTUNITIES MASTER FUND IC	533 372 215	1.04%
KUWAIT INVESTMENT AUTHORITY	382 814 000	0.75%
SUDHIR RUPARELIA	330 723 247	0.65%
SCB MAURITIUS RE AFRICA OPPORTUNITY FUND L P SCB MAURITIUS RE AFRICA OPPORTUNITY FUND L P	253 503 441	0.50%
FRONTAURA GLOBAL FRONTIER FUND LLC FRONTAURA GLOBAL FRONTIER FUND LLC	247 200 000	0.48%
CENTRAL BANK OF KENYA PENSION FUND	230 615 680	0.45%
BANK OF UGANDA DEFINED BENEFITS SCHEME -STANLIB	212 746 750	0.42%
IBULAIMU KIRONDE KABANDA	212 610 920	0.42%

Key shareholder information

Stanbic Uganda is majority-owned by Stanbic Africa Holdings Limited (SAHL), which is a private limited liability company incorporated in the United Kingdom. SAHL is, in turn, wholly-owned by Standard Bank Group and is the vehicle through which Standard Bank Group holds its interests in several Banks in African countries.

Standard Bank Group is a public limited liability Company incorporated in South Africa and is listed on the Johannesburg Stock Exchange (JSE). It is the largest South African Banking Group by Market Capitalisation, by assets and by earnings. Standard Bank Group as at 31 December 2018 had total assets of ZAR 2.1trillion (US$148 billion) the market capitalisation is ZAR 289 billion (US$20.4 billion) and employs more than 53,000 people worldwide.

Standard Bank Group, whose year of founding traces back to 1862 in South Africa, trades as Standard Bank in South Africa, Namibia, Mauritius, Mozambique and Swaziland and as Stanbic Bank throughout the remainder of the African continent. It has wide representation, which spans 20 African countries and owns a controlling stake in the South African listed insurance company Liberty Holdings Limited. While its principal activities are Banking and related financial services, Standard Bank Group has delivered its operations to meet the demands of the fast changing and demanding business world, with investments in insurance, wealth management and investment management. It provides a wide range of Banking and related financial services.

Shareholder Profile as at 31 December 2018

ANALYSIS BY SIZE OF HOLDING			
VOLUME	**NO. OF SHARES**	**%**	**HOLDERS**
1 - 1,000	142 603	0.00%	274
1,001 - 5,000	2 103 419	0.00%	659
5,001- 10,000	40 048 967	0.08%	4092
10,001 - 100,000	626 119 865	1.22%	11788
100,001 - 500,000	1 055 216 078	2.06%	4122
500,001 - 1,000,000	642 494 975	1.26%	780
1,000,001 - 5,000,000	1 014 824 930	1.98%	648
> 5,000,001	47 807 718 863	93.40%	135
REGISTER TOTALS	**51 188 669 700**	**100.00%**	**22 498**

Shareholder Information

Chairman’s letter to shareholders

Dear shareholder,

I extend an invitation to you to attend the Annual General Meeting (AGM) of Stanbic Bank Holdings Limited to be held at the Victoria Ballroom, Serena Hotel, Kampala on 30 May 2019 at 11:00 am.

This is your opportunity to meet and engage members of the Stanbic Bank Holdings Limited board regarding the company’s performance for the year ended 31 December 2018.

If you are not able to attend the AGM, I would urge you to complete and submit the proxy form in accordance with the instructions and return it to the address indicated on page 210.

The AGM will deal with the ordinary business as detailed in the notice on page 208 . I look forward to your attendance and participation at the AGM.

Japheth Katto

Chairman,

Board of Directors

Notice to members

Notice is hereby given that the Annual General Meeting (AGM) of Stanbic Bank Holdings Limited will be held at Victoria Ballroom, Serena Hotel, Kampala on 30 May 2019 at 11:00 am for the following business:

Agenda

Ordinary Resolutions

1. To consider, and if deemed fit, pass an ordinary resolution to receive and adopt the annual audited financial statements for the year ended 31 December, 2018, including the reports of the Directors and Auditors.
2. To consider, and if deemed fit, pass an ordinary resolution to receive and adopt the recommendation of the Directors on the declaration of a dividend for the year 2018.
3. To consider, and if deemed fit, pass an ordinary resolution to confirm the appointment and re-election of Directors in accordance with the provisions of the Company's Articles of Association.
4. To consider, and if deemed fit, pass an ordinary resolution to approve the re-appointment of KPMG as the external auditors of the Company for the year 2019.
5. To consider, and if deemed fit, pass an ordinary resolution to receive and approve an adjustment of fees payable to the Non-Executive Directors for the year 2019.

