STANBIC UGANDA HOLDINGS LIMITED

ANNUAL REPORT

2019

CONTENTS

LIST OF ACRONYMS

AGM	Annual General Meeting
AFS	Annual Financial Statements
ALCo	Asset and Liability Committee
ALM	Assets and Liability Management
ATM	Automated Teller Machines
BCP	Business Continuity Plan
BCM	Business Continuity Management
BIS	Bank for International Settlements
BNA	Bulk Note Acceptor
BOD	Board of Directors
BOL	Business Online
BOU	Bank of Uganda
CAR	Capital Adequacy Ratio
CBR	Central Bank Rate
CBS	Core banking System
CCR	Counterparty Credit Risk
CDM	Cash Deposit Machine
CGU	Cash Generating Unit
CIB	Corporate and Investment banking
CSA	Credit Support Annexure
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
EUR	Euro
FCY	Foreign Currency
FDI	Foreign Direct Investments
FIA	Financial Institutions Act
FID	Final Investment Decision
FLI	Forward-Looking Information
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
FXT	Fixed
GBP	British Pound
GDP	Gross Domestic Product
GoU	Government of Uganda
H2	2nd Half
HC	Human Capital
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	interBank Offered Rates
IC	IT- Information technology
ICPAU	Institute of Certified Public Accountants of Uganda
ICT	Information and Communication Technology
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIS	Interest In Suspense
IRB	Internal Ratings-Based
IRT	Interest Rate
ISDA	International Swaps and Derivatives Association
KPMG	Klynveld Peat Marwick Goerdeler
KYC	Know Your Customer
LCS	Letters of Credit
LCY	Local Currency
L&D	Learning and Development
LGD	Loss Given Default
LPO	Local Purchase Order
MFC	Manufactured Capital
MPC	Monetary Policy Committee
NC	Natural Capital
NII	Net Interest Income
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
PFE	Potential Future Exposure
PWOR	Post Write Off Recoveries
REPO	Repurchase Loan Agreement
RET	Regrettable Employee Turnover rate
ROA	Return on Assets
ROE	Return on Equity
RSL	Interest Rate Sensitive Liabilities
SBG	Standard Bank Group
SBHL	Stanbic Bank Holdings Limited
SBSA	Standard Bank of South Africa
SBU	Stanbic Bank Uganda
SUHL	Stanbic Uganda Holdings Limited
SICR	Significant Increase in Credit Risk
SOFP	Statement of Financial Position
SRC	Social and Relational Capital
SEE	Social Economic Environmental
TAT	Tax Appeals Tribunal
TBILL	Treasury Bill
TCM	Treasury and Capital Management
UBA	Uganda Bankers Association
UCBL	Uganda Commercial Bank Limited
URA	Uganda Revenue Authority
USD	United States Dollar
USE	Uganda Securities Exchange
UShs	Uganda Shillings
VAF	Vehicle and Asset Finance
VAR	Value at Risk
VAT	Value Added Tax
WEF	With Effect From
ZAR	Zuid Afrikaanse Rand (South African Rand)

ABOUT THIS REPORT

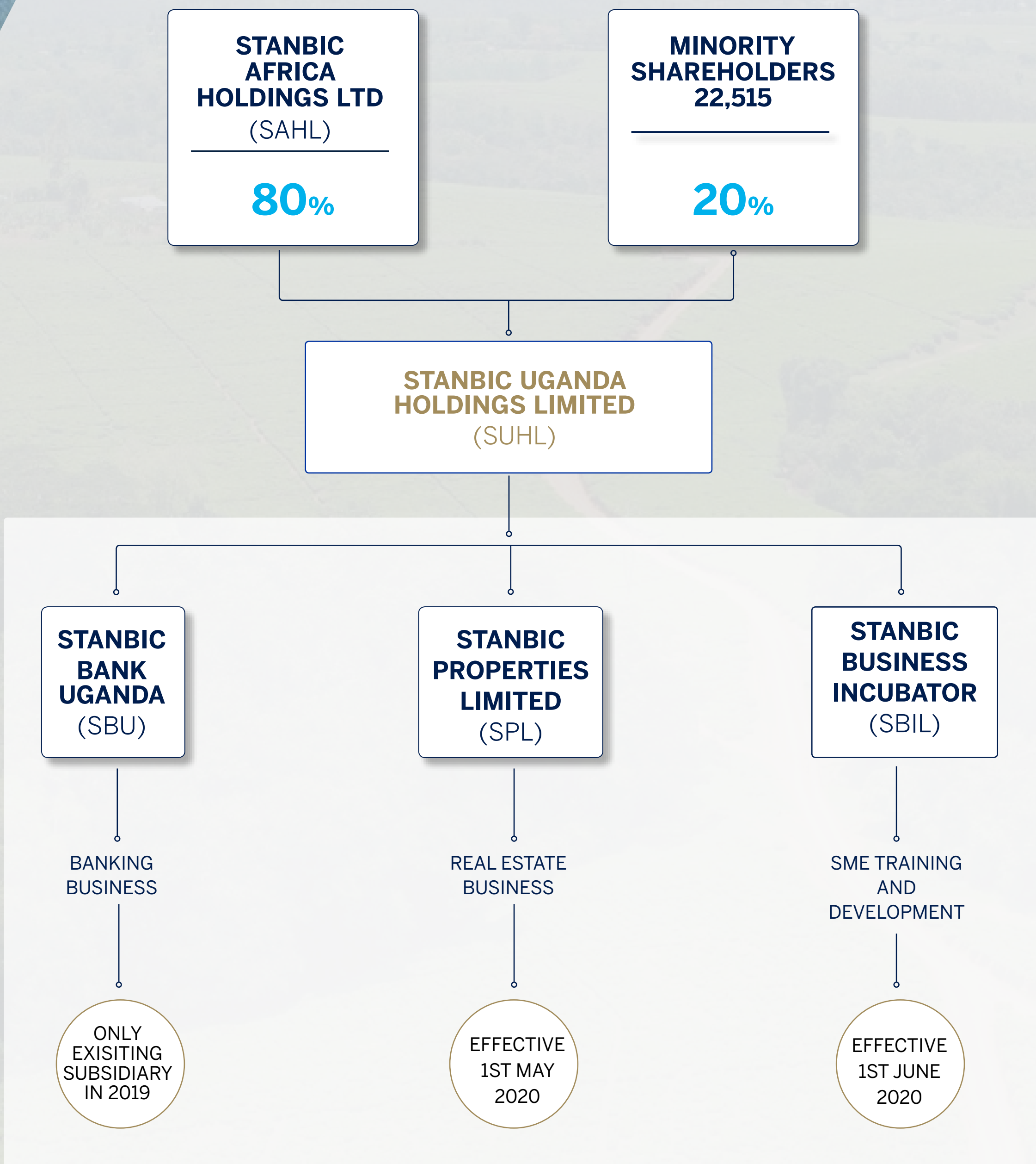
This is the Stanbic Uganda Holdings Limited (SUHL) Annual Report that covers the period 1 January to 31 December 2019. It includes both financial and non-financial information. This report majorly focuses on the banking subsidiary - Stanbic Bank Uganda (SBU) which was the main operational entity throughout the period under review.

This report is prepared for SUHL's different stakeholders with detailed information about who we are, our strategy, our performance, governance and expectations for the future in context of the environment we operate in.

Stanbic Uganda 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.

SUHL had one subsidiary in 2019; Stanbic Bank Uganda (SBU). SBU has a wide network of branches and has been offering a wide spectrum of financial services and products to the retail and corporate segments for the past 29 years.

ORGANISATION STRUCTURE OVERVIEW



WHO WE ARE

We are a Ugandan-focused, client-centric, digitally enabled financial services organisation.

A brief history of Stanbic Uganda Holdings limited (SUHL)

Stanbic Uganda Holdings Limited first started operations in Uganda as a commercial Bank called the National Bank of India (NBI) in 1906. After several name changes, NBI rebranded to Grindlays Bank. In 1991, Standard Bank Group (The Group) acquired Grindlays Bank. The new owners renamed the Ugandan subsidiary, Stanbic Bank Uganda (SBU).

In 2007 the Group acquired 90% of the shareholding in Uganda Commercial Bank Limited, a government-owned Bank with sixty-five branches in 2007. It then 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 of the same year, 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. The rationale for the reorganisation was to enable the entity to undertake other non-banking financial and non-financial services that would be established through the holding company. The reorganisation was to be effected through the transformation of the Bank into a holding company followed by a transfer of the banking business to a newly incorporated banking subsidiary. On 31 May 2018, the Bank obtained shareholder and later regulatory approval to proceed with the reorganisation leading to a change of its name from Stanbic Bank Uganda (SBU) to Stanbic Bank Holdings Limited (SBHL). This name change became effective on 28 November 2018.

This new banking subsidiary (SBU) was then incorporated on 10 December 2018. On 27 March 2019, Bank of Uganda approved the transfer of the banking business from SBHL to SBU. The reorganisation process was finally completed when the transfer of the banking business was effected on 1 April 2019. As the final leg of the reorganisation process.In 2020, SBHL which wholly owns SBU, also changed its name from Stanbic Bank Holdings Limited (SBHL) to Stanbic Uganda Holdings limited (SUHL). During 2020 , SUHL will incorporate and/or acquire other non-banking subsidiaries as it strives towards achieving its vision of being a universal financial services organisation.

STANDARD BANK GROUP REPRESENTATION IN AFRICA

SOUTH & CENTRAL AFRICA
Namibia
Botswana
Zambia
Zimbabwe
Malawi
Mozambique
Mauritius
Lesotho
eSwatini
South Africa

WEST AFRICA
Côte d'Ivoire
Ghana
Nigeria
Democratic Republic of Congo (DRC)
Angola

EAST AFRICA
South Sudan
Ethiopia
Uganda
Kenya
Tanzania

FACTS ABOUT
STANBIC UGANDA*

Balance Sheet
UShs 6.7 trillion

Employees
1667

Market Capitalisation
UShs 1.33 trillion

Shareholders
22,515

Headquarters
Crested Towers, Plot 17 Hannington Road, Kampala

Point of Sale Machines
700

Branches
69

Customers
551,703

Bank Agents
1,507

Customer Service Points
10

ATMs
174

Cash dispensers
121

Intelligent ATMs
32

Cash deposit machines
21

29 **Years of existance**

* Stanbic Uganda represents a combination of SUHL and SBU

OUR BANKING PRESENCE ACROSS UGANDA

69 Branches
10 Customer Service Points

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

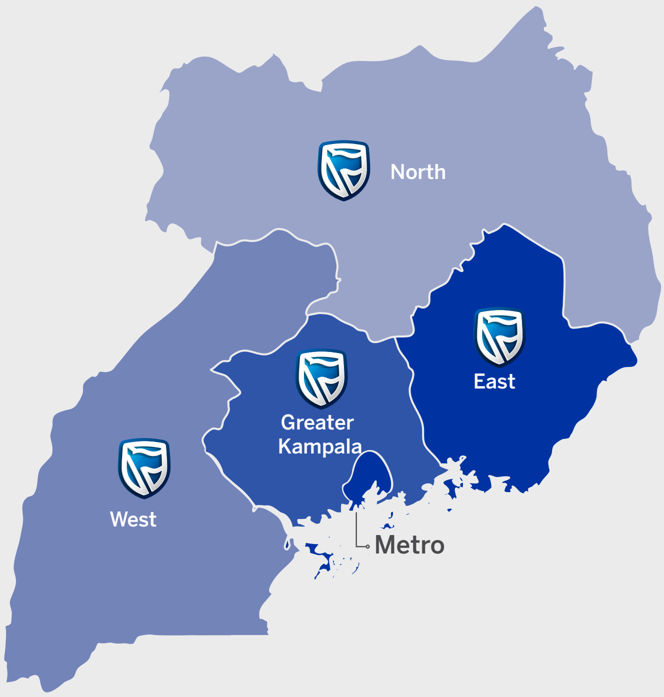
North
Adjumani Branch
Apac Branch
Arua Branch
Gulu Branch
Kigumba Branch
Kitgum Branch
Lira Branch
Moyo Branch
Nebbi Branch

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

Customer Service Points
Bwera
Kaabong
Kayunga
Kagadi
Kumi
Pakwach
Kakira
Kinyara
Mayuge
Wobulenzi

OUR COUNTRY-WIDE FOOTPRINT

We offer a range of corporate, commercial, personal and business banking financial services through an extensive network of branches, ATMs, Point of Sale machines and banking agents around the country.



OUR BANKING 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
- 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
- Interest Rate Options
- Structured Investments

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
- 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

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

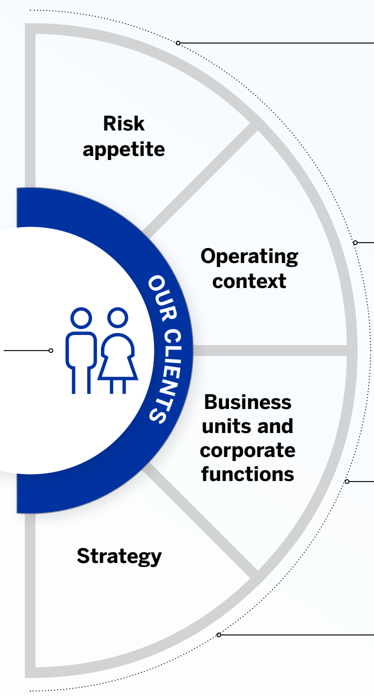
Services

- Internet banking
- Mobile banking
- Business Online
- Point of Sale
- Automated Teller Machines
- Debit and Credit Cards
  (VISA enabled)
- PayPlus • Payment Services Solution
  (water, electricity, pay TV, pension)
- Agent banking
- FlexiPay
- School Pay

OUR VALUE CREATION STORY

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

More details in the Sustainability Report on pages 58-121



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 organisation as well as continually enhancing our risk management capabilities.

More details in the Risk Magement Report on pages 44-57

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 20-22

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

More details in the Business Unit Report on pages 38-43

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

More details in the Strategy Report on pages 12-15

GOVERNANCE APPROACH TO VALUE CREATION OVER TIME

Our governance approach promotes strategic decision-making that combines long-term and shorter-term outcomes, to reconcile the interests of Stanbic Uganda and society in our pursuit of sustainable value.

Performance linked to value creation
We are embedding a high-performance culture and creating an environment in which our people are empowered and motivated to deliver exceptional client experiences, and are rewarded for their contribution towards realising our purpose and vision.

Remuneration that drives value over time
Our reward philosophy is being evolved to reflect our strategy. We combine reward elements that link directly to strategic and financial performance criteria and thresholds.

RESPONDING TO OUR STAKEHOLDERS

Our stakeholders are the providers of the capital we need to create value. Stakeholder inclusivity and responsiveness enable us to secure and maintain these inputs, and to identify opportunities and challenges. Details of how we respond to our stakeholders has been included in the Sustainability Report on Pages 84 to 86.

CLIENTS

CREATING VALUE FOR STANBIC UGANDA

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, which support more effective resource allocation and appropriate trade-off decisions.

- Client focus.
- Employee engagement.
- Risk and conduct.
- Culture of continuous improvement.
- Social, economic and environmental outcome.

Ethical and effective leadership
Ethical and effective leadership relates to uniting purpose and performance. Embedding an ethical culture recognises that the trust of our stakeholders is the basis on which we compete and win.

CREATING VALUE FOR SOCIETY

Social relevance is fundamental to our survival and success, and is implied in our purpose and vision.

We are moving towards measuring our social return, and to obtaining a truer picture of our broader value outcomes. This involves identifying the social, economic and environmental risks and opportunities that Uganda presents and how our business activities can respond to these.

Corporate citizenship
Corporate citizenship relates to the integral role we play in the socioeconomic wellbeing of Uganda. It commits us to using our resources responsibly as inputs to our business model, and balances our needs with those of society.

DRIVING UGANDA'S GROWTH OVER THE LONG TERM

Our multi-generational purpose recognises the mutual interdependency in the wellbeing of Uganda and of Stanbic. It is the ultimate expression of our commitment to Ugandan growth that is inclusive and sustainable, and in turn secures viable markets for our long-term profitability and value creation.

Sustainable development
Sustainable development commits us to enhancing the resources and relationships we rely on today, for the future. Our plans to measure social, environmental and economic returns, will enable us account for the total returns we deliver in line with our purpose.

EMPLOYEES AND THEIR REPRESENTATIVES

SUPPLIERS

GOVERNMENTS AND REGULATORS

SHAREHOLDERS AND INVESTMENT ANALYSTS

COMMUNITIES AND CIVIL SOCIETY

OUR STRATEGY

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

OUR VALUES

serve as beacons for the behaviour and qualities that define us at our best as we execute our strategy.

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

OUR PURPOSE

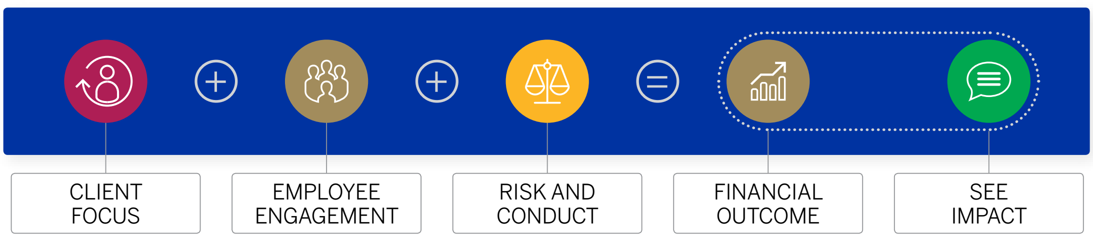
Uganda is our home, we drive her growth.

OUR VISION

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

OUR STRATEGIC VALUE DRIVERS

help us focus our efforts and measure the progress towards delivering on our strategy and vision.



Serving our customers
We do everything within 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 work 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 Uganda 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 KEY FOCUS AREAS

work together to ensure we offer our clients everything they need in the most effective way possible.

THE WAY WE WORK/THE WAY WE WIN

CLIENT CENTRICITY

Client centricity places our clients at the centre of everything we do.

Client centricity requires that our people and processes are outwardly focused on our clients as their needs and expectations change. This means we align the way we plan, deliver and execute work, doing the basics brilliantly and consistently so that we can do what our clients value.

We are working to:

- See clients as **real people, not numbers**.
- Provide our clients with **relevant solutions**.
- Be a **trustworthy partner** on our clients' growth journeys.
- **Do the basics brilliantly** and **deliver on our promises** quickly, efficiently, reliably and respectfully.

EMPLOYEE ENGAGEMENT

Employee engagement means shaping a future-ready workforce.

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 our staff and employees . The L.O.V.E cultural shift campaign that was launched in 2018 to summarise our behaviours as people who **L**eap in to action, **O**wn that issues and owning it is from end to end, **V**ow to make it right and **E**nlighten with information.

We are doing this through:

- Training and development
- Appropriate rewards/ compensation
- Accountability

PROACTIVELY MANAGE RISK

Risk and Conduct means doing the right buiness the right way.

Risk and Conduct means doing the right buiness the right way.

We are doing this through:

- Robust and mature data management capabilities
- Proactively managing risk, regulations and capital

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 operations **/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 2019	• NPS:**+24 down from +29 in 2018** • CSI: **+8.3% flat against 2018**	• eNPS **:+44 up from +35 in 2018** • Employee turnover rate: **8.8% down from 9.6% in 2018**
What we are working toward	Over and above these existing measures, Stanbic Uganda 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.

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.

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

RISK AND CONDUCT

=

Doing the right business the right way

/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.

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.

All employees are required to complete compliance training and follow stipulated 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 44 to 56

- LAR: **53.1%**
- RWA: **UShs 4.9tn up from 4.4tn in 2018**
- CAR: **18.3% compared to 12% regulatory requirements**
- BOU audits: **Fair**

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 our balance sheet.

FINANCIAL OUTCOME

Delivering value to our shareholders

- **/HC** • Rewarding our employees for the value they deliver
- **/SRC** • Our good standing in the investment community
- **/FC** • Returns to shareholders.

Value creation for our shareholders is an important part of our strategy and this is measured by the financial outcomes which are directly driven by and dependent on client satisfaction, employee engagement and risk value drivers.

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 30 to 33 for further detail.

- ROA: **4.3% up from 4.0% in 2018**
- ROE: **25.0% up from 23.5% in 2018**
- CTI: **49.0% down from 51.5% in 2018**
- CLR: **1.5% up from 0.2% in 2018**

The financial outcomes remain key measure to assess our value creation for our shareholders.
Our focus is to maintain acceptable levels within our risk appetite, and to continuously drive growth in profit after tax and ultimately, our ROE to deliver superior returns to our shareholders.

SEE OUTCOME

Creating and maintaining shared value

- **/SRC** • Supporting socioeconomic development
- **/NC** • Managing environmental risk.

Our strategy centres on sustainability. We achieve our purpose of driving Uganda's growth by delivering social, economic and environmental value.

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.

Social value:
Our investments increased by 15% to UShs 2.9bn from UShs 2.5bn in 2018,with over 374,169 beneficiaries.

Economic value:
Loans disbursed in 2019 increased by 23% to UShs 2.1tn providing financial intermediation to various sectors.

Enviromental value:
Further digitisation: A 28% drop in paper consumption year on year.
Energy efficiency: 5% drop in energy utilisation and 9% drop in fuel consumption.
Further details of our progress is found in the Sustainability Report on Pages 58-121.

The new decade 2020, was ushered in with a pandemic Corona virus disease(COVID-19) that has led to significant challenges in the Ugandan and global economy as a whole.

As part of our CSI, Stanbic has and will continue to support its different stakeholders through this tough time by any means posssIble.

The education sector will remain the focus of our community investments. However, given the new challenge presented by COVID-19 pandemic, our support will increase in the other sectors. Some of the suppoet already offered includes loan restructures, protective gear for health officials, awareness campaigns among others.

LEADERSHIP INSIGHT

17

Japheth Katto
Board Chairman

CHAIRMAN'S STATEMENT

It gives me great pleasure to report on yet another year of strong performance by Stanbic Uganda and delivery of exceptional customer experience and superior value to all our stakeholders. Our financial performance improved by double digits across most of the key metrics over last year, resulting in a higher return to our shareholders. In addition, we made substantial investment in skills development for secondary school students and teachers through our flagship National Schools Championship and for SMEs through the Stanbic Business Incubator. We also received various recognitions for excellence in financial reporting, primary dealership and digital service enablement, among others. This year's results demonstrate our leadership position in moving Uganda's financial sector forward.

Overview

The stable performance of Uganda's economy set a suitable environment for Stanbic Uganda's growth on all fronts. Among the highlights, 2019 started off with an improvement in the GDP growth rate from 6.3% at the end of 2018 to 6.5%. Furthermore, the central Bank maintained an accommodative monetary policy with at 1% drop in the central Bank rate (CBR) to 9% which created a suitable environment for credit growth. Consequently, private sector credit grew from 11.7% in 2018 to 12.3% by end of 2019, matched by a relatively good credit quality in the banking industry at under 5% for non-performing loans.

On the competitive landscape, digital innovation continues to be a significant influencer in the banking and general financial services industry, coupled with superior customer service and increasing use of data. Digitisation is a key element in fulfilling customer experiences and presents significant opportunities for operating efficiencies and safety enhancements for banking platforms. Data, along with analytical capability and fast turnaround times to market, will continue to be relevant. Stanbic has invested and will continue to invest in the right software and strategic partnerships to ensure that we continue to deliver appropriate financial services and solutions. Details on some of the significant investments and progress made in this regard are captured in the Chief Executive's statement.

Stanbic Uganda continues to remain alert to the increased possibility of cyber risks created by heightened use of technology as a medium for delivering banking and other financial services. We have taken deliberate steps to ensure adequate protection from any cyber-attacks as detailed in our risk management analysis.

2019 Performance

Stanbic Uganda continued to deliver a strong financial performance in 2019, underpinned by three strategic value drivers; a strong client-focus across the organisation; an empowered and engaged human resource team and; a proactive risk management strategy. We posted a 20% growth in profit after tax to UGX 259 Billion and our Return on Equity grew by 1.5% to 25%. The Bank's capital position also remained strong with a total capital adequacy ratio of 18.3%, against the regulatory requirement of 12%, and 15.8% of core capital against the 10% regulatory requirement. Further details highlighting important performance metrics is availed in the Chief Executive's review on pages 24-26.

Establishment of Stanbic Uganda Holdings Ltd

1st April 2019 marked the dawn of a new beginning for Stanbic in Uganda. The corporate structure reorganisation which begun in 2018 was finally completed with the establishment of a holding company called Stanbic Uganda Holdings Limited (SUHL) and one wholly owned subsidiary – Stanbic Bank Uganda (SBU) . SUHL has also established a second subsidiary, Stanbic Properties Limited, that will be responsible for managing its real estate portfolio. The new structure is a key step towards achieving our vision of being the leading financial services organisation, providing superior services in, for and across Uganda. The holding company (SUHL) provides a platform for the organisation to venture into new business arms like equity brokerage, fintechs and real estate, in addition to its core business of providing banking services. Over the next few years these new subsidiaries will begin to take shape and ultimately provide a greater return to our shareholders. As the Bank still is the major operating entity for SUHL, a lot of reference will be made to it in this report.

Regulatory Landscape

The regulatory framework governing Banks and other financial institutions both globally and locally continues to evolve with increased scrutiny and emphasis on conduct. Therefore, risk and conduct; which means ensuring that we do the right business in the right way, remains one of our key strategic value drivers.

Locally, there were a three key changes on the regulatory front that affected the financial sector in 2019. The Data Privacy and Protection Act was enacted during the year which is intended to protect the privacy of the individual and regulate the collection, processing, use or disclosure of personal information. Secondly, the Insurance cash and carry regulations were also changed with a requirement to pay insurance premiums before issuance of insurance policies. The thirdly was the deposit insurance limit which was increased from UShs 3 million to UShs 10 million. The Bank is and will continue to comply with these changes.

On the international scene, IFRS 16 replaced IAS 17 with effect from 1st January 2019. The new standard affects the way leases affect reported financial metrics. For the Bank, the impact of this new standard was that an additional amount of capital needed to be reserved. We however still remain well capitalised and maintain a surplus above the regulatory requirement. A detailed analysis of this standard and its impact can be found in the financial and operation review section of this report on pages 30 to 33.

Sustainability

Cognisant of the fact that the sustainability of our business is only as viable as the success of the community within which we operate, creating shared value for our different stakeholders is critical to Stanbic Uganda. As part of our commitment to our community, we always dedicate substantial resources towards corporate social investment, with a particular focus on the education sector. Our flagship programme for equipping secondary school students with 21st century skills, the National Schools Championship (NSC), this year engaged 72 schools around the country, a 20% increase from last year, directly impacting 21,600 students and 72 teachers. The sustainability report highlights key NSC success stories of impact as well as the onward social investment. We also continued our support to local businesses through the Stanbic Business Incubator as a transformational initiative for skilling local small and medium enterprises and preparing them for the anticipated oil & gas as well as general business opportunities. In 2019 over 460 companies and 1,236 entrepreneurs were trained through this program. We are certain of the ripple effect of enhanced community and national growth through such initiatives.

Although education remains a key focus area for us, we also continued to invest and partner with other stakeholders to promote environmental sustainability. Some of the deliberate interventions like paperless banking and other digital initiatives led to a 28% drop in paper consumption. The continued focus on this and other initiatives like installation of energy- efficient technologies across our different points of representation will ensure protection of the environment.

I also am pleased to mention that Stanbic Bank was recognised as the best entity in sustainability reporting at the Financial Reporting Awards 2019 in Uganda for the second year in a row. More details on various awards and the Bank's corporate social investment initiatives are provided in the sustainability report.

Corporate Governance

Stanbic Uganda is committed to the highest standards of corporate governance. In this regard, Stanbic has embedded Internal policies and processes to ensure good corporate governance and ethics. These include annual assessment of the board, board training and development especially in emerging skills, board succession planning, and regular review of the board skills matrix given the rapidly changing business environment. For details please refer to the corporate governance section of this report.

Leadership and Board Changes

We are delighted to congratulate and welcome Anne Juuko the new Chief Executive of Stanbic Bank Uganda, effective March 2020. Anne brings over 15 years of regional and global expertise in banking and the financial services industry. Having worked within Standard Bank Group for the last eight years we are certain that Anne's transition to Uganda will be seamless. I have no doubt that Anne will continue moving the Bank forward to greater heights.

Patrick Mweheire who has been the Chief Executive of SBU for the past five years has moved on to a new role as Regional Chief Executive with oversight of the East African region for the Standard Bank Group responsible for operations in Ethiopia, Kenya, South Sudan Tanzania, and Uganda. We would like to congratulate Patrick on his new appointment and thank him for his outstanding performance as Chief Executive of the Bank and for his enormous contribution to Uganda's financial sector. Patrick remains on the Board of the Bank as a non-executive Director and as Executive Director on the SUHL Board, in his capacity as acting Chief Executive.

Two Directors Mrs. Barbara Mulwana and Mr. Clive Tasker did not offer themselves for re-election. Mrs Mulwana served on various committees for over nine years and Mr. Tasker served as chairman of the Board credit committee. I sincerely thank Barbara and Clive for their invaluable contribution to the progress of the business and wish them the best in their future endeavours. Following, these changes a rigorous Director search was conducted and two Directors Mrs. Elizabeth Ntege and Mrs. Josepha Ndamira were appointed to the Bank Board. Collectively they bring decades of experience and expertise in systems and human resource management; and finance, audit and risk management respectively. These appointments have boosted the skills mix, gender and age diversity of the boards. We welcome them to the Stanbic family.

Appreciation

I would like to thank my fellow Board members for their continued support and insight during the year and I look forward to an even better year of working together in 2020.

I would also like to extend my appreciation to the Chief Executive, Management and Staff for sailing through a demanding 2019. Their continued innovation

COVID-19

The start of this new decade was shaken by the unexpected invasion of Coronavirus Disease (COVID-19) that has affected multi-sectoral operations and economies worldwide. In spite of the unprecedented lockdowns, restrictions and business suspensions across many levels, I wish to reassure our stakeholders that the Bank is well positioned to weather the current challenges. We will continue to work hand in hand with our regulators, the government and other stakeholders to offer flexible and accessible financial services, as well as support our customers, employees and the community as we fight the COVID-19 pandemic together.

Conclusion

2019 was a very productive year for Stanbic Uganda and I must thank our shareholders, regulators, customers, partners, and other stakeholders for their unwavering support and dedication. Your confidence inspired the Stanbic team to surpass all targets. Current challenges notwithstanding, Stanbic still is committed to delivering exceptional client experiences to ensure that we all keep moving forward. Uganda is our home and we are determined to drive her growth. IT CAN BE.

The start of this new decade was shaken by the unexpected invasion of Coronavirus Disease (COVID-19) that has affected multi-sectoral operations and economies worldwide. In spite of the unprecedented lockdowns, restrictions and business suspensions across many levels, I wish to reassure our stakeholders that the Bank is well positioned to weather the current challenges.

CHIEF EXECUTIVE'S STATEMENT

Looking back over the last five years, the Bank has weathered unprecedented challenges, but they did not stop us from accomplishing extraordinary things and supporting our clients. I am grateful and proud of all our employees for staying true to our strategy and being there for our clients, customers and communities in these most critical times.

Patrick Mweheire
Chief Executive

As I prepare this annual letter to our shareholders, we are confronted with the worst health pandemic of our generation which has had a profoundly negative impact on the global economy. Our thoughts and prayers remain with the health workers and families affected by the COVID-19 crisis across the globe. As a leading institution in the country, we must be there for our customers, employees and communities in good and challenging times. We are a key part of the national eco system. It's in these extraordinary and difficult times that we need to use our capital and liquidity to help clients- large and small and we are unquestionably committed to doing so.

We entered this crisis in a position of strength. 2019 was a strong year for the Bank; we generated record revenue and earnings as well as set several other records across our business units. Our 2019 profit after tax ("PAT") was UShs 259 billion, achieving a remarkable 20% year-on-year growth amid a rebounding economy with relatively robust private sector credit demand. We made an excess of UShs 344 billion in new credit available to key sectors of the economy such as manufacturing, agriculture and personal lending - where we provided more than 22% of new lending. As a result, we grew our loan book by 14% to a record UShs 2.9 trillion in 2019.

Our revenues grew 20% year-on-year to exceed UShs 800 billion and were well diversified between lending and non-lending revenue. More customers trusted us with their money and our deposits grew 21% to UShs 4.7 trillion year-on year. We were able to gain a slight uptick in market share for both loans (from 19.7% to 20.0%) and deposits (from 19.9% to 20.3%) across the sector in 2019. As a result of this dedication to our clients and communities, we were able to achieve a solid profit before Tax of UShs 349 billion; a 18% increase on a year on year basis and profit after tax of UShs 259 billion. Risk was well managed along key risk types with a final credit loss ratio of 1.5%.

We continue to make excellent progress around digitisation, risk and conduct, innovation, supporting small businesses and investing in our people. The Bank's total assets also grew by 23% or UShs 1.3 trillion to exceed UShs 6.7 trillion at the close of the year - stronger positioning us to support larger infrastructure projects and better facilitate inclusive economic growth in the country and living our purpose – "Uganda is our home and we drive her growth". We have approximately UShs 1.7 trillion in off-balance exposures (guarantees, letters of credit and performance bonds) primarily supporting the government agenda of infrastructure and building a better Uganda for tomorrow.

Our accomplishments in 2019 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 can perform 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.

PROFIT BEFORE TAX

↑ UShs 349.6bn

PROFIT BEFORE TAX (PBT)

2018: 296.7bn

CUSTOMER LOANS

↑ UShs 2.9tn

CUSTOMER LOANS

2018: 2.5 tn

We have now delivered record results in the last five years and have confidence that we will continue to deliver in the future and look forward in rewarding our shareholders with a proposed increment in the dividend payable to a record UShs110 billion.

From a macro-economic perspective, we witnessed a GDP growth of 6.5% a slight uplift from 6.2 % in 2018. With a relatively subdued inflation environment, the Bank of Uganda ("BoU") kept a relatively loose monetary stance and the Central Bank Rate ("CBR)" remained at a record low of 9.0% for most of 2019. This continues to put pressure on net interest margins across the industry. With CBR now at 8.0 % with a potential to drop further, this is the new normal and Banks will need to continue to work on efficiency gains as the revenue will remain under pressure.

From a banking sector perspective, we saw a robust 19% year-on- year growth in deposits and an equally strong 12% growth in Net loans and advances across the industry. Building & Construction, Trade, manufacturing and the agriculture sectors stood out as particularly star performers with very positive sentiment and outlook for 2019. We witnessed a slight deterioration in asset quality with the NPL ratio increasing to 4.7% in 2019 from 3.4% in 2018. Sector profitability growth was also strong and grew 13.2% year-on year to UShs 850 billion. We retained our number one position with an approximately 30.4% market share of industry profits. Return on equity across the industry rose to 16.8% from 14.4% in 2018, despite an increase in loss making Banks from five in 2018 to seven in 2019. We now have a record seven loss making Banks or approximately 28% of the industry in the red which is of great concern.

Unlike past shareholder letters where I have focused on our key priorities and how we executed against them, I would like to focus my comments on issues related to the current pandemic and how we are stepping up as an institution to help.

Our Customers

We have been helping our customers, who tell us about their financial struggles as a result of this pandemic and are offering relief measures such as:

- Providing a grace period for affected clients of up to nine months on case by case basis.
- Waiving fees on digital transactions.
- Restructuring client loans worth more than UShs 350 billion.
- Not reporting payment deferrals to the credit bureaus.
- Providing free visa debit cards.

Our Employees

Times like this reinforce the fact that our employees are our most important asset. During this pandemic, we have also taken extensive steps to protect our employees. For example:

- We continue to pay employees who are at home.
- We have created a hot line to support our employees through this difficult time
- All employees will receive additional paid leave to help navigate through this crisis
- We have reinforced both basic and enhanced personal and office hygiene measures to keep employees and clients safe.
- We have mobilised and implemented work-from-home and other resilience measures including security patches to ensure safe and secure access for employees.

Needless to say, this success would not be possible without our exceptional employees and the indomitable spirit they have shown through this crisis.

Our Communities

Our shareholders appreciate that we make extraordinary efforts to lift up our communities, both at a local level – supporting schools and SME training - at the national level.

- We have contributed to the COVID-19 fund (UShs 127m)
- Protective gear donation (UShs 66.8m)
- Uganda Bankers Association partnership (UShs 20m)
- Fuel partnership with Total Uganda to provide fuel (UShs 40m)

We know that crises like COVID-19 create further imbalances in society so it is even more critical that we are present for those communities hit hardest by the pandemic, Through our employee community initiative, we have so far contributed a total of UShs 134m towards vulnerable communities across the country.

Capital and Liquidity Base

During 2019, our core capital ratio remained resilient at 15.8 % against a regulatory minimum ratio of 10% while the total capital ratio was 18.3% 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 UShs1.1trillion, we continue to hold the most capital of any Bank in the industry.

2019 Performance Review

Our 2019 results registered growth across most of the key financial metrics except for revenue and gained market share in key areas. Some highlights include:

- Reported 2019 **Revenue of UShs 807bn;** up 22.1% from 2018
- Total Deposits above **UShs 4.7tn up 21.3%;** Loans and Advances up 13.7% to **UShs 2.9tn**
- Off-Balance Sheet guarantees, Letters of credit and bonds of **UShs 1.7tn** largely in support of GoU infrastructure spend
- Profit Before Tax of **UShs 350bn;** a growth of 17.8%
- Arranged **UShs 344bn** of new credit and capital during the year; (22% market share)
- Collected over **UShs 4.8tn** worth of taxes on behalf of the URA
- Directly paid over **UShs 165bn** in taxes to the Government Treasury
- Gainfully employed **1,667 people**; second largest employer in the sector
- Dividend Payable of **UShs 110 bn;** 42% dividend pay-out ratio
- Social investments of **UShs 2.9bn** focused on education that reached over 370,000 beneficiaries across our communities

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 44.

Corporate Social Responsibility ("CSR")

In 2019, we gave more than we ever have to our communities. We touched over 370,000 lives across the country and committed UShs2.9 billion, of which 64% 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 have been able to train over 660 SMEs and 1,746 individuals. We are absolutely committed to improving the SME mortality rate in this country where less than 30% of SMEs 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 to enable them compete more effectively in the marketplace. In an effort to reach even more SME's, we recently launched regional SME incubators in Mbale, Gulu, Mbarara and Hoima.

Further insights on our CSR activities, these can be found in the sustainability report on page 58.

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 2020, we will re-focus on the customer journey–what the customer needs and not-what products we have to offer. We also intend to re-align the entire Bank and its 1,667 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.

Appreciation

Given that this is my final letter to our shareholders. I would like to thank all our stakeholders - Board members, fellow employees, customers, regulators, communities and shareholders for the support over 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 to our Ugandan journey of resilience.

Thank you all for your support and let's continue working together towards our shared vision. Uganda is our home and we drive her growth. Moving forward™.

TRANSFORMING LIVES THROUGH EDUCATION

Stanbic Bank continues to reaffirm its commitment to supporting and transforming the lives of people in our communities through our Corporate Social Investments (CSI) programmes. We focus on developing sustainable programmes that have a positive impact and enable the communities to benefit in the long term.

BUSINESS REVIEW

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.
DIVIDEND YIELD (%)	Dividends per share as a percentage of the closing share price.
CORE CAPITAL	Permanent shareholders' 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.

2019 HIGHLIGHTS

	2019 USHs' 000	2018 USHs' 000
Income Statement (UShs' 000)		
Profit before tax	**349,634**	296,678
Profit after tax	**259,094**	215,140
Financial Position (UShs' 000)		
Total assets	**6,650,475**	5,393,059
Loans and advances to customers	**2,852,647**	2,508,828
Property and equipment, and right of use assets	**86,438**	51,527
Shareholders' equity	**1,116,866**	956,352
Customer deposits	**4,722,204**	3,892,295
Financial performance (%)		
Return on average equity	**25.0**	23.5
Return on average assets	**4.3**	4.0
Cost to income ratio	**49.0**	51.5
Loans to deposit ratio	**60.4**	64.5
Share Statistics per Share (UShs)		
Earnings per share - basic and diluted	**5.1**	4.2
Proposed dividend per share	**2.2**	1.9
Capital Adequacy		
Risk weighted assets (UShs' 000)	**4,917,214**	4,425,055
Tier 1 capital to risk weighted assets (%)	**15.8**	16.2
Total capital to risk weighted assets (%)	**18.3**	18.9
Cash flow information (UShs'000)		
Net cash from operating activities	**632,931**	(435,824)
Net cash used in investing activities	**(22,928)**	(51,388)
Net cash (used in)/from financing activities	**(101,103)**	(91,201)
Cash and cash equivalents at end of the year	**2,071,208**	1,562,304

2019 AT A GLANCE

PROFIT BEFORE TAX

↑ UShs 349.6bn

PROFIT BEFORE TAX (PBT)

2018: UShs 296.7bn

RETURN ON EQUITY

↑ 25.0%

RETURN ON EQUITY

2018: 23.5%

EARNINGS PER SHARE

↑ 5.1

EARNINGS PER SHARE

2018: 4.2

TOTAL CAPITAL

↓ 18.3%

TOTAL CAPITAL

2018: 18.9%

NON-PERFORMING LOAN RATIO

↓ 4.3%

NON-PERFORMING LOAN RATIO

2018: 5.3%

COST TO INCOME RATIO

↓ 49.0%

COST INCOME RATIO

2018: 51.5%

CUSTOMER DEPOSITS

↑ UShs 4.7tn

CUSTOMER DEPOSITS

2018: UShs 3.9tn

CUSTOMER LOANS

↑ UShs 2.9tn

CUSTOMER LOANS

2018: UShs 2.5tn

CREDIT LOSS RATIO

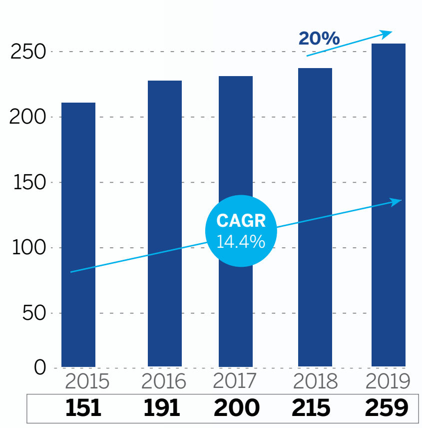
↑ 1.5%

CREDIT LOSS RATIO

2018: 0.2%

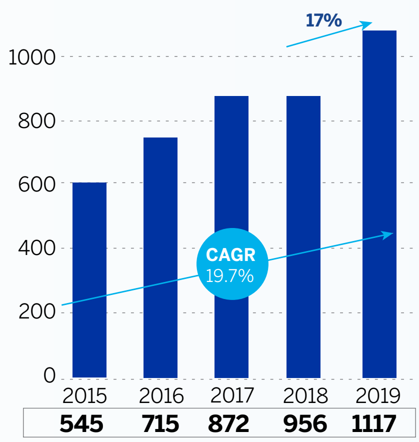
PROFIT AFTER TAX

UShs Billions



SHAREHOLDERS' EQUITY

UShs Billions



AWARDS

Best Bank In Uganda
Euromoney Awards 2019

Best Bank In Uganda
EMEA Finance 2019

Best Bank In Uganda
Global Finance Magazine 2019

Best Investment Bank In Uganda
Emea Finance 2019

Best Primary Dealer 2019
Bank Of Uganda

Agriculture Credit Facility Award
Bank Of Uganda

Best Digital Brand
Digital Impact Africa Awards 2019

Best Digital Powered Campaign
Digital Impact Africa Awards 2019

Employer Of The Year
Federation Of Uganda Employers

Financial Reporting Awards (FIRE) Gold Award
ICPAU

AAA
FITCH RATINGS 2019
LOCAL RATING

B+
FITCH RATINGS 2019
INTERNATIONALRATING

B1
MOODY'S INVESTOR SERVICES 2018
INTERNATIONALRATING

Samuel F. Mwogeza
Chief Financial Officer

OPERATING & FINANCIAL REVIEW

Our financial performance in 2019 was very firmly driven by a continued focus on our strategic value drivers. Doing valuable things for our clients through leveraging our universal financial capabilities, providing meaningful growth experiences for our employees in a way that enables more engagement and productivity, and doing the right business the right way remain our building blocks for the sustained strong financial performance recorded. This enabled us to improve our operating leverage, enhance our staff productivity, further diversify our revenue streams and register significant market share gains on profitability, customer deposits and customer loans.

The 2019 operating environment continued to register good gains continuing from the recovery noted over the second half of 2018 with aggregate demand, production and private sector credit growth all posting positive trends. Economic growth for FY2018/2019 was recorded at 6.5%, improving from the growth of 6.2% realised in FY 2017/2018.

Private sector credit growth (PSC) across central sectors of the economy peaked mid-2019 closing with a growth rate of 12% as at December 2019; with many key sector players boosting their production capacities with capital financing and strong growth on working capital financing as well. The low inflation levels were another positive for households and businesses with headline inflation closing the year ending December 2019 at 3.6%, up only 90 basis points(bps) from January opening levels of 2.7%. This however was the highest level since September 2018 with the rise largely attributed to annual food inflation that increased to 3.4% (December 2019) from -5.2% (January 2019). In addition, annual Energy, Fuels and Utilities (EFU) inflation was seen rising in the second half of the year to 8.8% (December 2019) from -1.9% (July 2019).

Considering the benign inflationary environment, the Bank of Uganda (BoU) Monetary Policy Committee (MPC) held a neutral stance for most of 2019, maintaining the Central Bank Rate (CBR) at 10% until October 2019 when the committee reduced the rate by 100bps to 9%. The interest rates also followed in similar downward fashion with T-bill rates printing lower across the 91-day and 182-day tenures. Primary auction rates for the 91-day, 182-day and 364-day closed Dec 2019 at 9.18%, 11.10% & 12.95% respectively from 10.34%, 11.69% & 12.49% in Jan 2019, as the market remained flush with liquidity with outstanding liquidity (Short term repos & placements with the central Bank) closing at UShs 1.6 Trillion. This surplus liquidity was largely attributed to Central Bank reserve purchases, large treasury bond maturities and government releases.

On the currency, the Uganda shilling appreciated by 0.2% closing the year at 3660/70 levels from the start of the year opening levels of 3665/75. The currency volatile tone seen in the first half of the year was driven by Banks hedging for dividend payments to offshore shareholders coupled with demand from the government as they paid for the re-instated national airlines' new aircrafts, and also compensated traders who lost business in the South Sudan war. The subsequent appreciation was majorly attributed to inflows dominated by NGOs, Chinese construction & manufacturing names, commodity exporters, as well as the return of offshore investors in the market amid rising trade tensions between the United States and China. Corporates saving UShs to pay taxes offered further support to the currency towards year end.

↑5.1

EARNINGS PER SHARE

2018: 4.2

↓49.0%

COST INCOME RATIO

2018: 51.5%

Regulatory Update

The FY2019/2020 Budget featured the following key highlights: 15.5% tax revenue collection to GDP translating into a total target of UShs 18.9 trillion in taxes; 8.7% fiscal deficit and domestic financing rising from UShs 1.8trillion to UShs 2.8 trillion. Other notable items were the reduction in Withholding Tax (WHT) for long dated government paper (10years +) from 20% to 10%. The indicators above were a signal of an increased focus in driving tax compliance and expansion of the tax base coupled with an increasing appetite for government borrowing to cover budgetary shortfalls. The direction to make long term government financing more attractive was expected to be instrumental in stabilizing interest rates on the longer end of the yield curve and the rate outcomes appeared to support the narrative.

Government also expanded the scope of their "single treasury account system", taking over the collection of non-tax government revenue such as; university fees, immigration visa & other fees, court fees, national bureau of standards, etc. While these balances initially sat on the institutions accounts for a longer period, they are now swept to the consolidated account two days post collection and impacted the volume of liquidity within the supervised financial institutions.

As a depositor protection initiative, The Financial Institutions (Protected Deposit) Instrument 2019 was issued in September 2019 to amend the extent to which deposits of Bank customers of Banks are protected under the Deposit Protection Fund ("DPF"). The amount assured was increased from the previously long-standing value of 3 million UShs (three million UShs) to 10 million UShs (Ten million UShs).

Effective 1st January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. IFRS 16 introduced a single lease accounting model for lessees which impacted Stanbic Bank's results upon transition. 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 for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, and as was required by IAS 17, and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of a low value. Stanbic Bank adopted IFRS 16 on 1 January 2019 with an adjustment to the Bank statement of financial position and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the Bank previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16. More details of the impact to the Bank resulting from the change to this standard are reflected in the accounting policy elections under "Changes in accounting policies"

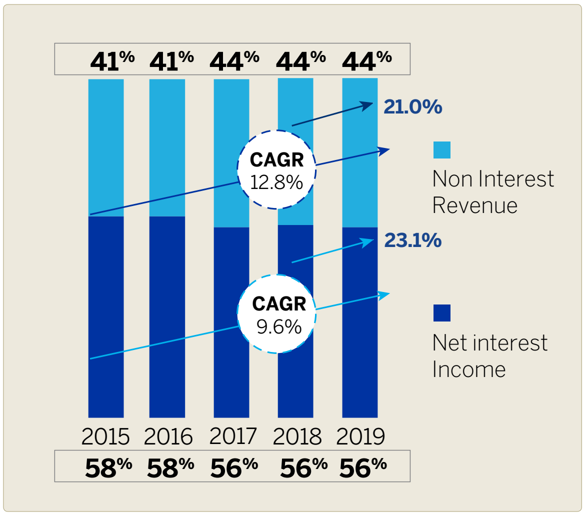
Industry Update

2019 was a stable year in the banking industry with no additions or closures of any Banks in the year. Notably however, the introduction of agency banking continues to significantly increase banking points of representation across the country and the sector has collectively and actively driven the adoption of agency banking under the umbrella of the Uganda Bankers Association. The competitive landscape also continues to evolve with financial technology companies sprouting and increasing volumes noted on transactional activity on their platforms. The Telecommunications mobile financial services, that is money platforms have recovered from the impact of the excise duty rates applied mid 2018 with balances on escrows and volume of transactions recovering from initial drop to post good year on year growth.

