



Stanbic Uganda Holdings Limited

ANNUAL RESULTS

for the year ended 2019



The 2019 financial results presented in this publication detail the performance of Stanbic Uganda Holdings Limited of which Stanbic Bank Uganda Limited (“SBU”) was the primary subsidiary in 2019.

The Q&A statement below is by **Patrick Mweheire** who was the Chief Executive for both Stanbic Uganda Holdings and SBU for 2019. He primarily highlights the performance of SBU for the period.

Please mention a few key highlights for Stanbic Bank in 2019?

We delivered another great performance and were able to improve on all our key performance goals. We grew our deposits by 21% as more customers trusted us with their money and our loans & advances grew by 14% by - availing Ush 344 billion of new credit to key sectors of the economy such as manufacturing, agriculture and personal lending - where we provided more than 40% of new lending. Our revenues grew 20% year-on-year to exceed Ushs 800 billion and were well diversified between lending and non-lending revenue. As a result, our profit after tax grew 20% to a record Ushs 259 billion over Ushs 215 billion posted in 2018.

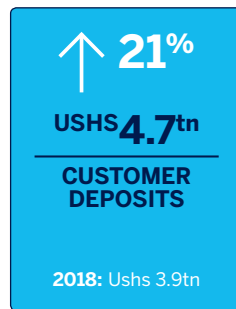
We ultimately achieved a cost to income ratio of 49%; indicative of the solid operating leverage in the business. Risk was well managed along key risk types with a final credit loss ratio of 1.5%. The bank’s total assets also grew by 23% or Ushs 1.3 trillion to exceed Ushs 6.6 trillion at the close of the year - stronger positioning us to support larger infrastructure projects and better facilitate inclusive economic growth in the country. In the end, we were able to fulfil happiness for our clients, employees and stakeholders and we were able to achieve all of this with the second lowest prime lending rate across the banking sector

What is Stanbic doing differently to meet the client's needs?

Due to our obsession with the customer or client, we are consistently innovating to enhance their experience. In 2019, we delivered on several customer initiatives such as online account opening, mobile lending, enhanced agent banking, cash deposit machines which remain available 24/7 and can take up to Ushs 700 mm in a single deposit. We also massively invested in technology by further enhancing our core banking system and several other peripheral systems such as internet banking and business on-line banking. As a result over 85% of all the bank’s transactions are now executed digitally - branches are less than 15% from 40% less than 3 years ago. All of this digitization has allowed us to put banking back into the hands of the customer wherever and whenever they want.

With an excess of 1,700 active agents across the country, agent banking has demystified the brick and mortar preposition and created a win-win for the banks and clients. We are now able to provide the unthinkable a few years ago and increase our customer touch points in a cost-effective manner. It has brought about deeper financial inclusion and allowed more unbanked Ugandans into the formal banking sector.

We have been considerably encouraged by our client revenue year-on-year growth of 17% in 2019 - a real testament of our client connectiveness and empathy. These things do not happen randomly. We genuinely believe that focusing all your energy and investment into the client experience is the strategic differentiator and the rest will follow.



What are the key challenges the financial sector is facing and how are we addressing them?

The quintessential challenge remains the high cost of doing business. No sustainable business or industry can have its cost growth massively exceed revenue growth for an extended period. Unfortunately, with a cost to Income ratio of 72% across the sector as opposed to a global average of 55%, we have a lot of work to do on banking efficiency in Uganda. We can achieve some of this through collaboration amongst the financial services sector but also through a much-needed regulatory refresh. Banking is the oldest and most conservative sector in the world but is being disrupted and needs to acknowledge that. How can we use regulatory best practices in more successful regimes to make us more efficient as an industry locally? How can we co-exist and thrive with the Telco’s and mobile money?

We always have the macro indicators to manage especially as we get into an election year. I expect more credit pressure and the rise of non-performing loans to increase from its pre-cycle number of 4.7%. However, there seems to be room to manoeuvre given where inflation and base rates are this time.

How has Stanbic Bank contributed to broader society as a good corporate citizen?