Details of directors

Directors' details as required by the Listing Rules of the Uganda Securities Exchange Limited (the Listing Rules) are set out on page 118 of the annual report that accompanies this notice of annual general meeting (the Annual Report)

Directors' responsibility statement

The directors, whose names are given on page 133 of the Annual Report, collectively and individually accept full responsibility for the accuracy of the information given in the Annual Report and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement in the Annual Report false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by law and the Listing Rules.

Interests of directors

The interests of the directors in the share capital of the Company are set out on page 132 of the Annual Report.

Major shareholders

Details of major shareholders of the Company are set out on page 206 of the Annual Report.

Share capital of the Company Details of the share capital of the Company are set out on page 132 of the Annual Report.

Material change There has been no material change in the financial or trading position of the Company and its subsidiaries since the date of publication of the company's annual results on 28 March 2019. Stanbic Bank Holdings Limited shareholders may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the Company) to attend, speak and vote at the annual general meeting on behalf of such shareholder. A proxy form is attached to this notice of annual general meeting. Duly completed proxy forms must be returned to the share registrars of the Company or the registered office of the Company at the addresses set out below, to be received by not later than 5:00 pm on Tuesday 28 of May 2019.

On behalf of the Board

Ag. Company Secretary

Proxy Form

STANBIC BANK HOLDINGS LIMITED

(Registration number P.525) ("the company")

To be completed by shareholder.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

I/We ____

(Name in block letters)

of
(Address in block letters) being a shareholder(s) and the holder(s) of ______________________________ordinary shares of [UShs 1] each and entitled to vote hereby appoint (see note 1)

1
or, failing him/her

2
or, failing him/her
the Chairman of the annual general meeting,

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of shareholders to be held at 11:00 am on 30 May, 2019, in the Victoria Hall, Kampala Serena Hotel, and at any adjournment thereof as follows:

		Number of votes		
		For*	**Against***	**Abstain***
Ordinary resolution to:				
1	Adopt annual financial statements together with the directors and auditor's report			
2	To re-elect directors:			
2.1	Greg Brackenridge			
2.2	Eva Grace Kavuma			
3	Declare a dividend			
4	Approve Directors' fee and/or remuneration			
5	Approve the appointment of KPMG as Auditors for the financial year 2019			

* Insert a cross or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.

Signed by______________________________

Signed at ______________________________on________________________________2019

Signature______________________________

Notes

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. To be effective, completed proxy forms must be lodged by not later than 5:00pm on Tuesday 28 May, 2019, with either the share registrar or the registered office:

Registered address
Crested Towers, Short Tower
17 Hannington Road
Kampala, Uganda
P.O. Box 7131
Kampala, Uganda
Fax: +256 41 4230608

Share Registrars
Custody and Registrar Services (Uganda) Limited
4th Floor, Diamond Trust Center,
17/19 Kampala Road,
Kampala, Uganda
Telephone: +256 414 237504

3. The completion and lodging of this form of proxy will not prevent the relevant shareholder from attending the annual general meeting and speaking and voting in person at the meeting instead of the proxy.

4. The Chairman of the Annual General Meeting may accept or reject any proxy form which is completed or received other than in compliance with these notes.

5. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.

Company information

Registered/ Head Office
Crested Towers, Short Tower
17 Hannington Road Kampala, Uganda
P.O. Box 7131 Kampala, Uganda
Fax: +256 41 4230608

Ag. Company Secretary
Rita Kabatunzi
11th Floor
Crested Towers, Short Tower
17 Hannington Road Kampala, Uganda
P.O. Box 7131 Kampala, Uganda
Tel: +256 31 2224338

Share Registrars
Custody and Registrar Services (Uganda) Limited
4th Floor, Diamond Trust Center,
17/19 Kampala Road, Kampala, Uganda
Telephone: +256 414 237504