Published industry financials as at December 2019 showed good performance posted by the banking sector with deposits and loans to customers growing by 12% and 19% respectively. Notable also was that industry profitability improved by 14% against 2018. Stanbic Bank Uganda closed the year with 20.0% and 20.3% of market share for Loans & Advances to Customers and deposits respectively, up 40bps and 50bps respectively from December 2018. This illustrates good gains on balance sheet against the industry. For the trade contingent instruments, Stanbic recorded a market share of approximately 40%.

Recent Developments

The positive sentiment at the end of 2019 was initially expected to be sustained into 2020 before the health and economic disruption brought on by the COVID-19 pandemic impacted both the global and local economies. This projection is now adversely impacted by downside risks stemming from new and accelerated uncertainties in the global and local economy caused by this pandemic as most governments look to flatten their medical curves and contain the pace of new infections which invariably leads to a steeper drop in the economic performance of the economies. The list of economic indicators under stress makes it clear that the outbreak is negatively affecting global economic growth on a scale that has not been experienced since the global financial crisis of 2008-2009. Global trade and GDP are forecast to decline sharply through the first half of 2020. The global pandemic is affecting a broad spectrum of international economic and trade activities, with most impacted areas notably being tourism and hospitality, global supply chains, wide ranging consumer products, transportation and the financial markets.



Our financial performance in 2019 was very firmly driven by a continued focus on our strategic value drivers. Doing valuable things for our clients through leveraging our universal financial capabilities, providing meaningful growth experiences for our employees in a way that enables more engagement and productivity, and doing the right business the right way remain our building blocks for the sustained strong financial performance recorded. This enabled us to improve our operating leverage, enhance our staff productivity, further diversify our revenue streams and register significant market share gains on profitability, customer deposits and customer loans.

Subsequently, our consolidated results for the year closed with a Profit After Tax (PAT) of UShs 259bn, a 20.2% growth over 2018 with Return on Equity (RoE) improving to 25.0% from 23.5%. This strong performance was supported by good growth across a broad spectrum of financial metrics.

Key highlights are as below;

- Strong growth under customer loans and deposits
- Strong growth across revenue streams
- Robust credit risk management

Commentary on these metrics is detailed below.

Financial Performance Review

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

Note: Given that Stanbic Bank Uganda was the only subsidiary of Stanbic Uganda Holdings Limited (SUHL) for the year ended December 2019, the commentary below will focus on the performance of the banking business.

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.

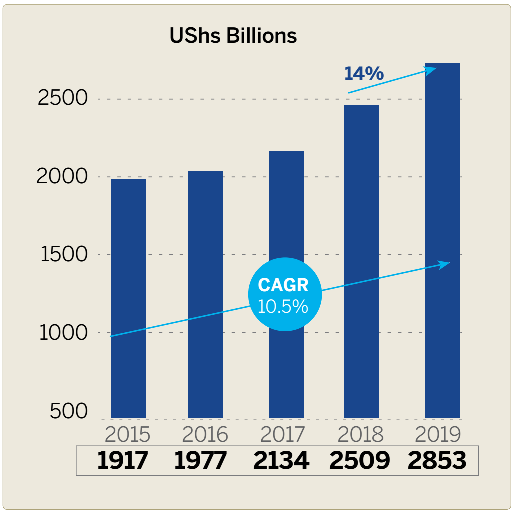
The cash and balances with Banks were largely flat against the prior year with a marginal decline against the 2018 position as cash positions at the year end were better optimised to enable higher deployment to interest earning assets.

Investment Securities

Government securities holdings increased year on year, both on the financial investment and trading books by over 30% and 90% respectively. Strong liquidity levels spurred by significant growth in customer deposits created room for more investment in well yielding securities. A significant proportion of this liquidity was also channeled to shorter term interBank loans and repos with the central Bank which grew by 95% year on year.

Loans and Advances to Customers

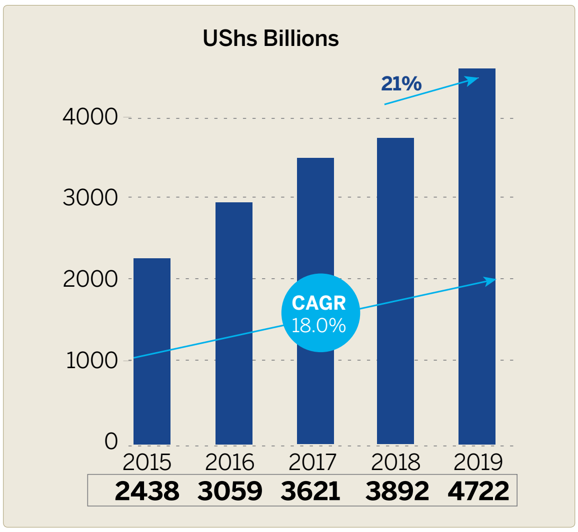
Loans and advances grew by 14% (UShs 343 Billion) in 2019 albeit slower than 2018 growth of 17.6%. Notably this growth was above the PSC growth rate of 12% and higher than the industry growth of 11%. This growth was supported by growth under short term and working capital facilities to our corporate and retail clients.



Customer Deposits

Customer deposits maintained a strong double-digit growth of 21% (UShs 829billion) compared to overall industry year on year growth of 18%. 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 through leveraging our universal capabilities to strengthen our position as the primary "Banker of choice" into our customers eco-systems, as well as deepening existing customer relations, continues to be the driving force behind these continued strong results.

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



Margins

This represents the profit margin between the 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 a reduction in CBR in October 2019 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

The credit-loss ratio (CLR) 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. Despite the increase in the CLR from the 0.2% loss ratio recorded for 2018, the loss ratio of 1.5% was still below our risk appetite of 2.5%. Notably also, the 2018 ratio was significantly impacted by large write backs on previously taken IFRS9 provisions at transition to the new standard.

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 was largely benign for most of 2019, having closed the year at 3.6% from 2.7% in January. This was mainly because despite the uptick later in the year, food inflation remained at low levels due to the extended rains that led to large harvests for the most part of the year.

The inflation forecast is expected to be impacted by upside risks from possible rise in food crop prices due to the unpredictable weather patterns and the capital flow volatility impact on the exchange rate. The emerging risks occasioned by COVID-19 will also play a key role in the evolution of the market prices.

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 21% to 448.9 billion from 370.9 billion recorded in 2018. The upward trend was as a result of the increased investment in interest bearing assets i.e. customers loans and investments in government securities.

Non-interest Income

Non-interest revenue comprises net fee and commission revenue, trading revenue and other revenue. Non-interest revenue increased by 23% closing at UShs 357.8 billion from UShs 290.7 Billion recorded in 2018. The growth was registered across all non-interest revenue categories.

Net fees and commission

Net fees and commission income grew by 11% to UShs 160.9 billion from the UShs 144.4 billion recorded in 2018. 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 transactional lines.

Trading Revenue

Trading revenue was up by 34% closing at UShs 191.2 billion from the UShs 142.3 Billion recorded in 2018. The trading revenue improved year on year due to strong performance under foreign exchange trading and good positioning of the money market and fixed income desks.

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 grew by 41 billion year on year from an exceptionally low base of UShs 2bn in 2018 to UShs 43billion, with the credit loss ratio closing the year at 1.5% in 2019 compared to 0.2% in 2018. The 2019 view represents a normalised view and was well within risk appetite of 2.5 %.

Operating Expenses

Operating expenses represent the costs that the incurred 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 14.3% closing the year at UShs 413.9 billion compared to UShs 362.1 billion in 2018.

Staff costs reflected a growth of 11% increasing from UShs 148.6 billion in 2018 to UShs 165.0 billion. The increment was as a result of annual inflation related increment and deliberate efforts to enhance the capability and capacity of the Bank staff to enhance value created.

The other operating costs grew by 16.6% closing at UShs 248.9 billion from UShs 213.6 billion in 2018. This rise was mainly due system upgrades of key banking systems, increases on digital and enablement costs, higher cash handling costs off the back of large increase in deposits and higher litigation costs.

Further detail on the cost performance on the varied line items is included under Note 13 to the financial statements.

The positive sentiment at the end of 2019 was initially expected to be sustained into 2020 before the health and economic disruption brought on by the COVID-19 pandemic impacted both the global and local economies. This projection is now adversely impacted by downside risks stemming from new and accelerated uncertainties in the global and local economy caused by this pandemic as most governments look to flatten their medical curves and contain the pace of new infections which invariably leads to a steeper drop in the economic performance of the economies.

FIVE-YEAR PERFORMANCE

	2019	2018	2017	2016	2015
Income Statement (UShs'm)					
Profit before income tax	**349,634**	296,678	265,666	253,949	203,298
Profit after tax	**259,094**	215,140	200,468	191,152	150,759
Financial Position (UShs'm)					
Shareholders' equity	**1,116,866**	956,352	872,280	714,942	544,758
Total assets	**6,650,475**	5,393,059	5,420,531	4,588,610	3,729,141
Loans and advances to customers	**2,852,647**	2,508,828	2,133,986	1,976,748	1,917,244
Property and equipment	**86,438**	51,527	75,267	63,318	49,209
Customer deposits	**4,722,204**	3,892,295	3,620,946	3,058,505	2,438,421
Returns and Ratios					
Return on average equity	**25.0%**	23.5%	25.3%	30.3%	29.2%
Return on average assets	**4.3%**	4.0%	4.0%	4.6%	4.2%
Loan to deposit ratio	**60.4%**	64.5%	58.9%	64.6%	78.6%
Cost to income	**49.0%**	51.5%	50.5%	52.1%	53.6%
Capital Adequacy					
Tier 1 capital ratio	**15.8%**	16.2%	21.3%	17.7%	16.4%
Tier 1 + Tier 2 capital ratio	**18.3%**	18.9%	24.2%	21.1%	18.1%
Risk weighted assets (UShs'm)	**4,917,214**	4,425,055	3,650,214	3,069,288	2,848,545
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	**5.06**	4.20	3.92	3.73	2.95
Dividends per share - proposed and/or paid	**2.15**	1.90	1.76	1.17	0.78
Other information					
Number of employees	**1,667**	1,664	1,740	1,802	1,899


OPEN AN
ACCOUNT ONLINE
AND FORGET THE
PAPER WORK
Open an account online with just a click
of a button anytime, anywhere
www.stanbicbank.co.ug
REQUIREMENTS
• National ID (Ugandans) or
Passport + Work Permit (non-Ugandans)
• Passport photo (can be taken with your phone camera)
BENEFITS
• Automatic registration for Online & Mobile Banking, App and Visa
• Access to e-statements and sms alerts
• Ability to deposit to account using Mobile Money, Agent Banking
and Cash Deposit Machines
SCAN HERE
TO START NOW
Stanbic Bank IT CAN BE™
Stanbic Bank Uganda Limited. A Financial Institution regulated by the Bank of Uganda
and Customer Deposits are protected by the Deposit Protection Fund. License Number A1. 030
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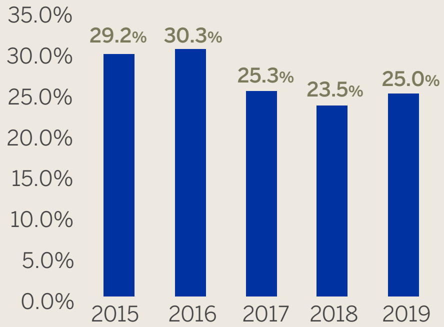
KEY PERFOMANCE INDICATORS

PROFITABILITY

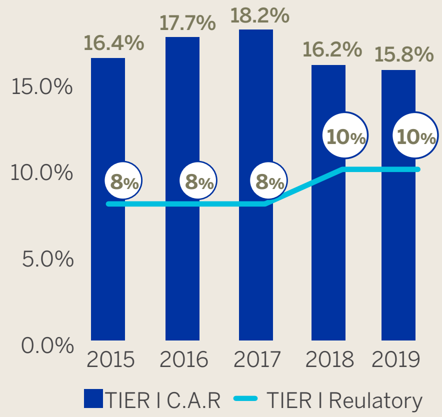
RETURN ON EQUITY(RoE)



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

Results: Strong RoE, right on target at 25.0% was 1.5% up from 2018. The strong RoE performance was supported by effective deployment of capital to enable investment in well yielding client assets hence growth in PAT.

CAPITAL ADEQUACY

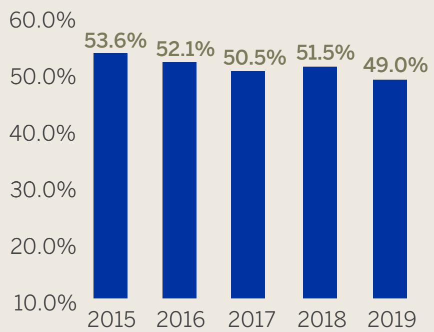


TIER 1 CAPITAL ADEQUACY RATIO (CAR)

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

Results: Tier 1 CAR closed at 15.8% compared to 10% regulatory requirement. The Capital position remains adequate to cover the asset growth registered, which enabled strong profitability.

EFFICIENCY

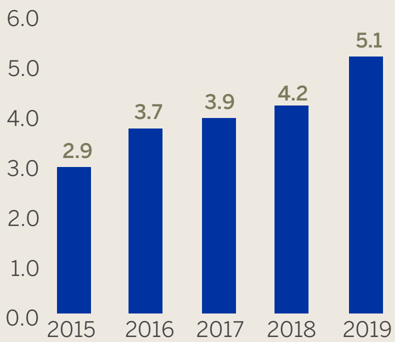


COST TO INCOME RATIO (CTI)

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

Results: Our cost to income ratio continued to improve year on year to 49%, achieving set target of below 50% by 2020. Continued investments in our digital agenda over the past few years is expected to support our revenue growth, coupled with continued firm discipline in optimising our costs structure which should see us maintain CTI below the 50% hurdle.

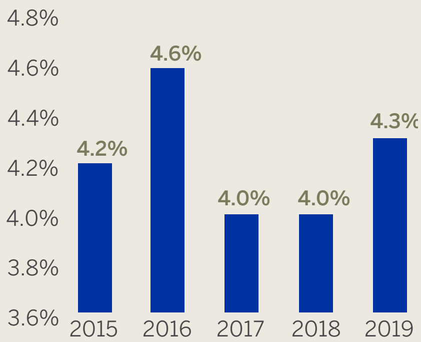
EARNINGS PER SHARE(EPS)



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

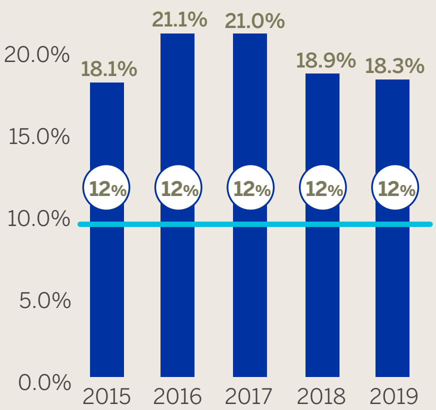
Results: EPS was up by 20.3% against prior year aligned to the growth in profits. The strong earnings were supported by strong operating leverage with revenue growth outstripping cost growth.

RETURN ON ASSETS(RoA)



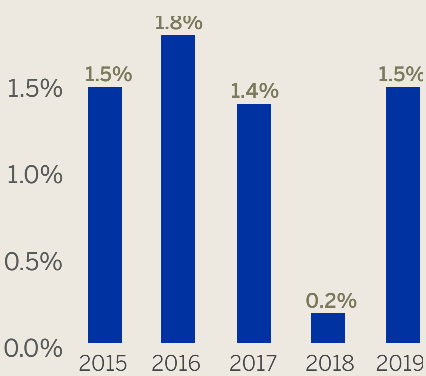
Objective: To effectively deploy the Bank's liquidity into the optimal balance of assests that generates consistent returns above the internal benchmark of 4.0%.

Results: RoA closed 2019 at 4.3% compared to 4.0% in the prior year and was well above the benchmark set. This strong RoA position was enabled by maintaining high contribution of earning assets to the total asset base (keeping the contribution of non- earning assets below 20% of total assets) while also driving non-asset-based revenues such as fees, foreign exchange and trading derivative revenues.



TOTAL CAPITAL ADEQUACY RATIO (CAR)

Results: Total capital closed at 18.3% compared to 12% regulatory requirement. The capital position remains strong and sufficient to cover Bank growth aspirations.



CREDIT LOSS RATIO (CLR)

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

Results: The CLR of 1.5% much higher than 0.2% recorded in the prior year but was still maintained below the target risk appetite level of 2.5%. The 2018 ratio was significantly impacted by large write backs on previously taken IFRS9 provisions at transition to the new standard.

CORPORATE & INVESTMENT BANKING (CIB)

Emma Mugisha
Head CIB

↑ 29%

147bn

PROFIT AFTER TAX

2018: UShs 114bn

↑ 13%

1,174bn

CUSTOMER LOANS

2018: UShs 1,050bn

Overview of 2019

2019 was a fantastic year for the Corporate and Investment banking team. We made good strides in serving our customers, team work, great support for each other and managing risk. This enabled us to produce stellar results, registering significant year-on-year growth, across the board; with 26% revenue growth and 29% growth in profit after tax. This was supported by growth on the balance sheet, with loans and advances to customers growing by 13%, and customer deposits growing by 30% year on year.

Client

We continued to execute on our new strategy, that was in its first full year of implementation. This enabled us to adopt an out-in approach where we walked the journey with the client in order to better understand their need, as well as their strategic direction. In so doing, we are on the road to become trusted partners, and used our wealth of expertise across the continent to fill in the gaps and provide value addition to their businesses.

We also created client linkages, between key market players that would create synergies for the parties involved and increase the overall productivity of these companies, that will trickle into GDP growth for the country.

People

We continued to prioritise our people and empowered them to make decisions at every level of the organisation. This allowed for a neat balance between availability of information for decision making purposes, and speed of execution on these decisions. With a more empowered team, we were able to provide excellent service to our clients and this was reflected in our client service survey results, which showed a year on year improvement in the service scores given to us by our customers.

We also introduced a recognition program that rewards our desired behavioral traits, in order to build onto our culture. This led to an improvement in the overall levels of motivation within the team that was reflected in our Employee Engagement Score that turned out the second highest among all our offices across the African continent.

Risk

We continued to operate within a robust credit risk management framework, that allowed us to keep our credit loss ratio at 0.75%, despite growing our loan book. We diligently followed our structure and principles, with a touch of empathy to our customers, as a result of deep insight into their businesses. We also went the extra mile to support our clients through the economic cycles, listen to their business needs and design solutions to support their growth.

We also put in place a system that detects many forms of fraud in a timely way. This has been combined with a well-structured whistleblower system, with rewards put in place for fraud-stop activities.

Financial Performance

We grew our revenue by 26% year on year, and deliberately put in place measures to reduce our costs, leading to a growth in profit after tax of 29%.

This growth was supported by diversification in revenue streams that led to untapped revenue from new avenues. This was in addition to a strong balance sheet growth, with loans and advances to customers growing 13% year- on-year, as well as customer deposits growing 30% in the same period.

We also maintained a strong performance on the trade side with our guarantee book maintaining a 41% market share in the banking industry.

Looking ahead

We will continue to deepen our client relationships and leverage our resources to grow together with our clients and boost economic growth.

In addition to this, we are continuing to run an efficient and modern business, while also strengthening our product capability and ensuring system stability and security. We will continue to maintain efficiency, while focusing on transformational digital changes in our environment.

We intend to support our customers' value chain partners through our Business incubator that has now expanded regionally.

Oil and Gas is still a game changer for the country, and as a Bank, we want to be the innovation partner for our key oil & gas clients in the product solutioning and technology space. This will be critical in ensuring readiness, especially for the local content names, when the Final Investment Decision (FID) is made.

Finally, our greatest asset is our people, and we will continue to ensure that they are well equipped and empowered to serve the client, who is at the centre of everything we do.

As we look to the year ahead, we remain steadfast in our commitment to doing the right business the right way. In this context, we continue to embed a culture of responsible business practices. We remain committed to delivering through-the-cycle headline earnings growth and ROE within our target range of 20% – 25% over the medium term. In order to do so, we recognise the need to balance prudent capital management with appropriate return-based resource allocation and leverage.

Kevin Wingfield
Head PBB

PERSONAL & BUSINESS BANKING (PBB)

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.

↑ 10%

106bn

PROFIT AFTER TAX

2018: UShs97bn

↑ 15%

1,679bn

CUSTOMER LOANS

2018: UShs 1,459

In 2019, PBB posted strong revenue growth due to double digit loan and deposit growth. The quality of our loan book continued to improve with a decline in non-performing loans and our credit loss ratio normalising within our risk appetite. Our customer numbers grew year-on-year through our continued focus on delivering what matters to customers. We continue to invest in enhancing our digital capabilities and improving the onboarding and lending experience for our customers. We further invested in our branch network and other points of presence including agency banking to improve customer convenience and experience. We continue to build a profitable and sustainable business as we deliver on our purpose. "Uganda is our home, we drive her growth."

Review of 2019

We continue to focus on improving customer experience as a Bank. We achieved this through more frequent interactions with customers to better understand their needs and pain points and endeavour to offer the right solutions. This included growing our digital platforms, improving system stability across all our platforms and continuing to invest in our people to bring them closer to our customers. On the product front, we continue to provide more convenience through paperless account opening and delivering short and medium-term unsecured credit to customers through our online and mobile channels. We also offered online account opening which is becoming an increasingly popular channel for new customers. In November 2018, we launched our wealth business which begun to gain momentum in 2019. We have also ramped up our insurance sales capability in our branches. On customer access we delivered several 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

As Stanbic Bank, we remain committed to delivering a great customer experience. The feedback from our customers on the continued improvement in the way we serve them is a testament to our commitment to this. We continue to engage customers through our face to face engagements, feedback from compliments and complaints as well as the surveys we conduct throughout the year. This is coupled with an increasing ability to leverage data to deliver more relevant customer solutions.

In order to improve customer experience, we continue to invest in creating a better branch experience through reduced queues, improving our system functionality and focusing on our self-service channels stability and reliability.

Our active customer numbers continued to grow through the year a turnaround from the previous year. We continue working to reduce customer inactivity through leveraging data, engaging customers, enhancing our remote and online client acquisition capabilities and an effective and seamless onboarding journey. This is being achieved through more effective use of technology and data which will remain a key focus in 2020.

Digital transformation

Aligned to our digital strategy, we processed over 85% of our transactions on digital channels, growing our active customers on digital by 28%, and mobile banking transactions by 33%. We continued to renew and upgrade our 153 ATM fleet and increased our real time cash deposit machines to 21 during the year. This helped us to improve our service availability and increased our transaction volumes.

As a result of our commitment to customer service and investment in digital banking services that meet our customer needs, we won several accolades, including:

- Best Digital Brand – Digital Impact Africa Awards 2019
- Best Digital Powered Campaign 2019
- Best Bank in Uganda – Euromoney awards 2019
- Best Bank in Uganda – Global Finance Magazine 2019

Agent banking, a channel we launched in 2018, continued to grow closing the year with more than 1,500 active agents performing over five million transactions worth UShs 3.8 trillion across the country. Agent 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 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 invested a lot of time cascading our purpose and strategy to our teams and worked at assisting them to connect this to the work they do. In 2018, the L.O.V.E * campaign was launched that was designed to rally our team towards passionate dedication to and service of 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 teams think 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 digitising 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 2019 continued to show an improvement in our employee engagement levels and that Stanbic continues to be an employer of choice.

Financial Performance

We registered a strong financial performance for the year with total revenues growing at 18% as compared to 9% in 2018, arising from a 21% growth of net interest income and 11% growth in non-interest revenue. Despite Stanbic offering the lowest shilling prime lending rate in the market we managed to grow net interest income by UShs 53.6 billion with interest income up by UShs 68 billion (29%). Non-interest revenue grew by 11% majorly for the year driven by loan-based fees, transactional growth, insurance services, domestic trade related fees and retail forex (14%).

Customer deposits closed at UShs 2.5 trillion up by 17% from 2018. FCY Deposits continue to grow faster than LCY (22% Vs 13%) year-on-year. Customer loans and advances closed at UShs 1.7 trillion up by 15% year-on-year. The quality of the loan book remained well managed with the non-performing Loans (NPL's) closing at UShs 70 billion, a 42% decline on 2018 resulting in our NPL ratio to gross loans declining from 8% in 2018 to 4% at the close of 2019.

The strong loan-book growth was supported by improved private sector credit growth on the back of the central Bank's neutral monetary policy coupled with greater risk appetite in areas like trade, energy, education, agriculture, unsecured personal loans and the self-employed sector.

We continued to realise efficiencies in our business supported by ongoing cost management initiatives such as optimisation of the distribution network, remote and online banking, enhancing our mobile banking and app features and many others.

Outlook for 2020 and Beyond

In 2020 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;

- Continuous engagement with our customers to understand their frequent pain points and solution along with them to create tangible value.
- Listening more to our customers to ensure that what we deliver is based on insights from them and feedback as to how we can improve.
- Providing a comprehensive and seamless customer onboarding experience from the time the customer first engages us to transacting and building their banking relationship with us into the future.
- Continuing our focus on digitising all our customer products and services, to make these remotely accessible and the purchase and maintenance 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.

***L.O.V.E: L**eap into action **O**wn the issue **V**ow to get it right **E**nlighten with right information

SBU BUSINESS UNIT PERFORMANCE

CORPORATE FUNCTIONS

Our third business area includes the results of centralised support functions (back office), including those functions that were previously embedded in the business segments. The direct costs of support functions are recharged to the business segments.

↑ UShs 5.3bn

PROFIT AFTER TAX (PAT)
2018: 4.6

The detailed segmentation including Treasury and Capital Management (TCM) profit after tax UShs 5.3bn (2018: 4.6bn), can be found in the notes to financial statements under segment information in note 5.

PERSONAL & BUSINESS BANKING

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

	2019	2018
Return on equity	30.0%	37.1%
Cost-to-income ratio	58.7%	60.7%
Credit loss ratio	2.1%	0.7%

↑ UShs 106bn

PROFIT AFTER TAX (PAT)
2018: UShs 97bn

What we offer

- Mortgage lending
- Card products
- Installment sale and finance leases
- Lending products
- Bancassurance and wealth
- Transactional products

CORPORATE & INVESTMENT BANKING

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

	2019	2018
Return on equity	33.1%	29.8%
Cost-to-income ratio	40.2%	43.5%
Credit loss ratio	0.7%	0.0%

What we offer

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

↑ UShs 147bn

PROFIT AFTER TAX (PAT)
2018: UShs 114bn

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.

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

RISK MANAGEMENT AND CONTROL REPORT

Martin Sekaziga
Chief Risk Officer

Sound risk management plays a pivotal role in how the Bank is able to meet its strategic goals in a challenging environment that is impacted by local and global events. The risk posture of the Bank is continuously assessed to provide a broad perspective on the events that could adversely impact our ability to provide exceptional customer service.

In 2019, Stanbic Bank was able to adapt to the changing and increasing complex operating environment by closely monitoring its risk exposure and staying committed to our customer value proposition. Our robust risk management framework ensured we operated well within the regulatory requirements, the details of which are shared in this report. This report is largely focused on Stanbic Bank which was the operating entity during the year.

Reflections on the Year

In 2019 the economic growth prospects remained positive with the real GDP growth projection for FY 2019/20 of 6.5%. However, the growth is expected to accelerate to an average of 6.5-7.0% in the medium term (2-3 years ahead). This projection remains subject to downside risks mainly stemming from uncertainties in the global economy and on the local scene arising from pre-election jitters expected in the second half of the year. The annual Headline Inflation increased in the year ending December 2019 to 3.6% from 3.0% in November 2019 reaching its highest level since September 2018.

Following the record of low monetary policy environment, the central Bank reduced the Central Bank Rate (CBR) by 1 percentage point to 9 percent although it was stable at 10% most of the year until October. The benign inflation provided room for the rate cut to support economic growth. The band on the CBR was maintained at +/-3 percentage points (PPs) and the margin on the rediscount rate at 4 PPs on the CBR, placing the rediscount rate and the Bank rate at 13 percent and 14 percent, respectively. 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.

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.

Introduction

Managing Risk

Effective risk management is of primary importance to the Bank'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.

Roles in Risk Management

Board of Directors

The Board of Directors plays a pivotal role in ensuring the Bank has an effective risk management system. 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 the following committees: The Board Risk Management Committee (BRMC), Board Audit Committee (BAC) and Board Credit Committee (BCC) with each committee focusing on different aspects of risk management.

Board Risk Management Committee and Board Credit Committee

The two primary Board 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.
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.
5. Reviewing reports on the implementation of the IT governance framework.
6. Evaluating and approving significant IT investments and 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 system is in place to ensure remedial actions for all issues identified during the audit process are tracked to completion and can be independently validated.

Management Committees

Executive Management is responsible for the day-to-day oversight of all principal risks impacting the Bank and have delegated authority from either the BRMC, BCC or BAC to assist the subcommittees effectively fulfill their risk oversight 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 plans take into account the following:

1. Current regulatory capital and liquidity requirements and our assessment of future standards.
2. Demand for capital and liquidity due to business growth forecasts, loan impairment outlook and market shocks.
3. Available supply of capital and liquidity, and the funding 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 process (ICAAP). 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 cushion the impact of the losses.

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.

Business Units

Business units own and manage the principal risks inherent in the activities they perform daily.

Governance Documents

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

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 SUB-COMMITTEES

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

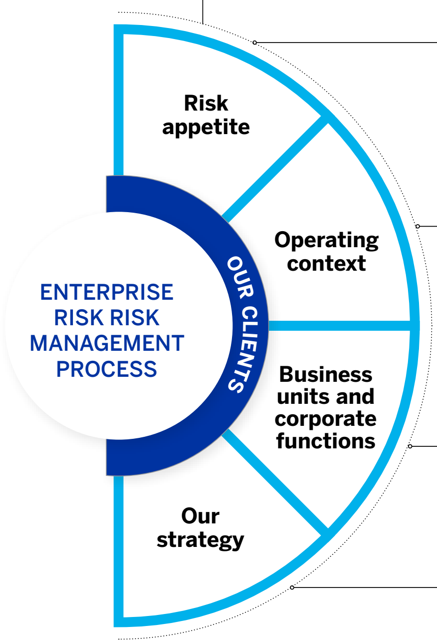
This is made up of management of business lines and has responsibility for measuring, assessing and controlling risks through the day-to-day activities of the business within the governance framework.

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, frameworks 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.



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.

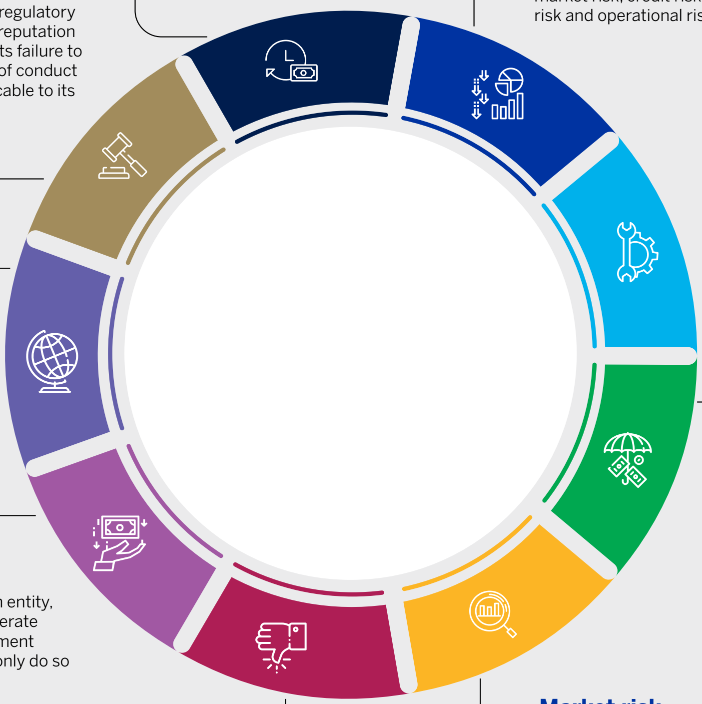
CONTROL FRAMEWORK

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

Although the oil and gas sector is still evolving, there was notable activity in the agriculture, Fast-Moving Consumer Goods (FMCG) and infrastructure space. This coupled with an accommodative monetary policy triggered growth in demand for credit and kept inflation stable. The Uganda shilling also remained stable against the United States dollar and the economy grew at an average rate of 6%.

Total loans and advances grew 14% in the year driven by activity in agriculture, FMCG and financial institutions. The credit loss ratio at the end of the year was 1.51% vs 0.23% in 2018, on the back of stress within the portfolio. The increase in credit impairment was due to weaknesses exhibited by individual clients rather than a systemic problem. In the same period, pre NPLs dropped by 18% across the portfolio in response to early intervention and close management of potential problem credits.

Personal and Business Banking (PBB)

PBB recorded a 15% growth in loans and advances for the year 2019; strong performance was noted across both the personal and business banking segments of the business.

The personal lending business grew by 13% following increased usage of digital platforms and pre-score lending in the credit process. Business banking managed to deepen their presence in the market with growth in agriculture and trade sectors.

Overall the business intensified focus on collections and write off recoveries reigning in NPLs at 3.89% (Dec 2018-7.84%).

Corporate and Investment Banking (CIB)

The CIB-TPS and Investment banking lending book recorded a 13% growth year on year. On the other hand, exposure under guarantees saw a 9% drop as infrastructure-led guarantees matured. Interest income is up 23% while fees and commissions grew 20% during the year.

At 40%, exposure to financial institutions continues to represent the largest concentration risk by sector followed by power and infrastructure and consumer. All sector concentrations were within the risk appetite limits.

The effects of a challenging regional economy led to an increase in the number of accounts under close monitoring. The number of accounts in early arrears remained flat.

Stage 3

CIB non-performing loans as a percentage of loans and advances grew significantly on account of a single counterparty that is currently under business support. Consequently, the Non-Performing Loans (NFL) ratio edged up and closed at 4.75% (2018-1.55%). Overall the asset book has remained relatively well diversified across industry sectors, products and exposures are largely short-dated.

Focus Areas for 2020

Regional trade is likely to remain challenged by competing interests with our neighbors. Global outlook has also been affected by the Coronavirus Pandemic which has disrupted production in China and muted demand for commodities. The economy remains sensitive to vagaries of weather and prospects of low global growth resulting from US-China trade tensions.

Credit will explore ways to prudently make it efficient for customers to access the Bank's credit products by organizing around client journeys and deepening relationships with on-strategy clients.

Credit will continue to focus on doing business the right way based on our regulatory, legal, social and ethical commitments and proactively identifying potential risks with due attention to early warning signs.

2.

COUNTRY RISK

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

Year in brief

Relatively low debt levels and a favorable external debt environment reduces the risks posed by the government's planned accumulation of external debt.

Focus areas for 2020

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 climate changes and related emerging risks remain a focus in relevant markets and adequately mitigated.

The focus continued to be on mitigating transfer and convertibility risks and managing risk appetite within agreed parameters. Additionally, country risk will be managed proactively to mitigate any concentration risk.

3.

FUNDING AND LIQUIDITY RISK

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

Year in brief

The Bank maintained liquidity ratios within limits throughout 2019. Some of the limits include, liquidity coverage ratio of 105%, regulatory liquid assets to total deposits of 20%, loans to deposit ratio of 80% and net stable funding ratio of 102.5%.

The Bank continuously assessed its funding position based on an assessment of the projected liquidity inflows and outflows.

Focus areas for 2020

Dynamic forecasting of funding and liquidity requirements considering the evolving macro and micro economic landscape to ensure liquidity risk remains well managed.

Continued balance sheet optimisation to ensure the right tenures in the right amount, in the right currency at the right cost to support the Bank's strategy.

Continue the data quality journey to support a more efficient liquidity risk management.

4.

INSURANCE RISK

Year in brief

The Bank maintained adequate insurance coverage for all its key assets and functions as a prudent risk transfer mechanism. A cyber-risk Insurance policy was procured to cover the increasing risk posed by cyber criminals.

The premiums for all these policies remained largely within the same limits as they were in 2018 mainly because of improved loss ratios for majority of the policies; a reflection of improved internal controls across all functions of the Bank which reduced the value and volumes of claims reported to the insurers.

Focus areas for 2020

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

2019 turned out to be one of the strongest years in the history of financial markets in Uganda. Despite extreme volatility in the global markets, caused by an 'on and off' trade war between China and the US, and the very dramatic and prolonged BREXIT saga, The Uganda shilling was stable for most of the year against all major currencies, and closed the year on a stronger footing than it opened. The currency was supported by increased FDI flows mainly from Chinese investors setting up cottage industries in the greater Kampala area as well as a resurgence of trade with South Sudan. The country also benefited from strong export receipts following a bumper coffee season.

Interest rates were generally stable across the year. The central Bank followed a very accommodative monetary policy stance throughout the year maintaining its benchmark monetary policy rate at 10% for the first nine months and dropping it by 100 bps to 9% in October. This is the lowest it has been since its inception in 2011. This accommodative stance anchored interest rates down with marginal movements over the period.

Focus areas for 2020

The Bank will continue to focus on monitoring and managing the trading book and banking book market risk, 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 formalised 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.

The regulatory landscape in 2019 was relatively stable with a few regulatory changes impacting the financial services industry. The Data Privacy and Protection Act was enacted in February 2019; an Act to protect the privacy of the individual and regulate the collection, processing, use or disclosure of personal information.

The Insurance cash and carry regulations; with the requirement to pay insurance premiums before issuance of insurance policies. The deposit insurance limit which was increased from UShs 3 million to UShs 10 million.

Focus areas for 2020

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 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 the Bank's strategy. The Bank is prepared and holds enough capital buffers to absorb adverse economic downturns.

Year in brief

During 2019, there were no amendments to capital requirement regulations and profitability performance of the Bank in the year saw a growth in net after tax profits resulting in further improvement of the Bank's capital position.

This capital adequacy base provides assurance to the Bank's growth aspirations for 2020, among other factors. The Bank closed at a total capital adequacy ratio of 18.3% versus 12% (regulatory) and 15.8% on core capital adequacy ratio versus 10% (regulatory).

Focus areas for 2020

Continuous assessment of the capital buffers to ensure the Bank maintains sufficient capital levels to withstand shocks arising out of evolving micro and macro economic factors. The buffers are informed by regular stress testing based on scenarios informed by anticipated internal and external factors.

Optimising 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).

8.

OPERATIONAL RISK

The Bank's operational risk profile trended moderately with operational risk losses from economic and operational activity improving year on year, owing to efforts targeted at strengthening the overall control environment. Pressures on business growth, increased reliance on third parties, technology and regulatory evolution require renewed focus in the upcoming year.

Year in brief

2019 was a year of relatively stable macro-economic indicators which saw further embedment of the operational risk governance framework through applied principle-based methodologies. Operational risk management is evolving into agile ways of working whereby the risk practitioners are present for advisory through the life cycle of new products and projects that introduce new risks into the Bank's environment. This ensures a more cost effective and efficient means to mitigate risks. The Bank has continuously referenced and mimicked best practices in the industry with the benefit of participation in relevant forums and access to industry data, in order to pre-empt and respond to emerging risks. In tandem with the general direction of the anti-fraud landscape towards predictive analytics and artificial intelligence, the Bank continued to invest in capabilities that harness the power of data to proactively predict, detect and prevent risk incidents such as fraud on the evolving digital channels, that continuously contribute towards the desired customer experience.

2019 saw a continued focus on improving system stability and cyber security capabilities. The IT security function continuously monitors the Bank's cyber risk posture to ensure timely detection and adequate mitigation of cyber security threats. The reduction in phishing incidents is largely due to the implementation and monitoring of robust prevention and detection controls.

The Bank continues to partner with technology partners in order to deliver digitised and innovative products and offerings to our customers. These partners are subjected to a rigorous onboarding due diligence process to ensure risks introduced in the system are understood and adequately mitigated.

The controls that are considered when 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 2019, the Bank introduced new technology and processes to enable detection, monitoring and intervention, to known threats and fraudulent activities on customers' accounts. We continued to reap the benefits of our state-of-the-art digital forensics laboratory in ensuring that responses to fraud incidents are efficient and in near-real time, utilising its capabilities 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 2020

- For the year ahead, as the Bank continues to drive client-centricity, operational risk will focus on delivering risk data and insights to stakeholders timely to inform decisioning and managing risk within appetite and ensure that opportunities are linked to reward for both the customer and Bank.
- 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 transactions also provides the ideal opportunity for criminals to siphon or breach sensitive card data. In 2020, the Bank will continually strive to maintain a balance between the customer experience and anti-fraud measures by analysing 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 is committed to:
  - Enhance its bespoke awareness campaigns in 2020 to drive risk-conscious behavior
  - Improve third-party risk management
  - Establish behavioral analytics capabilities
  - Research on trending information risk topics and Investing in upskilling our people to effectively support the business.

RISK APPETITE AND STRESS TESTING

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

1. 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.

2. 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.

3. Risk capacity is the maximum amount of risk the Bank can 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.

The Bank'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 Bank's 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.

Year in brief

The Ugandan economy reported strong growth in 2019, estimated at 6.5%, largely driven by the expansion of services. Services growth averaged 7.6% in 2019; industrial growth 6.2%; driven by construction and mining; agriculture grew at just 3.8%. Retail, construction, and telecommunications were also key economic drivers.Inflation is expected to remain below 5%, strengthening the domestic economy.

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	2019
Capital	Total regulatory capital	<16.0%	18.3%
Liquidity	Loan to deposit ratio (FCY)	>80%	60.4%
Loan impairment	Non-performing loans ratio	>6.5%	4.3%
Portfolio Metrics	Liquid assets to total deposits	<20%	55.3%
	Operational losses to gross revenue	<0.9%	0.4%

Focus areas for 2020

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 all risk appetite credit metrics and the effect of the ongoing Coronavirus Pandemic, locusts, earth quakes and changes in weather.

The focus items will be;

- 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.

TECHNOLOGY

The inability to manage, develop and maintain secure, agile technology assets to support strategic objectives

RISK DRIVERS

1. A multi-channel digital experience means more technology to keep relevant, up-to-date and safe from fraud attacks.
2. New types of devices span an extremely wide range of security requirements and have very different security postures.

MITIGANTS

- 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

RISK DRIVERS

- Remote presence technologies may increase the avenues for attack.
- Increasing number and sophistication of cybercrime incidents globally.

MITIGANTS

- 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

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 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

RISK DRIVERS

- Increasingly advanced cyber and malware attacks are expected, which may result in fraud being perpetrated.
- Aggressive advancements in technology may cause unforeseeable fraud threats.

MITIGANTS

- 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

- Inadvertent or intentional disclosure of protected information by Bank personnel.
- Compromise of systems used to store privileged data..

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 harm to the Bank and its customers resulting from the failure of the third party to provide critical services securely.

RISK DRIVERS

- Failure to perform adequate due diligence and ongoing monitoring of third-party relationships
- Lack of a written contact that outlines the rights and responsibilities of all parties.

MITIGANTS

- Proper due diligence in selecting a third party and ongoing monitoring of their activities and performance.
- Written contracts that outline the rights and responsibilities of all parties.

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.
- External or internal pressures on staff to perform during challenging times.

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.


Stanbic Bank
NATION
SCHOO

SUSTAINABILITY REPORT

Patrick Mweheire
Chief Executive

CHIEF EXECUTIVE'S STATEMENT

↑ 15%

2.9BN

SOCIAL INVESTMENT
2018: UShs 2.5BN

↑ 6%

109BN

TAX CONTRIBUTION TO CONSOLIDATED FUND
2018: UShs 103BN

Our sustainability and business success are underpinned by our commitment 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 Stanbic Uganda Holdings Uganda Limited (SUHL) is defined not only by profitability, provision of services to its clients, but also by SUHL's investment in activities that directly impact the community in which it operates. This is done through our shared value approach, that seeks to address the Social, Economic and Environmental ("SEE") needs for our broad range of stakeholders.

Social:

I am delighted that in 2019 our social investment increased by 15% to UShs 2.9 billion, reaching over 374,169 beneficiaries. Our flagship programme, the Stanbic National Schools Championship was run countrywide to promote access to better rounded education and enhance skills development through equipping students with entrepreneurship and critical thinking skills that we believe will better prepare them to be job creators in the future.

Direct participation in the programme increased in 2019 to 72 schools and 21,600 students (260% Increase), further impacting a much wider number of teachers, students and community members who benefited from the various financial literacy trainings that were implemented. The Stanbic National School Championship has over the 3year journey enabled students innovate and start over 400 business ideas, of which 50 continue to thrive to date.

The 2019 overall winner, Holy Cross Lake View Secondary School in Jinja recieved a fully installed solar system over 900 students. Nyakasura received a awter system serving over 1000 students while St. Mary's College Kisubi and St. Mary's College Aboke were provided with a wide range of scolastic materials.

Economic:

Our loan disbursements increased by 23% to UShs 2.1trillion, providing financial intermediation to support varied sectors of the economy that helped improve their ability to expand and create jobs.

Through our SME Incubator Programme, we deliberately focused on enabling improved capacity of local enterprises to play a more significant role in the content participation on significant investments anticipated as part of the commercialisation of Oil and Gas in the country. Our SME Incubator programme has been a key intervention in this regard and trained over 468 companies and 1 232 entrepreneurs in 2019.

SUHL further continued to play an active thought leadership role on matters pertaining to enabling stronger economic growth, cross border trade, housing development, agribusiness and energy, as well as supporting financial inclusion through agency banking and other convenient digital channels.

Environmental:

We continued to realise notable milestone drops on our key environmental impact measures in 2019, particularly on fuel and energy consumption, out of deliberate deployment of more energy efficient technologies at our various points of representation.

We continued to drive energy efficiency, through wider installation of energy-efficient technologies and enhanced monitoring on our utility consumption to identify any emerging areas for proactive interventions, resulting in energy and fuel consumption drops of 5% and 9% respectively. Further, paper consumption dropped by 28%, following the recycling initiatives on archival boxes and implementation of paperless deposits, backed by continued momentum on our digital and alternate channels.

We continued to drive energy efficiency, through wider installation of energy efficient technologies and enhanced monitoring on our utility consumption to identify any emerging areas for proactive interventions, resulting in energy and fuel consumption drops of 5% and 9% respectively.

↑ 23%

4.8TN

URA TAX COLLECTIONS

2018: UShs 3.9TN

INTRODUCTION

About this report

The 2019 Stanbic Uganda Holdings Limited (SUHL) Sustainability Report presents a comprehensive analysis of our sustainability performance for the year ended 31 December 2019. Any material events after this date and up to Board approval are included. The intended readers of this report are SUHL'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 that SUHL 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 SUHL'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 2019 have been reaffirmed as being the most relevant to SUHL for the period ending 2019. 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 in 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 collaboration with our society to cooperate for social benefits. When considering our social and environmental impacts, we look beyond our direct impacts to the indirect impacts 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 by SUHL, 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 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.

SUHL's Sustainability Strategy:

The SEE framework:

At Stanbic Holdings Uganda Limited (SUHL), sustainability is an integral part of our business strategy. Sustainability and sustainable business practices are embedded at every level of our business. We believe that our most important contribution to sustainable development is to operate an effective and profitable SUHL. 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 SUHL, we believe in **Doing the right business the right way.** This is our shared value that means being aware of the indirect impacts of our actions, including impacts 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 transaction in which we get involved.

What is SEE?

The purpose of our SEE framework is to create shared value for our stakeholders and SUHL – using our corporate assets to address social, economic and environmental needs, while 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. SUHL 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 material efficient processes and Investing in renewable and efficient energy provides a sustainable carbon neutral option, provides energy with the least environmental impact. This also fits with financing sustainable energy solutions by: partnering with renewable 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.

What is the SEE value driver?

Our commitment to doing the right business the right way is both a moral and a commercial imperative. The sustainability and competitiveness of our business are linked to the prosperity and wellbeing 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 requires 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 SUHL, but for the communities in which we operate- and to ensure we're comfortable that the positive social, economic and environmental impacts of any project, product or client relationship outweigh 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 ecosystems and stabilising the climate
- Good governance, and efforts to combat crime and corruption
- Improved financial inclusion
- Economic thought leadership

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:

Client focus

+

Employee engagement

+

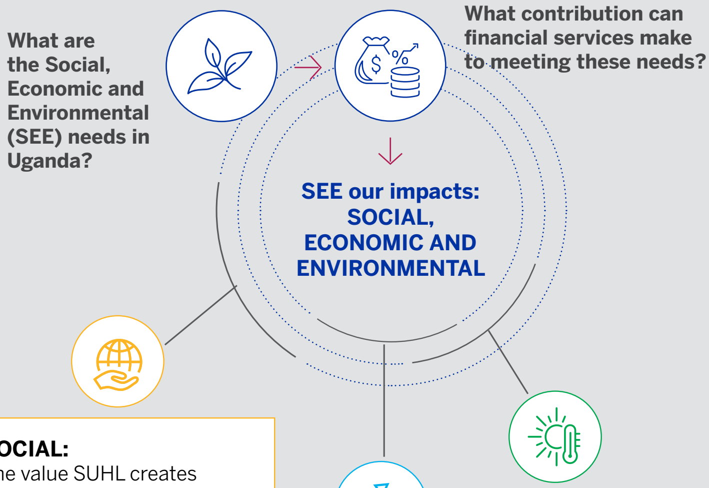
Risk and conduct

=

Financial outcome

SEE impact

Delivering Social, Economic and Environmental (SEE) value



SOCIAL:
The value SUHL 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 investments in education that benefit communities and future generations.

ECONOMIC:
The value SUHL 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 SUHL 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 the impacts on climate change.