I am glad you asked - as that’s a passion of mine. I am constantly

thinking of ways in which the private sector can leverage its platform and resources to solve national issues. We should and can be bigger than our corporate annual profitability targets.

We made significant progress on dealing one of Uganda’s largest business predicament - “Why 75% of Uganda’s SME’s do not survive past their

third anniversary”. Being cognisant of the fact that SME’s are the lifeblood of every economy - we took this issue head-on through our Stanbic Business Incubator. We discovered through research that the underlying deficiency for most of these SME’s was a lack of skilling and consistent support to make these businesses more sustainable. We used our platform to establish great partnerships with organizations like GIZ, FSDU, World Bank to broaden the impact of this initiative and have trained over 1,000 SME’s in a rigorous 4-month program that builds on the basic foundations of compliance, finance, bookkeeping, health & safety, legal requirements that were ultimately the cause of their high mortality rate. We do this at zero cost to the SME. It’s completely free to all SME’s and you do not have to be a Stanbic customer. Early this year, the initiative was expanded to Hoima, Mbarara, Gulu and Mbale. I believe this is a great intervention to drive inclusive economic growth. We have real and proven data to support the returns on this.

Another key pillar for us and will always remain is Education - we invested Ushs 2.4 billion in community initiatives on education programmes in several schools across the country. The Stanbic National Schools Championship has now consistently reached over 200 secondary schools and impacted over 100,000 Students.

Once again, it’s on the soft skills – how can we augment the national school curriculum to better equip students to not only survive but to thrive in the real world. We invest and train students and teachers in real-life business incubation ideas and invest in them. Education is a key pillar of our young nation and we need to support it.

How is the bank positioned for the future & any parting remarks?

The bank is and will always remain a key cog in the Uganda’s Economy. There is no doubt in my mind that we have all the basic foundations and remain committed to our purpose “Uganda is our Home and we drive her growth”. We will continue to support the growth of key growth sectors for the nation and support accordingly without question.

That said, in the wake of the global COVID-19 pandemic, we recognise the impact this will have on the lives of many Ugandans and the economy. We are looking to several interventions that can support our customers and work closely with the Government of Uganda to ensure a minimised impact on the economy.

“
Farewell; Mweraba; Kwaheri
 I thank you all for the last five years. It’s been a remarkable journey and I am proud to have been a part of an amazing Stanbic Bank story that remains inextricably linked into our Ugandan journey of resilience. Thank you all for your support – clients, employees, board members and all stakeholders. Will miss you.
Patrick Mweheire
 ”



Graduates at the Stanbic Business Incubator



**1. SUMMARY CONSOLIDATED INCOME STATEMENT
FOR YEAR ENDED 31 DECEMBER 2019**

	Group	
	2019 UShs' 000	2018 UShs' 000
Interest income	484 410 301	404 291 586
Interest expense	(35 469 336)	(33 372 120)
Net interest income	448 940 965	370 919 466
Fee and commission income	170 766 015	151 738 034
Fee and commission expenses	(9 795 567)	(7 377 824)
Net fees and commission income	160 970 448	144 360 210
Net trading income	191 205 066	142 363 350
Other gains and (losses) on financial instruments	347 798	(509 695)
Other operating income	5 643 574	3 978 775
Total income before credit impairment charge	807 107 851	661 112 106
Impairment charge for credit losses	(43 522 012)	(2 271 012)
Total income after credit impairment charge	763 585 839	658 841 094
Employee benefit expenses	(164 999 991)	(148 609 404)
Depreciation and amortisation	(45 626 420)	(29 985 027)
Other operating expenses	(203 324 989)	(183 568 817)
Profit before income tax	349 634 439	296 677 846
Income tax expense	(90 540 381)	(81 537 760)
Profit for the year	259 094 058	215 140 086
Earnings per share for profit attributable to the equity holders of the Bank during the year (expressed in UShs per share):		
Basic & diluted	5.06	4.2