Auditors
KPMG
Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda

Contact Details

Chief Financial Officer
Samuel Fredrick Mwogeza
Tel: +256 41 7 154 396

Ag. Company Secretary
Rita Kabatunzi
Tel: +256 41 7 154 338

Investor Relations
Sophie Achak
Tel: +256 41 7 154 310

Share Registrars
Custody and Registrar Services (Uganda) Limited
4th Floor, Diamond Trust Center,
17/19 Kampala Road, Kampala, Uganda
Telephone: +256 414 237504

Other
Customer Care Centre
Tel: 0800 250250
Email: cccug@stanbic.com

For copies of our Annual reports, please refer to:
www.stanbicbank.co.ug/Uganda/About-Us/Investor--Relations

Our branches country-wide

BRANCH	PLOT DETAILS	
EASTERN		
Busia Branch	Plot 1, Tororo Road, Busia Town	Tororo Road
Iganga Branch	Plot 1 & 3, Magumba Road, Iganga Town	Magumba Road
Jinja Branch	Plot 2, Martin Rd.Jinja Town	Martin Road
Kamuli Branch	Plot 2, Gabula Rd.	Gabula Road
Kapchorwa Branch	Plot 20, Kitale Road, Kapchorwa	Kitale Road
Kotido Branch	Plot 3A, Moroto Road Kotido	Moroto Road
Lugazi Branch	Plot 29, Ntenge Rd. Lugazi	"Ntenge Road
Mbale Branch	Plot 50/52, Republic Av. Mbale Town	Republic Avenue
Moroto Branch	Plot 27, Lia Road Moroto"	Lia Road
Soroti Branch	Plot 42,Gweri Rd. Soroti Town	Gweri Road
Tororo Branch	Plot 1, Block 5 Uhuru Drive, Tororo Town	Nagogera Road
Aponye Mall Branch	Plot 8, Burton street	Burton street
Kawempe Branch	Plot 161, Volume 77 Folio 19	Bombo Road
Kiboga Branch	Plot 100, Block 634Kilulumba Mubende Kiboga Town	Hoima Road
GREATER KAMPALA		
Kireka	Plot 319, Block 232 Kyadondo	Jinja Road
Kyambogo Branch	Kyambogo University Campus	Kyambogo University Campus
Luwero Branch	Plot 440, Block 652 Luwero Town	Kampala/Gulu High Way
Mityana Branch	Plot 54, Block 425, Mityana Road, Mityana	
Township"	Mityana Road	
Mpigi Branch	Mpigi Town	
Mukono Branch	Plot 37/39, Kampala Road, Mukono Town	Kampala/Jinja Road
Mulago Branch	Mulago Hospital Floor No.2	Mulago Hospital
Nakivubo Branch	Plot 58, William street	William Street
Nateete Branch	Plot 643, Block 18 Mengo Kibuga, Natete	Masaka Road
Wandegeya Branch	Plot 220, Kagugube Rd. Wandegeya	Kagugube Road
William Street Branch	Plot 6, William Street, Kampala	William Street
METRO		
Bugolobi Branch	Plot 47A Spring Road, 9 Luthuli Av.and 9 Bandari Rise	47A Spring Road, 9 Luthuli Av.and 9 Bandari Rise
Entebbe Main Branch	Plot 15,Kla.Rd. Entebbe Town	Entebbe/Kampala Road
Forest Mall Branch	Plot 3A2 & 3A3 Sports Lane, Lugogo By -Pass, Kampala	Sports Lane, Lugogo By -Pass Road
FREEDOM CITY	Freedom City Mall, Plot 4010 Entebbe Road, Namasuba.	Entebbe Road
Garden City Branch	Plot 64-86 Kitante Road, Kampala	Kitante Road
Kabalagala Branch	Embassy Plaza, plot 1188,1189,1190	Kibuga, Nsambya
Kampala Branch (Corporate)	Plot 18, Hannington Road	Hannington Road
Lugogo Branch	Plot 2-8 Lugogo By-Pass Rd.Lugogo Kampala. Shop No.5"	Lugogo By-Pass Road
Makerere Branch	Senate Building Makerere University Campus	Senate Building
Metro Branch	Plot 4, Jinja Rd. Social Security House	Jinja Road
Nakasero Branch	Umoja Building, Plot 20 Nakasero Road, Opposite World Vision	Nakasero Road
Nakawa Branch	Plot M193/194 Nakawa, Industrial Area	Nakawa Industrial Area Road
Ntinda Branch	Plot 3798, Block 216 Kyadondo, Ntinda Trading Centre	
NORTHERN		
Adjumani Branch	Plot 9, Mangi Road, Adjumani	Mangi Road
Apac Branch	Plot 18, Akokoro Rd.Apac Town	Akokoro Road
Arua Branch	Plot 25,Avenue Rd.Arua Town	Avenue Road
Gulu Branch	Plot 2 & 4,Acholi Rd.Gulu Town	Acholi Road
Kigumba Branch	Plot 18, Kampala Gulu High Way	Kampala Gulu High Way
Kitgum branch	Plot 4/6, Philip Adonga Rd,	Philip Adonga Road Kitgum
Lira Branch	Plot 2,Soroti Rd. Lira	Soroti Road
Moyo Branch	Plot 1,Kerere Crescent Rd. Moyo	Kerere Crescent Road
Nebbi Branch	Nebbi Trading Centre Volume 1274 Folio 22"	Arua Road