1 Invest in infrastructure (energy, water, transport and ICT)
2 Contribute to employment creation
3 Promote environmental sustainability (and climate change mitigation and adaption)
4 Combat (financial and cyber) crime and corruption
5 Invest in financial inclusion
6 Invest in enterprise development, entrepreneurship, and innovation
7 Invest in education, learning and development
8 Facilitate inclusive economic growth
9 Advance Ugandan economic integration and development
10 Support good governance

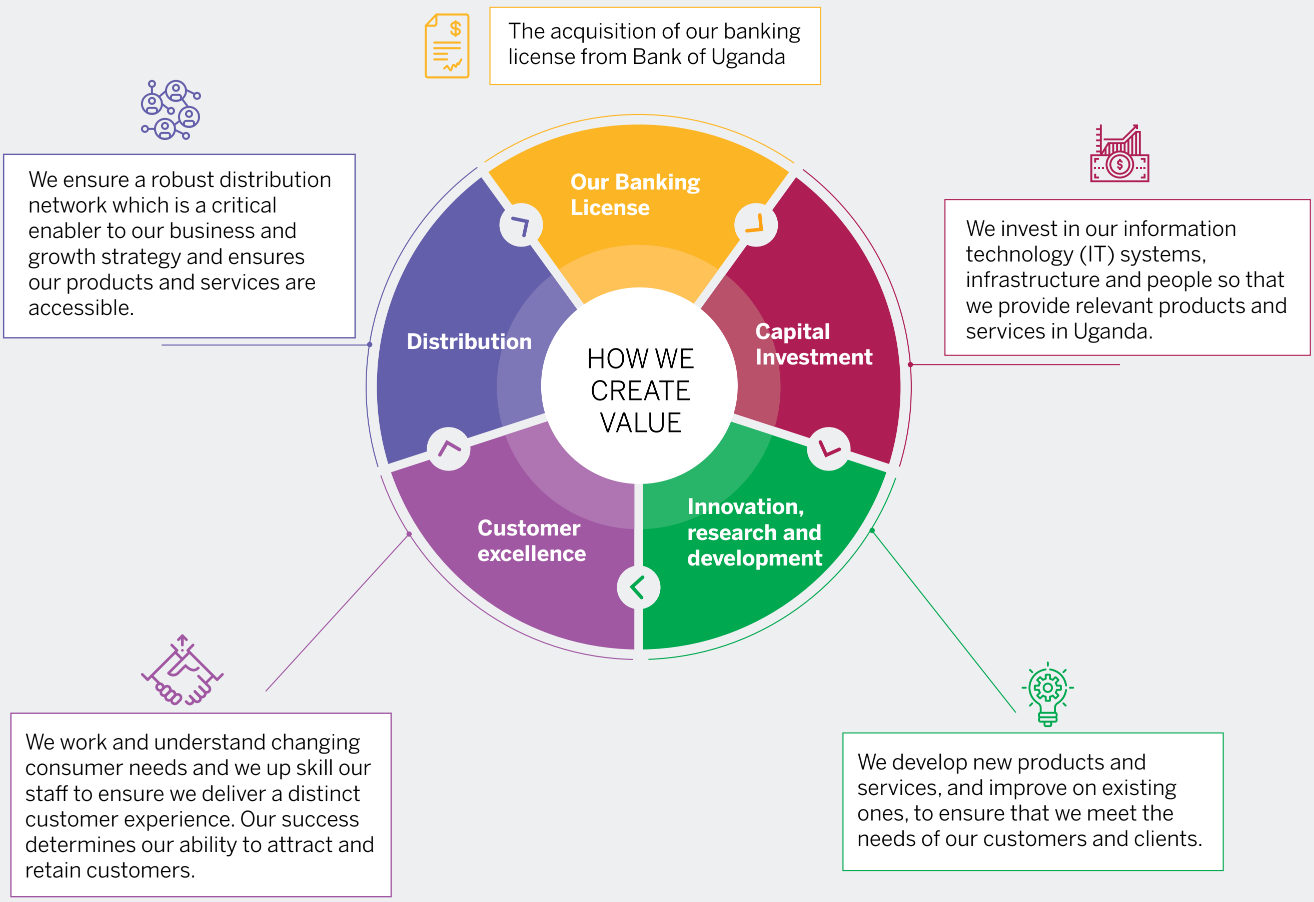
Our SEE shared value....

SEE is at the heart of our business, it's one of the drivers of our growth, it connects us to the community and defines the way we operate. As an integral part of society, we empower our people to collectively make a positive impact to the community, environment and contribute to the growth of our country. The investments through educational programs to equip the young and business community with future skills and health improvement programs together with investing in eco-friendly solutions ensures a better tomorrow for all.

RONALD MAKATA
Head Financial Control and
Business Transformation

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.

Sustainability Highlights in numbers:

		2019	2018	2017
SHAREHOLDERS				
Net profit after tax	UShs 'millions	**259,094**	215,140	200,468
Return on equity	%	**25.0%**	23.5%	25.3%
IT spend as a % of operating costs	%	**12%**	10%	12%
CUSTOMERS				
Number of customers		**551,073**	**522,972**	545,255
Number of branches		**69**	69	69
Number of CSPs		**10**	10	10
Number of ATMs		**174**	175	173
SUPPLIERS				
Number of Active suppliers		**825**	898	861
Total procurement spend	UShs 'millions	**178,223**	156,456	158,419
% of procurement spend with local suppliers	%	**87%**	90%	87%
ENVIRONMENT				
Electricity purchased	kilowatt hours	**4,552,708**	4,806,373	4,916,616
Fuel consumed	litres	**450,431**	476,498	519,755
Water consumed	kilolitres	**26,073**	24,268	21,980
Paper consumed (photocopier)	tonnes	**54**	57	73
Paper consumed (Other)	tonnes	**64**	106	124
EMPLOYEES				
Number of employees		**1 667**	1,665	1,751
Number of female employees		**865**	857	909
Training spend	UShs 'millions	**4 476**	3,581	2,658
Number of employees trained		**1150**	1,656	1,660
Number of Interns		**72**	47	75
Percantage of female managers		**45%**	42%	46%
COMMUNITIES				
Corporate social investment spend	UShs 'millions	**2 906**	2 525	1 450

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
4,552,708 KILOWATT HOURS

PAPER CONSUMPTION
54 TONNES

WATER CONSUMPTION
26,073 LITRES

HUMAN 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):
1,667

TRAINING SPEND:
USH **4,476** MILLION

HUMAN CAPITAL

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

NUMBER OF CUSTOMERS
551,073

NUMBER OF ACTIVE SUPPLIERS
825

NUMBER OF DIRECT CSI BENEFICIARIES
374,169

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

157 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 **43** BILLION

NUMBER OF BRANCHES
69

NUMBER OF CUSTOMER SERVICE POINTS
10

NUMBER OF POINT OF SALE TERMINALS
700

NUMBER OF ATMS
174

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 **2071** billion

NUMBER OF SHARES:
51,189 million

RETENTIONS TO SUPPORT FUTURE BUSINESS GROWTH:
UShs **149,094** million

OUTPUTS

NATURAL CAPITAL

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

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

SUHL's carbon emissions

6683 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
186,340

REGISTERED INTERNET BANKING CUSTOMERS
19,382

REGISTERED SMART APPS CUSTOMERS
4,697

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 **165** billion

OVERALL EMPLOYEE TURNOVER
8.8%

EMPLOYEES TRAINED
1,150

FINANCIAL CAPITAL

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

RETURN ON EQUITY
25.0%

COST - TO - INCOME RATIO
49.0%

PROFIT AFTER TAX
UShs **259** Billion

CREDIT LOSS RATIO
1.5%

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 **2.9**trillion

WEALTH CREATED
UShs **536,149** million

CSI SPEND
UShs **2,906** million

TOTAL PROCUREMENT SPEND
UShs **178,223** million

LOCAL PROCUREMENT SPEND
UShs **154,452** million

CONTRIBUTING TO SUSTAINABLE ECONOMIC GROWTH

Agroways: Stanbic Bank facilitated **UShs 118bn** financial intermediation towards the procurement of grain (maize, barley, sorghum) and cassava from over **33,000** smallholder farmers organised in associations across the country, enabling gainful employment for these smallholder farmers and other actors in this ecosystem like transporters, warehouse owners and service providers.

OUR GENERAL CONTRIBUTION TO THE ECONOMY

Stanbic Uganda Holdings Limited (SUHL) plays a pivotal role in the economic development. The banking subsidiary is one of the domestic systemically important Banks, our imprint on the economy of Uganda is not only limited to provision of banking services but goes as far as facilitating economic growth in the country. SUHL through 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 SUHL employing over 1700 employees directly as well as several others indirectly. This directly enables 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 SUHL is key as it impacts a wide range of the general citizenry. National Social Security Fund(NSSF) which is our second largest shareholder represents contributions from the general workforce in the larger 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 sectors constituted more than 50% of our loan book in the year 2019. Primary growth sectors include trade, 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 by supporting these sectors.

At SUHL 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 financial services needed to uplift their undertakings thereby transforming their lives for a better Uganda.

Various initiatives have been undertaken by SUHL to enable access to financial services for the disadvantaged people 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, agent banking, several point of sale terminals as well as through several digital channels and mobile banking.

In 2019, Stanbic Bank, a subsidiary of SUHL facilitated a number of key transactions in the country which included but are not limited to the following;

Closed loop card payment solution in driving the financial inclusion agenda: Stanbic Bank in partnership with AVSI, rolled out remote payment solution (closed loop card), benefiting over 400 beneficiaries in Rwamwanja refugee settlement area. The card re-affirmed the Bank's focus to support development partners in delivering financial inclusion amongst the last mile beneficiaries they serve. This further delivered the following benefits:

- Enabled beneficiaries to cash out at relevant convinience, thereby reducing the risk of cash carriage.
- Enables beneficiaries to deposit on the card, introducing them to basic savings behaviors and practices.
- Enabled payments for utilities like electricity and water or even pay school fees.
- Allowed for balance inquiries off the card at any Stanbic Bank agent across the country.

Agroways: Stanbic Bank facilitated UShs 118bn financial intermediation towards the procurement of grain (maize, Barley, sorghum) and cassava from over **33,000** smallholder farmers organised in associations across the country, enabling gainful employment for these smallholder farmers and other actors in this ecosystem like transporters, warehouse owners and service providers. Further ecosystem enablements were done through digital payments platform that supported these 33,000 smallholder farmers access formal financial sector, enabling over 300 farmers open Bank accounts. These transactions provided platform for collaboration with the government under agriculture, further fostering effectiveness of government programs of agro industrialisation for import substitution.

Focus on Agriculture and Agribusiness

Agriculture is the backbone of Uganda's economy, employing 70% of the population, and contributing half of Uganda's export earnings and a quarter of the country's gross domestic product (GDP). Since most Ugandans live in rural areas and practice farming, raising agricultural incomes – a centrepiece of Uganda's National Development Plan – is critical to reducing poverty, boosting prosperity and creating jobs, especially for women and youth

Stanbic Bank continued to play a leading role in financial intermediation within agriculture. This is done through financing and support to the agricultural sector in commercial production, aggregation, processing, and storage for agriculture crops; and the production and processing of livestock products.

In addition to this, Stanbic Bank is running a proof of concept on small holder financing with an aim of rolling out small holder financing both locally in Uganda through out grower schemes and regionally where Standard Bank exists.

In 2019, Stanbic Bank facilitated key value chain transactions with major players in the grain sector including Agroways Uganda Limited (UShs 118bn), Grain pulse Ltd (UShs 115bn) and Afrokai Ltd (UShs 16bn). On the other hand, financing to Tobacco production and export was approximately USD 6m plus a futher USD 30m in key financial intermediations in sugar and tea production.

This support among others facilitated value addition, processing, local and foreign trade of agricultural commodities.With the back ward linkage into primary agricultural production, Stanbic Bank intends to further fully support agribusiness value chains which in turn will lead to job creation, improved livelihoods, increased foreign exchange earnings and the development of our nation.

Financial Inclusion and Enhancing Access to Financial Services

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

SUHL supports the Bank of Uganda Strategy on financial inclusion and implemented the following innovations and interventions toward improved financial inclusion.

Agent Banking:
Access to timely, affordable, and robust financial services to all citizens, plays a key role in promoting inclusive economic growth, by enabling citizens to raise their incomes, accumulate savings and better cope with shocks to their income, thereby enhancing their welfare.

SUHL through 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, rates and taxes. Stanbic Bank has built an agent network by recruiting, training and equipping over 1000 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 2019, Stanbic agent banking grew by 88% to 5.4M transactions from 2.8M in 2018 with over 1,000 agents across the country. It contributed 19% of total Bank transactions in 2019 better than 11% in 2018, an attestation to the convenience that Agent banking offers to society, built off easy access to timely, affordable, and adequate financial services to all citizens. It thus continues to play a pivotal role in enhancing the penetration of banking services in the unBanked population thus promoting inclusive economic growth and financial sector deepening.

Our SEE shared value....

MIRIAM NAIGEMBE,
Head, Customer Channels

To me SEE collaborates our purpose, "Uganda is our home, we drive her growth."SEE keeps us grounded and enables better connect, listen and respond to our true client pain points, needs and journeys. As such, our product offerings have evolved to provide inclusive, affordable and convenient financial services for clients. We are now able to reach and transfer money to the unBanked population through instant money service, provide 'next door' financial services through agent banking, provide affordable and convenient banking in the comfort of our customers' living spaces through digital banking alternatives and provide instant credit for any emergency needs through instant cash advance which is available on mobile banking.

Agent banking further continues to create additional revenue streams for local businesses from transaction commissions and has generated employment opportunities for young people at agent outlets. SUHL is committed to being more than a provider of financial products and services, and seeks to be a catalyst for economic change, that makes life better for our communities by contributing positively to growth in businesses and increase in household incomes. Over the next three years, SUHL 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.

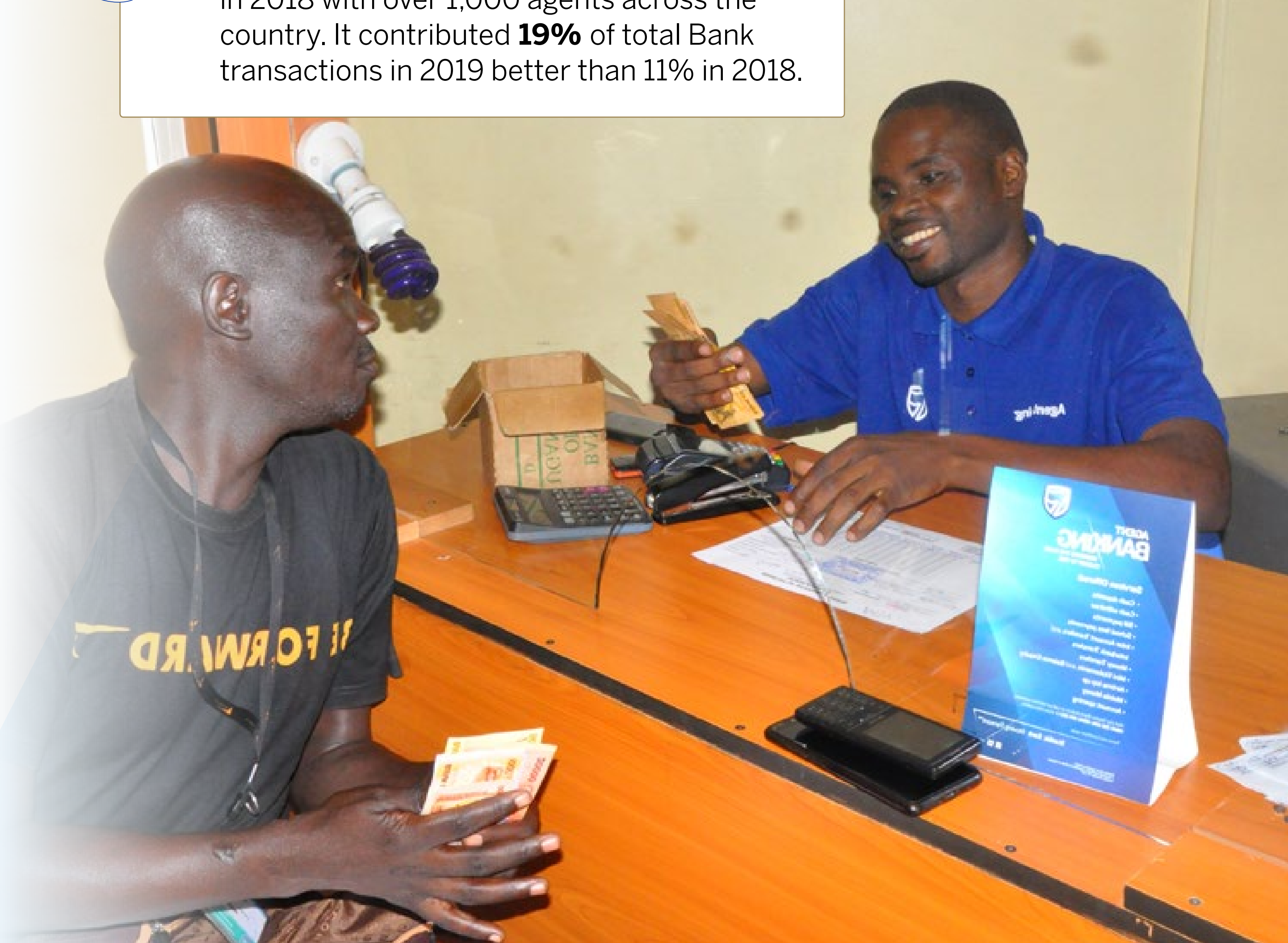
Cash Deposit Machines;
Stanbic Bank has through the Cash Deposit Machines (CDMs), made it easy for customers to access 24/7 banking services for cash deposits with real time deposits. This includes deposits to personal and third party Stanbic accounts as well as deposits for mobile money float. The machines have sorting capacity and accept up to 15,000 notes at ago thus enabling customers to deposit large sums of money with ease. In 2019, deposits through the CDMs grew by 280% in 2019 from 2018. Over the next years, the Bank will continue to grow the fleet of CDMs to extend much need convenience and ease of access to financial services to both customers and the community.

Digital Lending Initiatives;
As the Bank continues to explore various options to widen and extend financial services to the customers, easing access to credit services through digital lending has taken center stage. As a result, Stanbic Bank pre-qualified customers can now access instant loans of between UShs140,000 and UShs2m using mobile and internet banking and receive the disbursement in less than 2 minutes. Instant cash advance enables customers to get quick credit for emergencies such as school fees, medical bills, utilities among other personal needs. Similarly, customers can now also get loan redraws using Internet banking in less than 2 minutes with no paper work and no need to visit the branch.

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 country-wide ATM base across the country without a card or account number, enabling seamless financial transactions between Banked and unBanked. This eases access to basic financial services, and the service has since registered strong adoption with transaction volumes growing by 85% in 2019 from 2018. The Bank continues to actively widen the service access points beyond ATMs toward better convenience and access to services for unBanked population.

Financial Inclusion

In 2019, the Stanbic agent banking grew by 88% to 5.4M transactions from 2.8M in 2018 with over 1,000 agents across the country. It contributed **19%** of total Bank transactions in 2019 better than 11% in 2018.



THE STANBIC UGANDA HOLDINGS LIMITED SME INCUBATOR

SUHL recognises that SMEs are a key engine of 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 SUHL offers capacity building and entrepreneur development programmes purposed to support and nurture SMEs and enable them to survive and grow. 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 and provides avenues for accessing both markets and funds

Realised impact in 2019

468
companies trained over 11 cohorts in 2019 up from 192 companies in 2018

Focus on **Oil and Gas local content development.** Specific attention in 2019 was on fabrication and construction, camp services and hospitality, transport and logistics and operationalizing the regional incubator centres. In 2018 focus was on Fabrication and construction, camp services, transport and logistics, and hospitality

1,232 **people were trained** throughout the year and the program was successfully extended to two regions in the country, up from 514 people trained in 2018

Subject	Cohorts 5 – 7	Cohorts 8-10	Regional Programme
Cohort Duration	4 months (March 04 – June 28, 2019)	4 months (August 26 – December 10, 2019)	6 weeks (October 14-December 18,2019)
Cohort Industry	Cohort 5: Construction and fabrication Cohort 6: Transport and logistics Cohort 7: Camp services	Cohort 8: Construction and fabrication Cohort 9: Transport and logistics Cohort 7: Camp services & hospitality	Gulu Cohort 1: Gulu Cohort 2: Mbarara Cohort1: Mbarara Cohort 2:
Number of companies	153 companies on boarded in the 3 cohorts as follows: › Construction and fabrication – 50 companies › Transport and logistics – 53 companies › Camp services & hospitality – 50 companies A total of 146 companies graduated (85%) after 4 months	156 companies on boarded in the 3 cohorts as follows: › Construction and fabrication – 53 companies › Transport and logistics – 50 companies › Camp services & hospitality – 53 companies A total of 146 companies graduated (87%) after 4 months	159 companies were trained through the regional program. › Gulu Cohort 1: 41 › Gulu Cohort 2: 40 › Mbarara Cohort1: 38 › Mbarara Cohort 2: 40 Companies has a total of 11 training days and two business clinics per cohort
Number trained	A total of 504 people were trained in the 3 cohorts, 43% of whom were female with details follows: › Construction and fabrication – 161 people (35% female). › Transport and Logistics – 190 people (43% female). › Camp services & hospitality – 153 people (50% female). Overall the 43% of the trainees were women.	A total of 519 people were trained in the 3 cohorts, 41% of whom were female with details follows: › Construction and fabrication – 161 people (37% female). › Transport and logistics – 190 people (35% female). › Camp services & hospitality – 153 people (38% female). In comparison to cohort 5,6 & 7 there were significantly less women (37%) on the programme this time round, across the 3 cohorts.	› A total of 209 people were trained in the 4 regional cohorts. › Overall 54% of the companies attended the Business Clinics of these 61% of the companies were from Gulu and 45% from Mbarara. › This was the pilot regional program and it has been a baseline in terms of the whole value chain.
Number of courses	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%).	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%).	A total of 10 courses were undertaken as part of the regional programme supported by Business Clinics, coaching, industry and subject matter experts and meeting with regulators.
Partners	Other than the Bank, a total of 13 companies participated in the program, 10 of which offered their services pro bono (77%).	Other than the Bank, a total of 13 companies participated in the program, 10 of which offered their services pro bono (77%).	› The training was enabled with the financial support of GIZ. › The training and business clinics was run by the Bank and one other company.
Course evaluation	Feedback on the various course modules was undertaken through course evaluations and subsequent post course feedback. This was positive on the whole, The highest rated course was The 7 Habits of Highly Effective People (87%); whilst the lowest rated one was Risk Management and Insurance at 78%	For a second time in a row the feedback from the 3 cohorts was consistent with the previous 3 cohorts. The module with the highest average rating from the combined 3 cohorts was The 7 Habits of Highly Effective People (87%); whilst the lowest rated one was Risk Management and Insurance at 80%	› The program furthered the support of SMEs development by the Bank and spoke to local relevance and support. › Training materials, user manuals and modules were developed for the regional programs. › Involvement of subject matter experts including regulators provided opportunities to learn, ,network ,interact and ask questions
Coaches	The coaching of cohort 5, 6 and 7 is ongoing	The coaching of cohort 8, 9 and 10 is ongoing	› The companies that successfully completed the program and submitted business plans are currently undertaking the coaching due to end in Q2 2020

Key Focus for 2020: 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 2020 including:

Continuation of running the regional training centres

3 regional training centres will continue to operate with the purpose of developing and delivering 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** – Taking care of the western region and focusing on dairy and beef sector which is related to oil & gas related sectors. (Oil Pipeline target)
- **Gulu** – Supporting the northern region focusing on the grain sector and food supply for the oil sector.
- **Mbale** – Taking care of the eastern region and focusing on the agriculture and transport sectors.

Hoima Agriculture Pilot Project

Establishment of a pilot agriculture project in Hoima in the centre run by Hoima Diocese in partnership with Kazi Food Logistics and Hoima District Farmers Association.

The success and learnings of this project will enable the duplication of the model in other parts of the country, with due respect to the key products of the areas.

Business Networking

Business networking to be held on a monthly basis and sponsored by partners at the business incubators. business

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. This will be done in a scalable and sustainable manner.

Introduction of Business Clinics

Introduction of business clinics to support SMEs on a quarterly basis in the regional centres in Mbarara, Mbale and Gulu.

The Incubator

A total of 519 people were trained in the 3 cohorts, **41%** of whom were **female**

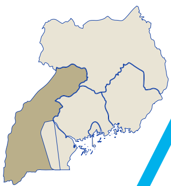
Testimonials from companies in Cohort 5 – 10 and from across the regional centres of Gulu and Mbarara

SILVERSTONE MANAGEMENT LIMITED

Babra Kyokusiima
(Managing Director)

Emerging companies that are desirous to grow professionally in our country have had setbacks setting up businesses that are worthwhile in the long term. The foundation years of these companies are full of uncertainty and harbour vague practices that not only set them behind established ones but also deprive them ample time to establish their competitive advantage within industry.

With Stanbic Bank business Incubator, Silverstone Management Limited, a Designs and Build construction company, utilized the grand opportunity to re-strategise, restructure and re-organize its operations using the expertise knowledge and practical experiments obtained from the incubator. Our company business plan was streamed lined, financial and compliance issues put in check and since then, we have been able to adapt current practices in our construction industry that provide us with professional competence to take on even complex and advanced infrastructure projects. We have been exposed to opportunities such as creating partnerships with other players in the industry. The experience opened our eyes to forecast the capability of our company and created an environment for us to prepare for exponential growth in the construction industry.



SCECK CONSULT

Kazoora M.
Charlotte

Reference is made to the four months training that was conducted and concluded by several trainers under the Incubator cohort 9.

Sceck Consult has been in existence since 2013 but was formally registered in 2015. Over years, the management has concentrated on looking for money. The training has been the last thing we put our effort to because the firm never knew the importance of training human resource in the development of a business.

The main business of the firm is finance and business solutioning for different sectors and youth and women economic empowerment programs.

Management Training
Corporate governance and joint ventures
We have always thought that corporate governance structures are for big companies. After this training, it was clear that without corporate governance in place, the firm cannot attract meaningful external financing and partners hence stagnated growth or no growth, in the worst-case scenario, the business may fail due to lack of checks and balances on the proprietors.

Staff Training
The firm was helped by the training of five key personnel in business planning and analysis, branding and image building and contract management among other modules. As our main business, the firm has gained by reducing the proposal writing timelines.

BWANIKA DERRICK KAKEETO | DEFRAM-TEKNO Building Contractors Ltd.

MY EXPERIENCE WITH THE BUSINESS INCUBATOR- DEFRAM-TEKNO LTD"

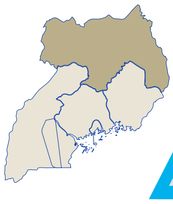
Around September last year, a friend sent me a WhatsApp message requesting me to apply for the business Incubator program. I was fresh from University in May -2019 with a Bachelor of Engineering (Civil) from Ndejje University and subsequently registered my company on 3rd July 2019.

Fortunately, i was admitted to the incubator among Cohort 8. From the contact base developed while at the incubator all through to the lessons learnt are what have kept us going to this day .

Most of the facilitators showed to us the importance of professionalism in all our undertakings. We have organised our books of accounts, recruited essential staff through the means we learnt and of course keeping a keen eye on our development as a company.

Our cordial appreciations to Stanbic Bank for the wonderful opportunity, keep training more SMEs the future of Uganda is production !!!

Overall 54% of the companies attended the business clinics of these **61%** were from Gulu and **45%** from Mbarara.



DREW TETE LIMITED | Andrew Odoch

Before I signed up for the Incubator, I had no regard for training and having been in business for 8 years, I felt I had a handle on things, but I wasn't seeing the results I desired and I was lost in the cycle of going to work hard everyday day without much thought how the future will play out. The training opened my eyes and helped me see the business from an outsiders perspective, they say you can't see the picture when you are in the frame. Since then, I have rethought my entire business philosophy and made some major changes, we set targets and measure everything, I now have the tools to achieve my wildest dreams. Thank you to the entire incubator team and Stanbic Bank.

KENNEDY IGUNGA | Managing Director Biocore Enterprises Limited

We are proud to write to you about the transitions our organisation realized from the Stanbic Business Incubator, the incubator opened a plethora of business networks we never realized were available to us which has improved our business and our significance in the market thanks to the incubator.

We were polished on relevant record keeping, customer records and budgeting which has all contributed to proper accountability and auditing, both internal and external

From the incubator, we made a verdict to have professional website, a professional email for the business to increase our online visibility, and this was from the illumination we got at the incubator about the significance of branding. This has increased traffic to our Facebook page and ease for clients to reach us which we believe in the long run it's going to funnel clients to our business (www.biocorenterprises.com)

The Stanbic incubator was indeed a ray of light into our business. A lot of changes have been made, some may not look so monumental to a layman, but their effects are so indelible to our business both in the short and long run growth

KIGONGO IGA ASHIRAPH, Managing Director
Able Holdings Ltd

How has Stanbic Business Incubator shaped my destiny?

Before being enrolled to the business incubator, little was known about the opportunities in the oil and gas sector. But as we talk right now, we are aware of the vast opportunities in the industry and we have acquired great skills in quality management and the importance of ISO accreditation.

As a graduate of the incubator, I have improved in accredit opportunities and how to keep proper records. We have managed to address gaps that were drawing us back. I have since enriched my subspecialty skills in business entrepreneurship. I felt greatly honoured to be enrolled to the incubator and received the skills with humility. I will forever be grateful for the support and encouragement we have continued to practice in our day to day business.

- During post business incubator, we managed to highlight challenges and opportunities surrounding the SMEs and this raised awareness and offered a direction for solution to build capacity hence increase in turnover in our company.
- My team have improved in service delivery and customer care right all the way from the front desk. With the skills attained we cannot remain the same. We have really kept our relevance in the job markets.
- Additionally, we managed to create order in the house by having proper systems in place. So that in the absence of Director's business work will always continue.
- Further to that we have managed to invest, grow and manage working capital, finance contracts, and repeat orders from reputable companies. In nutshell I learnt to say "No" to bad business.

As Nelson Mandela said, "Courage is not the absence of fear' and never let fear get better of you". Courage is the will to stay focused. Viva for the job well done by the Stanbic Management and the entire business incubator team.

LEONARD KATUSIIME, Managing Director,
AIM Investments

I am Leonard Katusiime a Managing Director of Broad Aim Investments Limited a construction and cleaning company in Albertine region.

Iam a cheerful graduate trainee from Stanbic Business Incubator in 2019, and am really gratified for the exponential training acquired in the bid management preparation because since I had registered the company in October 2017 I had never won any bid contract with any institution but after I attended the bid management training and learnt on how to prepare a winning bid and all other bid management processes, this early 2020 I prepared three bids and out of three I managed to win two; one in construction of staff houses which is worth two hundred millions (200,000,000) and the other one in supply of cleaning detergents worth twenty five million (25,000,000).

I really appreciate the Stanbic Incubator trainers and all other partners sponsoring the scheme and appealing to all other business owners to take part in the training because it is so impactful, resource based and result orientedand will enable our businesses to thrive in this competitive era of developing technology.

Thank You SUHL, 'A better tomorrow' is imminent!

ECONOMIC THOUGHT LEADERSHIP INTERVENTIONS:

Uganda-Tanzania Business Forum

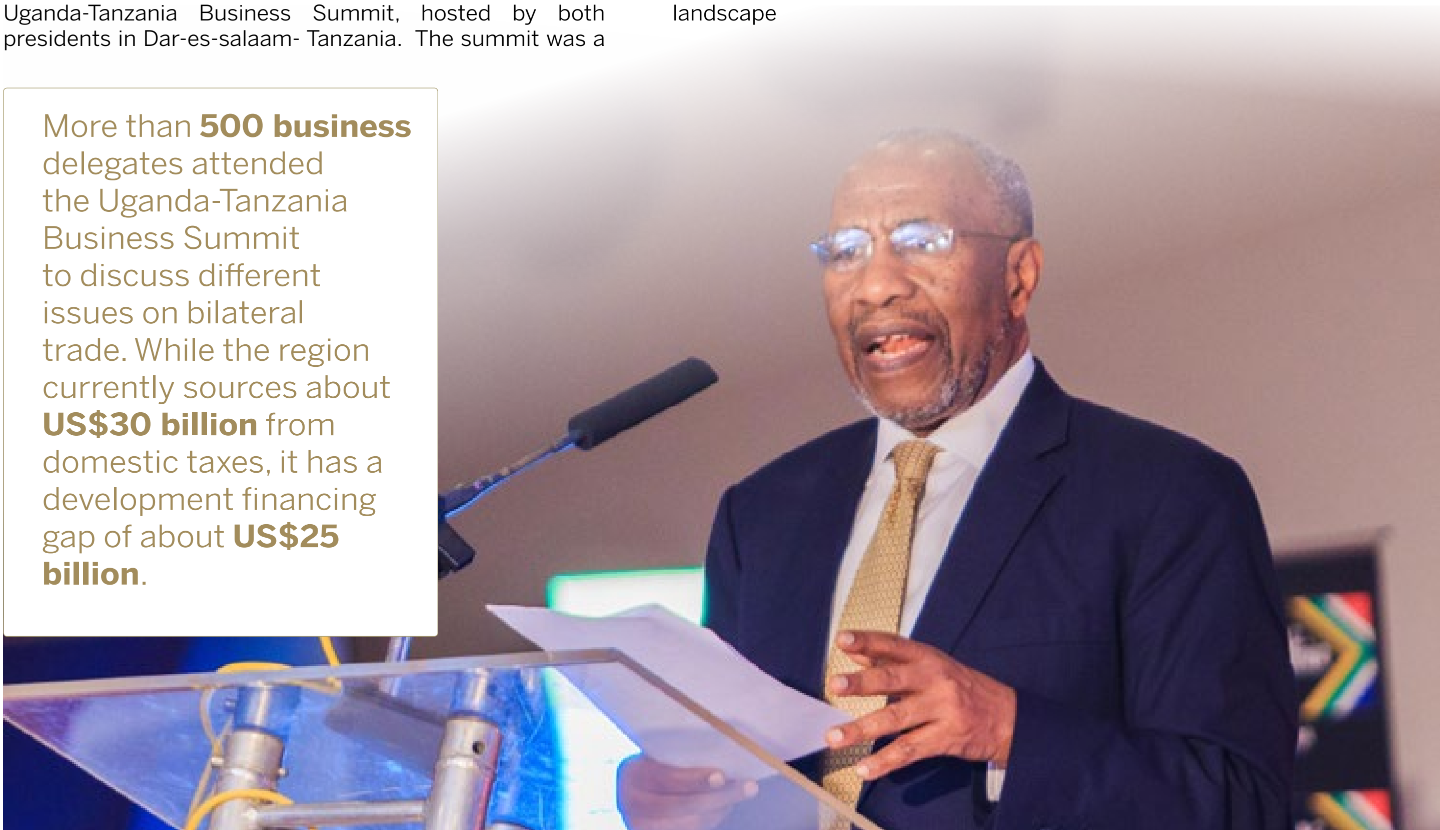
East Africa represents one of Africa's oldest trading areas with a deep history of effective integration having almost formed a customs union in the 1970s. Latest efforts at integration have seen regional trade and investment reach 30%, the highest in Africa, with goods, services and people moving freely across borders. Additionally, the economies in the region are supported by business-friendly governments with political will to support and increase foreign investment, business growth and deeper regional integration.

The Republic of Uganda and the United Republic of Tanzania enjoy cordial and excellent bilateral relations and strong historical bonds. They achieve common goals and interests through existing cooperation frameworks. Trade between Uganda and Tanzania has been increasing over the years; in 2016 the value of Uganda's exports to Tanzania was US$69 million. In addition, large volumes of informal trade happen across our borders. There is great scope for increasing trade not just between Uganda and Tanzania, but within the EAC and the Great Lakes region too, if there is a concerted effort to eliminate residual tariff barriers to trade and investments.

In October the two governments organised the first ever Uganda-Tanzania Business Summit, hosted by both presidents in Dar-es-salaam- Tanzania. The summit was a huge opportunity for the Ugandan and Tanzanian private sector players to share experiences, forge business-to-business networks, and pursue investment opportunities. More than 500 business delegates attended the summit to discuss different issues on bilateral trade. While the region currently sources about US$30 billion from domestic taxes, it has a development financing gap of about US$25 billion. More recently, as sovereign debt levels in the region approach 40 to 50% of GDP, opportunities are opening for private infrastructure investors in public private partnerships (PPPs).

Stanbic Uganda Holdings Limited (SUHL) sponsored the summit to demonstrate how Standard Bank's strategic partnership with its majority shareholder, the Industrial and Commercial Bank of China (ICBC), is proving so valuable to the region, as we recognise synergies and jointly seek to link Chinese capital with local and other foreign businesses, skills and operational expertise. As a Bank long present and successfully invested in the region, Standard Bank has deep experience in identifying opportunities for clients across multiple sectors, and then partnering with them on their journeys to successfully leverage East Africa's broad growth landscape

More than **500 business** delegates attended the Uganda-Tanzania Business Summit to discuss different issues on bilateral trade. While the region currently sources about **US$30 billion** from domestic taxes, it has a development financing gap of about **US$25 billion**.



SOUTH AFRICA-UGANDA BUSINESS SUMMIT

FOSABU Inaugural Business Forum

The Forum of South African Businesses in Uganda (FOSABU) with the support of the South African High Commission-Uganda held an inaugural business summit aimed at promoting partnerships between Ugandan and South African businesses. FOSABU is a business association that was formed in 2015 and comprises of South African companies doing business in Uganda and other companies operating in Uganda that have strong linkages to South Africa. Stanbic as an executive member of FOSABU sponsored this summit for the opportunity it presented both countries to leverage and create partnerships to boost economic growth. Increasingly, more South African Businesses are seeking opportunities to not only expand their export market but also cultivate mutually beneficial partnerships with Ugandan partners.

According to statistics from FOSABU, more than 70 South African companies are registered in Uganda and are estimated to have invested $2.4 billion. Through these investments, South African businesses have contributed to Uganda's growth through creation of job creation, skills transfer, contribution in taxes and growth in various sectors of the economy.

The summit organized under the theme "Trade; The connector and driver of Inclusive growth In Africa," attracted over 500 delegates comprising of South African companies doing businesses in Uganda and their local business partners and other stakeholders. Over the years Uganda and South Africa have had excellent relations as strategic partners in promoting trade and investment however trade between South Africa and Uganda needs to scale up especially for the benefit of Uganda. By 2016, Uganda's imports from South Africa were valued at $215 million against Uganda's exports worth $17million. Ugandan companies can grow a lot more by forging partnerships with South African companies which have the potential to open other markets for Ugandan foods. In addition, with an emerging oil and gas sector, Uganda presents an immense opportunity for increased trade, development and deeper economic integration with South Africa.

Stanbic was declared the **best performing commercial Bank 2019** in disseminating the Government of Uganda funded Agricultural Credit Facility to the sector.

Seeds of Gold Farm Clinics

More than 70% of Uganda's population is employed in agriculture which contributes 25 per cent to our GDP. As such supporting business development in Uganda is not complete until you support agro-business. As a Bank that is strongly rooted in the growth and development of Uganda, Stanbic Bank Uganda partnered with Nation Media Group to help create awareness to the public and customers about the various agriculture products and services that can benefit farmers and agri-businesses across the country through the Seeds of Gold farm clinics. The farm Clinics are one day events that take place at the National Agricultural Research Organisation (NARO) centres in the participating districts with each Clinic themed to address a specific area within the agri-business sector. Training, demonstrations, best practices and more are provided. The farmers use these clinics to deepen their knowledge on a given area of interest, network with industry experts and their peers. Through the farm clinics, we were able to engage with over 5000 people employed across the various value chains within the agri-business sector.

Stanbic Bank has a wide branch network across the country with over 69 branches and more than 1000 agents spread across the country. This made it easy for the Bank to tap in to the agricultural economy which is common upcountry using a separate unit to handle agribusiness. Stanbic agribusiness financing played a key role in enhancing agriculture development in Uganda through provision of working capital and term facilities for the agriculture sector. This has had a pull effect of providing off take of primary agriculture produce from farmers, enhanced use of locally produced raw materials in the agro processing industries and contributed to foreign exchange earnings through facilitation and financing of export of agriculture commodities. This has created employment and businesses along the agriculture value chains.

The Bank finances all these ventures through the Agricultural Credit Facility in partnership with Bank of Uganda and in 2019, Stanbic was declared the best performing Commercial Bank 2019 in disseminating the Government of Uganda funded Agricultural Credit Facility to the sector.

Business Incubator Partnership With UCC

In 2019, we partnered with the Uganda Communications Commission to **upskill the film industry** and continue a journey started by the commission to make the SMEs participating in this sector commercially viable.

Stanbic Bank, through its business incubator has been instrumental in making sure SME's overcome their challenges. It provides an enabling environment for SMEs to enhance their capacity, enabling their businesses to survive, operate successfully and grow. So far, the incubator has so far graduated 1,489 entrepreneurs from over 500 businesses. Many of these have shown impressive growth in terms of finances and compliance while others have expanded their operations exponentially.

The Bank has established 3 regional business incubator centres to serve small businesses based outside Kampala. These regions include Mbale in the east which will be a transport corridor for imports, Mbarara in the west will provide pipeline opportunities while the northern region will provide opportunities for agriculture and food business. With the new regional centres, small businesses in these regions will be equipped with the right skills to help them identify opportunities for businesses development. Since its inception in 2018, businesses have gone through different training sessions ranging from compliance, corporate governance, business planning and analysis, financial literacy, business ethics, 7 Habits of highly effective people, human resources, joint ventures, contracting, risk and insurance, bid management, procurement and negotiation, quality management, branding & image building among others.

In 2019, we partnered with the Uganda Communications Commission to upskill the film industry and continue a journey started by the commission to make the SMEs participating in this sector commercially viable. We believe it is important to skill these local film and production businesses and empower them so they can unlock opportunities in the industry not only in Uganda but across the globe. 70 businesses will be joining the Business Incubator in the first quarter of 2020 to receive the training and upon graduation will qualify for further skilling with the Commission.

IDG Forum

Bringing hope to refugees to through financial inclusion:

As the leading and responsible financial institution, we have a responsibility not only to our shareholders, but also to our clients in providing solutions ranging from wholesale foreign currency exchange solutions, staff banking solutions, cross border payments to remote payments to reach the last mile. Over the last decade, synergies have been created between us and the mobile network operators to bridge the gap between the Banked and the unBanked population.

This means that we appreciate the challenges that communities face and we want to be part of creating the solution to the numerous challenges that our people face. We recognise that collective effort is required and that is why we engage our stakeholders regularly to understand their concerns, build relationships and develop partnerships. We explore ways our Bank can work in partnership with donor-funded programmes to ensure successful outcomes in line with the specific project mandate.

AVSI had to carry huge amounts in cash, at great cost and risk to the their staff.

We built a **card solution** enabled AVSI to disburse the funds safely, conveniently and this also helped to achieve financial inclusion and develop a savings culture among the beneficiaries.

It's on this premise that we developed a solution for our client AVSI with the intention of efficiently and effectively disbursing monthly upkeep and small business start-up capital to about 6,600 refugee households settled in the Rwamwanja area, Kamwenge district under the USAID-funded Graduating to Resilience Activity. Their overall project objective is to rebuild the dignity of refugees in the area by enhancing their profile into self-sufficient and productive members of society. Before the solution, AVSI had to carry huge amounts in cash, at great cost and risk to the AVSI staff. The refugees were also forced to travel long distances (as far as 60 km) on pay-day to receive the cash and at great risk to their safety. We built a card solution enabled them to disburse the funds safely, conveniently and this also helped to achieve financial inclusion and develop a savings culture among the beneficiaries. Each refugee was issued with a pre-paid card, that could be used at any Stanbic agent banking premise, safely and conveniently comprised of 13 clients and 4 staff to the conference allowing them to network with businesses across the continent, share experiences and best practices and forger partnerships to support the growth of their local entities. 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 SUHL countries.

Our SEE shared value....

LOIS ABER KWIKIRIZA,
Marketing Manager CIB & BB

SEE in my view is about value creation for the Bank, the 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 people to serve our clients with confidence and ensuring that our clients' business grow to have a lasting impact on our motherland Uganda.

CONTRIBUTION AND PAYMENTS INTO THE ECONOMY & 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

	2019	2018	2017
	UShs 000	**UShs 000**	**UShs 000**
Suppliers	**178,223,153**	**156,456,243**	158,419,372
Payments to Government (Direct & Indirect)	**109,149,008**	**103,065,176**	85,202,873
Payments to Regulators	**10,395,944**	**9,613,529**	9,536,274
Payments to Shareholders	**110,000,000**	**97,500,000**	90,000,000
Payments to Employees	**164,999,991**	**148,609,404**	141,491,545

Our support to the economy is also reinforced by our revenue contributions to the national budgeted and 2019 saw us contribute UShs 109 billion in form of tax (direct and indirect) up from UShs 103 billion in 2018. We further collected over UShs 4.83 trillion worth of taxes on behalf of URA

OUR FINANCIAL INTERMEDIATION TO THE ECONOMY

Financial intermediation is central to our operations as a financial institution. Financial 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, SUHL increased its credit disbursements by 23%, up from UShs 1 672 billion in 2018 to UShs 2 053 billion in 2019.

Financial Intermediation by Segment category

Loan Disbursement Per Category

	2019	2018	2017
	UShs	**UShs**	**UShs**
Corporate banking	**1,027,545,014,699**	767,628,910,828	805,133,551,910
Business banking	**708,026,337,164**	583,324,858,133	412,848,104,909
Personal banking	**318,327,253,263**	320,949,148,169	295,130,221,940
Total	**2,053,898,605,125**	**1,671,902,917,131**	**1,513,111,878,760**

Financial Intermediation by Sector and Focus factions

The SUHL 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 SUHL has extended the below financial advances into the varied sectors and focus sections.

Loan Balances per Sector	2019	2018	2017
Economic Sector	**UShs '000**	**UShs '000**	**UShs '000**
Agriculture, Fishing & Forestry	**518,095,700**	**393,327,313**	350,212,600
Mining and Quarrying	**339,301**	**373,398**	393,746
Manufacturing	**403,857,150**	**266,660,578**	260,125,972
Trade	**486,217,126**	**457,707,118**	253,928,451
Transport and Communication	**199,229,277**	**297,265,960**	265,428,459
Electricity and Water	**110,114,662**	**80,255,963**	107,304,832
Building, Mortgage, Construction and Real Estate	**399,542,064**	**376,641,507**	349,008,003
Business Services	**41,203,844**	**28,025,803**	36,056,222
Community, Social & Other Services	**74,462,504**	**70,816,944**	75,986,329
Personal Loans and Household Loans	**722,286,154**	**641,549,831**	519,761,965
Other Activities	**0**	**-**	-
TOTAL	**2,955,347,782**	**2,612,624,415**	**2,218,206,578**

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 that bring a diverse range of capability to contribute in delivering the SUHL vision.

SUHL through its employee value proposition has enabled acquisition of 45 staff homes in 2019 and extended UShs 7.8bn financial enablement to 1,041 employees in 2019.

	2019		2018		2017	
	No. of Staff	**UShs Amount**	**No. of Staff**	**Amount**	**No. of Staff**	**Amount**
Staff Home Loans	**45**	**7,829,785,410**	49	8,825,493,929	36	4,741,604,386
Staff Personal Loans	**996**	**18,492,746,234**	971	16,273,176,224	951	11,526,030,473
Total	**1,041**	**26,322,531,644**	**1,020**	**25,098,670,153**	**987**	**16,267,634,859**

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 SUHL in 2019 is UShs 536 billion as shown in the value-added statement below.

Of the total wealth created in 2019 the following is the total flow of capital among some key stakeholders:

- UShs 165 billion or 31% was distributed to employees as remuneration and benefits (Up from UShs 148 billion in 2018).
- UShs 109 billion or 20% was distributed to the Ugandan government in form of taxes: (Up from UShs 103 billion in 2018).
- UShs 110 billion or 20% was paid in dividends to shareholders both ordinary and non-controlling interests (Up from UShs 97.5 billion in 2018).

The value-added statement below shows our economic impact on society in 2019

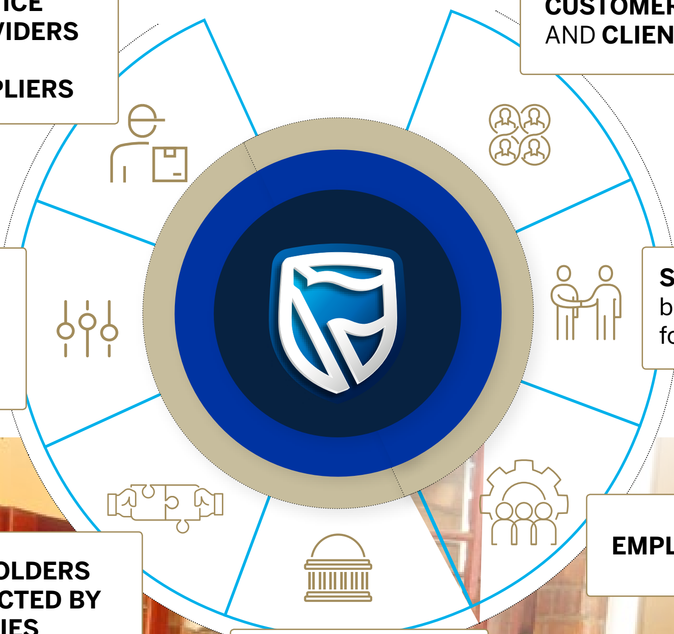
Value added statement for year ended 31st December 2019	2019	% of wealth created	2018	% of wealth created	2017	% of wealth created
	UShs '000		**UShs '000**		**UShs '000**	
Value added						
Interest Income	**484,410,301**	**90%**	404,291,586	86%	403,527,401	103%
Commission Fee Income	**160,970,448,**	**30%**	141,231,581	30%	131,246,286	31%
Other Revenues	**197,196,438**	**37%**	148,961,059	32%	152,011,393	34%
Interest Paid to Depositors	**(35,469,336)**	**-7%**	(33,372,120)	-7%	(50,780,272)	-11%
Other Operating Expenses & Impairments	**(270,958,431)**	**-51%**	(191,772,158)	-41%	(207,391,713)	-57%
Wealth Created	**536,149,420**	**100%**	**469,339,948**	**100%**	**428,613,095**	**100%**
Distribution of wealth						
Employees	**164,999,991**	**31%**	148,609,404	32%	141,491,545	35%
Government	**109,149,008**	**20%**	103,065,176	22%	85,202,873	20%
Ordinary Shareholders - (dividends)	**88,000,000**	**16%**	78,000,000	17%	72,000,000	9%
Non-Controlling Interests	**22,000,000**	**4%**	19,500,000	4%	18,000,000	2%
Corporate Social Investment (CSI) Spend	**2,906,363**	**1%**	2,525,282	1%	1,450,887	0%
Retentions to Support Future Business Growth	**149,094,058**	**28%**	117,640,086	25%	110,467,790	33%
Wealth Distributed	**536,149,420**	**100%**	**469,339,948**	**100%**	**428,613,095**	**100%**

BUILDING A RESPONSIBLE BUSINESS

Stakeholder Engagement

Stakeholder Map

OUR STAKEHOLDERS



SERVICE PROVIDERS AND **SUPPLIERS**

CUSTOMERS AND **CLIENTS**

SHAREHOLDERS both local and foreign

REGULATORS, INDUSTRY BODIES AND **BUSINESS ASSOCIATIONS**

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're reading this report, you are a Stanbic Uganda Holdings Limited 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 owner 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 are affected by our activities.