**2. SUMMARY STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 31 DECEMBER 2019**

	Group	
	2019 UShs' 000	2018 UShs' 000
Profit for the year	259 094 058	215 140 086
Other comprehensive income for the year after tax:	-	-
Items that may be subsequently reclassified to profit and loss	-	-
Net change in debt financial assets measured at fair value through other comprehensive income (OCI) - IFRS 9	(1 079 362)	(16 109 145)
Total comprehensive income for the year	258 014 696	199 030 941

4. SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2019

GROUP	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	Retained earnings UShs' 000	Total UShs' 000
Balance at 1 January 2019	51 188 670	-	3 679 191	11 073 905	97 500 000	792 909 973	956 351 739
Profit for the year	-	-	-	-	-	259 094 058	259 094 058
Other comprehensive (loss)/income after tax for the year	-	-	(1 079 362)	-	-	-	(1 079 362)
Transactions with owners recorded directly in equity							
Dividend paid	-	-	-	-	(97 500 000)	-	(97 500 000)
Statutory credit risk reserve	-	-	-	(2 607 372)	-	2 607 372	-
Equity-settled share-based payment transactions	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	110 000 000	(110 000 000)	-
Balance at 31 December 2019	51 188 670	-	2 599 829	8 466 533	110 000 000	944 611 403	1 116 866 435
Balance as at 31 December 2017	51 188 670	19 788 336	-	19 171 113	90 000 000	692 131 502	872 279 621
IFRS 9, transition adjustment	-	(19 788 336)	19 788 336	-	-	(25 088 479)	(25 088 479)
At 1 January 2018	51 188 670	-	19 788 336	19 171 113	90 000 000	667 043 023	847 191 142
Profit for the year	-	-	-	-	-	215 140 086	215 140 086
Other comprehensive (loss)/income after tax for the year	-	-	(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	-	-	-	-	-	129 656	129 656
Proposed dividend	-	-	-	-	97 500 000	(97 500 000)	-
Balance at 31 December 2018	51 188 670	-	3 679 191	11 073 905	97 500 000	792 909 973	956 351 739

**3. SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT 31 DECEMBER 2019**

	Group	
	2019 UShs' 000	2018 UShs' 000
Cash & balances with Bank of Uganda	1 123 942 143	1 214 176 966
Derivative assets	69 278 229	16 197 011
Trading Assets	612 551 106	308 424 330
Financial Investments	795 815 862	601 865 521
Current income tax recoverable	2 038 942	14 655 628
Loans and advances to banks	825 252 492	422 581 229
Amounts due from group companies	102 274 643	65 931 960
Loans and advances to customers	2 852 647 445	2 508 827 698
Other Investments	-	-
Other assets	52 640 352	67 472 845
Property, equipment and right of use assets	86 438 365	51 526 577
Goodwill and other intangible assets	97 068 254	109 499 257
Deferred tax asset	30 877 380	11 899 938
Total assets	6 650 825 213	5 393 058 960
Shareholders' equity and liabilities		
Shareholders' equity		
Ordinary share capital	51 188 670	51 188 670
Fair value through OCI reserve	2 599 829	3 679 191
Statutory credit risk reserve	8 466 533	11 073 905
Retained earnings	944 611 403	792 909 973
Proposed dividend	110 000 000	97 500 000
	1 116 866 435	956 351 739
Liabilities		
Derivative liabilities	24 170 053	30 747 453
Deposits from customers	4 722 203 570	3 892 294 649
Deposits from banks	201 699 798	101 384 439
Amounts due to group companies	133 726 429	49 359 838
Borrowed funds	11 081 783	13 788 121
Subordinated debt	73 280 466	74 176 983
Other liabilities	367 796 679	274 955 738
Deferred tax Liability	-	-
	5 533 958 778	4 436 707 221
Total equity and liabilities	6 650 825 213	5 393 058 960



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5. CONSOLIDATED STATEMENT OF CASHFLOWS FOR YEAR ENDED 31 DECEMBER 2019