WESTERN		
Buliisa Branch	Buliisa - Paara Road, Buliisa Town	Paara Road
Bundibugyo Branch	Plot 4 Block A, Bundibugyo T/ship	Bundibugyo Road
Bwamiramira Branch	Plot 18,Karuguza T/Centre,Kibale Dist.	Karuguza Road
FortPortal Branch	Plot 21,Lugard Rd.F/Portal Town	Lugard Road
Hoima Branch	Plot 8A Old Toro Road Hoima	Old Toro Road
Ibanda Branch	Plot 10 - 12 Kamwege Road Ibanda	Kamwege Road
Ishaka Branch	Plot 44 Rukungiri Road, Ishaka Town	Rukungiri Road
Kabale Branch	Plots 150/152,Kabale Rd. Kabale Town	Kabale Road
Kabwohe Branch	Plot 19B, Kabwohe	Kabwohe Road
Kalangala Branch	Kalangala Main Rd.Kalangala Town	Kalangala Main Road
Kasese Branch	Plot 27/31 Stanley Street,Kasese	Stanley Street
Kihihi Branch	Plot 63 Block 74 Kinkizi	
Kisoro Branch	Plot M5, Block 29 Kisoro/Kabale Rd. Kisolo Town	Kisoro/Kabale Road
Kyotera Branch	Plot 32, Masaka Rd.Kyotera Town	Masaka Road
Lyantonde Branch	Plot 200,Block 76 Lyantonde Town	Kampala/Mbarara Raod
Masaka Branch	Plot 4 ,Birch Av. Masaka Town	Birch Avenue
Masindi Branch	Plot29/33,Tongue Street Masindi	Tongue Street
Mbarara Branch	Plot 1/3 Ntare Rd.Mbarara Town	Ntare Road
Mubende Branch	Plot 2, Block 13 Main street Mubende	Main street
Ntungamo Branch	Plot 33, Ntungamo Township	Mbarara Kabale Road
Rukungiri Branch	Plot 123,Block 5 Kagunga	Rukungiri Town

Our Customer Service Points (CSPs)

CSP	PLOT DETAIL	STREET/ROAD
Bwera CSP	Saad Village, Mpondwe- Lubiriha, Bwera Town	Mpondwe-Lubiriha Road
Kaabong CSP	Plot 20 Kaabong Central West, Kaabong Trading Centre	Kaabong Central West Road
Kayunga CSP	Plot 472 Block 123, Kayunga Trading Centre	Kayunga Road
Kagadi CSP	Kagadi Street, Kagadi on Mugenyi street	Kagadi/Mugenyi Street
Kumi CSP	Plot 2 Ngora Road , Kumi	Ngora Road
Pakwach CSP	Plot 94 Pakwach , Arua road	Arua Road
Kakira CSP	Kakira South Estate FRV 10 Folio 23, Kakira	Kakira South Estate Road
Kinyara CSP	Kinyara Estate	Kinyara Estate
Mayuge CSP	Bukoba Road, Mayuge Town	Bukoba Road
Wobulenzi CSP	Plot 59 Block 159 Bulemezi, Wobulenzi Trading Centre	Kampala Gulu High Way

Notes

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@stanbicug