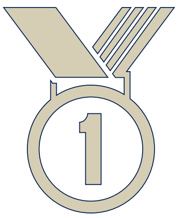
We are working to better understand what matters to you and to create long-lasting shared value. We seek to do this by providing financial solutions tailored for Ugandan markets, which contribute to Uganda's economic growth, support job creation, and help to economically empower individuals and businesses. In doing so, we simultaneously expand the market for our products and services, making SUHL 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 a good present and future value for their investment.	SUHL continued to generate record earnings, remaining the best capitalised and most profitable bank in Uganda with continued aspiration to deliver superior returns to our shareholders. SUHL continued to invest in information technology and position the bank's digital growth strategy in order to better serve customers and improve business efficiency.
Customers and clients	• Satisfaction & NPS surveys • Various customer channels including the distribution network. • Marketing initiatives. • Relationship and business managers. • Customer Contact Centres (CCC) • SME Enterprise Direct	Service and fit for purpose products Cybercrime Convenience Real time solutions	Stanbic Bank continued widening Agent banking network and capability to widen access banking services, growing the network to well over 1,000 agents. Stanbic agents, customers can; deposit money, withdraw money, pay for school fees, utility bills, goods and services, rates and taxes. Through the Stanbic digital banking solutions, the bank introduced instant cash advances and instant redraws enabling clients access hassle free, real time credit solutions. Enhancements to the bank's digital platforms continue to provide great convenience and autonomy to client, with strong investment in cyber security to safeguard client interface. Stanbic bank also revised product offering to include a **Pay As You Go** value proposition towards enabling client choice on consuming banking services.

Government and Regulators	**BOU** • Formal meetings, policy discussions, conferences. • Onsite visits and compliance inspections.	**BOU** 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	**BOU** 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, agency banking is enabling the bank bring banking services closer to the people at affordable and inclusive propositions.
	URA • Formal meetings, adhoc discussions, workshops and conferences • Onsite visits and audits	**URA** URA's key expectation is to ensure effective tax compliance. Strategic partnerships; act as a tax agent in ensuring tax compliance and collection.	**URA** SUHL has firm processes in place for ensuring timely tax and return submission on both corporation and agent. SUHL further engages services of tax experts and consultants to ensure and sustain highest levels of tax compliance.
	CMA/USE • Formal meetings, adhoc discussions, analysts' briefings	**CMA/USE** Build confidence and trust in the Uganda capital markets through providing a true and fair view of SUHL operations and performance.	**CMA/USE** Partner with CMA in enhancing financial literacy for media stakeholders. Elaborate and detailed annual reports providing a transparent impartial view of SUHL 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 Job security and remuneration Trainings and acquiring new skills Employee welfare	SUHL has invested in technology to enable and simplify staff processes. Committed to developing employee capability in our ever-evolving environment, SUHL through learning and development interventions facilitated capability enhancement for all staff. SUHL is further strongly invested in employee wellness programmes as well as a robust performance and reward system.
Suppliers	• Supplier engagement forums, supplier Awareness forums, Vendor performance meetings, regular vendor meetings	Collaborative relationship and mutual partnership on delivering commensurate value and benefit. Preferential procurement.	SUHL holds regular supplier and vendor awareness forums that presenting an open and transparent platform for suppliers to interact with the SUHL Management and procurement functions, refresh understanding of SUHL procurement policies, practices and commitment to building trusted supplier relations

ACCOLADES FROM OUR STAKEHOLDERS

In 2019, our stakeholders recognised varied areas of the Bank's excellence and outstanding and contributions to society, economy and environment. Areas of recognition ranged from outstanding integrated reporting to best Bank in Uganda as highlighted below;



Employer of the Year Award:

Stanbic Bank was recognized as the Employer of the Year for 2019 out of 100 participating organisations. This was an outstanding achievement following a deliberate strategy and initiatives to make the Bank an employer of choice.

Employer of the year Award, Federation of Uganda Employers (FUE) Awards 2019

Stanbic Bank was recognized as the Employer of the Year for 2019 out of 100 participating organisations. This was an honor and outstanding achievement following a deliberate strategy and initiativesmake the Bank an employer of choice. The focus of this year's accolade was on "Transforming Organisations to Optimize Productivity" and recognised employers' effort towards overall business strategy execution, customer service transformation, organisational culture initiatives, improved employee engagement, organisational efficiencies, cost reduction initiatives, topline and bottom-line growth.

Stanbic Bank stood out for the driving the LOVE culture, improved staff productivity, robust risk management, client and employee experience, diversity and inclusion, transforming communities through CSI, numerous best Bank awards, and consistently excellent financial results over the last four years.

Corporate Live Wire Global Awards:

The Chief Executive SUHL, Patrick Mweheire was awarded banking Professional of the Year, Africa

FiRe Awards, Institute of Certified Public Accountants

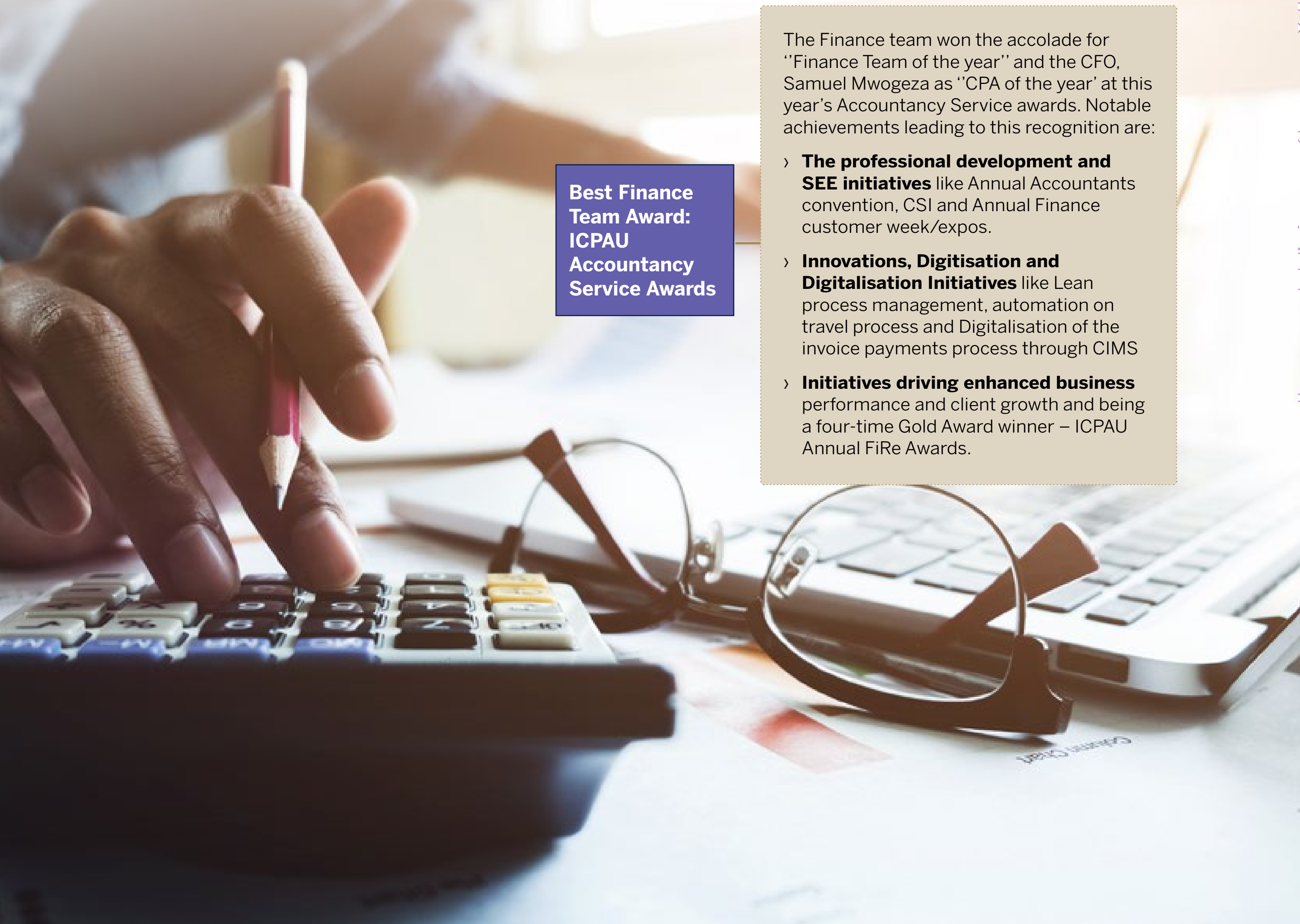
In recognition of excellence, quality and content of the annual reporting to promote transparency, Stanbic Bank received six accolades at the 9th Edition of Financial Reporting (FiRe) Awards as below;

1. Overall Integrated Report of the year Award	**GOLD**
2. Commercial banking Award	**Overall Winner**
3. Best Listed Entities Award	**Overall Winner**
4. Sustainability Reporting Award	**Overall Winner**
5. Corporate Governance Reporting Award	**Overall Winner**
6. Presentation and Communication Award	**Certificate of Recognition**

Best Finance Team Award: ICPAU Accountancy Service Awards

The Finance team won the accolade for ''Finance Team of the year'' and the CFO, Samuel Mwogeza as ''CPA of the year' at this year's Accountancy Service awards. Notable achievements leading to this recognition are:

- **The professional development and SEE initiatives** like Annual Accountants convention, CSI and Annual Finance customer week/expos.
- **Innovations, Digitisation and Digitalisation Initiatives** like Lean process management, automation on travel process and Digitalisation of the invoice payments process through CIMS
- **Initiatives driving enhanced business** performance and client growth and being a four-time Gold Award winner – ICPAU Annual FiRe Awards.



CPA of the Year Award: CFO, Samuel Mwogeza: ICPAU Accountancy Service Awards

SUHL CFO, Samuel F Mwogeza was recognized as the CPA of the year. The Award recognizes a Certified Public Accountant (CPA) who has made outstanding contribution to the accountancy profession in Uganda and beyond. The accolade was awarded at this 2019 Accountancy Service awards ceremony.

Global Finance Awards 2019

Stanbic Bank won the Best Bank in Uganda award. This is attributed to Stanbic Bank's client-focused strategy, especially innovating in local markets which has supported strong uptake of our innovative digital banking platforms.

The Annual Digital Impact Africa Awards

Champion digital inclusion, financial inclusion and cyber security across the African continent. In the 2019 edition, Stanbic Bank emerged winner for Best Digital brand and Best Digital Powered Campaign.

Best Digital Brand

Stanbic Bank was named the Digital Brand of the Year after emerging winner of the top accolade at the 6th Digital Impact Africa Awards 2019. The awards recognised companies which drive digital inclusion, financial inclusion and cyber security across the African continent.

Best Digital Powered Campaign

The Stanbic Bank's Blue Weekends Campaign scooped the Best Digital Powered campaign of the year at the Digital Impact Africa Awards 2019. The campaign enabled customers to pay and enjoy discounts at various places of convenience, around regular payments and through our point of sale (POS) and e-commerce platforms across the country to drive card utilisation.

Best Primary Dealer Award: Bank of Uganda

Stanbic Bank Uganda was named Best Performing Commercial Bank of the Year 2019 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.

Euro Money Awards 2019

Recognized as Best Bank in Uganda at the Euro Money Awards 2019, 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. This attests to our continued drive to deliver exceptionally to our customers. As Standard Bank Group we received eight of the accolades at the event including Africa's Best Investment Bank, and the continent's Best Bank for Wealth Management

PROCUREMENT PRACTICES

SUHL 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. SUHL 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.

Sustainable Procurement

Our vendor selection and award principles (through prequalification and RFP processes) are structured to establish **supplier compliance** to these standards/expectations at the onset.

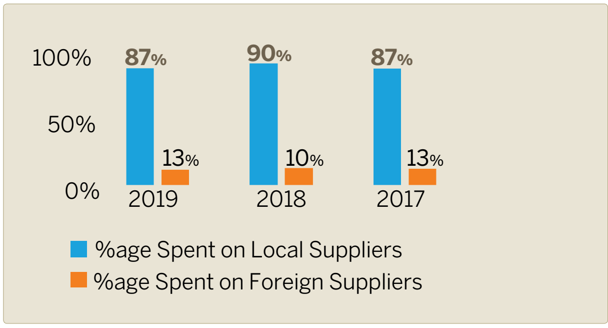
In an effort to continuously drive the growth of our local suppliers as well as the economy, our procurement processes are structured in a manner that draws as many local suppliers as possible to participate in available supply opportunities in alignment with the Government of Uganda initiative on promotion of local content through Buy Uganda Build Uganda (BUBU). As a result, we continue to sustain our procurement spend commitment with local suppliers (over 87% for 2019) as demonstrated by the Bank's third party/external supplier spend trends (between local & foreign suppliers) over the 2017 to 2019 period..

Procurement Spend

	2019	2018	2017
	UShs (millions)	UShs (millions)	UShs (millions)
Total Procurement Spend	**178,223**	156,456	158,419
Amount Spent on Local Suppliers	**154,452**	140,961	138,221
Amount Spent on Foreign Suppliers	**23,772**	15,496	20,198
%age Spent on Local Suppliers	**87%**	90%	87%

Sustainable Procurement

It is SUHL'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 SUHL 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 these ethical standards is monitored throughout the relationship lifecycle through related contract clauses and ongoing compliance monitoring.

These approaches have enhanced the delivery of mutually beneficial and sustainable commercial advantage from the Bank's external supplier relationships

Supplier Development

Over the past years, SUHL has progressively nurtured partnerships with its service providers through focus on application of several initiatives including; extension of Financial support to SME suppliers to aid the satisfactory performance of their contractual obligations, supporting supplier risk management initiatives through focused supplier control assurance activities related to business continuity management, information security, occupational health & safety, among others for strategic suppliers.

In addition to consistent dissemination of supplier performance feedback, the Bank has embraced deliberate and continuous application of supplier performance improvement strategies through focussing and jointly working towards remedying project performance failures, thus enhancing supplier capabilities.

All these are critical for sustainable business growth and equip the Bank's supply partners with the resources, skills and competencies required to expand their operations to greater horizons.

OUR EMPLOYEES

Our SEE shared value....

MOSES MBUBI WITTA
Head Human Capital

In line with our purpose statement, Uganda is our home, we drive her growth, 2019 was a great year for Stanbic Bank Uganda that saw several milestones reached and more importantly an as employer brand and for our staff, we were recognized by the Federation of Uganda Employers as the 2019 Employer of the Year Gold Winner.

This was the first accolade of its kind for the Bank in its history and was recognition for all the various strategic decisions and actions taken to upskill our staff, embed a winning culture (L.O.V.E)* that resulted into great outcomes on several parameters. This transformation journey was not accomplished neither in a single year nor with a single strategic action but rather a combination of several interventions driven by outstanding leadership and executed by passionate and purpose driven employees. Worth noting is that our culture transformation journey started over five years ago, to transform our customer experience at all touch points both internally and externally.

The leadership provided clarity of what exceptional customer experience is and set out to map out the journey that included providing the necessary infrastructure, setting stretching goals, defining what behaviours and actions our employees needed to exhibit consistently and daily as they engaged both internal and external customers, upskilling our employees and empowering employees to drive the change. When the L.O.V.E culture was born (Leap into action, Own the issue, Vow to make it right and Enlighten with information),our Employee Engagement Score (Enps) reached an all time high of +44 and Customer Enps was at +24. We also deliberately embraced our Diversity and Inclusion programme by focusing on Women leadership development to improve on our gender balance of leadership between the gender within the Management ranks. 137 women leaders have been developed under IGNITE programme contributing 27% above target, 50% women form our executive team and women engagement scores have moved up from +30 (2018) to +40 (2019).

Last year we registered a 73% growth from eight initiatives in 2018 to about 30 ECIs in 2019. Through the Employee Community Initiatives (ECIs) we aim to improve the communities we serve, nurture a sense of belonging and purpose among staff and build brand warmth. The initiatives brought together various teams that participated in various projects. Many of these sustainable projects left a lasting impact in the lives of the people reached. Many employees exhibited passion and teamwork towards the communities impacted.

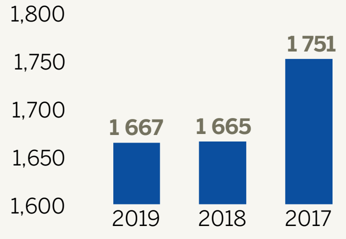
At Stanbic Bank, Our people are proud to be transforming lives daily and continue to serve our clients not for the sake of completing their tasks but for the great benefit of contributing to the growth and development of our country and home – Uganda.

*** L.O.V.E:** Lean in action, Own the issue, Vow to get it right and Enlighten me with the right information

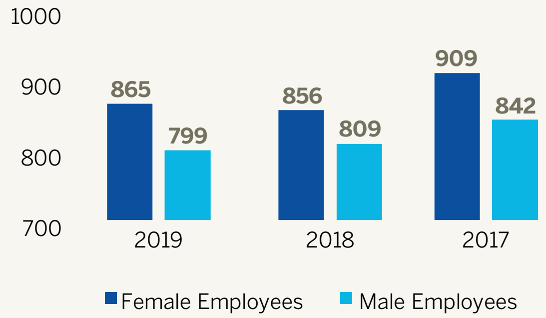
INVESTING IN OUR EMPLOYEES
(HIGHLIGHTS)

	2019	2018	2017
Total Employees	**1,667**	1 665	1751
Staff Costs (UShs millions)	**164,999**	148,609	141,492
Female Employees	**865**	857	909
Interns	**72**	47	75
Employee Turn Over	**8.8%**	9.6%	17%
No of Temporary Staff	**125**	112	117
Revenue Per Staff(UShs millions)	**484.1**	398.2	362.8
Cost Per Staff(UShs millions)	**237.1**	206.4	183.1
Males trained	**561**	805	804
Females trained	**589**	851	856
Total no of staff trained	**1150**	1656	1660
Training Spend (UShs millions)	**4,476**	3,581	2,658

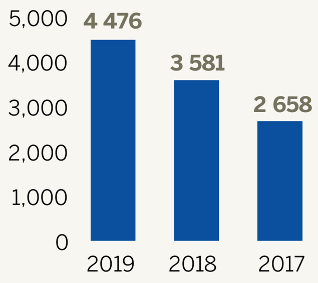
Head count



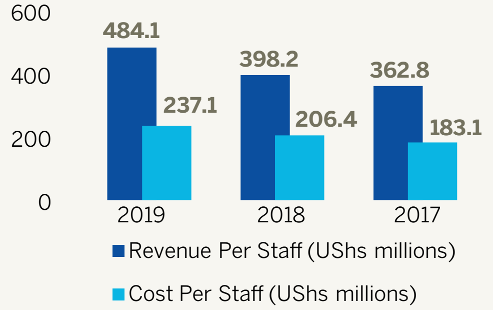
Gender Composition



Training Spend (UShs Millions)



Staff Productivity Trends (UShs Millions)



Diversity

52%

of staff are female

EMPLOYEE ENGAGEMENT

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

Our Employee Engagement Survey results were in tandem with the greatly improved Bank performance of the year. An Engagement Survey "Are you a fan" conducted in October 2019 showed an overall Employee Net Promoter Score of +44 better than previous year at +35. This implied that during the year more employees had become promoters than detractors and would recommend Stanbic Bank Uganda as a great place to work. The Emotional Promoter Score was +76 implying that our Staff are proud to be associated with Stanbic Bank Uganda. This has been the result of the Bank's investment in in its people which has translated into high performance.

Our overall participation rates reached a new high of 77% over the last 4 years. 81% of the comments were identified as promoters with the most positive workplace theme identified as company brand followed by meaningful work.

90% of our employees trust their immediate leader to act with integrity, and 82% feel heard when they voice their views. 80% of employees agree to some extent that they have opportunities to grow and advance their careers, 83% of our employees feel they have opportunities to promote and try out new ideas or ways of doing things.

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 for our customers. The Bank had a total headcount of 1,667 staff in 2019, of whom majority are female (52%) compared to 51% 2018. Female employees also held 45% of the managerial roles in 2019, up from 42% in 2018. The Bank provides equal opportunities to all Ugandans and hire is based on merit.

Nurturing Young Talent

SUHL aims 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 2019, as part of young leadership development, Stanbic Bank partnered with LéO Africa Institute to nurture and grow young leaders. This partnership

A POSITIVE OVERALL EMPLOYEE NET PROMOTER SCORE

↑ +44

NET PROMOTER SCORE

2018: +35

A POSITIVE OVERALL EMOTIONAL PROMOTER SCORE

How do you feel about working for Standard Bank? Love it? Hate it? Tell us

↓ +76

EMOTIONAL PROMOTER SCORE

2018: +79

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 30 millennials who are transforming communities and driving social change.

In 2019, 60% of Bank staff were millennials, 30% of whom held management roles. SUHL 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 Internship Programme:

SUHL 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, SUHL 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.

SUHL provides a platform for students to apply their knowledge to real work situations and learn to contribute in a workplace environment. SUHL 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.

72 interns were supported in 2019, a 53% growth from 47 interns in 2018. Over the past three years, 194 students and recent graduates have been supported through the SUHL Internship programme.

Technology Investment on Employee Platforms

In line with continuously improving our employee experience, the Bank continued to invest in simplifying employee human capital processes in order to increase productivity, cost efficiency and convenience. Employees continued to enjoy seamless access to processes like performance management, leave, overtime, salary and benefits information etc through our employee /manager self-service platforms.

In 2019, SUHL launched the new digital platform, '**MyBenefits App'** that organises all employee benefits in one place. Employees obtained a personalised view of benefits that apply to them. This rollout registered an uptake of 88% accessibility within the first six months and that saw Uganda scoop 2nd position for accessibility within the group.

To ease our document work flow, we have also adopted the Microsoft Teams App, an integrated platform which offers an abundance of features that are extremely useful for modern collaboration. Collaboration among teams allows better customer service excellence and operational excellence.

'MyBenefits App'

This rollout registered an uptake of **88%** accessibility within the first six months and that saw Uganda scoop **2nd position for accessibility within the Standard Bank Group.**

THE WELLBEING OF OUR PEOPLE

SUHL is committed to employee health, wellbeing and improved quality of life which impact on employee productivity. SUHL strives 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.

SUHL partnered with various teams of health professionals with proven track records in the field of employee health and wellness. These partnerships optimised the health and wellness benefits for our employees. Our Partnership with Liberty Life insurance provides our employees fit-for-purpose health care in Uganda and within the East Africa region. Through this arrangement, SUHL employees are able to access over 90 service providers spread out in different areas in the country, making accessibility to health solutions convenient for our employees.

SUHL further provided 24-hour counselling services through the International Counselling & Advisory Services (ICAS) platform, available to all staff and their families. According to ICAS 2019 report, Uganda's individual utilisation figure increased from 3.7% in 2018 to 4.0% in 2019. Through ICAS, staff also have access to an online health and wellness portal (eCare) that enables them to access health risk assessments, a library of health and wellness information, and professional health experts such as a doctor, psychologist, fitness expert and nutritionist.

In 2019, we had a variety of wellness activities geared to encourage staff to own their health. In preparation for the World AIDS day 2019, Voluntary Counselling and Testing Services, family planning & tuberculosis testing were facilitated by the Aids Information Centre for staff and customers in all major locations. A total of 1,125 staff and customers across the country had the opportunity to learn and experience these interventions.

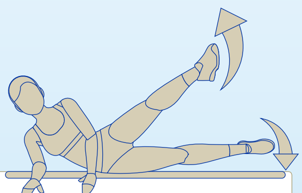
SUHL also run physical fitness sessions are part of the larger wellness practices geared to improving employee wellness.

Sports Gala and Corporate league

As part of the employee wellness program, SUHL continued to engage staff in sports activities to boost their physical and mental wellness.

Staff across the country participated in variousal leagues including the BABA FM Corporate league, Jinja Corporate League, source of the Nile Corporate League and Eastern Corporate League in Jinja, Mbale and far eastern regions. The northern and western regions also participated in their corporate regional leagues.

Additionally, we participated and excelled in the Annual Bankers Gala in October 2019.



The wellbeing of our people

Through ICAS, staff also have access to an online health and wellness portal (eCare) that enables them to **access health risk assessments.**

Below is the performance record for the latest three seasons

	2019		2018		2017	
	Trophies	**Overall Position**	**Trophies**	**Overall Position**	**Trophies**	**Overall Position**
Bankers Gala	3	3rd	2	4th	3	3rd
Corporate League	4	5th	2	7th	2	3rd

LEARNING AND DEVELOPMENT

Stanbic Uganda Holdings Limited invests in learning and development towards preparation our people for the future. The Bank recognises that with the fourth industrial revolution, skills will 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 identified various future skills at departmental level which we believe will prepare our people for the emerging operating environment. Access to cutting-edge resources on LinkedIn learning among others, were made available to all staff to enable them learn on the go. We had 123 modules offered in the classroom against over 1,370 courses online with more than 15,300 videos accessed, which enabled staff to define and own their growth journeys.

Building leadership capability remains a critical component of development for our people. In 2019, we had 23 leadership interventions reaching 728 staff. Our Leadership Speaker series provided a platform for staff to engage with highly respected leaders on issues pertinent to leadership from their life stories. Further intervetions like toast masters were launched, with Stanbic Bank now home to the first two Corporate Toastmasters Clubs in Uganda. Toastmasters provides a platfom for individuals to become more effective communicators and leaders.

Leadership and Mentoring for Stanbic Women: Ignite Women Leadership Development

SUHL continued to focus on 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. The programmed aimed at raising the leadership impact of women in SUHL, enhancing the potential of members to become authentic leaders, developing workable sustainable solutions and enabling higher accountability amongest the participants.

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

Operations Academy:

The operating environment is fast changing and thus requires significant development of our peoples' skills to ensure that our work force is 'Future Ready'. The Operations Academy programme, a learning and development approach toward imparting future ready skills, brings together different teams across the Bank to promote knowledge and skills enhancement through job-related experiences, team collaborations and problem solving.

In 2019, the focus was on preparing staff to operate in a complex and fast evolving environment by unlocking their creative potential using the Design Thinking methodology. Design Thinking is a methodology that encourages an innovative and collaborative approach to problem-solving. It prompts practitioners to reframe the way they see problems, and to design solutions to address business and social challenges based on an empathetic view of customer needs. After six months of applying the Design Thinking methodology, customer research, brainstorming and experimentation, the academy participants pitched their best ideas for solutions to customer challenges to a panel of judges. The ideas presented were ranged from creating an agile workplace, improving the loan acquisition experience, to redesigning customer (KYC) data collection, maximising the utilisation of ATMs/ bulk cash deposit machines and enhancing the online banking experience for millennials.

On the graduation day, guest speaker Richard Zulu – founder of Outbox, a Google for Start-Ups partner – applauded the adoption of the forward-looking, customer-centric work culture, and shared practical insights into the positive socio-economic outcomes achievable using Design Thinking principles. The Stanbic Bank CE, Patrick Mweheire, also highlighted the outlook and practices required to empower teams to build a future-fit organisation.

Performance and Reward

During the year, our people continued to have meaningful conversations and measured progress on the goals they had agreed earlier in the year. The Employee Performance Management 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 2019, 69% of our staff met or exceeded their goals, compared to 74% in the previous year. Our reward philosophy supports high performance, fairness, and a focus on total reward that is competitive.

Occupational Health and Safety

SUHL is dedicated to ensuring that its workplaces provide staff, clients, business partners and other stakeholders with a healthy and safe environment in which to conduct business. To this end, we aim to uphold best practices in health and safety management in accordance with local regulations and the guidelines established across the Standard Bank Group.

To enhance the effectiveness of our health and safety measures, we regularly review related policies and procedures and conduct cultural awareness interventions encouraging the active contribution of all employees to the preservation of acceptable workplace conditions. In 2019 we updated our Operational Health and Safety (OHS) minimum guidelines to reflect a more efficient OHS committee configuration and reporting structure, and our staff participated in mandatory annual OHS training exercises on situational wellbeing, first aid, fire safety, wellness, ergonomics and lifting technics in areas where the work involves lifting.

We also successfully completed a risk assessment of the entire Bank network; ensured that all our branches were certified as compliant with Ministry of Labour workplace standards; and refurbished nine branches in keeping with our OHS continuous improvement plan. Looking forward to 2020 we will continue to put in place the infrastructure, systems and processes required to make our organisation and workplaces resilient to known and emerging risks.

COMPLIANCE PRACTICES

SUHL's compliance framework promotes a culture that encourages ethical conduct, and a company-wide commitment to adhere to the law. It protects SBU's reputation, brand, relationship with investors, and helps in the detection and prevention of misconduct. The compliance framework has the right support from the Board of Directors and Executive Management who are responsible for setting the organisation's guiding values and ethical climate.

SUHL has a strong and well-communicated code of ethics, which defines the culture and expected behaviour of everyone working in or with the organisation. SUHL believes in reporting unethical conduct. SUHL has a corporate reporting hotline that enables confidential and truly anonymous reporting on issues of bribery, fraud, ethical violations, discrimination, and other incidents of misconduct.

SUHL invests in employee training annually as employees need to understand the organisation's culture and its ethical boundaries.

Compliance Policy Focus in 2019

The Compliance policy framework supports Stanbic Bank's 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 are 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 and its clients are 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.

Engagement with Policy Makers, Regulators and legislators

SUHL engages with policy makers, regulators and legislators on material public policy and regulatory matters. These engagements are conducted in a transparent and constructive manner and are aimed at highlighting the potential impact of policy and regulatory changes on our customers and the economy.

We have adopted an externally assured operating model for the process of monitoring policy and regulatory developments, assessing their impact and providing evidence-based submissions thereon to stakeholders. We maintain a schedule of policy and regulatory developments, which is shared with relevant internal stakeholders throughout the organisation to ensure awareness and readiness for new compliance requirements.

SUHL undertakes advocacy in various ways, including bilateral meetings with government departments and regulators, through participating in trade associations such as the Uganda Bankers Association of Uganda (UBA), attending deliberations in Parliament, and by holding seminars with government officials on forthcoming policy changes.

Stanbic Bank Uganda engaged with regulators and policy makers on several critical issues during 2019, including; regulating the payments systems, integration of the country's national identification system with financial institutions to ease client verification and regulatory reforms to align regulation with pace of change in the financial industry.

REGULATORY UPDATES IN 2019

The regulatory landscape in 2019 was relatively stable with a few regulatory changes impacting the financial industry.

- The Data Privacy and Protection Act was enacted in February 2019 to protect the privacy of the individual and regulate the collection, processing, use or disclosure of personal information.
- The Insurance Cash and Carry Regulations; with the requirement to pay insurance premiums before issuance of insurance policies.
- The deposit insurance limit was increased from UShs 3 million to UShs 10 million.

Imminent regulation in 2020:
The National Payments Systems Bill 2019 which will regulate payment systems.

CUSTOMER EXPERIENCE

CUSTOMER SATISFACTION + LEVERAGING OUR INVESTMENT IN TECHNOLOGY + MANAGING COMPLAINTS + INCLUSIVE CUSTOMER VALUE PROPOSITIONS

STANBIC BANK COMMITS TO:

- **Understand our clients and offer solutions that enable them to meet their financial needs and achieve their goals**
- **Seamless client exprience**
- **Deliver our Promise to Clients**

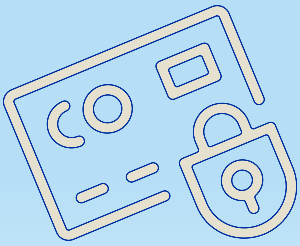
Customer centricity continues to be the key strategic priority of Stanbic Bank. As a financial services organisation, we aspire to ensure we are constantly connected to our clients to truly understand their needs to enable us deliver on the solutions they need from us. To achieve this, we have strengthened our culture and continuously enable our staff to deliver experience beyond service. This is aimed at offering a consistent client experience at all our touchpoints to not only meet but also anticipate the ever-changing client needs through partnerships and collaboration from cross functional teams..

We have continued to create sustainability through our culture change programme, the L.O.V.E culture that defines the behaviours we need to be living to deliver to our clients and these are; Leaping into action, Owning the Issue, Vowing to get it right and Enlightening with information. This enabled us deliver on our commitment of service excellence by creating a unified positive culture across the business and constantly seeking to delight our customers. To deliver the right solutions and services, we continue to roll out solutions informed by customer insights. This has earned customers' trust, as a result, we are increasingly delivering the right solutions and continuously learning from client feedback to enable us further to improve our client solutions.

This further allows us to recognise and reward client-centric culture that consistently lives the Bank's values, create positive customer experiences and proactively find solutions to customers' needs. We value our clients' feedback and are happy to recognise positive sentiments from the various client feedback channels, notably on social media, rate my service platforms, customer contact centre calls and emails for improved service delivery.

We continue to undertake initiatives that will further embed the client centric culture and during the year, we held a month of activities centred around our clients and communities and this was the Stanbic Bank customer L.O.V.E month held in August 2019 and was well received by clients. We recognized 1,362 clients who had Banked with us for 30 years and more. Other activities held were a L.O.V.E expo organised for customers to create knowledge awareness on financial fitness, managing risk in the digital edge as well as understanding the regulatory framework among other activities. Furthermore, 21 staff initiated and conducted corporate social investment activities to demonstrate our focus on clients being at the centre of everything we do.

Stanbic recognises and appreciates it's customers.



The wellbeing of our people

The Bank deployed an **anti-malware solution on all its 174 ATM machines** country wide to protect the devices and our customers from the threat of malware leading to theft of card data and or financial loss.

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

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

Leveraging Technology and Cyber Security

Our digital transformation journey towards providing innovative, personalised, secure and excellent customer experiences gained significant momentum. To this end customer on boarding was simplified and surfaced on the Bank's web portal enabling over 10,000 customers to open their accounts online more than 13% of all the accounts opened. This is in addition to migrating more that 80% of all transactions and customer interactions to digital channels. Information technology rallied alongside the rest of the Bank to honour the trust of our customers by living our L.O.V.E oath and executing on the Always On, Always Secure pillar of our strategy to deliver consistent, reliable and secure platforms. The list below provides the highlights of the different ways in which technology anchored improved delivery to the customer;

- We commissioned capability for online customer onboarding at the beginning of the year which allows customers to open accounts using the Bank's portal from the convenience of their homes, during transit or from their work places at any hour of the day.
- We launched a prepaid card offering for Stanbic and non Stanbic customers to enable them to make local and international payments on the go without the inconvenience of having to carry cash.
- We began to unlock the value of our data combined with the power of internet and mobile banking to ease the process of access to credit for our customers. As a result, over 9,919 customers accessed 5.2bn UShs in instant loans and principle redraws through digital channels.
- We successfully rolled out the Finacle Customer Relationship tool Customer Relationship Management (CRM) replacing the Twendelinks CRM to improve query and complaint management, tracking and monitoring.
- We also delivered enhancements to the 'Business to Bank, B2B' integration for our corporate customers with URA (enabling our corporate customers to validate URA payment request numbers, PRNs and make straight through tax payments online), airtel (integration for escrow account transactions), NSSF (enabling our corporate customers to make NSSF contributions online).

On the other hand, the cyber threat landscape over the last two years has continued to escalate. According to the 2019 Global Threat Intelligence Report security vulnerabilities surged to a record high (up 12.5% from 2017), finance and technology sectors remain the most commonly targeted industries, each accounting for 17% of all attacks recorded in 2018. Phishing and email scams remain the most common attack vector and this trend is predicted to continue with the attacks becoming more targeted, sophisticated and believable. The most notable incidents impacting financial institutions in 2019 involved ransomware leading to extortion and service disruption as in the case of Travelex foreign exchange company in December, financial malware leading to cyber heists as in the case of Dutch Bangla Bank Limited (DBBL) where malware was planted on the card switch to fraudulently authorise cashouts of $3 million in May and massive data breaches as in the case of Capital One the fifth-largest U.S. credit-card issuer and banking institution which exposed the personal information of more than 100 million credit card applicants in the United States and six million in Canada. As a direct result the Bank continues to deliberately focus on Cyber Security to ensure the specific gains in innovation are accompanied with commensurate protection as per the Bank's Cyber Security Strategy. To this end the capabilities below were deployed;

- The Bank deployed an anti-malware solution on all its 174 ATM machines country wide to protect the devices and our customers from the threat of malware leading to theft of card data and or financial loss.
- We activated anti-ransomware capability that protects the Bank's workstations and servers from the risk of ransomware that would lead to data loss and service disruption.
- We also successfully upgraded our platforms previously running on Windows 7 and Windows Server 2008 to the latest and stable versions to remediate vulnerabilities associated with the previous platforms.
- Notably we successfully tested and updated our Cyber Security Response Plans enabling us to re-assess and enhance our readiness to contain incidents.

- To protect the process of loading customers prepaid cards the access to the biller payments systems was enhanced with an additional factor of authentication.
- We continued to work closely with our partners to assess risk across payments and service ecosystems, raise visibility cyber threats and jointly progress on efforts to remediate.

The capabilities rolled out of over the years as apart of our Always On and Always Secure journey such Endpoint Detection and Response (EDR), Security Information and Events Monitoring (SIEM), Network Access Control (NAC) and Integration of Security in the software development processes has began to yield and will continue to deliver on our promise to honour the trust of customer by ensuring zero cyber security incidents with customer impact.

Customer Satisfaction

Despite notable investment in client experience, we registered a drop in the Net Promoter Score (NPS) from +29 in 2018 to +24 in 2019. The Net Promoter Score is the main measure of customer satisfaction we use and that asks customers whether they would recommend SUHL to a family member, a friend or a colleague. The decline in NPS score, enables us recommit and elevate focus we have placed on the customer by putting the customer at the centre of everything we do supported by a number of other interventions to address notable client expectations.

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, however, in some cases, our customer noted service inconsistences and mismatched products. 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 Banked and non-Banked customers.

Our overall customer satisfaction remained flat from 8.1 in 2018 to 8.0 in 2019 on account of improved customer service, brand image, wide range of products and services, footprint and quality of staff.

Managing Complaints

Our aim remained to develop a consistent approach to complaints management aligned to regulatory requirements and ensures that customer complaints are handled in an accessible, transparent and efficient manner in line with 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 requires us to manage any risks to this valuable relationship, by being responsive to complaints from our customers.

We implemented a new Customer Relationship Management solution to further improve on how we manage client queries and complaints and continue to do further investments to achieve our aspiration of having the best in class capabilities to improve our client relationships. To ensure that we are also improving the experience of how our clients interact us. We further introduced Rate My Service capabilities where our customers that prefer to use shortcodes can dial *290*0# to rate their experience at any of our touchpoints while those that prefer to use emails can rate the experience of their Relationship Managers my clicking on the Rate My Service link on our email signatures. These have continuously enabled us to receive real time feedback from clients on how they experience us and address it in a timely manner

Inclusive Customer Value Propositions

Our Customer Value Propositions continue to be enhanced to meet clients' needs. We rolled out Prepaid card solution to address cash management challenges bringing convenience and simplicity in how customers transact. The solution also gives access to Bank services for both customers and non-customers without necessarily having to operate an account with Stanbic Bank. The Platinum Debit card for our high value customers in Private banking customers was upgraded to include the Airport Lounge Key Access program. This offering gives customers access to over 1,100 quiet and comfortable airport lounges at over 800 airports in 120 countries regardless of the airline. With this offering, customers can make the most of the transit time at the airport either in the business facilities or they can relax and unwind with complimentary benefits.

As a Bank, we have taken bold steps to listen to our customers and solution for what matters most to them through our different customer engagement channels like social media; enterprise direct, customer care centre and the Business Incubator that have enabled delivery of enhanced business customer relationships. All these have resulted in the positive trend movement on our products, services and brand warmth.

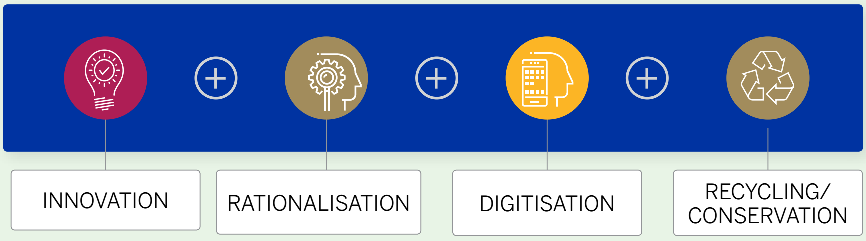
Our SEE shared value....

BRENDA NERIMA
Service Quality Manager
Corporate Functions

To me, SEE means understanding and appreciating the uniqueness of our clients' needs and leveraging on our business capabilities to meet each of these needs. When we recognise the importance of client centricity and being agile in the way we respond to customer demands in the moment, is what will truly keep us Top of mind for our customers. To achieve this, it is important that we use our data to make informed decisions fit for client preferences, their growth journey and impact to communities within which we operate. This also allows us to plan better and predict client needs to make improvement real for them.

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. SUHL is committed to good environmental practices that represent our stewardship of the environments in which we operate, through putting in place sustainable work practices that protect and preserve human capital, economic and natural resources. Our environmental stewardship is primarily framed in terms of four major areas of influence: energy efficiency, water and material consumption and travel. The principles we observe to make good on our environmental objectives are based on a four-fold approach that can be summarized as:



This section assesses SUHL'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, effluent, waste). In addition, this covers performance related to biodiversity, environmental compliance, and other environmental expenditure and the impacts of SUHL products and services.

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

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

Environmental Highlights

		2019	2018	2017
Electricity purchased	kilowatt hours	**4,552,708**	4,806,373	4,916,616
Fuel consumed	liters	**450,431**	476,498	519,755
Water consumed	kiloliters	**26,073**	24,268	21,980
Paper consumed (Copier)	tonnes	**54**	57	73
Paper consumed (Other)	tonnes	**64**	106	124
Carbon emissions	tonnes	**6,683**	7,371	8,343

Energy Consumption

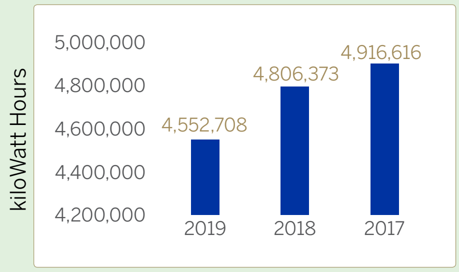
Energy consumption has a direct effect on operational costs and exposure to fluctuations in energy supply and prices. Our environmental footprint is shaped in part by our choice of energy sources. Energy utilised at SUHL is basically in the form of hydro-electric power that is required to power up out 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. SUHL however runs diesel-powered generators as back up supply for instances when the hydroelectric power is unavailable. On locations without grid power supply, a hybrid between generators and solar power are installed. Alternative sources of power that are robust enough to run full branch infrastructure with minimal impact to the environment are being explored.

		2019	2018	2017
Electricity purchased	kilowatt hours	**4,552,708**	4,806,373	4,916,616

Electricity is our most important energy source, relied upon to power many of our points of representation. Between 2018 and 2019 our annual electricity consumption dropped by 5% (253 kilowatt hours) although the attendant costs went up by 9%. A significant part of the cost growth (37%) was tariff driven, arising from the reclassification - to a higher tariff bracket - of energy intensive sites that support our digital infrastructure.

While the electricity we use is harnessed from a renewable source (hydropower) with limited environmental impact, we are continuously exploring ways and means to reduce our energy demand through smart innovations and green-growth principles. As such, in 2020 we are exploring trial technologies like smart metering, and to run an internal sustainability campaign, to maximise potential energy saving opportunities.

ELECTRICITY PURCHASED



Fuel Consumption

Fuel Consumption has a direct impact on the emissions released to the environment. At SUHL, our fuel usage usually comes in the form of motor vehicle and generator fuel. SUHL utilises electronic tracking & monitoring of fuel technology for both vehicles and generators in order to check efficiency and total fuel consumption.

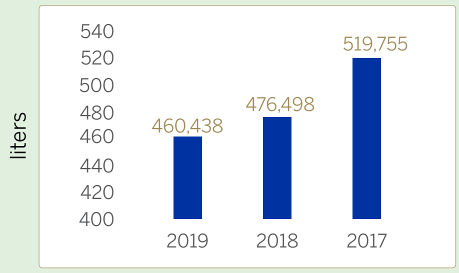
		2019	2018	2017
Fuel consumed	liters	460,438	476,498	519,755

Fuel consumption contributed to around 9% of our carbon emission volumes in 2019. Our carbon footprint in this energy category derives largely from generator and vehicle fuel utilization, which followed opposite performance trajectories during the past year.

Generator fuel consumption fell by 26% (76 kilolitres) in 2019 compared to the previous year, driven by a reduction in upcountry branch demand that was partly the result of the replacement of end-of-life generators with newer, fuel-efficient models. In total, 31 new generators were deployed across the Bank, yielding an energy savings gain of 15% on average.

Conversely, we experienced a 27% (50 kilolitres) upward trend in motor vehicle fuel usage, mainly on account of local travel activities required to deepen client engagements and to provide monitoring and maintenance support services to the branch network. To mitigate this growth, we have reviewed our fleet policy, introduced additional controls around fuel allowances, and encouraged ride-sharing and a re-evaluation of the operating model of work arrangements that lead to frequent travel

FUEL CONSUMPTION



Energy Consumption

While the electricity we use is harnessed from a renewable source (hydropower) with limited environmental impact, we are continuously exploring ways and means to reduce our energy demand through **smart innovations and green-growth principles.**

Materials

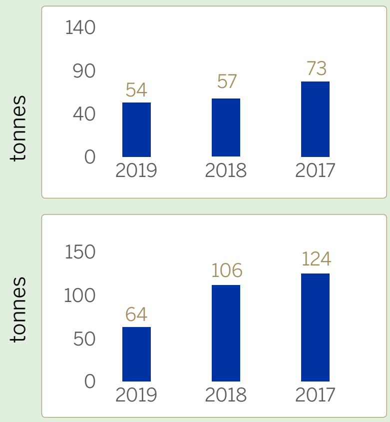
our value creation process requires marginal input of materials and as such our major input is paper which is used in form of stationery of varied nature. Materials consumed by SUHL are broadly classified into two categories: Paper (copier) which refers to paper used in printing and copying activities, and paper (other) which is paper used for recording transactions (e.g. forms), for storing other materials (e.g. envelopes, files and archival boxes) or for serving an alternative functional purpose (e.g. business cards).

		2019	2018	2017
Paper consumed (copier)	Tonnes	**54**	57	73
Paper consumed (other)	Tonnes	**64**	106	124

The Bank successfully contained its consumption of paper materials in 2019, keeping the tonnes of total paper used down by 28% (46 tonnes) year-on-year. The largest drop occurred on spending in the paper (other) category, mostly attributable to the recycling of archival boxes used for carrying and storing Bank records.

Our paper performance metrics were also assisted by other approaches including: the rationalisation of stationery inventory orders; the promotion of more efficient paper management processes (e.g. elimination of both cash deposit slips and the wasteful copying of identify cards for 10 key over-the-counter branch processes); and process digitisation (e.g. end-to-end digitised staff signature authorisation and staff exit processes).

MATERIAL PURCHASED



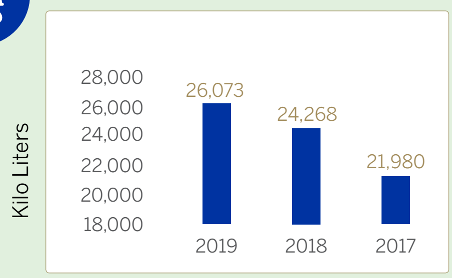
Water Usage

Fresh water is becoming an increasingly strategic resource worldwide. In recognition of this, we are mindful of the need to manage our water use responsibly. Our value chain at Stanbic does not require significant volumes of water and as such much of the water used is for basic sanitary services. The levels of water consumption do not pose a systemic risk to the environment.

		2019	2018	2017
Water consumed	liters	**26,073**	24,268	21,980

In 2019, our overall water consumption had risen by 7% (1,803 kilolitres), owing to factors including the addition of new locations and a long-deferred charge that came due during the year at one of our high-density branches.

WATER CONSUMED



Materials
The Bank successfully contained its consumption of paper materials in 2019, keeping the tonnes of total paper used down by **28%** (46 tonnes) year-on-year.

Green House Gas Emissions

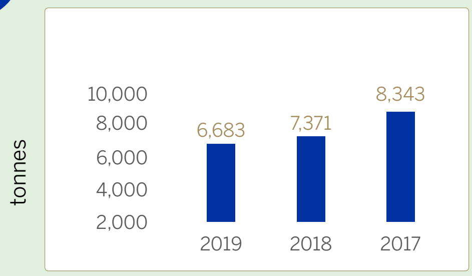
Greenhouse gas emissions are the main cause of climate change. In July 2015 Uganda signed to the ratifications of the Kyoto Protocol an initiative of the United Nations Framework Convention on Climate Change. Under the Protocol, countries' actual emissions have to be monitored and precise records have to be kept of the trades carried out. Further, Uganda was the first country in Africa to develop and endorse its Nationally Determined Contribution Partnership Plan (NDC-PP) in June 2018. It made key commitments in this regard, including reducing national greenhouse gas emissions by 22% by 2030, reducing climate vulnerability of climate sensitive sectors since the economy is natural resource based, and building climate resilience of key sectors and managing disaster risks.