	2019 UShs' 000	Group 2018 UShs' 000
Cash flows from operating activities		
Interest received	515 364 947	394 465 805
Interest paid	(35 488 229)	(32 148 327)
Net fees and commissions received	154 909 537	152 478 637
Net trading and other Income/recoveries	203 984 483	164 253 183
Cash payment to employees & suppliers	(402 756 475)	(365 488 153)
Cash flows from operating activities before changes in operating assets & liabilities	436 014 263	313 561 145
Changes in operating assets & liabilities		
Income tax paid	(96 426 020)	(65 002 367)
Increase in derivative assets	(53 081 218)	(4 079 509)
(Increase)/decrease in financial investments	28 347 946	(235 955 202)
Decrease/(increase) in trading assets	(304 126 776)	84 486 877
Increase in cash reserve requirement	(63 890 000)	(19 190 000)
Increase in loans and advances to customers	(424 209 855)	(414 831 768)
Increase in other assets	20 883 066	(31 148 730)
Increase in customer deposits	829 927 814	270 125 283
(Decrease)/increase in deposits and balances due to other banks	100 315 359	(241 384 735)
(Decrease)/increase in deposits from group companies	84 366 591	(217 254 168)
Increase in derivative liabilities	(6 577 400)	26 535 827
Increase in other liabilities	81 387 659	98 313 301
Net cash from / (used in) operating activities	632 931 429	(435 824 046)
Cash flows from investing activities		
Purchase of property & equipment	(23 596 971)	(18 540 109)
Purchase of computer software	-	(33 108 993)
Proceeds from sale of property & equipment	669 188	260 668
Net cash used in investing activities	(22 927 783)	(51 388 434)
Cash flows from financing activities		
Dividends paid to shareholders	(97 500 000)	(90 000 000)
(Decrease)/increase in borrowed funds	(2 706 338)	(2 576 532)
Increase in subordinated debt	(896 517)	1 375 787
Net cash used financing activities	(101 102 855)	(91 200 745)
Net (decrease)/increase in cash and cash equivalents	508 900 791	(578 413 225)
Cash and cash equivalents at beginning of the year	1 562 303 706	2 140 716 931
Cash and cash equivalents at end of the year	2 071 204 497	1 562 303 706

REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF STANBIC UGANDA HOLDINGS LIMITED

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2019, the summary income statement, summary statement of changes in equity and summary statement of cash flows for the year then ended and other disclosures, are derived from the audited financial statements of Stanbic Uganda Holdings Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with International Financial Reporting Standards, the Financial Institutions Act and the Companies Act of Uganda.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the Financial Institutions Act. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 March 2020. The report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year.

Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the Financial Institutions Act and Uganda Securities Exchange Listing Rules.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements."

KPMG

KPMG
Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda
25 March 2020

MESSAGE FROM THE DIRECTORS

The above summarised financial statements were audited by KPMG Certified Public Accountants and received an unmodified audit opinion. The financial statements were approved by Bank of Uganda and the Board of Directors on 20 March 2020 and 23 March 2020 respectively. A copy of the full financial statements will be found on our website, www.stanbicbank.co.ug by the 30 April 2020.

DIVIDEND

The Directors have resolved to recommend to shareholders at the forthcoming annual general meeting, a final dividend for the year ended 31 December 2019 of Ushs 2.15 per share. The book closure date will be on 29 May 2020 with respect to entitlement to this dividend which will be paid by 01 July 2020.

Mr. Japheth Katto

Mr. Japheth Katto
Chairman

Mr. Patrick Mweheire

Mr. Patrick Mweheire
Chief Executive

Dr Samuel Zimbe

Dr Samuel Zimbe
Director

Ms. Rita Kabatunzi

Ms. Rita Kabatunzi
Company Secretary



Stanbic Bank Uganda

ANNUAL RESULTS

for the year ended 2019



REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF STANBIC BANK UGANDA LIMITED

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2019, the summary income statement for the year then ended and other disclosures, are derived from the audited financial statements of Stanbic Bank Uganda Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with International Financial Reporting Standards, the Financial Institutions Act and the Companies Act of Uganda.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the Financial Institutions Act. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 March 2020. The report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year.

Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the Financial Institutions (External Auditors) Regulations 2010.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements."

KPMG

Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509 Kampala, Uganda
25 March 2020

1. SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	2019 UShs' 000	2018 UShs' 000
Assets		
Cash and balances with Bank of Uganda	1,123,942,143	1,214,176,966
Balances with banking institutions	825,252,492	422,581,229
Due from parent/group companies	102,278,164	65,931,960
Marketable (trading) securities	612,551,104	308,424,330
Loans and advances (net)	2,852,647,445	2,508,827,698
Financial Investments	795,815,862	601,865,521
Interest receivable and other assets	218,733,373	193,169,113
Property and equipment	88,055,706	51,526,577
Tax recoverable	-	14,655,628
Deferred tax asset	31,198,968	11,899,938
Total assets	6,650,475,257	5,393,058,960
Liabilities and shareholders' equity		
Customers' deposits	4,722,203,570	3,892,294,649
Balances due to banking institutions	201,699,798	101,384,439
Due to parent/group companies	173,281,921	49,359,838
Interest payable and other liabilities	387,857,795	307,309,919
Tax payable	13,812,651	-
Dividends payable	-	12,181,393
Subordinated debt	73,280,466	74,176,983
Total liabilities	5,572,136,201	4,436,707,221
Share capital	51,188,670	51,188,670
Share premium	829,879,881	-
Retained earnings	57,204,143	792,909,973
Proposed dividend	129,000,000	97,500,000
Reserves	11,066,362	14,753,096
Total shareholders' equity	1,078,339,056	956,351,739
Total liabilities and shareholders' equity	6,650,475,257	5,393,058,960

2. SUMMARY INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2019

	2019 UShs' 000	2018 UShs' 000
Income		
Interest on deposits and placements	3,072,592	14,634,861
Interest on loans and advances	398,680,815	317,632,066
Interest on marketable/trading securities	147,975,659	65,667,138
Interest on investment securities	82,656,894	72,024,659
Foreign exchange income	43,229,407	76,696,212
Net fees and commissions income	160,970,448	144,360,210
Other income	5,991,372	3,469,080
Total income	842,577,187	694,484,226
Expenditure		
Interest expense on deposits	25,903,449	22,666,313
Interest expense on borrowings	9,880,917	10,705,807
Provisions for bad and doubtful debts	43,522,012	2,271,012
Management fees	24,170,769	19,878,799
Operating expenses	390,069,162	342,284,449
Total expenditure	493,546,309	397,806,380
Profit before tax	349,030,878	296,677,846
Taxation	90,357,306	81,537,760
Profit after tax	258,673,572	215,140,086

3. OTHER DISCLOSURES

	2019 UShs' 000	2018 UShs' 000
Contingent liabilities		
Letters of credit	140,655,170	94,875,767
Guarantees and performance bonds	1,567,358,047	1,666,287,999
Total	1,708,013,217	1,761,163,766
Commitments		
Undrawn credit lines	1,041,694,219	963,949,396
Other commitments	(415,780,582)	(170,593,662)
Total	625,913,637	793,355,734
Non-performing loans and other assets	120,218,256	120,218,256
Interest in suspense	(5,323,917)	(2,511,091)
Bad debts written off	16,091,286	37,664,390
Large loan exposures	736,306,886	698,552,337
Insider loan exposures	10,992,759	12,860,090
Capital position:		
Core capital	777,994,015	718,327,718
Supplementary capital	119,492,668	117,286,101
Total qualifying capital	897,486,683	835,613,819
Total risk weighted assets (RWA)	4,917,213,517	4,425,125,091
Core capital to RWA	15.8%	16.2%
Total qualifying capital to RWA	18.3%	18.9%

MESSAGE FROM DIRECTORS

The above statement of financial position and income statement were audited by KPMG Certified Public Accountants and received an unqualified opinion. The financial statements were approved by Bank of Uganda and the Board of Directors and on 20 March 2020 and 23 March 2020 respectively.

Mr. Japheth Kato
Chairman

Mr. Patrick Mweheire
Chief Executive