SUHL is committed to contribute to environmental sustainability by supporting initiatives that assess and address the impact of our operations on environmental outcomes. One such initiative is to monitor and manage our carbon footprint by reporting on - and targeting a reduction in - our greenhouse gas (GHG) emissions. Our activities directly impact GHG emissions mainly through the electricity, fuel, paper and water inputs consumed in the running of our business operations, as highlighted below.

	2019	2018	2017
Carbon emissions(tonnes)	6,683	7,371	8,343

We have made a conscious effort to mitigate our effect on the environment through a series of measures that have, over the years, included the adoption of green alternatives to grid power, energy-efficient lighting, office temperature regulators and preventive maintenance systems that help optimise the condition of equipment and assets. The benefits of these measures can be seen in the flattening of our global emission levels over the past 3 years.

CARBON EMISSIONS



Strategic Environmental Initiatives

Growing concerns about the impact of human activity on the acceleration of negative climate events demands that we take collective and concerted action to safeguard our natural habitat for current and future generations. To reduce the climate-related effects of our business, over the years we have invested in sustainability projects that are helping to shape our environmental legacy.

Our plan for 2020 is to focus our environmental actions on collaborating with other firms to recycle waste products; driving staff awareness and engagement on conservation issues; exploring innovative solutions to reduce our energy costs and to tackle our emissions; and launching a tree-planting campaign to protect our ecosystems.

CONTRIBUTION TO SOCIETY

Introduction

While achieving growth, SUHL continues to reaffirm its commitment to supporting and transforming the lives of people in our communities through our Corporate Social Investments(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 Investment 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.

Our social investments and varied programmes reached over 374,169 beneficiaries in 2019, an uplift of 38% from 2018. In 2019, we reached 40,000 primary schools students students through Primary schools, 22,000 secondary schools students over 200 teachers, 25 university students on bursary, 20,000 through ECIs, with over 100,000 beneficiaries through on adhoc interventions.

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 CSI interventions

Our Investment in society initiatives grew by 15% in the financial year 2019 to UShs 2,906,362,595, from UShs 2,525,282,654 in 2018. This was in line with our revenue growth of 22% in the same period, further affirming our commitment to investing and supporting long term sustainable development in the communities where we operate.

Our focus on education in 2019 focused on the following areas

Primary School initiatives: Solar project with Mkopa Uganda to boost the dwindling literacy levels and provide study test papers booklets for primary schools. Literacy reading card project with USAID to promote an early reading culture within schools since most school children start at the age of eight years which is much later than their urban compatriots. The reading cards in both English and the mother tongue to the students.

Secondary Schools: National Schools Championship. flagship program inspires excellence among secondary school students by sharpening critical thinking skills but most importantly skilling the students out of the classroom with financial literacy, life skills and entrepreneurship thus our theme: "Empowering the Job Creators of Tomorrow."

University Bursaries: In partnership with Uganda Christain University (UCU) where we support 15 – 25 students from humble backgrounds

Millennial Project: To empower our young minds to be thought leaders especially in areas of social entrepreneurship and social leadership projects to make the Uganda we want in partnership with the Leo Africa Institute through the Young and Emerging Leaders Programme (YELP).

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

CSI Intervention Reach (Number of Beneficiaries)	2019	2018	2017
Employee Community Involvement (ECI)	7,304	15,361	10,570
Philanthropy and Commitment to Humanitarian projects	103,491	173,739	47,448
CSI Special Projects and Strategic Partnerships	263,374	106,154	62,807
Total	374,169	295,254	120,825
CSI Investment			
CSI Investment (UShs)	2,906,362,595	2,525,282,654	1 450,886,855

CSI SPECIAL PROJECTS AND STRATEGIC PARTNERSHIPS

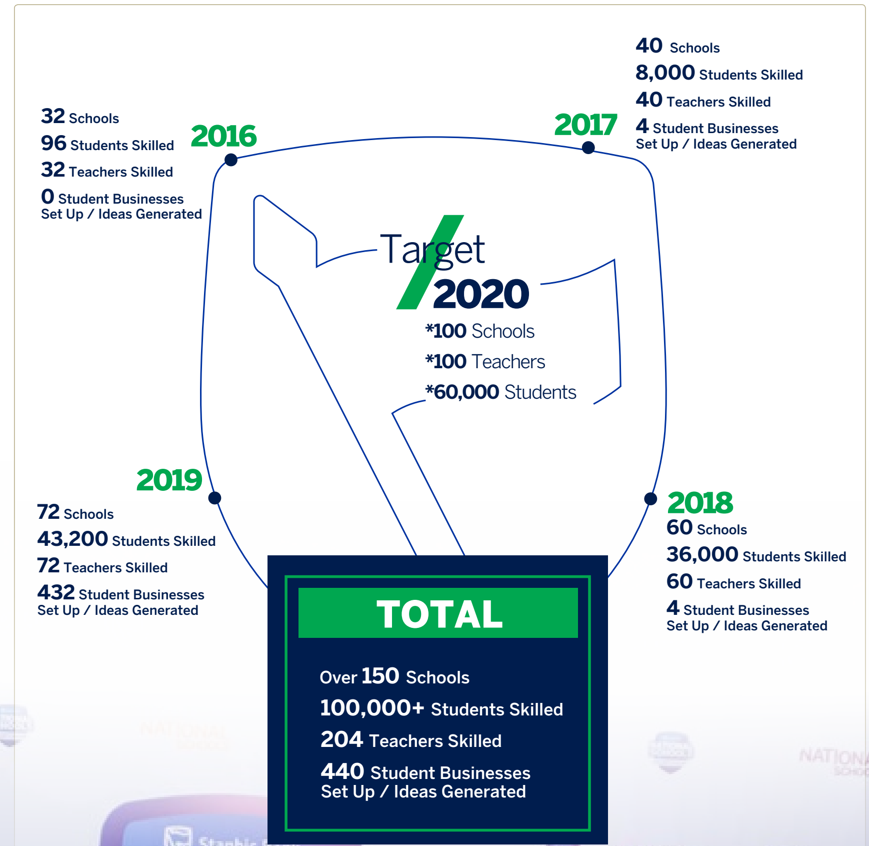
Our CSI Special Projects carry our flagship society interventions in areas of Education and Economic Development, with key programmes like the National Schools Championship, MKOPA solar project among others. The reach, size and uniqueness of these projects enables to partner with key institutions to 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.

Below are some of 2019's key special projects and partnerships that were able to make a significant improvement in beneficiaries' livelihoods:

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 in which 72 secondary schools participated in a series of educational activities.

The 2019 Championship involved four major stages; classroom tests,business idae, presentations, a skilling boot camp and business implemantation.

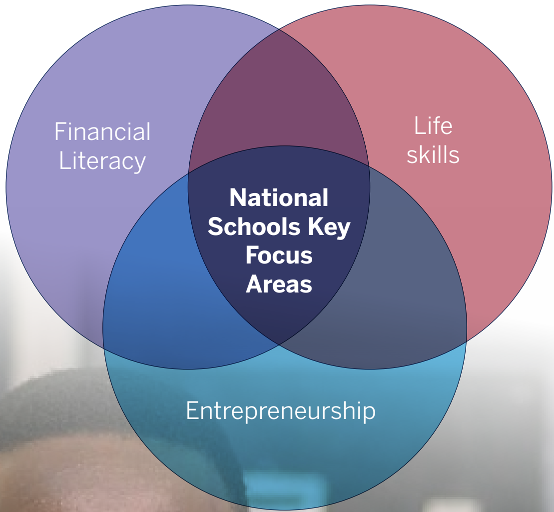


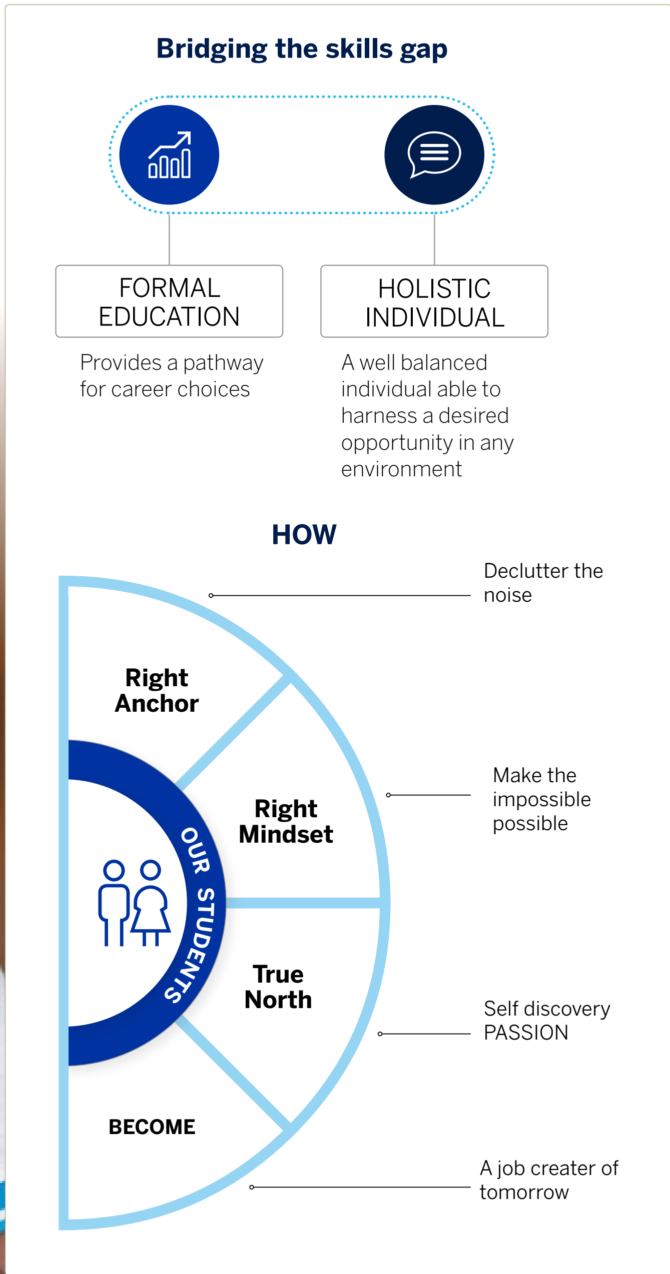
Our Involvement

Stanbic Bank partnered with Investors Club Ltd for the fourth season of the National Schools Championship to stimulate students to sharpen their critical thinking, while creating problem-solving skills and out-of-the-box mentality while learning a variety of technical and soft skills.

The 4th edition of National Schools Championship was themed "Empowering the Job Creators of Tomorrow". In his keynote speech at the launch, Stanbic Board Chairman, Japheth Katto said, "Youth unemployment is a serious problem that unfortunately continues to plague many African countries. Uganda for example boasts of having the second youngest population in the world. It is therefore imperative that we ensure this young population is participating productively for the good of our country's economy. The Stanbic National Schools Championship has become a powerful platform empowering students and teachers to start their own businesses and become job creators."

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





BARBARA KASEKENDE
Head of Corporate Social Investment (CSI)

Why the focus on Education?

Uganda's Ministry of Education, in line with the National Development Plan 2020, expects at least 20 million children and young adults between the age of 3 and 24 yaers to go through the education system. This is informed by the fact that 80 percent of the country's population is under the age of 30. The reality, however is that school enrolment numbers continue to decline as students advance through the different education levels, thus education is a critical sector that all stakeholders must pay attention to"

Impact/outcome

- **72 patron teachers from 72 schools** were comprehensively inducted to help them prepare students for the competition.
- **21,600 students from 72 secondary schools** participated in the competition in which they were trained on the following skills among others; financial literacy, leadership, crisis management, conflict resolution, marketing skills, communication and self-expression, and entrepreneurship.
- **Over 200,000 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.
- **Over 400 business** ideas generated with 50 thriving to date.
- **Solar Project for 900 students in Holy Cross Lake View and water system for 1000 students** in Nyakasura School, UShs7m worth of scholastic materials for St Mary's College Kisubi and St Mary's College Aboke.

NSC Testimonials:

" ... It's not about being a champion, its being able to sustain oneself as a job creator and that I am doing." **Viola Sitima, 2018 Winner**

"I greatly thank the Holy Cross educators for the education they have given me not forgetting Stanbic Bank for the National Schools Championship (NSC). Stanbic has greatly changed my life that I see things differently now, mostly in my academics, social life and business etc. I now aim at creating change in other people's lives, developing and growing more in business, and excelling in my academics so as to uplift my family...." **Emmanuel Epau, Winner 2019**

"After my S.6 I was given a chance to intern with Investors Club to get hands-on experience on how the NSC works. I was amazed by the experience. You can never know what goes on in the background to pull this program off it is a lot of work. On top of that, I am a beneficiary of the Uganda Christian University bursary and I am in my first year. Once again, I was given the opportunity to become an office assistant for Investors Club and a co-host for the 2020 Championship. The growth journey with Stanbic National Schools Championship has been way beyond my wildest dreams, Who am 1? Thank you Stanbic" **Dorcas Kiconco, 2018 finalist.**

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

Stanbic Bank partnered with LéO 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 UShs 65,000,000 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**
- This platform also connects the fellows to a wide range of investment and job opportunities
- The fellows came from **7 different countries** (Uganda, Kenya, Rwanda, Burundi, Congo, Tanzania and Somalia)

Stanbic Bank in Partnership with MKOPA to light up Primary Schools

Stanbic Bank partnered with MKOPA:

1. To light up at least 20 schools most especially a candidate class or a library
2. To provide eco – friendly energy

The Objective:

Stanbic Bank contributed UShs 80,000,000 to the MKOPA project to provide and install MKOPA Solar Packages to twenty-two (22) schools. The Partnership with MKOPA was to tackle the low literacy levels thus powering a candidate class was a good initiative that assisted schools that were not on the electricity grid which is 99% of out UPE schools.

Impact/Outcome

1. Students do not have to use lanterns to study and neither do they have to wait for lighting
2. More class sessions are in the classroom as opposed to under trees.
3. Improved study hours thus more learning and increased literacy levels
4. These classes/libraries are also used by teachers to set and mark classwork.
5. Beneficiary schools have been enabled to start boarding sections for the student.

USAID/RTI Reading Card Project in partnership with Stanbic Bank

USAID/Uganda Literacy Achievement and Retention Activity (LARA) is supporting the Ministry of Education and Sports (MoES) to run a national 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:

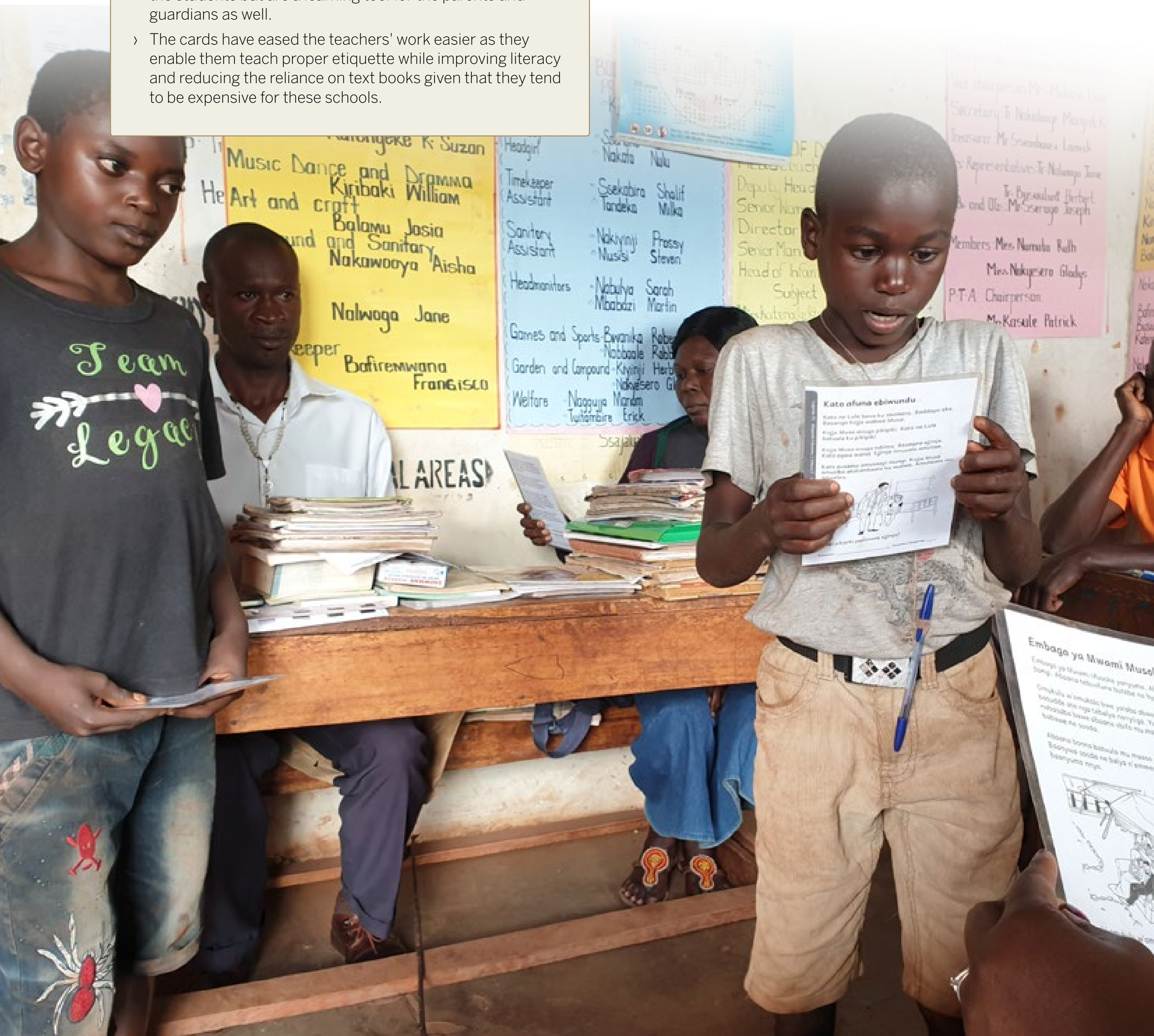
Stanbic chose to support this project due to the sensitivity of the age group. We value education greatly as these tender early years are at the core and are the essence of a good foundation. Stanbic contributed UShs 20m towards this initiative

Impact/Outcome:

- The cards reached **25,025 students**
- In places like Buvuma island literacy levels in schools increased by 40%.
- Parents are now more inclined towards 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 eased the teachers' work easier as they enable them teach proper etiquette while improving literacy and reducing the reliance on text books given that they tend to be expensive for these schools.

Other **CSI Special Projects and Strategic Partnerships**

Initiative/ Project	Our Involvement and Impact	Contribution	Beneficia-ries
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	500,000,000	1,232
UCU scholarships	Stanbic Bank Scholarship fund	75,000,000	15



PHILANTHROPY AND COMMITMENT TO HUMANITARIAN PROJECTS

At Stanbic Bank we are cognizant of the fact that every community is different and their needs divergent. We provide both financial and in-kind support to our communities to enable each of them reach their distinct goals. In 2019, we contributed to a wide variety of initiatives in form of donations and sponsorships. Below are some of the key initiatives we supported:

MTN Marathon:

Stanbic Bank Uganda together with other private sector players including Huawei, The New Vision, Rwenzori and Spedag Interfreight partnered with MTN Uganda to support the improvement of maternal health. This is the 6th year Stanbic Bank has contributed towards this MTN community initiative. Stanbic donated UShs 280 million in 2019.

The MTN Kampala Marathon, now in its 16th year has been a mainstay on the Ugandan sports calendar giving participants "A Good Reason to Run" because apart from running for health and fitness, the public gets to contribute towards a community cause.

This marathon includes wheel chair races, regional races as well as the main event in Kampala and attracts close to 45,000 participants including 300 Stanbic staff. The MTN Marathon has and pledges to continue playing its role in connecting and uniting Ugandans to causes that make a difference in the lives of thousands across the country.

NSSF Hash Run:

NSSF has been holding a seven hills hash run for the last 5 years with the aim of reconstructing public schools. So far the initiative has refurbished over 10 schools in the Kampala City Center Area.

Involvement:

Stanbic partnered with NSSF to raise UShs 400m to give back to KCCA Schools. Stanbic contributed UShs 30m towards this initiative and also involved 150 staff members in a marathon run towards this cause.

Impact/Outcome

All proceeds went towards the renovation of structures of public schools in Kampala, particularly proceeds from 2019 run will benefit the Kampala School for the physically handicapped, Kansanga Primary School, Munyonyo Primary School and Nakivubo Primary School which still has a number of buildings with asbestos roofs.

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 18B thus the theme 2019 "keep running." Over UShs 778m, was collected during the 2019 cancer run that attracted over 50,000 runners.

Involvement:

Stanbic contributed UShs30 million towards this initiative and over 100 staff members participated in the 2019 run.

Other philanthropy and sponsorship projects:

Initiative/ Project	Our Involvement and Impact	Contribution	Beneficiaries
Combined carpentry machinery	Carpentry machine for Ombachi Technical college	28,500,000	750
Makerere University- Department for Civil Engineering	Support machine for teachers college	2,000,000	500
Boundless Minds Programme	Entrepreneurship training and skilling/ placement for S6 and university students	6,000,000	50
Ministry of Defence	Contribution towards Tarehe Sita Army week	25,000,000	5,000
Rotary Club- Vijana POA	Support towards Sam Owori Vijana POA project	10,000,000	25,000
KISU Sponsorship	Student sponsorship	3,000,000	250
Wakiso Secondary School for the Deaf	Support towards the school for the deaf	5,000,000	300
Kiwuliriza Primary School	Support towards students pf Kiwulizira P/S	5,000,000	750
International Literacy Association	Support towards initiatives of the International Literacy Association	10,000,000	5,300
Support for a Para-Swimmer	Sponsorship for a Ugandan Paralympian	2,000,000	1
Uganda-Germany Investment Symposium	Operation wealth creation support	3,000,000	2,000
URA Derby	Support towards children welfare project	10,000,000	500
Makerere Sanitation Project	Enhance research in public sanitation	22,000,000	10
Nyaka Project	Donation towards Nyaka Foundation	10,000,000	750
Rotary Club	Uganda biodiversity fund support	2,000,000	2,500
United Nations SDG	Open day sponsorship	5,000,000	1,000
PEPEA Africa Initiative	Support towards the East African spelling bee	2,000,000	800
St Pierre and Alix College	Support towards vocational institution	10,000,000	3,000
BSK Community Run	Support towards community run and bazaar	2,000,000	400
Bavubuka Foundation	Support towards the annual children and parents festival	1,000,000	1,500
Nkambo P/S	Donation towards school activities	5,000,000	780
NOPLHB	Support for children living with hepatitis	5,000,000	4,000
CCAEA	Climate change tree planting project	10,000,000	4,000

EMPLOYEE COMMUNITY INVOLVEMENT (ECI)

The Employee Community Involvement (ECI) activities were driven by all staff who raised money to support various causes that are aimed at making a difference in the various communities in which they operate. 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 to. In 2019, over 400 staff volunteered their expertise, time and financial contributions to help solve some of the social challenges encountered by our communities. Staff raised a total of UShs 24m and the Bank contributed UShs 39m through its Grant Matching Policy.

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. Key employee community involvement initiatives are highlighted below;

Stanbic Bank Bugolobi Branch: Kiswa Primary School Donation

Bugolobi branch identified a client with in their community with a few basic needs that they could meet to improve and enhance their living, build confidence and motivate the students to work harder for a brighter future.

The branch chose Kiswa Primary school and partnered to meet the identified needs and show the client that we as a Bank go over and above to care, love and walk the journey of growing their business. Among the items delivered were exercise books, geometry sets and dusters among others.

Impact/Outcome:

- Provision of scholastic material to the students to aid them in studying.
- The branch improved brand affinity in the community.

Finance CSI: Donations to St Mbaga Tuzinde P/S

Finance Department has journeyed with St Mbaga Tuzinde P/S since 2017, inaugurally donating text books for candidate classes and six computers in 2017. That time, one of the school needs was to have the classrooms painted which had not been done in a long time. In 2019, the finance taem painted and provided a much required facelift enabling a more friendly and fit-for-purpose environment for both students and teachers.

Our involvement:

A donation of UShs 12m was made to the school to ensure that sustainable growth is achieved in the school.

The donation included:

- Painting all the classrooms, Staff room and Head Teacher's office
- **6 Computers** with all accessories
- **1 Photocopier/ Printer/Color Scanner**
- **1 spare toner**
- **2 cartons** of photocopying papers

Impact/Outcome:

- The **687 students** and teachers studied and worked under more favourable conditions.

Operations Department: Biira Church of Uganda Primary School

Operations department staff members have actively supported Biira Church of Uganda Primary School over the last couple of years. With a student population of 1200, the team has done various projects to enhance the school environment so that the school is able to improve learning environment for better student outcomes. Some the issues that the school faces are few reading and scholastic materials, nonexistent desks and chairs, congested classrooms to mention but a few.

Our involvement & Impact:

In 2019, the Operations teams donated classroom furniture per the school's requirements. The Operations department has committed to journeying with the school and will continually assist to ensure an enhanced learning environment. In 2018, the team donated scholastic materials that went a long way in improving learning for the students.

Marketing CSI – Marketing Masterclass at Makerere University Business School

The Marketing team carried out their employee community initiative at Makerere University Business School where they held a masterclass with the final year marketing class. The students received pointers regarding working in the field as a marketing professional from each member of the team on marketing, digital marketing, communications and public relations and events management.

Our involvement:

The students received pointers regarding working in the field as a marketing professional from each member of the team on marketing, digital marketing, communications and public relations and events.

Impact:

- The students learnt several marketing strategies from the team, such as the five skills to have as future marketers which are: social and digital marketing skills, content marketing, marketing measurement (measure and monitor), ability to do market research and marketing communications.

Other Employee Community Involvement (ECI) initiatives:

Initiative/ Project	Dept / Team	Our Involvement and Impact	Contribution	Beneficiaries
Youth Alive Project (health)	Acacia Branch	Mama kits, knitting hooks, shampoo	650,000	50
Ibuje Child Development Centre	Apac Branch	50 iron sheets	1,300,000	100
Arua Referral Hospital	Arua Branch	basic need materials to maternity ward	3,500,000	90
Kiswa Primary School	Bugolobi branch	scholastic material ie bags, sets	1,300,000	2,000
St Noah Mawaggali Primary School	CCC	Bags and scholastic material	1,995,000	50
Kiwuliriza Primary School	Channels	Water tank and scholastic material	7,500,000	170
St Lilian Home for the Disabled	CIB	Toilet paper, sanitary towels, food, stationery	4,767,000	28
L'arche Uganda (special needs)	Corporate branch	2 solar panels and food	1,810,000	50
J&J Nursery & Primary School	Credit department	Contributed towards dormitory construction, books	7,100,000	89
St Mbaga Tuzinde P/S	Finance	Painted classrooms, gave desktops	12,200,000	687
Kaseeta Health Centre	Hoima Branch	Mama Kits, Nutri porridge	2 000,000	60
Bajjo RC Primary School	Human Capital department	Refurbished classroom, provided water	10,600,000	250
Bless a Child (Health)	IT department	Scholastic material	3,027,000	100
Welcome Home Orphanage	Jinja Branch	Food, soap etc...	800,000	30
Kirinda Primary School	Kiboga Branch	Painting classrooms	2,000,000	430
Kiryandongo Hospital	Kigumba Branch	Food and cleaning materials	1,500,000	200
Shalom Reconciliation Ministries (Special Needs)	Kotido Branch	Books, pens, soap, toilet paper etc	1,300,000	100
Chicken Project (Special Needs)	Legal	Poultry		500
Luvot Charity Run	Lugazi Branch	Contributed towards run		50
St Liliane Jubilee Home For The Disabled	Makerere Branch	Clothes and food		28
Mubs	Marketing	Marketing masterclass with students	5,250,000	250
Maryhill High School	Mbarara Branch	Shrubs to beautify school	417,000	1,300
Ms Matama Rosemary (Special Needs)	Metro Branch	house renovation, sanitation	3,500,000	17
Good Samaritan Outreach Program (Special Needs)	Nakawa Branch	Basic needs and household items	2,400,000	50
Nebbi General Hospital	Nebbi branch	Sugar, salt, soap	2,000,000	100
Biira Primary School	Operations	Desks for pupils	4,000,000	500
Wakisa Ministries	PVT and commercial	10 knitting machines	6,000,000	25
			65,904,000	7,304

Our SEE shared value....

MELISA NYAKWERA,
Manager Client Coverage

To me, SEE in today's world is the sustainable way of running businesses with a shared value, which includes "Doing well and Doing good"

"Doing well" is to meet the financial metrics as we are doing in Stanbic Bank and "Doing good" is addressing social and environmental issues; this is done through our CSI and Employee Community initiatives.

These have not only given us a platform to transform the societies that we live in and earn from but have also allowed us to make a difference in the world for our children's children.

'A business can never be able to succeed in a society that fails.'

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.

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Disclosure Number	Description	Required for CORE	Cross Reference/ Heading	Page Reference
102-1	Name of the organisation	Core	Who we are	6
102-2	Activities, brands, products, and services	Core	Products and services	9
102-2	Activities, brands, products, and services	Core	Products and services	9
102-3	Location of headquarters	Core	Supplementary information	221
102-4	Location of operations	Core	Our presence across uganda	8
102-5	Ownership and legal form	Core	Organisation structure overview	5
102-6	Markets served	Core	Who we are	6-7
102-7	Scale of the organisation	Core	Facts about SUL	7
102-8	Information on employees and other workers	Core	Investing in our employees	91-97
102-9	Supply chain	Core	Our products and services	9
102-10	Significant changes to the organisation and its supply chain	Core	Organisation structure overview	5
102-11	Precautionary Principle or approach	Core		N/A
102-12	External initiatives	Core	Direct benefits to society	102-117
102-13	Membership of associations	Core		N/A
Strategy				
102-14	Statement from senior decision-maker	Core	Sustainability Statement	60-61
102-15	Key impacts, risks, and opportunities		Compliance practices	98
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	Core	Our strategy	12-13
102-17	Mechanisms for advice and concerns about ethics		Risk management and control	44-56
Governance				
102-18	Governance structure	Core	Corporate governance	124-127
102-19	Delegating authority		Corporate governance	129
102-20	Executive-level responsibility for economic, environmental, and social topics		Corporate governance	126
102-21	Consulting stakeholders on economic, environmental, and social topics		Corporate governance	129
102-22	Composition of the highest governance body and its committees		Corporate governance	124&125
102-23	Chair of the highest governance body		Corporate governance	124
102-24	Nominating and selecting the highest governance body		Corporate governance	132
102-25	Conflicts of interest		Corporate governance	132
102-26	Role of highest governance body in setting purpose, values, and strategy		Corporate governance	129
102-27	Collective knowledge of highest governance body			N/A
102-28	Evaluating the highest governance body's performance		Corporate governance	134
102-29	Identifying and managing economic, environmental, and social impacts		Risk management and control	44-56
102-30	Effectiveness of risk management processes		Corporate governance	131
102-31	Review of economic, environmental, and social topics		Corporate governance	96
102-32	Highest governance body's role in sustainability reporting		Corporate governance	124
102-33	Communicating critical concerns			N/A
102-34	Nature and total number of critical concerns			N/A
102-35	Remuneration policies		Remuneration report	137-138
102-36	Process for determining remuneration		Remuneration report	137-138

102-37	Stakeholders' involvement in remuneration		Remuneration Report	137-138
102-38	Annual total compensation ratio		Remuneration report	137-138
102-39	Percentage increase in annual total compensation ratio		Remuneration report	137-138
Stakeholder Engagement				
102-40	List of stakeholder groups	Core	Stakeholder engagement	85-86
102-41	Collective bargaining agreements	Core	Investing in our employees	91
102-42	Identifying and selecting stakeholders	Core		N/A
102-43	Approach to stakeholder engagement	Core	Stakeholder engagement	85-86
102-43 **102-44**	Approach to stakeholder engagement Key topics and concerns raised	Core	Stakeholder engagement	85-86
102-45	Entities included in the consolidated financial statements	Core		N/A
Reporting Practice				
102-46	Defining report content and topic boundaries	Core	Sustainability report	62
102-47	List of material topics	Core	About this report	59
102-48	Restatements of information	Core		N/A
102-49	Changes in reporting	Core		N/A
102-50	Reporting period	Core	Sustainability report	61
102-51	Date of most recent report	Core	Sustainability report	61
102-52	Reporting cycle	Core	Sustainability report	61
102-53	Contact point for questions regarding the report	Core	Supplementary information	221
102-54	Claims of reporting in accordance with the GRI Standards	Core	Gri index	118-121
102-55	GRI content index	Core	Gri index	118-121
102-56	External assurance	Core		N/A
Management Approach				
103-1	Explanation of the material topic and its boundary	Core	Sustainability report	62
103-3	Evaluation of the management approach	Core	Sustainability report	62
Economic Approach				
201-1	Direct economic value generated and distributed		Value added statement	83
201-2	Financial implications and other risks and opportunities due to climate change		Environmental responsibility	103-106
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	103-106
Procurement Practices				
204-1	Proportion of spending on local suppliers		Covered in building a responsible business.	90
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	98
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	98
Materials				
301-1	Materials used by weight or volume		Environmental responsibility	103-106
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	103-106
302-2	Energy consumption outside of the organisation		Environmental responsibility	103-106
302-3	Energy intensity		Environmental responsibility	103-106
302-4	Reduction of energy consumption		Environmental responsibility	103-106
302-5	Reductions in energy requirements of products and services		Environmental responsibility	103-106
Water				
303-1	Water withdrawal by source		Environmental responsibility	103-106
303-2	Water sources significantly affected by withdrawal of water		Environmental responsibility	103-106
303-3	Water recycled and reused		Environmental responsibility	103-106
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	103-106
305-2	Energy indirect (Scope 2) GHG emissions		Environmental responsibility	103-106
305-3	Other indirect (Scope 3) GHG emissions		Environmental responsibility	103-106
305-4	GHG emissions intensity		Environmental responsibility	103-106
305-5	Reduction of GHG emissions		Environmental responsibility	103-106
305-6	Emissions of ozone-depleting substances (ODS)		Environmental responsibility	103-106
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions			103-106
Effluents and Waste				
306-1	Water discharge by quality and destination		Environmental responsibility	103-106
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	91-97
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Investing in our employees	91-97
401-3	Parental leave		Investing in our employees	91-97
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	91-97
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	91-97
403-3	Workers with high incidence or high risk of diseases related to their occupation		Investing in our employees	91-97
403-4	Health and safety topics covered in formal agreements with trade unions		Investing in our employees	91-97

Training and Education				
404-1	Average hours of training per year per employee		Investing in our employees	91-97
404-2	Programs for upgrading employee skills and transition assistance programs		Investing in our employees	91-97
404-3	Percentage of employees receiving regular performance and career development reviews		Investing in our employees	91-97
Diversity and Equal Opportunity				
405-1	Diversity of governance bodies and employees		Investing in our employees	68-73
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	91-97
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		Direct contributions to society	107-117
413-2	Operations with significant actual and potential negative impacts on local communities		Direct contributions to society	107-117
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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS


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- Executive Directors
- Non Executive Directors
- SUHL
- SBU

6 MALE 3 FEMALE

1. ***Japheth Katto** 68
Chairman Board
BCom Honours, FCCA
CPA - Uganda
APPOINTED 2014
Committee: None

2. ***Patrick Mweheire** 49
Chief Executive
BSc (Econ, Daemen)
MBA (Harvard)
APPOINTED 2012
Committee: Credit and Risk

3. ****Kevin Wingfield** 51
Executive Director
BCom.University of Natal, Pietermaritzburg
Chartered Accountant South Africa
APPOINTED 2016
Committee: Risk Management

4. ****Greg Brackenridge** 62
Non-Executive Director
Chief Executive East Africa Region Standard Bank Group
Associate Institute of Bankers South Africa
APPOINTED 2016
Committee: Human Capital

5. ***Eva Kavuma** 57
Non-Executive Director
BSc Business Administration (Ithaca, New York)
MA International Management (Thunderbird, Arizona)
APPOINTED: 2016
Committee: Credit and Human Capital

6. ***Elizabeth Ntege** 51
Non-Executive Director
BSc.Eng (Hons), De-Montfort University UK.
APPOINTED 2019
Committee: Credit, Human Capital

7. ***Samuel Zimbe** 67
Non-Executive Director
MA Finance and Investment, ACCA
APPOINTED 2017
Committee: C/M Audit

8. ***Josepha Ndamira** 40
Non-Executive Director
B.Comm (Accounting). Makerere University
MBA Edinburgh Business School (Heriot Watt University).
Fellow of the ACCA(UK)
APPOINTED 2019
Committee: Audit, Risk Management

9. ***Patrick J. Mangheni** 67
Non-Executive Director
PhD Functional Analysis (Oxford)
APPOINTED 2015
Committee:
Audit & Credit
C/M Risk

NATIONALITY
*Ugandan
**South African

EXECUTIVE COMMITTEE


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8 MALE 8 FEMALE

- SUHL
- SBU

1. Patrick Mweheire
Chief Executive
Joined the Bank: 2012
JOINED EXCO: 2012

QUALIFICATIONS
BSc (Econ, Daemen)
MBA (Harvard)

2. Kevin Wingfield
Head, Personal & Business banking
Joined the Bank: 2015
JOINED EXCO: 2015

QUALIFICATIONS
BCom.University of Natal, Pietermaritzburg
Chartered Accountant South Africa

3. Emma Mugisha
Head, Corporate & Investment banking
Joined the Bank: 2013
JOINED EXCO: 2018

QUALIFICATIONS
B.SWASA, MUK
MBA, Rotterdam

4. 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

5. 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

6. Moses Mbubi Witta
Head, Human Capital
Joined the Bank: 2013
JOINED EXCO: 2013

QUALIFICATIONS
B.SWASA, MUK
MBA, Edinburgh Business School

7. Gladys Muchae
Head, Credit
Joined the Bank: 2017
JOINED EXCO: 2017

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

8. 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

9. Patricia N. Musiime
Head, Operations
Joined the Bank: 2014
JOINED EXCO 2018

QUALIFICATIONS BA(SS), MUK
MBA, Nkozi University

10. 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

11. Barbra Dokoria
Head, Compliance
Joined the Bank: 2003
JOINED EXCO 2018

QUALIFICATIONS B.Comm (Acc.) MUK
ACCA

12. Kaweesa Walusimbi
Head Project Management Office
Joined the Bank:2015

QUALIFICATIONS
BAA (Fine Art) MUK
Cert. PRINCE 2.

13. Rita Kabatunzi
Company Secretary
Joined the Bank: 2018
JOINED EXCO: 2018

QUALIFICATIONS
L.L.B, MUK; PGD L.P, LDC
Fellow ICSA;
MBA, Leicester, UK
JOINED EXCO: 2018

14. Daniel Ogong
Head Marketing & Communications
Joined the Bank: 2017

QUALIFICATIONS
B.COM Delhi University
MBA (Marketing), Anglia Ruskin, UK

15. Yvonne Namutosi
Head Service Quality
Joined the Bank: 2017

QUALIFICATIONS
B.COM MUK
MBA, Edinburgh Business School

16. Doreen Rwakatungu
Regional Head Audit
Joined the Bank: 2017
JOINED EXCO: 2017

QUALIFICATIONS
BSc. Electrical Engineering MUK
Cert. CIA
Cert. CISA
Cert. ACCA
MBA-Bradford University of Management, UK

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the governance framework adopted by Stanbic Uganda Holdings Limited (SUHL) and its subsidiaries designed to ensure that the Company operates a sustainable business for the benefit of all stakeholders. This statement highlights how the key elements of good governance were applied during the 2019 financial year.

SUHL is a non-operating holding company listed on the Uganda Securities Exchange with 22,515 shareholders as at December 31st, 2019. 80% of the shares are owned by Stanbic Africa Holdings Limited (SAHL), a private limited liability company incorporated in the United Kingdom. Institutional and retail shareholders own the remaining 20% shares in SUHL. SAHL is wholly owned by Standard Bank Group (SBG), a South African financial services company listed on the Johannesburg Stock Exchange (JSE). Key shareholder information is covered on page 220.

The SUHL corporate governance approach is informed by the Capital Markets Authority Corporate Governance Guidelines; the Uganda Securities Exchange Listing Rules, 2003; Companies Act 2012, the Financial Institutions Act (Corporate Governance) Regulations, 2005, and the King IV report on corporate governance adopted by the Standard Bank Group. This comprehensive framework facilitates adherence to good governance practice and enables the Board to effectively fulfill its mandate, as is evident from the numerous accolades and recognitions received for good governance.

The Company is required to abide by the USE Continuing Listing Obligations, which ensure the existence of a fair market with equal access to information for all investors and potential investors. The obligations also reinforce the importance of a properly regulated market and thus help to increase investor confidence

At Stanbic, we recognize that sound governance practices are fundamental to building investor confidence, public trust and business sustainability. We continue to uphold the principles of corporate governance, namely; ethics, transparency, accountability, fairness and social responsibility in our business operations.

This annual report is part of the organisational culture of accountability and transparency. Further disclosure on performance is realized through the publication of the summary audited financial statements and half-year unaudited results via the press email and company website.

Corporate Structure

In 2018, SUHL underwent a corporate re-organisation process, which resulted in the creation of the non-operating holding company (SUHL) and incorporation of a new Banking subsidiary, Stanbic Bank Uganda (SBU). The transfer of the Banking business to SBU was completed on March 31st, 2019. SUHL thereafter, embarked on the process of setting up other non- Banking subsidiaries.

Stanbic Bank Uganda remains the largest contributor to SUHL revenue. SBU is a private limited liability company regulated by the Bank Uganda under the provisions of the Financial Institutions Act. The SUHL and SBU had mirror Boards until November 2019. The directors serving on both Boards were: Mr. Japheth Katto (Chairman), Mr. Patrick Mweheire (Chief Executive), Mr. Greg Brackenridge, Ms. Eva Kavuma, Prof. Patrick Mangheni, Mr. Samuel Zimbe and Mr. Kevin Wingfield. In the last quarter of 2019, Mrs. Elizabeth Ntege and Mrs. Josepha Ndamira were appointed on to the Bank Board.

Subsidiary Governance Framework and Policy Framework

The SUHL board is responsible for ensuring a standardised governance approach is applied across the subsidiaries but adapted to the context of each subsidiary. This has been achieved through the adoption of a subsidiary governance framework purposed to guide the relationship and exercise of power between SUHL and its subsidiaries. The governance framework is supported by a policy framework comprised of policies adopted by the subsidiaries as are relevant and applicable. The subsidiary governance and policy framework have aligned governance practices and ensured discipline in the execution of the organisation's strategy as well as provided a framework of oversight and transparency across the SUHL and its subsidiaries. In situations where subsidiaries have additional and/or more stringent regulatory legislative requirements these would apply and where a particular principle in the framework is inconsistent with the regulatory legislation, the necessary deviation from the framework is reported to the Board.

Role of the Board

The Board is the ultimate decision-making body in the company, accountable for good governance and organisational performance. In the performance of its roles and responsibilities, the Board is guided by the articles of association and board mandate.

Key responsibilities of the Board are as follows:

- Sets the strategic direction and provides entrepreneurial leadership.
- Sets organisational values to drive culture, ethics and oversees the implementation of the company vision, mission, strategic objectives and corporate values.
- Approves and reviews policies for appropriateness to the business.
- Approves budgets and financial statements considering best practice on integrity and accuracy.
- Ensures an effective risk management system and a robust internal control environment is in place.
- Appoints and sets the remuneration for executive management.
- Ensures requisite financial and human resources are in place for the company to meet its obligations.
- Recommends to the shareholders director appointments and remuneration.

The Board monitors implementation of strategy and tracks performance against agreed strategic value drivers.

The role of the Chairman and the Chief Executive are separate and in line with best practice, the Chairman is independent.

Strategy

The Board is responsible for the overall performance of the organisation and sets the strategic direction. The Board has delegated to Management the development of which it approves. The board tracks implementation of strategy at the quarterly board meetings and reviews relevance on an annual basis at an offsite strategy session.

At the off-site strategy sessions, the Board and Management agree on the key performance measures and targets that guide assessment during the year. This year's session held on 29-30 November 2019 focused on the digital transformation strategy. Directors were trained on the stages of the digital journey. It was determined that the company was on track to achieve its digital transformation goals. It was resolved that board focus in the first half of 2020 would be on enhancement of skills agreed that NEDs undergo a development program, the reverse mentorship program to build expertise and deepen knowledge central to oversight of the digital journey.

At each board meeting, Management updates the Board on the implementation of the strategy and presents for approval policies and operational plans required to achieve the strategy.

Stakeholder centricity

The Company has adopted an inclusive stakeholder approach in recognition of the fact that good governance includes meeting the interests and needs of all stakeholders. By following this approach, Stanbic views itself as an integral part of society and therefore has a corporate citizenship status which confers rights, obligations and responsibilities on it towards society.

The Board has supported stakeholder centricity through different programs such as Stanbic Business Incubator. which provides enterprise development and training programmes to small and medium-size enterprises (SMEs). More details of the Stanbic business incubator can be found on pages 72 to 77.

For the last four years the Bank has organized the National Schools Championship aimed at empowering the younger generation with financial literacy, entrepreneurial and life skills. The initiative is aligned to eight Sustainable Development Goals; No poverty, quality education, clean water and sanitation, affordable and clean energy, decent work and economic growth, industry innovation and infrastructure, climate action and partnership. More information on the National Schools Championship can be found on pages 108 to 110.

Board Size and Composition

For most of 2019, The holding company and the Bank had a mirror Board comprised of 7 directors. The process of separating the two Boards is ongoing. In the last quarter of 2019, two independent NEDs, Mrs Elizabeth Ntege and Mrs Josepha Ndamira were appointed to the Bank Board.
The Boards are comprised of Executive and Non-Executive Directors (NED) majority of whom are Independent NEDs, including the Board Chairperson.

Table 1: Board composition of Stanbic Uganda Holdings and Stanbic Bank, December 31st, 2019

Classification	SUHL	Bank
Non-Executive Directors	2	1
Independent Non-Executive Directors	4	6
Executive Director	1	2

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 provides a balance of power so that no individual or group dominates discussion or decision making.

The Directors have a wealth of knowledge, experience and diverse skills in international Banking, risk management, accounting/audit, digital/IT, entrepreneurship and leadership of large organisations/regulated entities required to enable the Board to discharge its duties and responsibilities effectively

The Non-Executive Directors bring independent judgment to issues of performance and delivery of strategy across the different business units hence constructively challenging the Executive Directors' delivery of strategy within the risk and governance structure agreed by the Board.

The diversity of the Board also includes gender: by the end of 2019, three of the nine Bank directors were women, and two females on the SUHL Board however, this percentage is expected to increase in 2020.

Delegation of Authority

The SUHL Board has overall responsibility and is accountable for the performance and affairs of the organisation. To assist the Board effectively discharge its duties as well as promote independent judgment, the Board through the subsidiary corporate governance framework, delegates its authority to the board committees and Management with clearly defined mandates and authorities while ensuring accountability through quarterly reports.

At the Bank, the Board has delegated some of its powers to Management through the Chief Executive. These are also well defined in a framework that guides exercise of powers

and thresholds for the exercise of authority. This framework determines the levels of delegation to different levels of Management. A culture of operating within power is emphasized with oversight on approval limits performed by the Finance Department. An Executive Committee Mandate is in place to endure operation with delegated authority. Delegated authority, including authorisation limits, is in place.

The Company Secretary and the Chief Finance Officer play a central role in ensuring exercise of limits within the Board and Executive Management mandate.

The delegation of authority has facilitated utilization of expertise at both committee and management level and ensured that critical functional areas are adequately resourced and headed by competent individuals allowing the Board to focus on matters reserved for decision making. Effective delegation of authority has successfully aided succession planning through the Board granting Executive Management the opportunity to develop the required technical and leadership skills as well as experience.

In execution of their responsibilities the directors owe a duty to the company; the duties prescribed in the Companies Act include; to promote the success of the company, exercise independent judgement, reasonable care, skill and diligence, act in good faith in the interests of the company while avoiding. declaring any conflicts of interests and ensuring compliance with law.

Board Committees

The Board delegates some of its responsibilities to the Board committees but remains ultimately accountable to shareholders. The Board committees allow the Board to divide its work into manageable sections and facilitates in-depth, adequate consideration of specific issues that require specialized areas of expertise. The Board is therefore able to tap in to the specific skills, knowledge and experience of the directors hence contributing to the overall effectiveness of the Board. It is also a means to enhance Board objectivity and independent judgment in critical 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 standing committee.

Each of the committees has a mandate, approved by the Board 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 committees have quarterly meetings to consider, discuss and constructively change management reports. The committees then report to the Board with recommendations for board consideration and approval where required.

A. STANBIC UGANDA HOLDINGS LTD

Due to the non-operating nature, and infancy, of the holding company, the Board took a decision to operate as a whole rather than through committees save for an Audit and Risk Committee set up to consider and make recommendations on the audited accounts. The Committee is comprised solely of independent Non- Executive Directors.

Board Audit and Risk Committee

Before recommending the 2019 consolidated financial statements to the Board for approval, the Committee reviewed the quality and integrity of the financial statements. It satisfied itself that the appropriate accounting principles had been adopted in accordance with the International Financial Reporting Standards (IFRS) and that the disclosures in the financial statements were clear, complete and well contextualized as per the provisions of the Financial Institutions Act and the Uganda

Securities Exchange Limited. This Committee closely worked with the Chief Financial Officer to consider the robustness of internal financial and operational controls and systems including internal controls over financial reporting to ensure the integrity of both the qualitative and quantitative financial information presented in the financial statements.

The Committee oversees the relationship between the External Auditor and the rest of the Company including annual reporting to the Board, recommendations to the Board on the appointment/re-appointment of external auditors, annually assessing and reporting to the Board on the qualification, expertise and independence of the external auditors and the effectiveness of the audit process with a recommendation on whether to propose to shareholders that the external auditors be re-appointed

B. STANBIC BANK

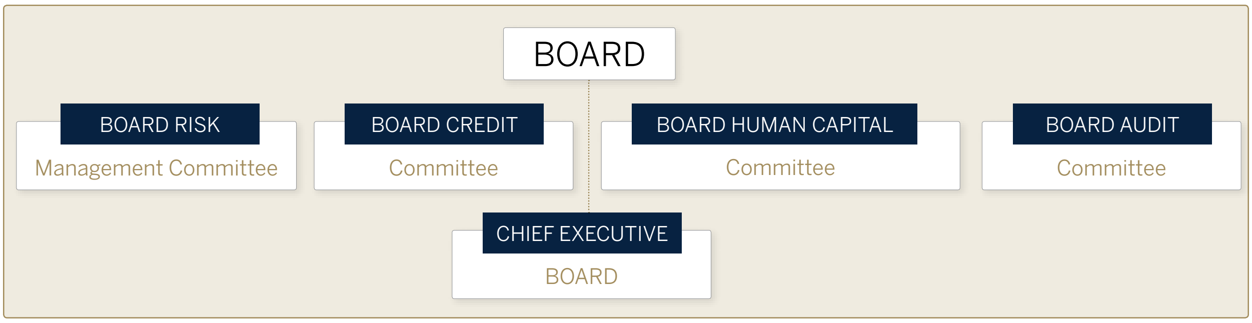
In the reporting year, the Bank Board comprised four standing committees; Audit, Risk Management, Credit and Human Capital however a decision was also taken to constitute an Asset and Liability committee in 2020 in compliance with the Financial Institutions Act.
Following the retirement of Ms. Barbara Mulwana and the resignation of Mr. Clive Tasker at the last AGM and the appointment of Mrs. Elizabeth Ntege and Ms. Josepha Ndamira on to the Board, the composition of the Board committees was reviewed based on the skills and expertise of the different Directors.

Board Audit Committee

The Committee is comprised solely of independent Non-Executive Directors. To safeguard the independence of the audit Committee chairperson, he does not sit on any other committee as a member however; he attends the Board risk management Committee meetings as an observer for a holistic understanding of the different risks faced by the Bank.

The Committee assists the Board with discharging its responsibility to develop and maintain effective systems of internal control, safeguard the company's assets and maintain adequate accounting records. The Committee reviews the Bank's financial position and makes recommendations to the Board on all financial matters, 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 is responsible for the internal control framework, which combines the Bank's three lines of defense model with the corporate governance framework. The audit, risk and compliance functions, as part of the three lines of defense, each function provides 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 on pages 44 to 56.



The Committee also ensures effective communication between the Board, internal auditors, external auditors, Management and regulators. The Committee has a constructive relationship with the Head Internal Audit. She 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. The Head Internal Audit interacts with the Committee Chairperson outside of the meetings to discuss audit matters and briefs the Chairperson on key issues ahead of Committee meetings.

The Committee in accordance with the provisions of the Financial Institutions Act recommends for approval the appointment of external auditors taking into consideration the auditor firm profile, as well as the quality of expertise on core aspects of its business and oversees their relationship with the shareholders including on annual financial reporting.

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. 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 meetings are attended by the Head Internal Audit, Chief Financial Officer and External Auditors. The Chief Executive, other Executive and Non-Executive directors and members of executive management attend by invitation.

The Audit Committee complied with its mandate in the year under review, as well as its legal and regulatory responsibilities which among others included assessment and recommendation to the Board for approval; the re-appointment of KPMG as External Auditors including negotiating fees payable, approval and monitoring progress of the 2019 Internal audit plan, approval of new approach to the 2019 external audit following the adoption of the new IFRS 16 accounting standards and assessment of the performance of the Head Internal Audit. The Committee also reviewed and recommended to the Board for approval the interim unaudited and final audited financial statements in accordance with the provisions of the Financial Institutions Act. Four scheduled meetings were held in the year with full attendance by the committee members.

Board Risk Management Committee

The Board has ultimate responsibility for risk management. The Board Risk Management Committee (BRMC) assists the Board discharge this responsibility through ensuring that the Banks risk management system is robust, reliable and constantly up-to-date to identify emerging and principle risks. The Committee provides independent and objective oversight of risk management and makes relevant recommendations for improvement to the Board.

BRMC reviews and assesses the integrity of the risk control systems and ensures that risk policies and strategies are effectively identified, managed and monitored to contribute to a climate of discipline and control, which will reduce on the risks faced by the Bank in all areas of operation.

Risk Management

BRMC regularly reviews the risk profile and satisfies itself of the adequacy and appropriateness of the risk management responses and the ranking by management. Management has established a risk management committee (RMC) that assists BRMC in discharging its duties relating to the identification, measurement, control and monitoring of key risks and ensuring the controls, processes, procedures and systems employed meet the Bank's risk appetite and requirements of regulatory authorities.

The BRMC committee meets quarterly during which the members review and discuss the different risks faced by the Bank and assesses Managements response to the risks. The Committee has continued to emphasize the impact of technology on business and the risks associated with e-commerce, including cyber and digital risk. The Committee also approves policies and operational plans required to safeguard the Bank against identified risks. The BRMC recommends to the Board for approval the risk appetite statement, which ensures that the risks the Bank is willing to take are aligned to the Bank's strategy and consistent with the fiduciary responsibility to the different stakeholders hence ensuring transparency and consistency.

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 first/ front line functions determine and advise on risk impact on clients, operational processes and strategies, existing and possible vulnerabilities and threats. The second line, risk and compliance function ensure policies and standards are in place to meet regulatory requirements, effective operation of first-line processes & controls. The internal audit function and external auditors are the third line that assesses the overall effectiveness of the activities of the other two lines in managing and mitigating risks.

The Committee is comprised of an equal split between independent Non-Executive and Executive Directors. Attendees of the BRMC meetings include the Chief Executive, the Chief Risk Officer, Head Compliance, Head Legal and Chief Information Officer. 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 on page 46, which sets out the framework for risk and capital management.

Board Human Capital Committee

The Committee is responsible for the human capital function and related policies. The Committee ensures that the human capital strategy is aligned to the overall strategy by ensuring that talent management plans and succession planning strategies are robust and up to date.

The Committee oversees the recruitment and compensation of executive and senior management and other key personnel to ensure that compensation is consistent with the Bank's culture, objectives, strategy and control environment. The Committee also ensures that the Bank develops and maintains compensation policies that 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.

During the year, the Committee successfully filled all vacant executive committee positions which included the appointment of the Chief Risk Officer and appointment of Company Secretary following the separation of the role from Head Legal. The Committee supported the launch of the IGNITE program and the 'Deliver my Dream' initiative, which was intended to enhance talent growth and professionally develop the female staff to take-up more leadership positions hence contributing to succession planning across the Bank. The Committee spearheaded the fight against sexual harassment through approval of the sexual harassment policy and monitoring progress made by Management in creating awareness against sexual harassment across the Bank.

The Committee comprises solely of Non-Executive Directors. The Chief Executive and Head Human Capital attend the meetings by invitation. The Committee complied with its mandate for the year under review as well as its legal and regulatory responsibilities. Four scheduled meetings were held during the year.

Further details on HR practice are contained in the sustainability report on pages 91 to 97 and in the remuneration report on pages 137 to 140.

Board Credit Committee

The role of this Committee is to ensure that effective frameworks for credit governance are in place to provide for the adequate management, measurement, monitoring and control of credit risk including country risk. it exercises oversight on behalf of the Board on all matter's incidental to credit and loan approvals, applications and advances made by the Bank.

The Committee has the authority to approve all in-house credit applications pertaining to Directors, senior management and commercial credit applications up to the Bank in-house lending limit. All commercial credits over the Bank in-house limit are presented to the full Board of Directors for approval. The Committee reviews the strategies developed to achieve the credit and lending goals of the Bank and makes appropriate recommendations to the Board. The Committee reviews and approves the Bank credit policies taking into account changes in applicable laws or regulations or as warranted by the changing economic and/ or Banking conditions.

The Committee reports to the Board on credit portfolios, adequacy of provisions and status of non-performing loans. Further detail on the management of credit risk is set out in the comprehensive risk management report on page 44 to 57.

The Committee's composition includes an Executive Director and 2 Non-Executive Directors. The committee meetings are attended by the Head Credit, Head Personal Business Banking, Credit and Chief Risk Officer. 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 during the year.

Nominations

A select panel of three Directors comprising of the Board Chairperson, a non-executive director and the Chief Executive handle matters related to director nominations. The Committee meets on a need to basis to consider the composition of the Board, Director selection and recruitment, and board succession guided by the Board Succession planning policy that is in place.

Conflict of Interest

The subsidiary framework and board mandate enumerate in detail the management of conflict of interest procedure which includes: standard agenda item for disclosure of conflicts of interest at all board meetings, requirements to declare any actual or potential conflict of interest as and when it arises, annual declaration of interests. All declared interests are recorded in a Register of Interests maintained by the Company Secretary. Directors are excluded from participation in discussions and decisions on any matter on which they are actually or potentially conflicted. Direct and indirect interests include but are not limited to outside directorships, other fiduciary positions, investments or shareholdings in other companies.

Appointment and Recruitment

The appointment of directors is on merit with candidates measured against a pre-determined criterion based on the required skills and experience. The process is governed by the articles of association, board mandate and guided by the director succession policy.

Director recruitment is a formal, rigorous and transparent process that involves both the internal and external vetting of candidates. A director pool of suitable board candidates is developed with the assistance of an external consultant. Candidates are selected to fill identified actual and potential gaps informed by the skills matrix. A select panel of 3 directors interviews the candidates and successful candidates are recommended to the Board for approval. The appointments are confirmed at the AGM.

Stanbic Bank

In the last quarter of 2019, Mrs. Elizabeth K. Ntege and Mrs. Josepha T. Ndamira were appointed on to the Bank Board. This was informed by the updated skills matrix which featured gaps in gender, audit/risk, digital/tech and entrepreneurial skills. This diversity in skills and gender on Board will facilitate strategic innovation and development of sustainable solutions for the organisation.

The Financial Institutions Act requires nominated directors to be subjected to a 'fit and proper test'. Bank of Uganda approved both appointments. The director appointments are aimed towards facilitating the transition from mirror boards to a separation of the SUHL Board and Bank Board.

The boards of the Holding company and the Bank subsidiary will continue to transition towards separation with only a minimal overlap to be achieved by the end of 2020.

Succession Planning

The Board in accordance with the board succession policy has adopted a continual approach to review and refresh its succession plan to ensure alignment with the organisation's strategy to identify candidates with the skills, experience and knowledge required to further the vision and strategic direction of the organisation. The succession plan was put to the test and successfully facilitated the transition to a new Chief Executive following the appointment of Mr. Patrick Mweheire as Regional Chief Executive. The succession plan also guided the director recruitment including their induction.

The SUHL Board has supported initiatives that strengthen the pipeline of executive talent and provided development opportunities to drive the quality of talent through the appointment of selected executive committee members on to the boards of the non-Banking smaller subsidiaries as Non- Executive Directors and Executive directors.

The Bank Board through the Board Human Committee monitors the succession planning across the different departments and makes recommendations to the Board. The Committee has continued to promote diversity and inclusion in the succession plan resulting in the launch of various initiatives such as IGNITE and 'Deliver my Dream' intended to nurture the next women leaders in the organisation.

In 2020 ,the Board will focus on succession planning for; Board and board committee leadership as well as critical director skills in 2020.In addition to the usual focus on strategy, risk and performance, the Board will increasingly focus on the impact of environmental issues on strategy.

Director Induction and Board Development Skills and development

Continued professional development of the Board remains an area of focus to ensure that the directors possess the skills and knowledge necessary to respond to changes in the business environment. The directors are kept abreast with applicable legislation and regulations, changes to rules, standards and codes as well as relevant sector trends. Both internal and external industry experts facilitate board training. Additional time is scheduled outside of the Board meetings to run dedicated sessions that highlight key issues related to the Company's strategy.

The company continued to leverage the international expertise available with Standard Bank Group for training and development, international experts and experts within the Bank. Training undertaken by the SUHL and Bank Board during the year included: The Role of the Board in Driving Transformation; Risk Data Aggregation and Risk Reporting; Environmental and Social Risk Management (undertaken by BAC Committee members), Internal Audit Best Practice: Emerging trends; Risk and Conduct; The effective Non-Executive Director Program (Board Chair); Digital training-MIT program (BRMC Chair); Legal- Professional and Reputational Risks of Social Media.

Board Meetings

Board meetings are held quarterly with an additional meeting held at the end of the year to consider strategy as scheduled in the annual board calendar. The board meetings are guided by an agenda that is informed by priority decisions and discussions necessary to drive the business forward. Management reports are circulated to the directors at least 5 days before the scheduled meeting to facilitate director preparedness. To achieve clarity and enhance board reporting, the six slides rule was adopted which ensures that the reports are concise and focused on the required decisions. This enables the directors to internalize the main items for interrogation and ensures that the board decisions remain strategic and not operational.

At the board meetings, the minutes of the previous meeting are approved and signed as a true record of the proceedings. A minute book is maintained and safely stored. The quality of discussions is sufficient to evaluate and interrogate Management thinking on the Company's strategy hence ensuring the long-term success and sustainability of the Company. Board decisions are reached by consensus following discussion and debate. In the event that the Board requires further consultation by Management, decisions are deferred. Management is kept accountable for agreed actions arising from the meetings through an action log updated with progress which is discussed at the board meetings.

The Board Chairperson and Chairpersons at the committee level create a boardroom climate that fosters discussion through encouraging frank discussions which allow the directors to constructively challenge assumptions. The Board approves an annual board meeting calendar and adheres to it. Attendance of meetings remained very good with the well-reasoned absence of directors for health or travel reasons. This ensured that quorum was met and that the discussions and decisions made were of high quality. Ad hoc meetings are held only in emergency cases but are generally discouraged. The effective alternative to ad hoc, unscheduled meetings is the 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.

Table 3: Stanbic Uganda Holdings Limited Board Meetings and Attendance in 2019

Name of Director	Q1 February 13th	Q2 May 29th	Q3 July 30th	Q4 October 30th	Board Strategy 30th Nov
J.B. Katto, Chairman	✓	✓	✓	✓	✓
Patrick Mweheire	✓	✓	✓	✓	✓
Greg Brackenridge	✓	✓	✓	✓	✓
Samuel Zimbe	✓	✓	✓	✓	✓
Eva Kavuma	✓	✓	✓	✓	✓
Patrick Mangheni	✓	✓	✓	✓	✓
Kevin Wingfield	✓	✓	✓	✓	A
Clive Tasker	✓	NA	NA	NA	NA
Barbara Mulwana	✓	✓	NA	NA	NA

Table 4: Stanbic Bank Uganda Board and Committee meetings and attendance in 2019

	Q1					Q2				
Name of Director	**February 12th**	**February 12th**	**February 12th**	**February 12th**	**13th Feb**	**28th May**	**28th May**	**28th May**	**28th May**	**29th May**
	HC	**BAC**	**BCC**	**BRMC**	**Board**	**HC**	**BAC**	**BCC**	**BRMC**	**Board**
J.B. Katto, Chairman	NA	NA	NA	NA	✓	NA	NA	NA	NA	✓
Patrick Mweheire	NA	NA	✓	✓	✓	NA	NA	✓	✓	✓
Greg Brackenridge	✓	NA	NA	NA	✓	✓	N.A	✓	NA	✓
Samuel Zimbe	NA	✓	NA	NA	✓	NA	✓	NA	NA	✓
Eva Kavuma	✓	NA	NA	✓	✓	✓			✓	✓
Patrick Mangheni	NA	✓	✓	✓	✓	NA	✓	✓	✓	✓
Kevin Wingfield	NA	NA	NA	✓	✓	NA	NA	NA	✓	A
Clive Tasker	NA	✓		NA	✓	NA	NA	NA	NA	✓
Barbara Mulwana	✓	✓	NA	NA	✓	✓	NA	NA	NA	✓

	Q3						Q4					Board Strategy
Name of Director	**July 30th**	**July 30th**	**July 30th**	**July 30th**	**30th July**	**31st July**	**29th Oct**	**29th Oct**	**29th Oct**	**30th Oct**	**29th Nov**	**30th Nov**
	HC	**BAC**	**BCC**	**BRMC**	**Board**	**HC**	**BAC**	**BCC**	**BRMC**	**Board**	**Board Retreat**	
J.B. Katto, Chairman	NA	NA	NA	NA	✓	NA	NA	NA	NA	✓	✓	✓
Patrick Mweheire	✓	NA	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓
Greg Brackenridge	✓	NA	✓		✓	✓	N/A	✓		✓	✓	✓
Samuel Zimbe	NA	✓	NA	✓	✓		✓		✓	✓	✓	✓
Eva Kavuma	✓	✓	NA	✓	✓	✓	✓		✓	✓	✓	✓
Patrick Mangheni	NA	✓	✓	✓	✓	NA	✓	✓	✓	✓	✓	✓
Kevin Wingfield	NA	NA	NA		✓	NA	NA	NA	✓	✓	A	A
Clive Tasker	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Barbara Mulwana	NA	NA	NA	NA	NA	NA	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

Digital Technology

Aligned to the Company's digital strategy, the Board has adopted online processes in its operations through the Diligent Board software through which reports are circulated and decisions are made using the highest grade of security encryption. This has enabled the Board to not only operate effectively through exploiting available digital solutions but also furthered the corporate Social Environment Economic (SEE) goals on waste management to safeguard the environment. Online circulation of board papers is an example of reduced use of paper and this culture as set at the top has cascaded to Bank operations. This contributed to a 21% drop in the paper consumed from last year.

Board Changes

At the AGM held on May 30th, 2019, Mr. Greg Brackenridge and Ms. Eva Kavuma were re-elected while Ms. Barbara Mulwana, the Board Human Capital Chairperson retired from the Board following 9 years of distinguished service. Mr. Clive Tasker, the Board Credit Committee Chairperson opted not to offer himself for re-election. As a non-resident director, he indicated challenges with the time commitment requirements around travel. Their contribution of perspective, skill and experience over the years was recognized with gratitude.

In line with our articles of association and best practice, the Board has adopted a staggered approach to board rotation so as to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity. At the 2020 AGM, two directors will be due for rotation, Mr. Sam Zimbe, the Board Audit Committee Chairperson and Mr. Japheth Katto, the Board Chairperson. Mr. Greg Brackenridge has opted not to offer himself for re-election following his retirement from Standard Bank Group after 25 years of dedicated service while Mr. Kevin Wingfield resigned from the Board following his appointment as Chief Executive Stanbic Bank Tanzania.

Board Evaluation

The Board continued the practice of annual assessment of performance of; the Board as a whole, Board committees, Non-Executive directors, Board and Committee chairpersons, the Chief Executive, Executive Director, and the Company Secretary. The evaluation is used as a mechanism to improve board effectiveness, maximize the strengths of the Board and resolve identified areas of improvement.

The process was facilitated internally by the Company Secretary with the guidance of the Board Chairperson. In line with recommended best practice the focus was both on people and process in recognition of the fact that governance relates both to process and to behavioral aspects. The evaluation covered a broad range of topics such as:

- Strategy oversight and implementation.
- Board dynamics and interaction with Management and key stakeholders
- Board composition and succession planning,
- Board operations
- Effectiveness of Board Committees and individual Directors.

The overall average rating for Board performance was very good. The areas of high satisfaction included the Board and committee leadership, understanding of strategy as well as duties and responsibilities and the relationship with Management. The effectiveness in these areas is evidenced in a continued high performance supported by dedicated director attendance and contribution to effective decision making. The Stanbic Boards continue with the commendable collaboration culture between Board and Management in key strategic and social responsibility initiatives such the NSC competition and the Business Incubator.

Resolved areas of improvement arising from the previous board evaluation included the review of board mandate to the new holding company governance structure, update of the succession plan and director recruitment process and alignment of committee responsibilities and compositions.

Areas of improvement included the need for articulation of board development plan and the need for an independent external assessment.

The Board Chairperson met with the CE, CS and all the Non-Executive Directors to discuss individual assessments as a key step to improving their effectiveness. The findings of the assessment informed the 2020 training and development plan as well as the annual review of Board and committee composition.The identified areas of improvement have been included in the action plan and an externally facilitated board evaluation process has been agreed for 2020 to provide greater objectivity. The Board is satisfied that it fulfilled its responsibilities in accordance with its mandate for the year 2019.

Relationship with Shareholders

The company has laid a lot of emphasis on shareholder engagement through consistent interaction and communication with shareholders aimed at ensuring disclosure and transparency of the company performance and activities. Shareholders are encouraged to be present at the Annual General Meeting which serves as a forum for engagement and dialogue with Directors available at the meeting to answer questions from shareholders. Voting at the General Meetings is conducted by show of hands and every item is presented and voted on separately. The 2019 AGM was well attended, all proposed resolutions were passed. The proceedings were broadcast live to shareholders who pre-registered; this made it possible for the shareholders who were not able to attend to take part digitally.

Following the announcement of the company audited accounts for the year ended December 31st 2019 an investor briefing on performance and strategic direction was held. The Chief Executive and Chief Financial Officer facilitated. Participants are given an opportunity to ask questions on the performance of the company.

Shareholders who still hold shares in hard copy certificate form are encouraged to migrate to the USE electronic system and encouraged to notify the Company'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 as well as help claim outstanding dividend payments. Details of the share registrar are included in the company information on page 221.

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 required.

Directors have unrestricted access to Management and the Company information, as well as the resources required to carry out their roles and responsibilities. This includes external legal and other professional advice at the Company's expense where necessary. The Directors also have unlimited access to the advice and services of the Company 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 Company's values in greater detail and provides value-based decision-making principles to guide our conduct. It is aligned with other Company 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 Company's risk management process.

Stanbic Uganda Holdings Limited and its subsidiaries have strong whistle blowing policies and procedures in place. Staff are periodically trained 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 listed entity, the holding company operates in a highly regulated environment and for the financial year 2019 complied with legislation, regulations and codes of best practice.

Complying with all applicable legislation, regulations, standards, codes and policies is integral to the company'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 Company and significant areas of non-compliance. The Committee also reviewed the significant interactions and correspondences with Bank of Uganda.

Management assessed the impact of new and proposed legislation and regulations and escalated to the Board risk Management and Audit Committee's material regulatory issues and legislative developments.

The SUHL throughout 2019 continued to nurture a strong culture of governance and responsible risk management in line with Standard Bank Group risk appetite and governance framework. SUHL constantly monitored its practices to ensure that they are well suited for it and serve to enhance business and community objectives.

Dealing in securities

SUHL 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 directors from trading in securities during closed periods, which are in effect from June 1st to the publication of the interim results and from December 1st 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 company has adequate resources to continue operating as a going concern.

Company Secretary

The role of the Company Secretary is to ensure the Board remains mindful of its duties and responsibilities. In addition to guiding the Board on discharging its duties, the Company Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Company 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 Company and its operations. All directors have access to the services of the Company 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 Committee 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 Uganda 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 Uganda 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 similar companies in Uganda.

Directors' Emoluments 2019

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	-	-	2,460,594	3,730,672	750,093	1,001,257	7,942,616
Non-Executive Directors	279,891	152,480	-	-	-	-	432,371
Former Non-Executive Directors	22,959	15 565	-	-	-	-	38,524
Total	**302,850**	**168,045**	**2,460,594**	**3,730,672**	**750,093**	**1,001,257**	**8,413,511**

Directors' moluments 2018

Category	Services as Directors	Board Committee Fees	Cash Portion Of package	Performance Incentives *	Other Benefits	Pension Contribu-tions	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**

REPORT OF THE AUDIT COMMITTEE

This report is provided by the Audit Committee in respect of the 2019 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 2019, in accordance with all applicable legal requirements
- Approved the external auditor's 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 auditor's 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 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

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, 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 auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditors.
- The auditor's 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

23 March 2020

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of Stanbic Uganda Holding Limited.

Principal activities

Stanbic Uganda Holdings Limited is non-operating company with one subsidiary Stanbic Bank Uganda (SBU). SBU 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.

Results

Stanbic Uganda's results for the year ended 31 December 2019 are shown in the Financial Statements on pages 150 to 217.

Dividends

The Directors recommended the payment of a final dividend of UShs 110 billion for the year ended 31 December, 2019.

On 24th March 2020, Bank of Uganda (BOU) issued guidelines to all Supervised Financial Institutions (SFIs) on safety measures regarding the Covid-19 pandemic. Of particular note was the expectation on capital preservation wherein all SFIs were required to defer all non-discretionary payments, which include dividends, until further notice or seek for explicit authorisation from BOU.

Stanbic Bank subsequently sought BOU approval for an exception to pay dividends for the year 31st December 2019. However, BOU declined the request. Given that SBU dividends form the pool of dividends to SUHL shareholders , the Board of Directors therefore advises that no dividends will be recommended for approval during the upcoming AGM.

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 as shown on pages 124 to 125 of this report.

Directors' interest in shares

At 31 December 2019, the following Director has held a direct interest in the SUHL's ordinary issued share capital as reflected in the table below:

Director	Number of Shares
P Mangheni	100,000
J Ndamira	30,000
Total	130,000

Insurance

The Directors' and officers' liability insurance was maintained during the year.

Events Subsequent to balance sheet date

The novel coronavirus (COVID -19) pandemic has introduced unprecedented challenges to global health and economic conditions. Further detail in respect of the implication of the pandemic have been included under note 40 of the Financial Statements on page 217.

Management by Third Parties

None of the business of Stanbic Uganda Holdings Limited 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
Company Secretary,
Board of Directors
23 March 2020

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation and fair presentation of the financial statements of Stanbic Uganda Holdings Limited (SUHL) set out on pages 150 to 217 which comprise the statement of financial position as at 31 December 2019, 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 SUHL for that year. The Act 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 2019.

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 Uganda Holdings Limited, were approved by the Board of Directors on 23 March 2020 and were signed on its behalf by:

....	....
Chairman	**Chief Executive**
23 March 2020	23 March 2020

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INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated and separate financial statements of Stanbic Uganda Holdings Limited ("the Group and Company") set out on pages 150 to 217, which comprise the consolidated and separate statement of financial position as at 31 December 2019, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Stanbic Uganda Holdings Limited as at 31 December 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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 Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the Group and Company 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and 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 - Group Refer to notes 2, 11 and 19 to the consolidated and separate financial statements.	
A described in noted to the financial statements, the impairment losses have been determined in accordance with IFRS9 financial instruments. 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 Group'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 modelling 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 modelling assumptions as well as overlays with a focus on the: - Key modelling assumptions such as loss given default, forced sale value, effective interest rate, and discount period adopted by the Group. - Basis for and data used to determine overlays; - Sensitivity of the provisions to changes in modelling assumptions, key of which was forced sale value. – We examined a sample of exposures and performed procedures to evaluate the timely identification of exposures with a significant deterioration in credit quality and expected loss calculation for exposures assessed on an individual basis. – We involved our internal IT auditors/specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model). – 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. – We assessed the adequacy and accuracy of the disclosures in the consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Stanbic Uganda Holdings Limited

Key audit matter	How the matter was addressed in our audit
Fair value measurement of financial instruments - Group	
Refer to note 3(h) and accounting policy 2(d), 2(j) and 2(m) in the consolidated and separate financial statements	
The Group has Ushs 1,490,864,275,000 of its financial instruments held at fair value and qualifying under level 2 and 3 of the fair value hierarchy. These instruments included derivatives, trading assets, financial investments 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 Group and complex modelling techniques. The valuation of the Group'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 Group'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 auditors/specialists. – Testing a sample of financial instruments using independent models and source data from reputable independent third parties and comparing the results to the Group'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.
Transfer pricing on related party transactions - Group	
Refer to note 36 and accounting policy 2(l) in the consolidated and separate financial statements	
In the normal course of business, the Group 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 consolidated and separate financial statements. The tax treatment of these expenses is subject to transfer pricing rules issued by Uganda Revenue Authority (URA). Under these rules the Group 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 Group to document assumptions and information regarding factors that influenced the setting of prices or the establishment of policies with the related party. The Group is also required to demonstrate comparability for similar services and goods received. 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 consolidated and separate 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 Group and its parent. – Using our internal tax specialists to assist us in assessing whether a transfer pricing report prepared by the Group'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.

KPMG

INDEPENDENT AUDITOR'S REPORT

To the members of Stanbic Uganda Holdings Limited

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">IFRS 16 Leases–Group

Refer to note 23 and accounting policy 2(k) in the consolidated and separate financial statements</td></tr>
<tr><td>IFRS 16 replaced the existing standard IAS 17 and specifies how an IFRS reporter will recognize, mea- sure, present and disclose leases.

The Group adopted IFRS 16 for the first time on 1 Jan- uary 2019.

In order to compute the transition impact of IFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate ("IBR") method has been adopted where the implicit rate of interest in a lease is not readily determinable. Management has had to make assumptions in re- gards to the incremental borrowing rates and lease term.

Given the complexity and judgments needed in es- tablishing the underlying key assumptions such as the lease term of contract and the reasonability of ex- tension, we considered this to be a key audit matter for our audit.</td><td>Our audit procedures in this area included, among others:

– Evaluating of the appropriateness of the selection of accounting policies based on the requirements of IFRS 16, our business understanding and industry practice.

– Considering the appropriateness of the transition approach and practical expedients applied.

– Evaluating management's process for identifying lease contracts to be assessed based on the selected transition approach and any practical expedients applied.

– Re-performing management's calculations and ascertaining that the lease terms used are as per the lease contracts.

– Evaluating the appropriateness of the selection of accounting policies based on the requirements of IFRS 16, our business understanding and industry practice.

– Evaluating the reasonableness of management's key judgements regarding the lease term and incremental borrowing rates and estimates made in preparing the transition adjustments.

– Evaluating the completeness, accuracy and relevance of the transition disclosures of the transition disclosures.</td></tr>
</table>

Other information

The Directors are responsible for the other information. The other information comprises the Annual Report, but does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act of Uganda and the Financial Institutions Act, 2004 (as amended 2016), and for such internal control as Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, Directors are responsible for assessing the Group's and Company'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 Directors either intends to liquidate the Group and or Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group and company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated and separate 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Stanbic Uganda Holdings Limited

- 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 Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of 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 Group or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Identify and assess the risks of material misstatement of the consolidated and separate 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, 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 auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Identify and assess the risks of material misstatement of the consolidated and separate 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, financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Group and Company, so far as appears from our examination of those books; and

iii. The Group and Company 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 auditor's report is CPA Stephen Ineget - P0401.

KPMG

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

Date: 25 March 2020

FINANCIAL STATEMENTS AND NOTES

Consolidated & Separate Income Statement for the year ended 31 December 2019

		GROUP		COMPANY	
	Notes	2019 USh s' 000	2018 UShs' 000	2019 UShs' 000	2018 UShs' 000
Interest income	5	484,410,301	404,291,586	-	-
Interest expense	6	(35,469,336)	(33,372,120)	-	-
Net interest income		448,940,965	370,919,466	-	-
Fee and commission income	7	170,766,015	151,738,034	-	-
Fee and commission expenses	7	(9,795,567)	(7,377,824)	-	-
Net fees and commission income		160,970,448	144,360,210	-	-
Net trading income	8	191,205,066	142,363,350	-	-
Other gains and losses on financial instruments	9	347,798	(509,695)	-	-
Other operating income	10	5,643,574	3,978,775	1,526,623	-
Total income before credit impairment charge		807,107,851	661,112,106	1,526,623	-
Impairment charge for credit losses	11	(43,522,012)	(2,271,012)	-	-
Total income after credit impairment charge		763,585,839	658,841,094	1,526,623	-
Employee benefit expenses	12	(164,999,991)	(148,609,404)	-	-
Depreciation and amortisation	22 &23	(45,626,420)	(29,985,027)	(51,624)	-
Other operating expenses	13	(203,324,989)	(183,568,817)	(977,875)	-
Profit before income tax		349,634,439	296,677,846	497,124	-
Income tax expense	14	(90,540,381)	(81,537,760)	(151,136)	-
Profit for the year		259,094,058	215,140,086	345,988	-
Earnings per share for profit attributable to the equity holders of the Group during the year (expressed In UShs per share):					-
Basic & diluted	15	5.06	4.20	-	-

The group and company have, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 Leases basis. Refer to page 157 to 158 for more detail on the adoption of IFRS 16. The company's results are for 9 months ended 31 December 2019

The notes set out on pages 156 to 217 form an integral part of these financial statements.

Consolidated & Separate Statement of Other Comprehensive Income for the year ended 31 December 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Notes	UShs' 000	UShs' 000	UShs'000	UShs' 000
Profit for the year		**259,094,058**	215,140,086	**345,988**	
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	25	**(1,079,362)**	(16,109,145)	-	-
Total comprehensive income for the year		**258,014,696**	199,030,941	**345,988**	-

The group and company have, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 Leases basis. Refer to pages 157 to 158 for more detail on the adoption of IFRS 16. The company's results are for 9 months ended 31 December 2019.

The notes set out on pages 156 to 217 form an integral part of these financial statements.

Consolidated & Separate Statement of Financial Position as at 31 December 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Notes	UShs' 000	UShs' 000	UShs'000	UShs' 000
Cash & balances with Bank of Uganda	16	**1,123,942,143**	1,214,176,966	-	-
Derivative assets	27	**69,278,229**	16,197,011	-	-
Trading Assets	17	**612,551,106**	308,424,330	-	-
Financial Investments	17	**795,815,862**	601,865,521	-	-
Current income tax recoverable	14	**2,038,942**	14,655,628	**15,883,532**	-
Loans and advances to Banks	18	**825,252,492**	422,581,229	-	-
Amounts due from group companies	36	**102,274,643**	65,931,960	**35,491,352**	-
Loans and advances to customers	19	**2,852,647,445**	2,508,827,698	-	-
Investment in subsidiaries	38	-	-	**881,068,551**	-
Other assets	21	**52,640,352**	67,472,845	**253,465**	-
Property, equipment and right of use assets	23	**86,438,365**	51,526,577	**2,336,815**	-
Goodwill and other intangible assets	22	**97,068,254**	109,499,257	-	-
Deferred tax asset	20	**30,877,380**	11,899,938	-	-
Total assets		**6,650,825,213**	5,393,058,960	**935,033,715**	-
Shareholders' equity and liabilities					
Shareholders' equity					
Share capital	24	**51,188,670**	51,188,670	**51,188,670**	-
Fair value through OCI reserve	25	**2,599,829**	3,679,191	-	-
Statutory credit risk reserve	26	**8,466,533**	11,073,905	-	-
Retained earnings		**944,611,403**	792,909,973	**868,332,738**	-
Proposed dividend	33	**110,000,000**	97,500,000	-	-
		1,116,866,435	956,351,739	**919,521,408**	-
Liabilities					
Derivative liabilities	27	**24,170,053**	30,747,453	-	-
Deposits from customers	28	**4,722,203,570**	3,892,294,649	-	-
Deposits from Banks	29	**201,699,798**	101,384,439	-	-
Amounts due to group companies	36	**133,726,429**	49,359,838	-	-
Borrowed Funds	30	**11,081,783**	13,788,121	-	-
Subordinated debt	32	**73,280,466**	74,176,983	-	-
Other liabilities	31	**367,796,679**	274,955,738	**15,190,720**	-
Deferred tax Liability	20	-	-	**321,587**	-
		5,533,958,778	4,436,707,221	**15,512,307**	-
Total equity and liabilities		**6,650,825,213**	5,393,058,960	**935,033,715**	-

The financial statements on pages 150 to 217 were approved for issue by the Board of Directors on 23 March, 2020 and signed on its behalf by:

Chairman

Chief Executive

Director

Company Secretary

The group and company have, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 Leases basis. Refer to pages 157 to 158 for more detail on the adoption of IFRS 16.

The notes set out on pages 156 to 217 form an integral part of these financial statements.

Consolidated & Separate Statement of Changes in Equity for the year ended 31 December 2019

GROUP	Notes	Share capital	Available for sale revaluation reserve	Fair value through OCI reserve	Statutory credit risk reserve	Proposed dividends	Retained earnings	Total
		UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	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 after tax for the year	25	-	-	(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	26	-	-	-	(2,607,372)	-	2,607,372	-
Equity-settled share-based payment transactions		-	-	-	-	-	-	-
Proposed dividend	33	-	-	-	-	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

	Notes	Share capital	Available for sale revaluation reserve	Fair value through OCI reserve	Statutory credit risk reserve	Proposed dividends	Retained earnings	Total
		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	692,131,502	872,279,621
IFRS 9, transition adjustment			(19,788,336)	19,788,336			(25,088,479)	(25,088,479)
Balances as 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 after tax for the year	25	-	-	(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	26	-	-	-	(8,097,208)	-	8,097,208	-
Equity-settled share-based payment transactions		-	-	-	-	-	129,656	129,656
Proposed dividend	33	-	-	-	-	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

Consolidated & separate statement of changes in equity for the year ended 31 December 2019

COMPANY	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 at 1 January 2019		-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	345,988	345,988
Other comprehensive (loss)/income after tax for the year		-	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity									
Re-organisation impact on 1 April 2019	2	51,188,670						867,986,750	919,175,420
Dividend paid		-	-	-	-	-	-	-	-
Statutory credit risk reserve		-	-	-	-	-	-	-	-
Equity-settled share-based payment transactions		-	-	-	-	-	-	-	-
Proposed dividend		-	-	-	-	-	-	-	-
Balance at 31 December 2019		51,188,670	-	-	-	-	-	868,332,738	919,521,408

	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		-	-	-	-	-	-	-	-
IFRS 9, transition adjustment									
Balances as at 1 January 2018		-	-	-	-	-	-	-	-
Profit for the year									
Other comprehensive (loss)/income after tax for the year		-	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity									
Dividend paid		-	-	-	-	-	-	-	-
Statutory credit risk reserve		-	-	-	-	-	-	-	-
Equity-settled share-based payment transactions		-	-	-	-	-	-	-	-
Proposed dividend		-	-	-	-	-	-	-	-
Balance at 31 December 2018		-	-	-	-	-	-	-	-

The fair value through OCI reserve comprises of the fair value through OCI reserve for debt financial investments (note 17) . The company's results are for 9 months ended 31 December 2019.

The notes set out on pages 156 to 217 form an integral part of these financial statements.

Consolidated & Separate Statement of Cash Flows for the year ended 31 December 2019

		GROUP		COMPANY	
	Notes	2019 USh s' 000	2018 UShs' 000	2019 UShs' 000	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	14	(96,426,020)	(65,002,367)	(12,061,785)	-
Increase in derivative assets		(53,081,218)	(4,079,509)	-	-
Decrease /(increase) in financial investments		28,347,946	(235,955,202)	-	-
(Increase) /decrease 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)	-	-
Decrease/(increase) in other assets		20,883,066	(31,148,730)	(253,465)	-
Increase in customer deposits		829,927,814	270,125,283	-	-
Increase /(decrease) in deposits and balances due to other Banks		100,315,359	(241,384,735)	-	-
Increase /(decrease) in deposits from group companies		84,366,591	(217,254,168)	-	-
(Decrease)/increase in derivative liabilities		(6,577,400)	26,535,827	-	-
Increase in other liabilities		81,387,659	98,313,301	(95,461,011)	-
Net cash from / (used in) operating activities		632,931,429	(435,824,046)	(107,776,261)	-
Cash flows from investing activities					
Purchase of property & equipment		(23,596,971)	(18,540,109)	(156,050)	-
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)	(156,050)	-
Cash flows from financing activities					
Dividends paid to shareholders		(97,500,000)	(90,000,000)	-	-
Decrease in borrowed funds		(2,706,338)	(2,576,532)	-	-
(Decrease) /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)	(107,932,311)	-
Cash and cash equivalents at beginning of the year		1,562,303,706	2,140,716,931	141,897,040	-
Cash and cash equivalents at end of the year	35	2,071,204,497	1,562,303,706	33,964,729	-

The company's results are for 9 months ended 31 December 2019 .

The notes set out on pages 156 to 217 form an integral part of these financial statements.

Notes

1. General Information

Stanbic Uganda Holdings Limited (the "company") is a limited liability company, incorporated and domiciled in Uganda. The address of its registered office is: Plot 17 Hannington Road 11th Floor Short Tower - Crested Towers, P.O. Box 7395, Kampala, Uganda. The company's shares are listed on the Uganda Securities Exchange (USE) and it has one subsidiary which is Stanbic Bank Uganda.

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 the following material items in the statement of financial position:

- Financial assets classified at FVOCI financial assets and liabilities classified at FVTPL and liabilities for cash-settled share-based payment arrangements.
- Post-employment benefit obligations that are measured in terms of the projected unit credit method.

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 principal 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.
- The portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.
- Intangible assets and property and equipment are accounted for using the cost model.

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.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translation

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 Shillings-UShs ("the functional currency"). The financial statements are presented in UShs and figures are stated in thousands of UShs unless otherwise stated.

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 analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised 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 fair value through OCI financial assets, are included in other comprehensive income.

Changes in accounting policies

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

New standards and interpretations not yet adopted by the Group

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2019 and have not been applied in preparing these annual financial statements.

IFRS 3 Business Combinations (amendment)

Effective date: 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.

Title: IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments (amendments) and IAS 39 Financial Instruments: Recognition and Measurement

Effective date: 1 January 2020 with earlier application permitted

Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interBank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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 9 Financial Instruments (amendment) (IFRS 9) effective for annual periods beginning on or after 1 January 2019.

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.

IAS 19 Employee Benefits (amendments) (IAS 19) (effective for periods beginning 1 January 2019)

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.

IAS 28 Interest in Associates and Joint Ventures (amendment) (IAS 28)

This amendment clarifies that an entity should apply IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture only when the equity method is not applied. The amendments will be applied retrospectively.

IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23) (Effective for annual periods beginning on or after 1 January 2019)

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 only if possible, without the use of hindsight. The impact on the annual financial statements is not expected to be significant.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

IFRS 16 replaced IAS 17 as well as the related interpretations. IFRS 16 introduced a single lease accounting model for a lessees which impacted the group's results upon transition and materially impacted the group's accounting policies for lessees, refer to pages 157 to 158 for more detail on IFRS 16 transition..

Early adoption of revised standards:

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 adoption of new and amended standards on 1 January 2019 did not affect the group's previously reported financial results, disclosures or accounting policies and did not impact the group's results transition.

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

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.

IFRIC 23 Uncertainty over Income Tax Treatments (Effective for annual periods beginning on 1 January 2019 with earlier application permitted)

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 group's annual financial statements.

IFRS 16 Leases- Transition

Background

With effect from 1 January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. 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 for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, and as was required by IAS 17, and introduces a single lessee accounting model, where a right of use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the group as a lessor are not different from those under IAS 17.

Adoption and transition

The group retrospectively adopted IFRS 16 on 1 January 2019 with an adjustment to the group and company's opening 1 January 2019 reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the group's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16.

On adoption of IFRS 16, the group and company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. This incremental borrowing rate was calculated for the group utilising the internal funding rate.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Practical expedients applied:

In applying IFRS 16 for the first time, the group and company used the following practical expedients permitted by IFRS 16:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases provided there was no option to extend the term
- The exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

  The group and company have also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group and company relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease.*

The group and company's leasing activities and how these are accounted for:

The group and company lease various offices, branch space and ATM space. Rental contracts are typically made for fixed average periods of between three to ten years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, all existing operating leases, which were either not less than 12 months or not deemed a low value asset, were recognised as a right of use asset and a corresponding lease liability.

Extension and termination options:

Extension and termination options are included in a number of building and branch space leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

IFRS 16 key financial impacts

The single lessee accounting model which comprises IFRS 16's most material impact for the group results in an increase of UShs 36.7 bn in total assets, UShs 30.0 bn increase in total liabilities. The total undiscounted operating lease commitments as at 31 December 2018 amount to UShs 40.7 bn , the lease liability as at 1 January 2019 amounted to UShs 33.0 bn , this difference primarily relates to discounting the operating lease commitments balance at the group's weighted average incremental borrowing rate of approximately 10%.

Table 1: Impact on the Bank's Summarized Statement of Financial Position on 1 January 2019

	31 December 2018	IFRS 16 transition adjustment at 1 January 2019	1 January 2019
	UShs'000	UShs'000	UShs'000
Equity and liabilities			
Lease liabilities	-	33,021,058	33,021,058
Prepayment	-	3,672,047	3,672,047
Total equity and liabilities	-	36,693,105	36,693,105
Assets			
Right of use assets	-	36,693,105	36,693,105
Total assets	-	36,693,105	36,693,105

The table below reflects the reconciliation of the lease liability from 31 december 2018 to 1 January, 2019

	1 January 2019
	UShs'000
Operating lease commitments (undiscounted) 31.12.2018	40,719,293
Discounted using incremental rate	(9,590,181)
Adjustments due to period alignment on 1 Jan 2019	5,563,993
Operating lease commitments (discounted) 1 January 2019	36,693,105
Less: Prepayments 31.12.2018	(3,672,047)
Operating lease balance at 01.01.2019	33,021,058

The reorganisation of business

In 2018, the Bank started the process of reorganising its corporate structure to include a holding company. The rationale for the reorganisation was to enable the entity to undertake other non-banking financial and non-financial services that would be established through the holding company. The reorganisation was to be effected through the transformation of the Bank into a holding company followed by a hive down of the banking business from the Bank (at the time) to a newly incorporated banking subsidiary.

On 31 May 2018, the Bank obtained shareholder approval and later regulatory approvals to proceed with the reorganisation leading to a change of its name from Stanbic Bank Uganda (SBU) to Stanbic Bank Holdings Limited (SBHL). This name change became effective on 28 November 2018 and the commercial banking licence no. A1.013 remained the same as the entity continued to conduct banking business in line with the Financial Institutions Act and Bank of Uganda ("BoU") regulations. The vacated name, SBU, was reserved for a new banking subsidiary to be incorporated that would subsequently take-on the banking business upon completion of the reorganisation.

This new banking subsidiary (SBU) was then incorporated on 10 December 2018. BoU approved a commercial banking licence request for this entity on 5 March 2019 under a new licence no. A1.030, subject to the return of the banking license held by SBHL, A1.013. On 27 March 2019, Bank of Uganda approved the transfer of the banking business from SBHL to SBU.

The reorganisation process was finally completed when the transfer of the banking business was effected on 1 April 2019 and new license A1.030 was issued to the new banking subsidiary, SBU following the return by SBHL of the old license, A1.013. As the final leg of the reorganisation process, the entity SBHL which wholly owns SBU, also changed its name from Stanbic Bank Holdings Limited (SBHL) to Stanbic Uganda Holdings limited (SUHL).

The Bank has prepared its financial statements based on the substance of the reorganisations as opposed to its legal form. The substance of the reorganisation provides more useful and comparable information to the readers of the financial statements. Specifically, the financial statements for the year ended 31 December 2019 reflect the results of the banking business for the 12 months from 1 January 2019 to 31 December 2019 even though this was carried on under two different legal entities and commercial banking licences. The 2018 comparatives figures are also for the banking business undertaken under the commercial banking licence no. A1.013.

Stanbic Bank Holdings Limited income Statement for the quarter ended 31 March 2019

	SBHL 31 March 2019
Interest income	114,837,754
Interest expense	(8,548,894)
Net interest income	106,288,860
Fee and commission income	36,870,538
Fee and commission expenses	(2,137,398)
Net fees and commission income	34,733,140
Net trading income	53,015,459
Other operating income	1,536,654
Impairment charge for credit losses	(5,739,922)
Total income after impairment charge	189,834,191
Employee benefit expenses	(40,228,446)
Depreciation and amortisation	(10,986,570)
Other operating expenses	(48,337,239)
Profit before income tax	90,281,936
Income tax expense	(24,130,558)
Profit for the year	66,151,378

The table below shows the income statement for the year ended 31 December 2019 reflecting the financial performance of the banking business for 3 months (January to March 2019) while managed by Stanbic Bank Holdings limited before completion of the reorganisation and 9 months (April to December 2019) under Stanbic Bank Uganda after the reorganisation.

	2019			2018
	SBHL	**SBU**	**Consolidated**	**SBHL**
	January-March 2019	**April-December 2019**	**31 December 2019**	**31 December 2018**
	UShs' 000	**UShs' 000**	**UShs' 000**	**UShs' 000**
Interest income	114,837,754	369,572,547	484,410,301	404,291,586
Interest expense	(8,548,894)	(27,235,472)	(35,784,366)	(33,372,120)
Net interest income	106,288,860	342,337,075	448,625,935	370,919,466
Fee and commission income	36,870,538	129,653,433	166,523,971	148,609,405
Fee and commission expenses	(2,137,398)	(7,658,169)	(9,795,567)	(7,377,824)
Net fees and commission income	34,733,140	121,995,264	156,728,404	141,231,581
Net trading income	53,015,459	138,189,607	191,205,066	142,363,350
Other gains and losses on financial instruments	-	347,798	347,798	(509,695)
Other operating income	1,536,654	8,348,964	9,885,618	7,107,404
Total income before impairment charge	195,574,113	611,218,708	806,792,821	661,112,106
Impairment charge for credit losses	(5,739,922)	(37,782,090)	(43,522,012)	(2,271,012)
Total income after impairment charge	189,834,191	573,436,618	763,270,809	658,841,094
Employee benefit expenses	(40,228,446)	(124,771,545)	(164,999,991)	(148,609,404)
Depreciation and amortisation	(10,986,570)	(35,906,279)	(46,892,849)	(29,985,027)
Other operating expenses	(48,337,239)	(154,009,852)	(202,347,091)	(183,568,817)
Profit before income tax	90,281,936	258,748,942	349,030,878	296,677,846
Income tax expense	(24,130,558)	(66,226,748)	(90,357,306)	(81,537,760)
Profit for the year	66,151,378	192,522,194	258,673,572	215,140,086

Stanbic Bank Holdings Limited effectively conducted banking business only up to 31 March 2019. It started other streams of business on 1 April 2019 after the reorganisation took effect.

Balance Sheet	SBHL 31 March 2019 UShs' 000	SUHL 1 April 2019 UShs' 000	SBU 1 April 2019 UShs' 000
Cash & balances with Bank of Uganda	625,511,624	-	625,511,624
Cash at Bank	-	141,897,040	-
Derivative assets	34,171,641	-	34,171,641
Trading Assets	641,797,096	-	641,797,096
Financial investments	628,327,441	-	628,327,441
Other investment securities	68,802	-	68,802
Current income tax recoverable	3,978,881	3,978,881	-
Loans and advances to Banks	723,074,933	-	723,074,933
Amounts due from group companies	19,170,304	-	19,170,304
Loans and advances to customers	2,546,661,032	-	2,546,661,032
Other assets	134,876,263	-	134,876,263
Property and equipment	85,838,600	2,232,388	83,606,211
Goodwill and other intangible assets	106,572,782	-	106,572,782
Prepaid operating leases	75,400	-	75,400
Deferred tax asset	7,380,825	-	7,708,410
Investment in subsidiary	-	881,068,551	-
Total assets	5,557,505,624	1,029,176,860	5,551,621,939
Shareholders' equity and liabilities			
Shareholder's equity			
Ordinary share capital	51,188,670	51,188,670	51,188,670
Share Premium	-	-	829,879,881
Statutory risk reserve	12,391,393	-	12,391,393
Fair value through OCI reserve	6,558,160	-	6,558,160
Retained earnings	857,743,838	867,986,774	(10,242,912)
Proposed Dividend		-	-
Total shareholders equity	927,882,061	919,175,444	889,775,192
Liabilities			
Derivative liabilities	19,144,740	-	19,144,740
Deposits from customers	3,760,954,277	-	3,760,954,277
Deposits from Banks	232,768,364	-	374,665,404
Amounts due to group companies	95,673,273	-	95,673,273
Borrowed funds	1,943,527	-	1,943,527
Other liabilities	444,824,762	109,673,832	335,150,906
Subordinated debt	74,314,620	-	74,314,620
Deferred tax liability	-	327,584	-
Total liabilities	4,629,623,563	110,001,416	4,661,846,747
Total equity and liabilities	5,557,505,624	1,029,176,860	5,551,621,939

The Bank was transfered at book value therefore no gain or loss was reorganised.

Non divested Items	UShs' 000
Fixed assets	2,232,388
Cash	141,897,040
Current tax	3,978,881
Deferred tax	(327,584)
Other liabilities (dividend payable)	(109,673,832)
Total	38,106,893

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 tenure 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 Group 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 Grouping exposures)

The Group 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 Group'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 Group'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 Group determines the macroeconomic outlook, over a planning horizon of at least three years, for each country based on the Group'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 Group'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 Group'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 Group'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 Group'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 Group'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 Group'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 Group 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 Group'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 Group'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 2019, for inclusion in Group's forward-looking process and ECL calculation.

Ugandan economic expectation

- The base case for Uganda is that the CBR is expected to be only gradually hiked prior to the 2021 election owing to the BOUs concerns on the expansionary fiscal policy potentially generating higher inflationary expectations. However, due to more modest economic growth owing to the likelihood of Final Investment Decision(FID) being pushed to H2 of 2021, overheating risks in the economy are more muted now allowing the Monetory policy committee to be less aggressive with any potential tightening in its stance. Moreover, despite the postponement of the FID to 2021, GDP growth remains robust as the government continues to invest in oil related infrastructure projects, leading to a budget deficit rise albeit comfortably funded via both local and external sources.
- With material risk of a bearish scenario wherein the CBR is hiked more aggressively not only because the BOU tends to be a very pre-emptive central Bank, but also due to fiscal indiscipline by the government ahead of the general elections in 2021. T-bill yields rise faster as a result of increased government borrowing from the local markets following the refraining of both multilateral and bilateral lenders from extending budget support until political risks have eased. The expansionary fiscal policy results in inflationary pressures which only abate after elections are over and once the FID on oil is about to be made. GDP growth remains weaker due to the delay in FID which reduces investment.
- There is a rather low probability bullish case in which the MPC doesn't adopt a hawkish stance despite pre-election fiscal slippage risks and FID is made by June 2020. GDP growth remains solid as Foreign Direct Investments (FDI) rises substantially atop the ongoing public investment in infrastructure. Furthermore, the availability of concessional funding from multilateral partners, results in the government borrowing less from the domestic market leading to T-bill yields remaining more or less stable with a downside bias.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the IFRS 9 provision on financial assets. 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.

2019	**Base scenario**		**Bearish scenario**		**Bullish scenario**	
Macroeconomic factors	**Next 12 months**	**Remaining forecast period[2]**	**Next 12 months**	**Remaining forecast period[2]**	**Next 12 months**	**Remaining forecast period[2]**
Uganda						
Inflation (%)	**4.7**	**5.2**	**5.7**	**6.2**	**3.9**	**3.9**
Real GDP[1] (%)	**6.2**	**6.7**	**5.6**	**6.3**	**6.4**	**7.3**
Policy rate (%)	**9.5**	**9.5**	**10.5**	**10.5**	**8.5**	**8.5**
91-day t-bill (%)	**9.6**	**10.3**	**12.8**	**11.2**	**9.0**	**8.9**
Exchange rate USD/UShs	**3,850**	**4,135**	**4,033**	**4,228**	**3,741**	**3,953**
Prime lending rate (%)	**17.5**	**17.5**	**18.5**	**18.5**	**16.5**	**16.5**
2018						
Uganda						
Inflation (%)	4.5	5.2	6.5	6.6	3.8	4.3
Real GDP1 (%)	6.4	6.9	5.6	6.1	7.7	8.5
Policy Rate (%)	10.0	10.5	12.5	13.0	10.0	9.5
91-Day T-Bill (%)	10.7	11.2	16.0	11.7	10.2	9.3
Exchange rate USD/UShs	3968	4437	4255	4439	3845	4024
Prime lending rate (%)	18.0	18.5	20.5	21.0	18.0	17.5

1 Gross domestic product
2 The remaining forecast period is 2021 to 2023

Sensitivity analysis of CIB forward looking impact on IFRS 9 provision

Management assessed and considered the sensitivity of the IFRS 9 provision against the forward-looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting IFRS 9 provision for the individual client. Therefore the impact of forward looking economic conditions is embedded into the total IFRS 9 provision for each CIB client and cannot be stressed or separated out of the overall CIB IFRS 9 provision.

Sensitivity analysis of PBB forward looking impact on IFRS 9 provision

The following table shows a comparison of the forward looking impact on the IFRS 9 provision as at 31 December 2019 based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

Macroeconomic factors

Allowances for credit losses	**2019 UShs' 000**	**2018 UShs' 000**
Forward-looking impact on IFRS 9 provision Scenarios		
100% Base	**8,491,206**	**6,276,165**
100% Bear	**14,378,845**	**8,443,341**
100% Bull	**6,062,550**	**5,842,917**

Refer to note 19 loans and advances, for the carrying amounts of the loans and advances and the credit risk section of the risk and capital management report for the group's assessment of the risk arising out of the failure of counterparties to meet their financial or contractual obligations when due.

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 –Banker's 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 Group through it's banking entity 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.

De-recognition

The Group 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 Group 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 Group 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.

Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group 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 Group's trading activity.

(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 Group 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 Group 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.

(e) 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.

(f) 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.

(g) Segment reporting

An operating segment is a distinguishable component of the Group 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 Group's primary business segmentation is based on the Group's internal reporting about components of the Group 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 Group operates in a single geographical segment, Uganda.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates Uganda Shillings-UShs ("the functional currency"). The financial statements are presented in 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 analysed between translation differences resulting from changes in the amortised 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 fair value through OCI financial assets, are included in other comprehensive income.

(i) 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 Group 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	50 years or over the shorter period of lease
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.

(j) 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.

(l) 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.

(m) 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.

(n) Accounting for leases

IFRS 16 significant accounting policies

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	INCOME STATEMENT
IFRS 16 - Lessee Accounting policies		
Single lessee accounting model All leases are accounted for by recognising a right-of-use asset and a lease liability except for: • leases of low value assets; and • leases with a duration of twelve months or less.	**Lease liabilities:** Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Group) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group's standardised funding transfer pricing rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: • Amounts expected to be payable under any residual value guarantee; • The exercise price of any purchase option granted in favour of the Group, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the Group's incremental borrowing rate, is recognised within interest expense over the lease period.
	Right-of-use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • Lease payments made at or before commencement of the lease; • Initial direct costs incurred; and • The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset. The Group applies the cost model subsequent to the initial measurement of the right-of-use assets.	**Depreciation on right-of-use assets:** Subsequent to initial measurement, the right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Group at the end of the lease term, whereby the right-of-use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of depreciation and amotisation.
	Termination of leases: When the Group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised.	**Termination of leases:** On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss together with termination or cancelation costs in profit or loss.

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	INCOME STATEMENT
IFRS 16 - Lessee Accounting Policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the Group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced to zero any further reduction in the measurement of the lease liability, is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease. **Lease modifications that are accounted for as a separate lease:** When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modification as a separate new lease. This accounting treatment equally applies to leases which the Group elected the short-term lease exemption and the lease term is subsequently modified.	
IFRS 16 - Lessor lease modifications		
Finance leases		When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.
Operating leases		Modifications are accounted for as a new lease from the effective date of the modification.

(o) Employee benefits

(i) Retirement benefit obligations

The Group operates a defined contribution pension scheme for its employees. The defined contribution plan is a pension plan under which the Group 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 Group contributes to the scheme in line with the requirements of the National Social Security Fund Act. The regular contributions by the Group and employees constitute net periodic costs for the year in which they are due and as such are included in employee benefit expenses.

The Group'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 Group 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 Group 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 Group 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.

(p) 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.

(q) 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.

(r) 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 Groups and deposits from customers.

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other Groups 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.

(s) 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.

(t) 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 group 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 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 Group 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.

(u) Provisions

Provisions are recognised when the Group 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.

(v) Share capital

The Group 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 statementof 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 Group 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 Group 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.

(w) 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 Groups, 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 Group'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.

(x) Equity compensation plans

The parent company operates two equity settled share-based compensation plans through which certain key management staff of the Group 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.

(y) Consolidation of entities

The Group controls and consolidates an entity where the Group has power over the entity's relevant activities; is exposed to variable returns from its involvement with the investee; and has the ability to affect the returns through its power over the entity, including structured entities (SEs). Determining whether the Group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the Group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights including whether such rights are substantive.

Interests in unconsolidated SEs that are not considered to be a typical customer-supplier relationship are required to be identified and disclosed. The Group regards an interest to be a typical customer-supplier relationship where the level of risk inherent in that interest in the SE exposes the Group to a similar risk profile to that found in standard market-related transactions. The Group sponsors an SE where it provides financial support to the SE when not contractually required to do so. Financial support may be provided by the Group to an SE for events such as litigation, tax and operational difficulties.

3. Financial Risk Management

3 (a) Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group's banking entity (Stanbic Bank Uganda) 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 Group 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 Group'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 Group 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 Group'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 Group also seeks to raise its interest margins by obtaining above- average margins, net of allowances, through the banking business units 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; it also enters into guarantees and other commitments such as letters of credit & performance, and other bonds. The banking subsidiary 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 Group

The Group'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 regulators Bank of Uganda and Capital Markets Authority
- To safeguard the Group'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 Group's banking subsidiary - SBU 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, SBU is required to maintain minimum paid up capital of UShs 25 bn. SBU 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. SBU 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 summarizes a composition of the regulatory capital

	2019 UShs' 000	2018 UShs' 000
Core capital (Tier 1)		
Shareholders' equity	**51,188,670**	51,188,670
Share premium	**829,879,881**	-
Retained earnings	**57,204,143**	792,909,973
Less: Deductions determined by Bank of Uganda	**(160,278,679)**	(125,770,925)
Total core capital	**777,994,015**	**718,327,718**
Supplementary capital (Tier 2)		
Unencumbered general provisions for losses	**46,212,202**	43,109,118
Subordinated term debt	**73,280,466**	74,176,983
Total supplementary capital	**119,492,668**	117,286,101
Total capital (core and supplementary)	**897,486,683**	835,613,819

Breakdown of deductions determined by the Financial Institutions Act

	2019 UShs' 000	2018 UShs' 000
Goodwill and other intangible assets	**97,068,254**	109,499,257
Investments in unconsolidated financial subsidiaries		
Unrealised gains on securities	**32,011,457**	4,371,730
Deferred tax asset	**31,198,968**	11,899,938
	160,278,679	125,770,925

The Bank's capital adequacy level was as follows:

	Risk Weight	Financial position nominal balance 2019 UShs' 000	2018 UShs' 000	Risk weighted balance 2019 UShs' 000	2018 UShs' 000
Statement of financial position					
Cash and balances with Bank of Uganda	0%	1,123,942,143	1,214,176,966	-	-
Financial investments	0%	795,633,207	601,795,564	-	-
Other investments	100%	182,655	69,957	182,655	69,957
Trading assets	0%	612,551,104	308,424,330	-	-
Placements with local Banks[1]		537,809,285	50,086,465	6,345,624	12,066,794
Repo	0%	-	100,125,535	-	-
Placements with foreign Banks[2]		283,620,312	272,369,229	157,128,651	164,441,678
Amounts due from group companies	100%	106,238,622	65,931,960	106,238,622	65,931,960
Loans and advances to customers-regulatory	100%	2,913,206,972	2,547,446,127	2,910,997,379	2,547,446,127
Other assets	100%	103,005,957	81,102,775	103,005,957	81,024,791
Deferred tax assets	0%	31,198,968	11,899,938	-	-
Goodwill	0%	1,901,592	1,901,592	-	-
Other intangible assets	0%	95,166,662	107,597,665	-	-
Property and equipment	100%	88,055,706	51,526,577	88,055,706	51,526,577
		6,692,513,185	5,414,454,680	3,371,954,594	2,922,507,884
Off-balance sheet items					
Contingencies secured by cash collateral	0%	45,810,145	28,997,968	-	-
Guarantees and acceptances	100%	26,818,782	24,944,936	26,818,782	24,944,936
Performance bonds	50%	1,507,654,609	1,620,058,129	753,827,305	810,029,065
Trade related and self liquidating credits	20%	127,732,179	87,162,734	25,546,436	17,432,547
Other commitments	50%	1,041,694,219	963,949,396	520,847,110	481,974,698
		2,749,709,934	2,725,113,163	1,327,039,633	1,334,381,246
Counterparty risk				9,529,296	3,186,577
Market risk				208,689,994	165,049,384
Total risk weighted assets				4,917,213,517	4,425,125,091

	Capital 2019 UShs' 000	2018 UShs' 000	Bank ratio 2019 %	2018 %	FIA minimum ratio 2019 %	2018 %
Tier 1 capital	777,994,015	718,327,718	15.8%	16.2%	10%	10%
Tier 1 + Tier 2 capital	897,486,683	835,613,819	18.3%	18.9%	12%	12%

In 2018, the Bank of Uganda repealed the Financial Institutions (Capital Adequacy requirements) regulations, 2005 and replaced 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)

1. The risk weight for local Banks is 20% and for balances with Bank of Uganda is 0%.
2. Foreign Banks are rated based off the risk ratings from international rating agencies. These are categorised as below;

Category	Risk Weight
Rated AAA to AA (-)	20%
Rated A (+) to A (-)	50%
Rated A (-) to non-rated	100%

Loans and advances to customers -Regulatory

	2019 UShs' 000	2018 UShs' 000
Gross loan and advances	2,986,849,675	2,612,624,415
Specific provisions (regulatory)	(68,318,787)	(60,365,255)
Interest in suspense(regulatory)	(5,323,917)	(2,511,091)
	2,913,206,971	2,549,748,069
Secured by cash cover	(2,209,592)	(2,301,942)
	2,910,997,379	2,547,446,127

Reconciliation of Loans and Advances to Customers Between IFRS and FIA

	2019 UShs' 000	2018 UShs' 000
Gross loans and advances (IFRS)	**2,974,829,460**	2,601,024,300
Written off facilities according to FIA	**(18,395,419)**	(16,491,663)
Loans and advances to other financial insitutions	**(31,501,893)**	-
Staff fair valuation	**18,659,162**	17,300,693
Modification	**(105,663)**	-
Effective interest rate adjustment	**11,862,135**	10,791,085
Gross loans and advances (regulatory)	**2,955,347,782**	2,612,624,415

The Group 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 Group's credit concentration

As at 31 December 2019, the Group had three customers with an aggregate amount exceeding twenty five percent of the Group's core capital extended to a single person or group of related persons totaling to UShs 750bn. 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 Group'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 Group's three lines of defence framework. The business function owns the credit risk assumed by the Group 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 Group risk function through independent credit risk assurance.

The third line of defence is provided by the Group's internal audit, under its mandate from the Group audit committee and 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 Group, 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 Group'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 Group'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 Group 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 Group has an unassailable legal title, the Group'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 Group 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 groups of companies and weaker obligors. Guarantors include groups, 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 Group 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 Group firstly, has a legally enforceable right to offset credit risk by way of such an agreement, and secondly, where the Group 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 Group 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 Group 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 Group's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the Group's master rating scale. Exposures that are not within 1 to 25 are considered to be in default.

Default

The Group'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 Group'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 Group 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 groups 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 Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group 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.

Non-performing loans

Non-performing loans are those loans for which the Group 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 Group provides fully for its anticipated loss, after taking collateral into account.

Collateral

The Group 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 Group 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 Group 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 Group 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 Group (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 Group 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 Group'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 Group 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 Group on behalf of a customer authorising a third party to draw drafts on the Group 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 authori- sations to extend credit in the form of loans, guarantees or letters of credit.With respect to credit risk on commitments to extend credit, the Group 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 Group monitors the term to maturity of credit commit- ments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3 (d) Impairment Provision P olicy

		2019		2018
	Loans & advances %	Impairment provision %	Loans & advances %	Impairment provision %
Stage 1	92.7	0.8	90.1	0.8
Stage 2	3.9	0.8	5.3	0.8
Stage 3	3.4	49.7	4.6	35.0
	100.0		100.0	

Credit risk exposures relating to assets included on the statement of financial position are as follows:

	2019	2018
	UShs' 000	UShs' 000
Bank of Uganda	693,348,495	461,613,655
Loans and advances to Banks	912,092,284	426,428,897
Investment securities		
Treasury bonds -FVOCI	414,779,871	253,432,034
Treasury bills - FVOCI	380,853,336	348,363,530
Loans and advances to customers		
Loans to individuals		
Overdrafts	137,248,916	172,080,002
Term loans	1,161,588,498	940,233,546
Mortgages	263,940,563	124,418,513
Loans to corporate entities		
Large corporate entities	1,203,150,318	1,067,772,941
Small & medium size entities	208,901,165	296,519,300
Trading assets		
Treasury bonds	307,280,953	143,408,324
Treasury bills	305,270,153	165,016,006
Derivative assets	82,497,309	36,888,533
Other	54,993,686	108,795,534
	6,125,945,547	**4,544,970,815**

Credit risk exposure relating to assets not on the statement of financial position are as follows:

	2019	2018
	UShs' 000	UShs' 000
Financial guarantees	1,567,358,047	1,666,287,999
Loan commitments and other credit related liabilities	1,182,349,389	1,058,825,163
	2,749,707,436	2,725,113,162
	8,875,652,983	7,270,083,977

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December, 2019 and 2018, 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 2019

As at 31 December 2019				Collateral coverage			
	Customer loans	Netting off agreements	Exposure after netting off	0-50%	51-100%	Over 100%	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Secured loans	1,607,816,963	2,209,592	1,605,607,371	149,628,771	846,835,825	370,547,901	1,367,012,497
Unsecured loans	1,367,012,497	-	1,367,012,497	-	-	-	-
	2,974,829,460	2,209,592	2,972,619,868	149,628,771	846,835,825	370,547,901	1,367,012,497

As at 31 December 2018				Collateral coverage			
	Customer loans	Netting off agreements	Exposure after netting off	0-50%	51-100%	Over 100%	Total
	UShs' 000	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	71,336,502	701,980,575	398,086,038	1,171,403,115
Unsecured loans	1,429,621,184	-	1,429,621,184	-	-	-	-
	2,601,024,300	2,301,942	2,598,722,358	71,336,502	701,980,575	398,086,038	1,171,403,115

Management remains confident in its ability to continue to control the exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- 92.8% and 3.9% of the loans and advances portfolio are categorised in stage 1 and stage 2 respectively (2018: 90% stage 1 and 5.3% stage 2)
- Mortgage loans are backed by collateral
- All debt securities held by the Group are issued by the Bank of Uganda on behalf of the Government of Uganda.

(d) Loans and advances are summarised as follows

	2019		2018	
	Loans & advances to customers	Loans & advances to Banks	Loans & advances to customers	Loans & advances to Banks
	UShs'000	UShs'000	UShs'000	UShs'000
Stage 1	2,700,364,376	825,390,055	2,413,159,524	413,681,691
stage 2	146,327,333	-	49,469,839	8,907,441
Stage 3	128,137,751	-	138,394,938	
Gross loans and advances	2,974,829,460	825,390,055	2,601,024,301	422,589,132
Allowances for impairment	(116,632,408)	(137,563)	(90,392,921)	(7,903)
Interest In suspense	(5,549,607)		(1,803,682)	
	2,852,647,445	825,252,492	2,508,827,698	422,581,229

The allowance for impairment are summarized per segment as follows:

	2019		2018	
	Loans & advances to customers	Loans & advances to Banks	Loans & advances to customers	Loans & advances to Banks
	UShs'000	UShs'000	UShs'000	UShs'000
Personal and Business Banking				
Mortgage lending	(6,528,136)	-	(12,496,488)	-
Instalment sales and financial leases	(6,404,824)	-	(5,646,007)	-
Card debtors	(721,547)	-	(1,251,873)	-
Other loans	(76,075,284)	-	(52,863,813)	-
Corporate and Investment Banking				
Corporate lending	(26,902,617)	(137,563)	(18,134,740)	(7,903)
	(116,632,408)	(137,563)	(90,392,921)	(7,903)

The total impairment provision for loans and advances is UShs 116,632 million (2018: UShs 90,393 million) of which UShs 63,677 million is stage 3 impairment (2018: UShs 48,454 million is individually impaired). Further information of the impairment allowance for loans and advances to groups and to customers is provided in Notes 18 and 19.

Credit quality

2019	Total Gross Carrying Amounts UShs'000	SB 1-12 Stage 1 UShs'000	SB 1-12 Stage 2 UShs'000	SB 13 - 20 Stage 1 UShs'000	SB 13 - 20 Stage 2 UShs'000	SB 21- 25 Stage 1 UShs'000	SB 21- 25 Stage 2 UShs'000	Default Stage 3 UShs'000	Default 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 impairments for non performing specifically impaired loans (Stage 3 and purchased or originated credit impaired) UShs'000	Gross specific impairment coverage %	Non-performing exposures (%)
Loans and advances at amortised cost															
PBB															
Mortgage loans	252,643,657	224,872,111	-	-			20,473,193	7,298,353		7,298,353	4,173,035	87,541	3,037,777	43%	3%
Vehicle and asset finance	159,597,472		-	134,094,456	-		9,618,144	15,884,872		15,884,872	14,422,731	-	1,462,141	9%	10%
Card debtors	4,935,425		-	3,108,703			1,596,011	230,711		230,711	51,279	-	179,432	78%	5%
Other loans and advances	**1,398,713,176**	**-**	**-**	**1,235,180,963**	**-**	**-**	**103,876,067**	**59,656,146**	**-**	**59,656,146**	**20,196,713**	**1,110,133**	**38,349,300**	66%	4%
Personal unsecured lending	700,318,254		-	654,325,850			31,932,314	14,060,090		14,060,090	2,053,375	389,499	11,617,216	85%	2%
Business lending and other	698,394,922		-	580,855,113			71,943,753	45,596,056		45,596,056	18,143,338	720,634	26,732,084	60%	7%
CIB										-				-	-
Corporate	1,158,939,730	327,169,175	-	775,938,968	7,392,472	-	3,371,446	45,067,669		45,067,669	20,067,110	4,351,933	20,648,626	55%	4%
Sovereign	506,080,442	506,080,442	-							-	-			-	-
Bank	319,309,614	305,293,270	-	14,016,344	-	-	-			-	-			-	-
Other service										-	-			-	-
Gross carrying amount	**3,800,219,516**	**1,363,414,998**	**-**	**2,162,339,434**	**7,392,472**	**-**	**138,934,861**	**128,137,751**		**128,137,751**	**58,910,868**	**5,549,607**	**63,677,276**	**54%**	**4%**
Less: Interest in suspense	(5,549,607)														
Less: Total expected credit losses for loans and advances	(116,769,972)														
Net carrying amount of loans and advances measured at amortised cost	**3,677,899,937**	**1,363,414,998**	**-**	**2,162,339,434**	**7,392,472**	**-**	**138,934,861**	**128,137,751**	**-**	**128,137,751**	**58,910,868**	**5,549,607**	**63,677,276**	**54%**	**4%**
Financial investments at fair value through OCI															
Sovereign	800,836,038	800,836,038													
Gross carrying amount	**800,836,038**	**800,836,038**													
Add: Fair value reserve ralating to fair value adjustments (before the ECL balance)	(110,019)	(110,019)													
Total financial investment at fair value through OCI	**800,726,019**	**800,726,019**													
Off-balance sheet exposures															
Letters of credit and Banker's acceptances	140,655,170														
Guarantees	1,567,358,047														
Irrevocable unutilised facilities	1,041,694,219														
Total exposure to off-balance sheet credit risk	**2,749,707,436**														
Expected credit losses for off-balance sheet exposures	(2,383,268)														
Net carrying amount of off-balance sheet exposures	**2,747,324,168**														
Total exposure to credit risk on financial assets subject to an expected credit loss	**7,225,950,124**	**2,164,141,017**	**-**	**2,162,339,434**	**7,392,472**	**-**	**138,934,861**	**128,137,751**	**-**	**128,137,751**	**58,910,868**	**5,549,607**	**63,677,276**	54%	2%
Add the following other Banking activities exposures:															
Cash and balances with the central Bank	1,123,942,143														
Derivative assets	69,278,229														
Trading assets	612,551,106														
Other financial assets	-														
Total exposure to credit risk	**9,031,721,602**	**2,164,141,017**	**-**	**2,162,339,434**	**7,392,472**	**-**	**138,934,861**	**128,137,751**	**-**	**128,137,751**	**58,910,868**	**5,549,607**	**63,677,276**	**54%**	**1%**

Credit quality(continued)

2018	Total Gross Carrying Amounts UShs'000	SB 1-12 Stage 1 UShs'000	SB 1-12 Stage 2 UShs'000	SB 13 - 20 Stage 1 UShs'000	SB 13 - 20 Stage 2 UShs'000	SB 21- 25 Stage 1 UShs'000	SB 21- 25 Stage 2 UShs'000	Default 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) Loans and advances to Banks

The total gross amount of Stage 3 loans and advances to Banks as at 31 December 2019 is nil (2018 Individually impaired nil). No collateral is held by the Group.

(f) Other Financial Assets

No other financial assets in Stage 3 (2018 individually nil). No collateral is held by the Group.

g) Concentrations of risk of financial assets with credit risk exposure

The following table breaks down the Group'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 UShs' 000	Manufacturing UShs' 000	Agriculture UShs' 000	Transport UShs' 000	Individuals UShs' 000	Others UShs' 000	Total UShs' 000
As at 31 December 2019							
Financial investment	795,633,207	-	-	-	-	-	795,633,207
Loans and advances to Banks	825,390,055	-	-	-	-	-	825,390,055
Loans and advances to customers	392,573,791	358,710,038	516,149,791	79,663,871	782,934,834	844,797,135	2,974,829,460
Financial assets designated at fair value:							
- Debt securities	612,551,106	-	-	-	-	-	612,551,106
	2,626,148,159	358,710,038	516,149,791	79,663,871	782,934,834	844,797,135	5,208,403,828

	Financial institutions UShs' 000	Manufacturing UShs' 000	Agriculture UShs' 000	Transport UShs' 000	Individuals UShs' 000	Others UShs' 000	Total UShs' 000
As at 31 December 2018							
Financial investment	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
Financial assets designated at fair value:							
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	3,997,961,604

3 (d) Market Risk

The Group 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 Group's major measurement techniques used to measure and control market risk is value at risk and Pv01 (present value at one).

The Group 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 its 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 Group. 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 Group 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 Group'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 Group'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 2019

	Average	Maximum	Minimum	31 December 2019
	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Interest rate book - Trading	396,543	612,808	205,868	528,378
Interest rate book - Available for sale	705,365	4,555,943	162,281	412,385
Foreign exchange trading book VAR	1,508,168	14,808,500	51,167	432,788

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 risk VAR	253,091	917,086	21,871	571,519

In 2019 the Uganda Shilling was characterized by heightened volatility mid of the year when it reached 3,771 in June from 3,669 in March and back to 3,662 tothe US dollar influenced by both local and global events both macro and political.

Average Value at Risk Utilisation for the year on IRT desk was UShs 396m which was more than UShs 119m in 2018 due to increase in T-bill and bond investments in 2019 circa UShs 621bn from UShs265bn in 2018. On the FXT book, average utilisation was UShs 1.5bn which was more than UShs 253m registered in 2018 on back of client flows during the year.

(i) Foreign exchange risk

The Group 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 Group 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 2019				
Assets				
Cash and balances with Bank of Uganda	118,455	11,375	10,307	140,137
Loans and advances to Banks	249,074	26,845	7,801	283,720
Amounts due from group companies	73,689	-	13,424	87,113
Loans and advances to customers	957,540	22,505	1,022	981,067
Derivative assets	53,125	-	-	53,125
Other assets	469,711	669	460	470,840
Total Assets	1,921,594	61,394	33,014	2,016,002
Liabilities:				
Customer deposits	1,541,960	66,739	22,270	1,630,969
Amounts due to Banks	183,637	3,280	386	187,303
Amounts due to group companies	16,622	118	7,722	24,462
Derivative liabilities	54,351	-	-	54,351
Subordinated bonds/debt	73,280	-	-	73,280
Other liabilities	64,908	5,054	11,840	81,802
Total Liabilities	1,934,758	75,191	42,218	2,052,167
Net statement of financial position	(13,164)	(13,797)	(9,204)	(36,165)
Net currency forwards	(415,781)	-	-	(415,781)
Commitments to extend credit	(419,791)	-	-	(419,791)
Net mismatch	(848,736)	(13,797)	(9,204)	(871,737)
As at 31 December 2018				
Total assets	1,581,508	92,103	50,340	1,723,951
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)

		USD	
		2019	**2018**
Total net long/(short) position	millions	**(164,852)**	(151,849)
Sensitivity (UShs depreciation)	%	**10**	10
Impact on OCI	millions	**-**	-
Impact on profit or loss	millions	**6,813**	6,428

Interest rate risk

The Group 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 Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Group 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 2019						
Asset:						
Cash and balances with Bank of Uganda	-	-	-	-	1,123,942	1,123,942
Government securities - FVOCI	26,265	167,078	335,756	266,717	-	795,816
Government securities - FVTPL	191,266	106,491	53,438	261,356	-	612,551
Deposits and balances due from other Banks	825,252	-	-	-	-	825,252
Amounts due from group companies	102,275	-	-	-	-	102,275
Loans and advances to customers	750,003	471,270	280,268	1,351,106	-	2,852,647
Derivative assets	-	-	-	-	69,278	69,278
Other assets	-	-	-	-	269,064	269,064
Total assets	1,895,061	744,839	669,462	1,879,179	1,462,284	6,650,825
Liabilities and shareholders' funds:						
Customer deposits	4,548,675	136,954	36,453	122	-	4,722,204
Deposits due to other Banks	201,700	-	-	-	-	201,700
Borrowed funds	1,111	5,335	25	4,611	-	11,082
Amounts due to group companies	133,726	-	-	-	-	133,726
Derivative liabilities		-	-	-	24,170	24,170
Other liabilities	-	-	-	-	367,797	367,797
Subordinated bonds / debts	-	-	-	73,280	-	73,280
Total liabilities	4,885,212	142,289	36,478	78,013	391,967	5,533,959
Shareholders' equity					1,116,866	1,116,866
Total interest repricing gap	(2,990,151)	602,550	632,984	1,801,166	(46,549)	-
At 31 December 2018						
Total assets	1,199,181	655,983	385,349	1,667,117	1,485,429	5,393,059
Total liabilities and shareholder's equity	3,938,771	86,087	30,999	75,147	305,703	4,436,707
Shareholders' equity					956,352	956,352
Total interest re-pricing gap	(2,739,590)	569,896	354,350	1,591,970	223,374	-

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 2019		31st December 2018	
	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	15,631,219	3.7%	13,125,318	4.1%
100bps decrease in interest rates	(15,625,468)	-3.7%	(10,980,048)	-3.4%

NII sensitivity in for FCY (USD) is as follows;	31st December 2019		31st December 2018	
	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	5,156,118	19.3%	3,127,625	19.1%
100bps decrease in interest rates	(5,151,101)	-19.2%	(1,751,750)	-10.7%

3 (e) Liquidity risk

Liquidity risk is the risk that the Group 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 Group is exposed to daily call on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group 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- Group and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of de- mand.

The Group's liquidity management process, as carried out within the Group 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 cashflow;
- 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.

	2019 UShs' 000	2018 UShs' 000
Liquid assets to deposit ratio		
Total deposits	**4,722,203,570**	3,892,294,649
Total liquid assets held	**2,362,491,352**	2,185,759,898
Liquidity ratio	**50.0%**	56.2%
Regulatory requirement	**20.0%**	20.0%

The table that follows presents the undiscounted cash flows payable by the Group 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 USh's' m	Gross norminal In/ out flow USh's' m	Up to 1 month USh's' m	2-6 Months USh's' m	7-12 Months USh's' m	1-5 Years USh's' m	Over 5 Years USh's' m
At 31 December 2019							
Liabilities							
Deposits from customers	(4,722,204)	(4,722,204)	(4,581,490)	(108,706)	(31,886)	(122)	-
Deposits from other Banks	(201,700)	(201,700)	(201,700)	-	-	-	-
Amounts due to Group companies	(133,726)	(133,726)	(35,501)	(813)	(10,122)	(34,383)	(52,907)
Derivative liabilities	(24,170)	(24,170)	(31)	(1,086)	(5,263)	(17,790)	-
Borrowed Funds	(11,082)	(11,082)	(1,111)	(5,335)	(25)	(4,611)	-
Subordinated debt	(73,280)	(115,809)	-	(2,932)	(2,932)	(23,457)	(86,488)
Other liabilities	(359,762)	(359,762)	(359,762)				
Total financial liabilities (contractual maturity dates)	(5,525,924)	(5,568,453)	(5,179,595)	(118,872)	(50,228)	(80,363)	(139,395)
Assets							
Cash and Bank balances with Bank of Uganda	1,123,942	1,123,942	1,123,942	-	-	-	-
Government securities-FVOCI	795,816	901,947	31,664	171,647	354,826	343,627	183
Government securities- FVTPL	612,551	694,187	190,207	107,842	57,292	336,473	2,373
Loans and advances to Banks	825,252	817,503	817,503	-	-	-	-
Amounts due from Group companies	102,275	102,275	16,034	74,547	3,174	8,520	-
Loans and advances to customers	2,852,647	2,926,119	410,550	613,422	181,881	1,695,629	24,637
Derivative Assets	69,278	69,278	260	1,203	1,617	13,291	52,907
Other Assets	29,556	29,556	29,556				
Total financial assets (expected maturity dates)	6,411,317	6,664,807	2,619,716	968,661	598,790	2,397,540	80,100
Liquidity gap	885,392	1,096,354	(2,559,879)	849,789	548,562	2,317,177	(59,295)
Cumulative liquidity gap	885,392	1,096,354	(2,559,879)	(1,710,090)	(1,161,528)	1,155,649	1,096,354
Off-Balance Sheet							
Guarantees	(1,567,358)	1,567,358	124,652	400,822	304,268	737,616	-
LCs	(140,655)	140,655	59,837	59,866	12,897	8,055	-
Commitments to extend credit	(1,041,694)	1,041,694	1,041,694	-	-	-	-
Operating lease commitments	-	-	-	-	-	-	-
Total off-balance sheet	(2,749,707)	2,749,707	1,226,183	460,688	317,165	745,671	-
Liquidity gap	(1,864,315)	3,846,061	(1,333,696)	1,310,477	865,727	3,062,848	(59,295)
Cumulative liquidity gap		3,846,061	(1,333,696)	(23,219)	842,508	3,905,356	3,846,061
As at 31 December 2018							
Total financial liabilities (contractual maturity dates)	**(4,430,644)**	(4,481,948)	(4,216,600)	(81,417)	(35,920)	(44,886)	(103,125)
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
Total off balance sheet	**(2,765,832)**	(2,765,832)	(1,032,046)	(588,920)	(225,357)	(919,509)	-
Net liquidity gap	(2,013,506)	(1,496,462)	(3,122,142)	(172,975)	71,791	1,263,969	462,895
Net cumulative liquidity gap		**(1,496,462)**	(3,122,142)	(3,295,117)	(3,223,326)	(1,959,357)	(1,496,462)

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 group 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 Group'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 Group is the lessee, the future minimum lease payments under non-cancellable operating leases are summarised in the table below.

	Not later than 1 year UShs'000	1 to 5 years UShs'000	Above 5 years UShs'000	Total UShs'000
As at 31 December 2019				
Letters of credit	132,600,256	8,054,914	-	140,655,170
Guarantees	829,741,745	737,616,302	-	1,567,358,047
Commitments to extend credit	1,041,694,219	-	-	1,041,694,219
Operating lease commitments	-	-	-	-
	2,004,036,220	**745,671,216**	**-**	**2,749,707,436**

	Not later than 1 year UShs'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**

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 Group's statement of financial position at their fair value.

		Carrying Value		Fair Value
	2019 UShs'000	2018 UShs'000	2019 UShs'000	2018 UShs'000
Financial assets				
Cash and balances with Bank of Uganda	1,123,942,143	1,214,176,966	1,123,942,143	1,214,176,966
Loans and advances to Banks	825,252,492	422,581,229	825,252,492	422,581,229
Amounts due from group companies	89,055,563	45,240,438	89,055,563	45,240,438
Loans and advances to customers	2,852,647,445	2,508,827,698	2,852,647,445	2,508,827,698
Other assets	52,640,352	67,394,861	52,640,352	67,394,861
Financial liabilities		-		
Customer deposits	4,722,203,570	3,892,294,649	4,722,203,570	3,892,294,649
Amounts due to other Banks	201,699,798	101,384,439	201,699,798	101,384,439
Borrowed funds	11,081,783	13,788,121	11,081,783	13,788,121
Amounts due to group companies	31,920,350	31,441,830	31,920,350	31,441,830
Subordinated debt	72,801,196	72,801,196	72,801,196	72,801,196
Other liabilities	367,796,679	274,955,738	368,046,679	274,955,738

Financial instruments

In terms of IFRS, the Group 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 Group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes,whichinclude.

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 Group 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 as sets 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 Group, 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 2019 was a net loss of UShs 1.9 million (2018: 9.0 million net gain) for the Group.

(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 Group 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 2019 and 2018.

31 December 2019	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Coin and Bank notes	430,593,648			430,593,648
Derivative assets	-	69,278,229	-	69,278,229
Trading assets	-	612,551,106	-	612,551,106
Financial investments	-	795,633,208	182,654	795,815,862
Amounts due from group companies	-	13,219,080	-	13,219,080
Total assets	430,593,648	1,490,681,623	182,654	1,921,457,925
Financial liabilities				
Derivative liabilities	-	24,170,053	-	24,170,053
Amounts due to group companies		101,806,079		101,806,079
Total liabilities	-	125,976,132	-	125,976,132

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Coin and Bank notes	441,093,311			441,093,311
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	441,093,311	947,108,427	69 957	1,388,271,695
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

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, 2019 and 2018

Other Investment Fair Valued through Profit And Loss

	2019 Shs'000	2018 Shs'000
Opening balance	69,957	71,906
New Share allocation	113,652	-
Disposal	-	-
Gains and losses recognised in profit or loss	(955)	(1,949)
Closing balance	182,654	69,957
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'	(955)	(1,949)

The table below shows Items not measured at fair value for which fair value is disclosed

31 December 2019	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Balances with Bank of Uganda	693,348,495			693,348,495
Loans and advances to Banks		-	825,252,492	825,252,492
Amounts due from Group companies			89,055,563	89,055,563
Loans and advances to customers			2,852,647,445	2,852,647,445
Other assets			52,640,352	52,640,352
Total assets	693,348,495	-	3,819,595,852	4,522,944,347
Financial liabilities				
Customer deposits	4,552,180,115	169,901,710	121,745	4,722,203,570
Amounts due to other Banks			201,699,798	201,699,798
Borrowed funds			11,081,783	11,081,783
Subordinated debt			73,280,466	73,280,466
Amounts due to Group companies			31,920,350	31,920,350
Other liabilities			368,046,679	368,046,679
Total liabilities	4,552,180,115	169,901,710	686,150,821	5,408,232,646

31 December 2018	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Balances with Bank of Uganda	773,083,311			773,083,311
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	773,083,311	-	3,044,044,226	3,817,127,537
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			274,955,738	274,955,738
Total liabilities	3,732,728,870	159,528,781	495,784,109	4,388,041,760

3 (i) Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table below sets out the Groups classification of financial assets and liabilities, and their fair values

	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
2019							
Assets							
Cash and balances with central Banks	430,594		693,348				1,123,942
Derivative assets	69,278						69,278
Pledged assets							-
Government Securities	612,551			795,816			1,408,367
Loans and advances to Banks			825,252				825,252
Loans and advances to customers			2,852,647				2,852,647
Amounts due from group companies	13,219		89,056				102,275
Other non-financial assets						269,063	269,063
	1,125,642	-	4,460,304	795,816	-	269,063	6,650,826
Liabilities							
Derivative liabilities	24,171						24,171
Deposits from Banks					201,700		201,700
Deposits from customers					4,722,204		4,722,204
Subordinated debt					73,280		73,280
Amounts due to group companies	101,806				31,920		133,726
Borrowed Funds					11,082		11,082
Other liabilities						367,797	367,797
	125,977	-	-	-	5,040,187	367,797	5,533,960

	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	441,093		773,084				1,214,177
Derivative assets	16,197						16,197
Pledged assets							-
Government securities	308,424			601,866			910,290
Loans and advances to Banks			422,581				422,581
Loans and advances to customers			2,508,827				2,508,827
Amounts due from Group companies	20,692		45,240				65,932
Other non-financial assets						255,054	255,054
	786,406	-	3,749,732	601,866	-	255,054	5,393,058
Liabilities							
Derivative liabilities	30,747						30,747
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	17,918				31,442		49,360
Borrowed funds					13,788		13,788
Other liabilities						274,956	274,956
	48,665	-	-	-	4,113,086	274,956	4,436,707

4. Segment information

The principal business units in the Group 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 Group. The segment results for the years ended 31 December, 2019 and 31 December, 2018 are as follows:

Income statement	Personal and Business Banking USh's' 000	Corporate and Investment Banking UShs' 000	Treasury & Capital Management Shs' 000	Total UShs' 000
Year ended 31 December 2019				
Net Interest income	303,113,598	205,008,315	2,897,465	511,019,378
Net fees and commission	136,509,732	19,470,614	423	155,980,769
Net trading income		128,811,621	-	128,811,621
Other income	8,950,816	604,677	123,093	9,678,586
Total operating income	448,574,146	353,895,227	3,020,981	805,490,354
Impairment losses	(34,509,288)	(9,011,570)	(1,154)	(43,522,012)
Other operating expenses	(271,161,466)	(145,945,668)	10,676,521	(406,430,613)
Profit before tax	142,903,392	198,937,989	13,696,348	355,537,729
Income tax expense	(36,632,108)	(51,846,768)	(8,385,283)	(96,864,159)
Profit after tax	106,271,284	147,091,221	5,311,065	258,673,570
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

The segmental information in the table above includes transactions made between different segments with in the Group that give rise to a cost in one segment and income to another segment. These transactions have no net impact to the Group as a whole. In 2018 these transactions had a net interest income of UShs 62.4bn (2018:42.7bn) and net trading cost of UShs 62.4bn (2018:42.7bn). 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 2019				
Total assets	**2,187,318,197**	**3,981,198,440**	**481,816,642**	**6,650,333,279**
Total liabilities	**1,803,854,008**	**3,485,519,778**	**283,016,374**	**5,572,390,160**
Equity	**383,464,188**	**496,074,599**	**198,800,268**	**1,078,339,055**
Other segment items included in the income statement				
Depreciation	**(20,705,483)**	**(1,010,112)**	**(13,474,363)**	**(35,189,958)**
Amortisation of intangible assets	**(1,064,223)**	**-**	**(10,638,668)**	**(11,702,891)**
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)	(7,715,746.00)	(18,457,001)
Amortisation of intangible assets	(889,358)	-	(10,638,668)	(11,528,026)

5 Interest income

	2019 UShs' 000	2018 UShs' 000
Financial Investments -FVOCI	**82,656,894**	72,024,659
Loans and advances to customers-amortized cost	**397,102,234**	313,448,289
Loans and advances to Banks- amortized cost	**2,797,254**	13,367,839
Placements with group companies- amortized cost	**275,338**	1,267,022
Interest income on credit impaired financial assets	**1,578,581**	4,183,777
	484,410,301	404,291,586

All the amounts reported above include interest income calculated using the effective interest method.

6 Interest expense

	2019 UShs' 000	2018 UShs' 000
Current accounts	**14,934,326**	10,827,259
Savings and deposit accounts	**10,969,124**	11,839,054
Subordinated debt: - Group entity	**6,270,865**	6,123,359
Deposits and borrowings from Banks	**203,462**	3,330,199
Amounts due to group companies	**-**	1,207,403
Interest paid on other money market borrowings	**304,450**	44,846
Interest expense on lease liabilities	**2,787,109**	-
	35,469,336	33,372,120

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.

	2019 UShs' 000	2018 UShs' 000
Fee and commission income		
Transactional & service related	**125,612,995**	119,461,310
Trade related	**25,071,655**	21,255,860
Credit related fees	**20,081,365**	11,020,864
	170,766,015	151,738,034
Fee and commission expense		
Transactional fees & commission expenses	**(9,795,567)**	(7,377,824)
Net fee and commission income	**160,970,448**	144,360,210

Net fee and commission income above exclude amounts included in determining the effective interest rate on financial assets measured at amortised cost of UShs 1,579million (2018: UShs 4,183 million).
All net fee and commission income relate 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 amortised 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

	2019 UShs' 000	2018 UShs' 000
Foreign exchange trading gains - Realised gains	11,608,138	72,707,458
Foreign exchange trading gains - Unrealised gains	32,011,457	4,371,730
Trading gains on financial instruments	150,089,726	67,974,817
Unrealised gains/Loss on financial instruments	(2,114,067)	(2,307,679)
Trading expense - Other	(390,188)	(382,976)
	191,205,066	142,363,350

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

	2019 UShs' 000	2018 UShs' 000
Derecognition gains/losses	308,490	(509,695)
Other	39,308	-
	347,798	(509,695)

The other gains and losses on financial instrument are as a result of the modification of the assets or liabilities of the Group.

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:

	GROUP		COMPANY	
	2019 UShs' 000	2018 UShs' 000	2019 UShs' 000	2018 UShs' 000
(Gain) on disposal of property and equipment	554,828	219,666	-	-
Rental income	-	-	1,526,623	-
Other income	5,088,746	3,759,109	-	-
	5,643,574	3,978,775	1,526,623	-

The other operating income under other income include profit share for bancassurance joint venture fees of UShs3.5bn (2018:UShs 3.1bn).

The Company's results are for 9 months ended 31 December 2019.

11 Impairment charge for credit losses

	2019 USHs' 000	2018 USHs' 000
Net impairment (raised)/released		
Loans and advances to customers (Note 19)	**(50,594,524)**	(18,304,341)
Loans and advances to Banks (Note 18)	**(129,660)**	35,517
Financial investments (Note 17)	**(29,242)**	18,861
Off balance sheet (Note 31)	**(1,270,520)**	154,089
Recoveries on loans and advances previously written off	**7,342,872**	13,712,125
Interest in suspense released on cured loans and advances	**1,160,777**	2,402,655
Modification gains and losses	**(1,715)**	(289,918)
	(43,522,012)	(2,271,012)

12 Employment Benefits and Expenses

	2019 USHs' 000	2018 USHs' 000
Salaries and wages	**117,752,592**	109,845,259
Contributions to statutory and other defined benefit plans	**31,187,550**	26,568,474
Other	**16,059,849**	12,195,671
	164,999,991	148,609,404

13 Other Operating Expenses

	GROUP		COMPANY	
	2019 USHs' 000	2018 USHs' 000	2019 USHs' 000	2018 USHs' 000
Premises costs	**10,769,362**	23,869,371	**-**	-
Office expenses	**5,520,637**	4,771,007	**-**	-
Auditors remuneration	**1,151,782**	1,024,477	**35,264**	-
Professional fees	**6,493,363**	7,988,014	**700,719**	-
IT expenses	**44,545,378**	31,975,731	**-**	-
Travel and entertainment	**8,354,236**	8,552,374	**4,730**	-
Marketing and advertising	**11,677,779**	9,897,107	**-**	-
Insurance	**4,097,086**	4,360,043	**-**	-
Deposit protection scheme contribution	**7,283,370**	6,562,961	**-**	-
Security expenses	**13,029,336**	11,910,011	**-**	-
Franchise fees	**24,170,769**	19,878,799	**-**	-
Directors fees & expenses	**525,581**	502,843	**34,000**	-
Training costs	**4,476,181**	3,580,770	**2,000**	-
Operational losses	**2,923,348**	8,218,053	**-**	-
Indirect taxes (VAT)	**18,608,627**	21,527,416	**201,749**	-
Bank charges	**1,135,106**	1,141,847	**(1,022)**	-
Leased equipment rental	**1,138,603**	2,108,659	**-**	-
Credit bureau expenses	**747,634**	626,043	**-**	-
Other operating expenses	**36,676,811**	15,073,291	**435**	-
	203,324,989	183,568,817	**977,875**	-

Other operating expenses (note 13 above) is comprised of the following items;

	2019 USHs' 000	2018 USHs' 000
Communication expenses	**8,008,479**	7,058,227
Commissions paid	**6,014,881**	4,262,308
Administration and membership fees	**1,079,800**	1,007,362
Donations: non-tax allowable	**2,292,772**	2,136,242
Conference expenses (non-training)	**1,519,661**	2,120,045
Refreshments: tea & coffee	**1,177,443**	1,158,189
Other operating costs	**16,583,775**	-2,669,082
	36,676,811	15,073,291

The premises costs have reduced as a result of the adoption of IFRS 16 in 2019. The new standard requires all leased property to be recognised on the balance sheet as a right of use asset and depreciation recognised to the profit and loss during the year. The Bank as permitted by IFRS 16, 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 the basis of IAS 17. Refer to the accounting policy election on IFRS 16 transition for more details.

Included in the IT expenses are additional costs relating to the investment in our systems specifically the upgrade of the Bank's core banking system and other peripheral system that support in the day to day operations. Included in the other operating costs is the digital financial inclusion contribution costs that have gone up due to increased investment in the financial inclusion activities.
The Company's results are for 9 months ended 31 December 2019.

14 Income Tax Expense

Income tax expense	GROUP		COMPANY	
	2019	2018	2019	2018
	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Current income tax	109,042,706	74,094,964	157,133	-
Deferred income tax (see note 22)	(18,502,325)	7,442,796	(5,997)	-
	90,540,381	81,537,760	151,136	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2019	2018
	UShs' 000	UShs' 000
Profit before income tax	349,634,439	296,677,846
Tax calculated at statutory tax rate of 30% (2018: 30%)	104,890,332	89,003,354
Income not subject to tax	-	-
Income subject to tax at 20%	(16,391,286)	(9,736,967)
Income subject to tax at 10%	(88,566)	-
Expenses not deductible for tax purposes	2,332,680	2,281,789
Prior year current income tax under provision	(202,779)	(10,416)
	90,540,381	81,537,760

Current income tax recoverable

The movement in the tax recoverable is as follows:

	2019	2018
	UShs' 000	UShs' 000
At start of year	(14,655,628)	(23,748,226)
Prior year under provisions	(202,779)	(10,416)
Income tax charge	109,245,485	74,105,381
Tax paid	(96,426,020)	(65,002,367)
At end of year	(2,038,942)	(14,655,628)

The company's results are for 9 months ended 31 December 2019.

15 Earnings Per Share

	2019	2018
	UShs' 000	UShs' 000
Profit attributable to ordinary shareholders (UShs'000)	259,094,058	215,140,086
Weighted average number of ordinary shares in issue (thousands)	51,188,670	51,188,670
Basic earnings per share (expressed in UShs per share)	5.06	4.20
Basic		
Dividends proposed	110,000,000	97,500,000
Weighted average number of ordinary shares in issue (thousands)	51,188,670	51,188,670
DPS	2.15	1.90

There were no potentially dilutive shares as at 31 December 2019 or on 31 December, 2018. Therefore, diluted earnings per share are the same as basic earnings per share.

16 Cash & Balances with Bank of Uganda

	2019	2018
	UShs' 000	UShs' 000
Coins & Bank notes	430,593,648	441,093,311
Balances with Bank of Uganda	693,348,495	773,083,655
	1,123,942,143	1,214,176,966

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 are available for use in the Group's day to day activities and may fall by up to 50% on a given day. However, there are sanctions for non-compliance.

17 Financial Investments

	2019 UShs' 000	2018 UShs' 000
a) Government securities at FVOCI		
Treasury bills		
At start of the year	**348,363,530**	267,997,099
Additions	**397,151,919**	360,692,156
Disposals	**(361,965,513)**	(278,379,461)
MTM adjustments	**(2,696,600)**	(1,946,264)
At end of the year	**380,853,336**	348,363,530
Treasury bonds		
At start of the year	**253,432,034**	248,272,487
Additions	**115,600,586**	101,053,885
Disposals	**45,401,492**	(74,712,143)
MTM adjustments	**345,759**	(21,182,195)
At end of the year	**414,779,871**	253,432,034
Total at end of year	**795,633,207**	601,795,564
b) Other equity investments		
S.W.I.F.T. SCRL	**182,655**	69,957
Total other equity investments	**182,655**	69,957
Financial investments	**795,815,862**	601,865,521
c) Trading Assets		
Treasury bills		
At start of the year	**165,016,006**	319,736,270
Additions	**948,870,717**	738,055,887
Disposals	**(808,124,406)**	(891,161,186)
MTM adjustments	**(492,164)**	(1,614,965)
At end of the year	**305,270,153**	165,016,006
Treasury bonds		
At start of the year	**143,408,324**	73,174,937
Additions	**1,340,143,766**	912,166,761
Disposals	**(1,172,403,186)**	(842,474,722)
MTM adjustments	**(3,867,953)**	541,348
At end of the year	**307,280,951**	143,408,324
	612,551,104	308,424,330
	1,408,366,966	910,289,851

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 15.12% (2018: 15.48%).

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.

Reconciliation of expected credit losses for debt financial investments measured at FVOCI

2019	Opening ECL 2019/01/01 Shs'000	Total transfers between stages Shs'000	Income statement movements: ECL on new exposures raised Shs'000	Income statement movements: Change in ECL due to modifications Shs'000	Income statement movements: Subsequent changes in ECL Shs'000	Income statement movements: Change in ECL due to derecognition Shs'000	Net impairments raised/ (released)[1] Shs'000	Impaired accounts written-off Shs'000	Exchange and other movements Shs'000	Closing ECL 2019/12/31 Shs'000
Financial Investments measured at FVOCI			-	-	-	-				
Stage 1	(80,777)		(70,791)	-	10,016	31,533	(29,242)			(110,019)
Stage 2	-			-	-	-	-			-
Stage 3	-		-	-	-	-	-			-
Total	(80,777)	-	(70,791)	-	10,016	31,533	(29,242)	-	-	(110,019)

2018	Opening ECL 2018/01/01 Shs'000	Total transfers between stages Shs'000	Income statement movements: ECL on new exposures raised Shs'000	Income statement movements: Change in ECL due to modifications Shs'000	Income statement movements: Subsequent changes in ECL Shs'000	Income statement movements: Change in ECL due to derecognition Shs'000	Net impairments raised/ (released)[1] Shs'000	Impaired accounts written-off Shs'000	Exchange and other movements Shs'000	Closing ECL 2018/12/31 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.

18 Loans and advances to Banks

	2019 UShs' 000	2018 UShs' 000
Items in course of collection - foreign Banks	**12,617,660**	5,679,987
Placements with local Banks	**537,809,285**	150,212,000
Placements with foreign Banks	**274,963,110**	266,697,145
Gross loans and advances	**825,390,055**	422,589,132
Less: Provision for impairment (IFRS9)	**(137,563)**	(7,903)
	825,252,492	422,581,229

The weighted average effective interest rate on loans and advances to Banks was 0.6% (2018: 0.2%).

Reconciliation of expected credit losses for loans and advances to Banks measured at amortised cost as at 31 December 2019

	Opening ECL 2019/01/01	Total transfers between stages	Income statement movements				Net impairments raised/ (released)[1]	Impaired accounts written-off	Exchange and other movements	Closing ECL 2019/12/31
	Shs'000	Shs'000					Shs'000	Shs'000	Shs'000	Shs'000
2019			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				
Stage 1	(6,949)	(954)	(134,679)	-	306	4,715	(129,658)	-	-	(137,561)
Stage 2	(954)	954	(2)	-	-	-	(2)	-	-	(2)
Stage 3	-	-	-	-	-	-	-	-	-	-
Total	(7,903)	-	(134,681)	-	306	4,715	(129,660)	-	-	(137,563)

	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
2018			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				
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

	2019 UShs' 000	2018 UShs' 000
Personal and business Banking		
Mortgage lending	**263,940,563**	262,246,658
Vehicle and asset finance	**115,386,884**	65,065,908
Card debtors	**4,951,117**	4,078,374
Other loans and advances	**1,387,400,578**	1,201,860,420
Corporate and investment Banking		
Corporate lending	**1,203,150,318**	1,067,772,941
Gross loans and advances	**2,974,829,460**	2,601,024,301
Less: Interest in suspense	**(5,549,607)**	(1,803,682)
Less: Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	**(116,632,408)**	(90,392,921)
	2,852,647,445	2,508,827,698
Current	**1,501,541,390**	1,201,198,698
Non-current	**1,351,106,055**	1,307,629,000
	2,852,647,445	2,508,827,698

Included in other loans and advances is the fair value adjustment of loans advanced to staff at off-market rates of UShs 18,659m (2018: UShs 17,301m).

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 2019

2019	Opening ECL	Total transfers between stages	Income statement movements				Net impairments (raised)/ released	Impaired accounts written-off	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
Personal and Business Banking (PBB)										
Mortgage loans										
Stage 1	(963,461)	(1,411,315)	(82,817)	-	1,961,649	-	1,878,832	-	-	(495,944)
Stage 2	(4,508,831)	568,168	-	-	946,248	-	946,248	-	-	(2,994,415)
Stage 3	(7,024,196)	843,147	-	-	1,354,733	-	1,354,733	1,788,539	-	(3,037,777)
Vehicle and asset finance										
Stage 1	(1,862,928)	(1,698,443)	(1,283,559)	-	4,128,091	-	2,844,532	-	-	(716,839)
Stage 2	(1,686,719)	514,783	-	-	(3,053,909)	-	(3,053,909)	-	-	(4,225,845)
Stage 3	(2,096,360)	1,183,660	-	-	(549,440)	-	(549,440)	-	-	(1,462,140)
Card debtors										
Stage 1	(277,705)	(533,813)	(10,937)	-	747,936	-	736,999	-	-	(74,519)
Stage 2	(861,440)	553,219	-	-	(159,374)	-	(159,374)	-	-	(467,595)
Stage 3	(112,726)	(19,406)	-	-	(226,234)	-	(226,234)	178,933	-	(179,433)
Other loans & advances										
Stage 1	(12,201,027)	(5,364,383)	(5,560,770)	-	4,288,425	-	(1,272,345)	-	-	(18,837,755)
Stage 2	(14,642,220)	4,728,294	-	-	(8,974,304)	-	(8,974,304)	-	-	(18,888,230)
Stage 3	(26,020,567)	636,089	-	(1,160,778)	(34,997,729)	-	(36,158,507)	22,240,424	953,262	(38,349,299)
Total PBB	(72,258,180)	-	(6,938,083)	(1,160,778)	(34,533,908)	-	(42,632,769)	24,207,896	953,262	(89,729,791)
Corporate and Investment Banking(CIB)										
Stage 1	(4,389,124)	573	(1,444,979)	-	324,482	1,415,635	295,138	-	(586,060)	(4,679,473)
Stage 2	(545,127)	221,119	(1,564,890)	-	(9,055)	545,127	(1,028,818)	-	(221,693)	(1,574,519)
Stage 3	(13,200,490)	(221,692)	(15,079,674)	-	7,851,599	-	(7,228,075)	-	1,632	(20,648,625)
Total CIB	(18,134,741)	-	(18,089,543)	(1,160,778)	8,167,026	1,960,762	(7,961,755)	-	(806,121)	(26,902,617)
Total	(90,392,921)	-	(25,027,626)		(26,366,882)	1,960,762	(50,594,524)	24,207,896	147,141	(116,632,408)

2018	Opening ECL	Total transfers between stages	Income statement movements				Net impairments raised/ (released)[1]	Impaired accounts written-off	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
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)	**-**	**(1,708,051)**	**-**	**2,858,475**	**-**	**1,150,424**	**-**	**-**	**(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)**

Modifications on loans and advances measured at amortised cost

2019 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	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2019	-	-	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-	-	-
Vehicle and asset finance	-	-	-	-	-	-	-	-	-	-
Card debtors	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	3,663,209	1,485	-	-	-	-	3,663,209	1,485
Sovereign	-	-	-	-	-	-	-	-	-	-
Bank	-	-	-	-	-	-	-	-	-	-
Other loans and advances	-	-	119,334	230	-	-	-	-	119,334	230
Total	-	-	3,782,543	1,715	-	-	-	-	3,782,543	1,715

	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	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:

	2019 USh's' 000	2018 UShs' 000
Gross investment in finance leases		
No later than 1 year	**34,609,918**	14,183,829
Later than 1 year but no later than 5 years	**158,965,138**	106,501,512
Later than 5 years	**100,761**	19,524,569
	193,675,817	140,209,910
Unearned future finance income on finance leases	**(34,078,345)**	(25,397,254)
Net investment in finance leases	**159,597,472**	114,812,656
The net investment in finance leases may be analysed as follows:		
No later than 1 year	**31,277,151**	11,957,199
Later than 1 year but no later than 5 years	**128,240,986**	88,849,655
Later than 5 years	**79,335**	14,005,802
	159,597,472	114,812,656

As at 31 December 2019, the Group had three exposures to a single borrower or group of borrowers exceeding 25% but less than 50% of the core capital of the Group and these were all off balance sheet exposures for which a Bank of Uganda no objection was obtained.

20 Deferred Tax Asset

	2019 UShs' 000	2018 UShs' 000
As at January	**11,899,938**	1,651,991
IFRS 9 impact transition	**-**	10,752,205
Income statement movement	**18,502,325**	(7,442,796)
Financial investments	**475,117**	6,938,538
As at 31 December	**30,877,380**	11,899,938
Deferred income tax assets		
Provisions for loans and advances	**16,640,620**	12,941,513
Financial Investments	**(1,067,062)**	(1,542,178)
Other deductible temporary differences	**36,720,039**	20,619,177
	52,293,597	32,018,512
Deferred income tax liabilities		
Property and equipment	**(21,416,217)**	(20,118,574)
Net deferred income tax asset	**30,877,380**	11,899,938
Income statement movement		
Property and equipment	**(1,297,643)**	(6,667,130)
Provisions for loans and advances	**3,699,107**	(3,681,964)
Other deductible temporary differences	**16,100,861**	2,906,298
	18,502,325	(7,442,796)

21 Other assets

	2019 UShs' 000	2018 UShs' 000
Clearances in transit	**5,422,354**	13,139,182
Prepayments	**23,016,966**	22,352,145
Prepaid lease premium	**67,646**	77,984
Fees receivable	**5,813,718**	11,874,629
Other accounts receivable	**18,319,668**	19,950,921
	52,640,352	67,472,845
	-	
Current	**36,416,481**	52,475,371
Non-current	**16,223,871**	14,997,474
	52,640,352	67,472,845

The fees receivable includes commissions earned but not yet received, joint venture profit share UShs 3.5bn, custody fees UShs 0.6 bn, visa incentive UShs 0.6bn, guarantee fees UShs 0.6bn and Bancassurance UShs 0.3bn.

22 Goodwill and other intangible assets

	Computer software UShs' 000	Goodwill UShs' 000	Total UShs' 000
Cost			
At 1 January 2019	**135,460,891**	**4,753,980**	**140,214,871**
Additions	**-**	**-**	**-**
Transfers	**(478,112)**	**-**	**(478,112)**
Write off	**(250, 000)**	**-**	**(250, 000)**
At 31 December 2019	**134,732,779**	**4,753,980**	**139,486,759**
Amortisation			
At 1 January 2019	**27,863,226**	**2,852,388**	**30,715,614**
Charge for the year	**11,702,891**	**-**	**11,702,891**
At 31 December 2019	**39,566,117**	**2,852,388**	**42,418,505**
Net book value as at 31 December 2019	**95,166,662**	**1,901,592**	**97,068,254**
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 as at 31 December 2018	107,597,665	1,901,592	109,499,257

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 2019 (2018: nil). Intangible assets relate to finacle-core banking system, new Business Online(Bol)and records management software developed to digitize the customer (KYC) records for the Group's banking entity.

23. Property & Equipment

	GROUP									COMPANY		
	Property	Equipment				Right-of-use asset			Total	Property	Equipment	Total
	Land and buildings UShs' 000	Furniture, fittings and equipment UShs' 000	Computer equipment UShs' 000	Motor vehicles UShs' 000	Work in progress UShs' 000	Building UShs' 000	Branches UShs' 000	ATM Spacing UShs' 000	Total UShs' 000	Land and buildings UShs' 000	Furniture, fittings and equipment UShs' 000	UShs' 000
Cost												
IFRS 16 Transition 1 January 2019						19,772,799	13,753,643	3,166,663	36,693,105			
At 1 January 2019	3,402,996	76,938,891	81,204,855	8,572,568	324,965				170,444,275	3,402,996	-	3,402,996
Additions	-	4,235,521	8,567,321	2,252,999	8,541,130	7,605,038	5,028,385	6,024,305	42,254,699	-	156,050	156,050
Transfers	-	2,646,182	21,744	-	(2,189,814)				478,112	-		-
Disposals	-	(3,053,543)	(3,740,024)	(1,225,641)	-	(7,967,424)	-	(2,508,815)	(18,495,447)	-		-
Written off					-				-			-
At 31 December 2019	3,402,996	80,767,051	86,053,896	9,599,926	6,676,281	19,410,413	18,782,028	6,682,153	231,374,744	3,402,996	156,050	3,559,046
Depreciation												
At 1 January 2019	1,153,400	56,624,728	56,283,376	4,856,194	-				118,917,698	1,170,607	-	1,170,607
Charge for the year	68,831	8,503,293	9,321,159	1,621,732	-	6,118,801	4,994,260	3,295,453	33,923,529	51,624		51,624
On disposals	-	(3,030,962)	(3,733,084)	(1,140,802)	-				(7,904,848)	-		
At 31 December 2019	1,222,231	62,097,059	61,871,451	5,337,124	-	6,118,801	4,994,260	3,295,453	144,936,379	1,222,231	-	1,222,231
Net book value												
At 31 December 2019	2,180,765	18,669,992	24,182,445	4,262,802	6,676,281	13,291,612	13,787,768	3,386,700	86,438,365	2,180,765	156,050	2,336,815
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	9,735,254	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	-		

The group and company have, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate their comparative annual financial statements. Therefore, comparability will not be achieved by the fact that the comparative annual financial information has been prepared on an IAS 17 Leases (IAS 17) basis. Refer to page 157 for more detail on the adoption of IFRS 16.

24. Share capital

	Number of ordinary shares (thousands)	Ordinary share capital UShs'000	Total UShs'000
Issued and fully paid			
At 1 January 2019	51,188,670	51,188,670	51,188,670
At 31 December 2019	51,188,670	51,188,670	51,188,670
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

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 Group. They are also entitled to dividends when declared.

25. Fair Value Through Other Comprehensive Income

	2019 UShs' 000	2018 UShs' 000
Balance as at 31 December 2018	3,679,191	19,788,336
Adjustment on initial application of IFRS 9	-	99,638
Net gains/(losses) from changes in fair value	(1,583,721)	(23,128,460)
Deferred tax on fair value change	475,117	6,938,538
Net change in expected credit losses	29,242	(18,861)
Net movement for the year	(1,079,362)	(16,109,145)
Balance as at 31 December 2019	2,599,829	3,679,191

26. 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).

	2019 UShs' 000	2018 UShs' 000
Specific Provisions (Regulatory)	68,318,787	60,365,255
General Provisions (Regulatory)	46,212,202	43,109,118
	114,530,989	103,474,373
Less		
Identified impairment (in accordance with IFRS)	63,684,505	48,454,339
Unidentified impairment (in accordance with IFRS)	42,379,951	43,946,129
Statutory Credit risk reserves	8,466,533	11,073,905

27. Derivatives

The Group 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	
	2019 UShs' 000	2018 UShs' 000	2019 UShs' 000	2018 UShs' 000	2019 UShs' 000	2018 UShs' 000
Interest Rate Swaps	53,125,376	-	-	(14,412,721)	1,286,940,795	1,282,289,441
Currency Options	14,855,535	8,331,257	(11,065,130)	(5,581,119)	635,315,924	357,412,363
Currency forwards	985,548	462,048	(2,066,534)	(1,473,740)	224,214,574	75,289,936
Currency Swap	311,770	7,403,706	(11,038,389)	(9,279,873)	445,911,124	516,646,977
	69,278,229	16,197,011	(24,170,053)	(30,747,453)	2,592,382,417	2,231,638,717

	Less than 1 year UShs' 000	1-5 years UShs' 000	Over 5 years UShs' 000	Total UShs' 000
As at 31 December 2019				
Assets				
Interest Rate Swaps	-	218,327	52,907,049	53,125,376
Currency Options	1,845,973	13,009,562	-	14,855,535
Currency Forwards	962,105	23,443	-	985,548
Currency Swap	272,425	39,345	-	311,770
Fair value of assets	3,080,503	13,290,677	52,907,049	69,278,229
Liabilities				
Currency Options	(3,401,250)	(7,663,880)	-	(11,065,130)
Currency Forwards	(802,885)	(1,263,649)	-	(2,066,534)
Currency Swap	(2,175,612)	(8,862,777)	-	(11,038,389)
Fair value of liabilities	(6,379,747)	(17,790,306)	-	(24,170,053)
Net fair value	(3,299,244)	(4,499,629)	52,907,049	45,108,176
As at 31 December 2018				
Assets				
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				
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	(7,451,183)	(8,883,549)	(14,412,721)	(30,747,453)
Net fair value	(1,280,778)	1,143,057	(14,412,721)	(14,550,442)

28. Customer Deposits

	2019 UShs' 000	2018 UShs' 000
Current and demand deposits	4,142,293,221	3,372,001,770
Savings accounts	376,686,134	324,928,901
Fixed and call deposit accounts	160,780,655	147,511,665
Trading liabilities	42,443,560	47,852,313
	4,722,203,570	3,892,294,649
Current	4,722,081,825	3,892,257,651
Non-current	121,745	36,998
	4,722,203,570	3,892,294,649

The weighted average effective interest rate on customer deposits was 0.63% (2018: 0.64%)

29. Deposits and Balances Due to Banks

	2019 UShs' 000	2018 UShs' 000
Balances due to other Banks - local currency	114,793,848	89,334,709
Balances due to other Banks - foreign currency	86,905,950	12,049,730
	201,699,798	101,384,439
Current	201,699,798	101,384,439
Non-current	-	-
	201,699,798	101,384,439

30. Borrowed Funds

	2019 USh's' 000	2018 UShs' 000
Bank of Uganda : Agricultural Credit Facility	11,081,783	13,788,121
	11,081,783	13,788,121
Current	1,110,867	12,976,693
Non-current	9,970,916	811,428
	11,081,783	13,788,121
Movement Analysis		
As at 1 January	13,788,121	16,364,653
New disbursements	9,704,729	989,800
Payments to BOU	(12,411,067)	(3,566,332)
Net movement	(2,706,338)	(2,576,532)
As at 31 December	11,081,783	13,788,121

The Government of Uganda, through Bank of Uganda, set up an Agricultural Credit Facility scheme for the purpose of supporting agricultural expansion and modernisation 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 Group. The outstanding balance as at 31 December, 2019 was UShs 11,082 million (2018: UShs 13,788 million). The Group's banking entity does not pay any interest to the Government of Uganda. Refunds to the government are made half yearly and as at 31 December, 2019; the last payable instalment is due on 31 December, 2024.

The Group complied with all the terms and conditions of the agreements during the year.

31. Other Liabilities

	GROUP		COMPANY	
	2019 UShs' 000	2018 UShs' 000	2019 UShs' 000	2018 UShs' 000
Uganda Revenue Authority - Tax revenue collections	8,034,209	6,062,838	-	-
Bills payable	104,148,210	60,285,619	697,721	-
Unclaimed balances	31,328,240	23,715,634	-	-
Sundry creditors	52,065,518	31,620,980	-	-
Unearned fees & commission income	935,814	-	-	-
Dividend payable	14,493,951	12,181,393	14,492,999	-
Expected credit loss for off-balance sheet exposures	2,383,268	1,918,868	-	-
Lease liabilities	28,399,391	-	-	-
Other liabilities	126,008,078	139,170,406	-	-
	367,796,679	274,955,738	15,190,720	-

Note : Included in other liabilities for 2019 is UShs 91.0bn relating to accepted usance letters of credit payable to third parties at a determined future date (2018: 95.9bn), bills payable country driven change the Group projects of UShs 6.8bn (2018: UShs 5.0bn) and UShs 9.4bn digital financial inclusion contribution (2018: UShs 6.9bn).

32(a) Reconciliation of expected credit losses for off-balance sheet exposure

Reconciliation of expected credit losses for off-balance sheet exposures

2019	Opening ECL	Total transfers between stages	Income statement movements			Net impairments raised/(released)[1]	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition			
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Off BS committed facilities								
Stage 1	(586,059)	-	-	-	-	-	586,059	-
Letters of credit and Bank acceptances								
Stage 1	(61,328)	1,169	(37,221)	(23,108)	3,912	(56,417)	-	(116,576)
Stage 2	(222,652)	(1,169)	(109)	(67,377)	2,591	(64,895)	221,692	(67,024)
Stage 3	-	-	-	-	-	-	-	-
Guarantees								
Stage 1	(1,040,060)	82,240	(64,888)	(221,003)	9,440	(276,451)	-	(1,234,271)
Stage 2	(8,769)	(80,359)	(155,847)	(718,089)	6,527	(867,409)	(1,631)	(958,168)
Stage 3	-	(1,881)	(5,815)	467	-	(5,348)	-	(7,229)
Total	(1,918,868)	-	(263,880)	(1,029,110)	22,470	(1,270,520)	806,120	(2,383,268)

2018	Opening ECL	Total transfers between stages	Income statement movements			Net impairments raised/ (released)[1]	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition			
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 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)

Reconciliation of lease liabilities

	Balance at 01 Jan 2019	Additions/ modification	Terminations/ modifications and or cancellations	Interest Expense	Payments	Exchange and other movements	Balance at 31 Dec 2019
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Buildings	(18,211,753)	(7,605,038)	7,967,424	(733,149)	7,614,372	-	(10,968,144)
Branches	(11,754,584)	(5,028,385)	-	(1,311,796)	4,997,501	-	(13,097,264)
ATM Spaces	(445,495)	(750,877)	-	(90,833)	754,949	-	(532,256)
Other	(2,609,227)	(5,273,428)	2,508,815	(651,331)	2,223,444	-	(3,801,727)
Total	(33,021,059)	(18,657,728)	10,476,239	(2,787,109)	15,590,266	-	(28,399,391)

Staff cost provision

	2019	2018
	UShs' 000	UShs' 000
Opening balance 1 January	27,811,951	27,790,274
Less: provisions utilisation	(28,166,294)	(26,475,438)
Add: New provisions made in the year	33,746,602	26,497,115
Closing Balance 31 December	33,392,259	27,811,951

32. Subordinated debt

As at 31 December 2019	Date of Issue	Carrying value UShs' 000	Notional value UShs' 000
Subordinated loan facility - Standard Bank South Africa	31 March 2016	73,280,466	73,280,466
		73,280,466	73,280,466
As at 31 December 2018	**Date of Issue**	**UShs' 000**	**UShs' 000**
Subordinated loan facility - Standard Bank South Africa	31 March 2016	74,176,983	74,176,983
		74,176,983	74,176,983

Movement analysis

	2019	2018
As at 1 January	74,176,983	72,801,196
Interest expense	6,270,865	6,123,359
Interest paid	(6,272,827)	(6,151,469)
Exchange rate movement	(894,555)	1,403,897
Net movement	(896,517)	1,375,787
As at 31 December	73,280,466	74,176,983

In 2016, the Group's banking entity 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 Group capital and diversify funding sources.

33. Dividends

At the annual general meeting to be held in July 2020, a dividend of UShs 2.15 per share amounting to UShs 110.0bn was to be proposed.

On 24th March 2020, Bank of Uganda (BOU) issued guidelines to all Supervised Financial Institutions (SFIs) on safety measures regarding the Covid-19 pandemic. Of particular note was the expectation on capital preservation wherein all SFIs were required to defer all non-discretionary payments, which include dividends, until further notice or seek for explicit authorisation from BOU.

Stanbic Bank subsequently sought BOU approval for an exception to pay dividends for the year 31st December 2019 however, BOU declined the request. Given that SBU dividends form the pool of dividends to SUHL shareholders , the Board of Directors therefore advised that no dividends will be recommended for approval during the upcoming AGM.

(2018: total dividend per share of UShs 1.9 amounting to UShs 97.5bn).

34. Off-balance sheet financial instruments, contingent liabilities and commitments

In common with other Banks, the Group 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.

	2019 UShs' 000	2018 UShs' 000
Contingent liabilities		
Acceptances and letters of credit	140,655,170	94,875,767
Guarantees and performance bonds	1,567,358,047	1,666,287,999
	1,708,013,217	1,761,163,766
Commitments		
Commitments to extend credit	1,041,694,219	963,949,396
Currency forwards	(415,780,582)	(211,312,955)
Operating lease commitments	-	40,719,293
	625,913,637	793,355,734
	2,333,926,854	2,554,519,500

Nature of contingent liabilities

An acceptance is an undertaking by a Bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Group 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 Group 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 Group may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Pending litigation

The Group is a litigant in several other cases which arise from normal day to day banking. The Directors and Management believe the Group 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 Group's operations.

The Directors have carried out an assessment of all the cases outstanding as at 31 December, 2019 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 10.2bn (2018: UShs 9.4bn) reported under other liabilities.

Litigation	2019 UShs' 000	2018 UShs' 000
Opening balance 1 January	9,406,838	8,431,117
Add: New provisions made in the year	8,915,375	4,509,478
Less: Cases settled	(4,734,895)	(855,867)
Less: Adjustments in provisions	(3,343,237)	(2,677,890)
Closing Balance 31 December	10,244,081	9,406,838

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 and 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 and the Bank through the UBA legal committee has challenged this decision at the High Court.

Furthermore, URA on 25th March 2019, prior to the High Court hearing, sought to collect the stamp duty in connection with the above treatment. Through an interim order of injunction from High Court, SBU restrained URA's enforcement of the tax liability and objected to the demand letter. URA in response maintained its objection decision, to which SBU appealed to the Tax Appeals Tribunal (TAT) on 24th June 2019 and paid the mandatory 30% tax in dispute.

The TAT process is still ongoing however the Bank is optimistic that the ruling will be in its favour.

35. Analysis of Cash and Cash Equivalents as Shown in the Cash Flow Statement

	2019 UShs' 000	2018 UShs' 000
Cash and balances with Bank of Uganda	**1,123,942,143**	1,214,176,966
Cash reserve requirement	**(375,360,000)**	(311,470,000)
Government securities maturing within 90 days	**394,957,656**	171,075,648
Placements with other Banks	**825,390,055**	422,589,132
Deposits from group companies	**102,274,643**	65,931,960
	2,071,204,497	1,562,303,706

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 16).

Refer to notes 30 and 32 for the reconciliation between opening and closing balances for liabilities arising from financing activities.

36. Related Party Transactions

The Standard Bank Group (SBG) is 80% owned by Stanbic Africa Holdings Limited, which is incorporated in the United Kingdom. The ultimate parent and controlling party of the Group is Standard Bank Group Limited, incorporated in South Africa. There are other companies which are related to Stanbic Uganda 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.

Related party transactions further breakdown

	Parent	Other	2019 UShs' 000 Total	Parent	Other	2018 UShs' 000 Total
Amounts due from group companies						
Placements and borrowings	**82,590,405**	**4,111,824**	**86,702,229**	226,747	3,613,017	3,839,764
Other assets	**1,823,837**	**529,497**	**2,353,334**	3,347,692	43,862,138	47,209,830
Derivatives	**13,219,062**	**18**	**13,219,080**	14,882,366	-	14,882,366
	97,633,304	**4,641,339**	**102,274,643**	18,456,805	47,475,155	65,931,960
Amounts due to group companies						
Deposits and current accounts	**913,947**	**-**	**913,947**	790,819	2,797,765	3,588,584
Derivatives	**101,806,078**	**1**	**101,806,079**	17,918,006	2	17,918,008
Other liabilities	**30,892,709**	**113,694**	**31,006,403**	27,814,160	39,086	27,853,246
	133,612,734	**113,695**	**133,726,429**	46,522,985	2,836,853	49,359,838
Subordinated debt due to group companies						
Subordinated loans (see note 36)	**73,280,466**	**-**	**73,280,466**	74,176,983	-	74,176,983
Income and expenses						
Interest income earned	**-**	**275,338**	**275,338**	-	1,267,022	1,267,022
Interest expense paid	**6,270,865**	**-**	**6,270,865**	6,123,359	1,207,403	7,330,762
Trading revenue	**85,907,289**	**(277,261)**	**85,630,028**	-	-	-
Commision	**-**	**3,535,493**	**3,535,493**	-	5,809,157	5,809,157
Operating expenses incurred	**38,737,742**	**153,860**	**38,891,602**	28,120,065	516,293	28,636,358

- Stanbic Uganda 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 Group 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 3.5bn (2018: UShs 5.8bn).

Nature of the transactions with related parties

In the normal course of business, the Group 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

	2019			
Names of Insider borrowers including related interests	**Aggregate amount outstanding'000**	**Interest Rate**	**Status Performing or Non performing**	**Facility**
Directors	**2,800,063**	**7.5%-38%**	Performing	Loans and advances
Executive Officers	**2,680,079**	**7.5%-38%**	Performing	Loans and advances
Credit extentions to related companies				
Uganda Breweries Ltd	**5,494,837**	**7.30%**	Performing	Loans and advances
Credit extentions to individual affiliates	**17,779**	**18%-19.5%**	Performing	Loans and advances
Total	**10,992,759**			

No impairment has been recognised in respect of loans advanced to related parties (2018: nil). Other related party transactions

Deposits with key Management and related parties

Names of related party	**Aggregate amount outstanding'000**	**Interest Rate**	**Facility**
Directors	**388,657**		Deposit
Executive Officers	**333,263**		Deposit
Credit extentions to related companies			
Uganda Breweries Ltd	**6,963,537**		Deposit
Total	**7,685,457**		

	2018			
Names of Insider borrowers including related interests	**Aggregate amount outstanding'000**	**Interest Rate**	**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 extentions to related companies				
Uganda Breweries Ltd	9,733,376	7.30%	Performing	Loans and advances
Credit extentions 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	167,943		Deposit
Executive Officers	338,629		Deposit
Credit extentions to related companies			
Umeme Ltd	913,449		Deposit
Uganda Breweries Ltd	3,832,399		Deposit
Uganda Batteries Ltd	369,166		Deposit
Nice House of Plastics Ltd	1,093,517		Deposit
Jesa Farm Dairy Ltd	385,747		Deposit
	7,100,850		

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%.

Interest Income	2019	2018
	UShs' 000	UShs' 000
Interest income from key Management loans	230,095	132,971

	2019	2018
	UShs' 000	UShs' 000
Key Management compensation		
Salaries and other short term employment benefits Post-employment benefits	12,059,090	14,908,018
Post employment Benefits	2,342,803	4,758,445
	14,401,893	19,666,463
Directors' remuneration		
Directors' fees	470,895	555,748
Other emoluments included in management compensation	7,942,616	7,720,212
	8,413,511	8,275,960

37. Equity linked transactions

The Standard Bank Group (SBG) 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:

Share options	2019	2018
	UShs' 000	UShs' 000
Group Share Incentive Scheme	-	37,772
Equity Growth Scheme	-	91,884
	-	129,656

Equity-linked transactions

Share-based payments

Equity compensation plans

Standard Bank Group (SBG) has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. 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 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:

SBG Group Share Incentive Scheme	Option price range (ZAR) 31-Dec-19	Number of options 31-Dec-19	31-Dec-18
Options outstanding at beginning of the period		24,000	26 500
Transfers			(2 500)
Lapsed			
Exercised		(18 750)	
Options outstanding at end of the period		5 250	24 000

Share options were exercised regularly throughout the year. The weighted average share price for the year was ZAR 183.51 (December 2018: ZAR192.35).

The following options granted to employees had not been exercised at 31 December 2019:

Number of ordinary shares (ZAR)	Option price range	Weighted average price (ZAR)	Option expiry period
875	111.94	111.94	Year to 31 December 2020
4 375	98.8	98.8	Year to 31 December 2021
5 250			

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			

Equity Growth Scheme	Appreciation right price range (ZAR) 31-Dec-19	Number of rights 31-Dec-19	31-Dec-18
Rights outstanding at beginning of the period		64 099	79 099
Transfers		11 500	
Granted			
Exercised	98.80 - 126.87	(26 098)	(15 000)
Rights outstanding at end of the period		49 501	64 099

At 31 Decemeber 2019 the group would need to issue 8264 (2018: xxx) SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees had not been exercised at 31 December 2019:

Number of rights	Price range (ZAR)	Weighted average price (ZAR)	Expiry period
5,000	111.94	111.94	Year to 31 December 2020
6,250	126.87	126.87	Year to 31 December 2021
31,339	156.96	156.96	Year to 31 December 2025
6,912	122.24	122.24	Year to 31 December 2026
49,501			

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			

SBG Group Share Incentive Scheme

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

38. Investment in subsidiary

	2019 UShs' 000	2018 UShs' 000
COMPANY		
Investment in subsidiary	881,068,551	-
	881,068,551	-

Stanbic Uganda Holdings Limited has 100% share holding in Stanbic Bank Uganda.

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. Subsequent Events

The novel coronavirus (COVID -19) pandemic has introduced unprecedented challenges to global health and economic conditions. Globally, the consequences of the pandemic have varied from loss of human life to a slowdown in growth leading to significant value erosion in the global financial markets.

In the midst of this great challenge, protecting the health and well-being of our staff, clients and other key stakeholders is at the centre of our pandemic response plan. Notably Stanbic Uganda Holdings Limited (SUHL) has responded by adopting COVID-19 Standard Bank Group (SBG) Principles designed to ensure precautionary measures are in place and are consistent with protocols from World Health Organisation and SBG. We have also activated our business continuity plans (BCP) to ensure continued performance of essential functions even under stressed conditions and identified appropriate mitigating initiatives to address the challenges being faced. We are also working very closely with the Uganda Banker's Association, Bank of Uganda, the Ministry of Finance and Economic Planning and Development and other key partners to identify appropriate interventions that will support our clients through this challenging time and ensure the continued stability and smooth operations of the financial system. The COVID-19 outbreak subsequent to year end creates uncertainties and an indirect impact on the key inputs used in the ECL calculations especially around macro-economic variables such as GDP, CBR, inflation and foreign exchange. The potential impact of this cannot be reliably estimated and as such financial statements are not adjusted to reflect this impact.

On 24th March 2020, Bank of Uganda (BOU) issued guidelines to all Supervised Financial Institutions (SFIs) on safety measures regarding the Covid-19 pandemic. Of particular note was the expectation on capital preservation wherein all SFIs were required to defer all non-discretionary payments, which include dividends, until further notice or seek for explicit authorisation from BOU.

Stanbic Bank subsequently sought BOU approval for an exception to pay dividends for the year 31st December 2019 however, BOU declined the request. Given that SBU dividends form the pool of dividends to SUHL shareholders , the Board of Directors therefore advised that no dividends will be recommended for approval during the upcoming AGM.

SUHL remains well capitalised and with very strong levels of liquidity required to navigate the current stressed business conditions. We are also working closely with our clients across the impacted sectors to identify and remediate for any potential credit challenges and are confident that the right attention is being applied across the spectrum of enterprise risk we need to effectively manage.

41. Ultimate Parent Company

The ultimate parent company is Standard Bank Group (SBG).


-Borha – CE, Africa Regions
lala – CE, Standard Bank Group
– Financial Director, Standard Bank Group
ad: Change & Business Transformation
– CE, Ugan

SUPPLEMENTARY INFORMATION

SHAREHOLDER ANALYSIS

Top ten Shareholders as at 31 December 2019

Name	Name of shares	% shareholding
Stanbic Africa Holdings Limited	40,950,935,760	80.0%
National Social Security Funds	2,048,135,336	4.0%
Duet Africa Opportunities Master Fund Ic Duet Africa Opportunities Master Fund Ic	556,592,615	1.1%
Sudhir Ruparelia	330,723,247	0.6%
Kimberlite Frontier Africa Master Fund, L.P.-Rckm Kimberlite Frontier Africa Master Fund,L.p.-Rckm	314,585,377	0.6%
Kuwait Investment Authority	253,281,659	0.5%
Ssbt-Change Global Frontier Markets, Lp-Cgpa	248,056,862	0.5%
Frontaura Global Frontier Fund Llc Frontaura Global Frontier Fund Llc	247,200,000	0.5%
Bank Of Uganda Defined Benefits Scheme -Stanlib	212,746,750	0.4%
Ibulaimu Kironde Kabanda	212,610,920	0.4%

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 2019 had total assets of ZAR 2.3trillion (US$163 billion) the market capitalisation is ZAR 277 billion (US$20 billion) and employs more than 50,000 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 2019

ANALYSIS BY SIZE OF HOLDING			
VOLUME	NO. OF SHARES	%	HOLDERS
1 - 1 000	159,173	0.00%	314
1 001 - 5 000	2,156,720	0.00%	745
5 001- 10 000	40,160,553	0.08%	4,118
10 001 - 100 000	622,290,465	1.22%	11,764
100 001 - 500 000	1,035,613,736	2.02%	4,061
500 001 - 1 000 000	630,527,136	1.23%	768
1 000 001 - 5 000 000	978,316,475	1.91%	632
> 5 000 001	47,879,445,442	93.54%	113
REGISTER TOTALS	**51 188 669 700**	**100.00%**	**22 515**

STANBIC UGANDA HOLDINGS LIMITED
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **ANNUAL GENERAL MEETING** (AGM) of Stanbic Uganda Holdings Limited ("the Company") for the year ended December 31st, 2019 will be held by electronic means on **Friday July 17th, 2020** at **11:00 am** to conduct the following business:

Agenda

Ordinary Business

1. To consider and if deemed fit, pass an ordinary resolution to receive and adopt the annual audited financial statements for the year ended December 31st, 2019, including the reports of the Directors and External Auditors.

2. 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 articles of association.

3. To consider and if deemed fit, pass an ordinary resolution to approve the appointment of PricewaterhouseCoopers (PwC) as the External Auditors of the Company for the period until the conclusion of the next AGM and authorize the Directors to negotiate and fix their remuneration.

4. To consider and if deemed fit, pass an ordinary resolution to receive and approve the fees payable to the Non-Executive Directors for the year 2020.

Special business

5. To consider and if deemed fit, pass a special resolution to amend the Company articles of association to include the conduct of general meetings in a virtual and or hybrid manner.

   5.1. By inserting new articles 50(a), 50(b), 50(c) and 50(d) immediately after article 50 to read as follows;

   Article 50(a): The Board may make arrangements to hold and conduct general meetings in a virtual and/ or hybrid manner, in such a way that members attending the meetings in person and or attending by electronic means can attend, participate and vote at the meeting.

   Article 50(b): A virtual general meeting is a meeting where shareholders are given the opportunity to attend the meeting using an online platform which allows them to vote, ask questions and participate electronically in real-time instead of attending the meeting at a physical venue.
   Article 50(c): A hybrid general meeting is a meeting that allows shareholders to opt between attending the meeting in person at a physical venue and attending the meeting online (virtually).

   Article 50(d): The Board may decide on the number of attendees for the physical place/venue provided alternative means are availed to members and proxies.

   5.2. By amending article 56 to include the underlined and to read as follows;
   Article 56: No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; except as herein otherwise provided, three members present in person **or participating via electronic means** shall be a quorum.

6. To conduct any other business for which due notice has been given.

Dated: **June 24th, 2020**

By Order of the Board

Rita Kabatunzi
Company Secretary

Notes:

1. On March 11th, 2020, the World Health Organisation declared the novel corona virus (COVID-19) a global pandemic, and as a result, the Government of Uganda put in place several restrictive measures to curb the spread of the virus, including a ban on gatherings and meetings. Given the circumstances, it is impractical for the Company to convene a general meeting in the manner prescribed in the Company articles of association.
2. On June 10th, 2020, the High Court of Uganda exercised its discretionary power under Section 142 of the Companies Act, 2012, and granted the Company special dispensation to convene the AGM for the period ended December 31st, 2019 by electronic means, subject to obtaining a prior no-objection from the Uganda Securities Exchange and complying with all applicable notices issued under the Uganda Securities Exchange Listing Rules 2003.
3. The Company confirms that it obtained a "No Objection" from the Uganda Securities Exchange for its virtual AGM execution plan.
4. The audited financial statements, annual report, notice of the AGM and proxy form will be uploaded onto the Company website www.stanbic.co.ug
5. A shareholder is entitled to attend, speak and vote at the meeting. A shareholder may appoint a proxy if he/she is unable to attend the meeting. A proxy form is attached to the Notice of the Annual General Meeting or may be downloaded from the Company website.
6. The proxy form should be delivered to the Company Secretary at the Company Head Office at Crested Towers, Short Tower 17 Hannington Road, or emailed to suhlagm@image.co.ke at least 48 hours before the scheduled time for the meeting. In default of this, it shall be treated as invalid.
7. To participate in the virtual AGM, shareholders are advised to register by following the instructions below;
   a. Dial *284*32# (Uganda mobile networks) or *483*801# (Kenya mobile networks) and follow the prompts, or
   b. Send an email request to suhlagm@image.co.ke.
8. Registration commences on Wednesday June 24th, 2020 at 8:00 am and closes 48 hours before the AGM.
9. For registration support, please call +256 312 226 723 or +254709170000.
10. The AGM will be streamed live at the scheduled time and date to shareholders who will receive a link to the event upon successful registration.
11. Voting shall be done electronically via USSD or through the web link shared upon successful registration.
12. Shareholders are advised to submit questions by Tuesday July 14th, 2020 via phone, web link or email.
13. Shareholders who have not received past dividends should send an email to shareholder@candrgroup.co.ug or call +256 757 072 773.
14. The Uganda Securities Exchange has directed shareholders of listed companies to immobilize their shares. Shareholders are therefore required to open Securities Central Depository accounts with any registered Securities Central Depository Agent (broker, investment advisor or custodian Bank). Visit the Exchange's website at https://www.use.or.ug for more information.

PROXY FORM

STANBIC UGANDA HOLDINGS LIMITED

(Registration number **80020001344445**) ("the Company")

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:

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 on my/our behalf at the annual general meeting of the Company to be held on Friday July 17, 2020 at 11:00am, and at any adjournment thereof as follows;

	AGENDA	For	Against	Abstain
	Ordinary resolution to:			
1.	Adopt the annual audited financial statements for the year ended December 31st, 2019, including the reports of the Directors and External Auditors.			
2.	Appoint and re-elect Directors:			
2.1.	Confirm the appointment of **Ms. Agnes Asiimwe Konde*** as a Non-Executive Director.			
2.2.	Confirm the appointment of **Ms. Olusola Adejoke David-Borha*** as a Non-Executive Director.			
2.3.	Re-elect **Mr. Japheth Katto** who retires on rotation but has offered himself for re-election.			
2.4.	Re-elect **Mr. Samuel Zimbe** who retires on rotation but has offered himself for re-election.			
3.	Approve the appointment of PricewaterhouseCoopers (PwC) as the External Auditors of the Company for the period until the conclusion of the next AGM and authorize the Directors to negotiate and fix their remuneration.			
4.	Approve the fees payable to the Non-Executive Directors for the year 2020.			
	Special resolution to:			
5.	Amend the Company articles of association to include the conduct of general meetings in a virtual and or hybrid manner			
5.1.	To insert new articles 50(a), 50(b), 50(c) and 50(d) immediately after article 50 to read as follows; **Article 50(a): The Board may make arrangements to hold and conduct general meetings in a virtual and/ or hybrid manner, in such a way that members attending the meetings in person and or attending by electronic means can attend, participate and vote at the meeting.** **Article 50(b): A virtual general meeting is a meeting where shareholders are given the opportunity to attend the meeting using an online platform which allows them to vote, ask questions and participate electronically in real-time instead of attending the meeting at a physical venue.** **Article 50(c): A hybrid general meeting is a meeting that allows shareholders to opt between attending the meeting in person at a physical venue and attending the meeting online (virtually).** **Article 50(d): The Board may decide on the number of attendees for the physical place/venue provided alternative means are availed to members and proxies.**			
5.2.	Amend article 56 to include the underlined and to read as follows; Article 56: No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; except as herein otherwise provided, three members present in person **<u>or participating via electronic means</u>** shall be a quorum.			

*Note: * The appointment of the Director is subject to regulatory approval.*

Please indicate a cross or tick for each resolution above how you wish your votes to be cast. The 'abstain' option above is provided to enable you to withhold your vote on any resolution. However, it should be noted that a vote abstained is not a vote and will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution. If no options are marked, the proxy can vote as he/she deems fit.

Signature; ....

Dated this .... day of ...., 2020

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 with the registered office at Crested Towers, Short Tower 17 Hannington Road, or emailed to suhlagm@image.co.ke at least 48 hours before the scheduled time for the meeting.

3. The completion and lodging of this form of proxy will not prevent the relevant shareholder from attending the annual general meeting in person and exercising his/her rights.

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: +256 414 230 608

Company Secretary
Rita Kabatunzi
11th Floor Crested Towers, Short Tower
17 Hannington Road Kampala, Uganda
P.O. Box 7131 Kampala, Uganda
Tel: +256 312 224 338

Share Registrars
Custody and Registrar Services (Uganda) Limited
4th Floor, Diamond Trust Center,
17/19 Kampala Road, Kampala, Uganda
Telephone: +256 414 237 504

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

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: +256 414 237 504

Other Customer Care Centre
Tel: 0800 250 250

Email:
cccug@stanbic.com

For copies of our Annual Reports, please refer to:
www.stanbicBank.co.ug/Uganda/About-Us/InvestorRelations

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 Road, Jinja Town	Martin Road
Kamuli Branch	Plot 2, Gabula Road	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 Road. Lugazi	Ntenge Road
Mbale Branch	Plot 50/52, Republic Avenueenue Mbale Town	Republic Avenueenue
Moroto Branch	Plot 27, Lia Road Moroto	Lia Road
Soroti Branch	Plot 42,Gweri Road. Soroti Town	Gweri Road
Tororo Branch	Plot 1, Block 5 Uhuru Drive, Tororo Town	Nagogera Road
GREATER KAMPALA		
Kawempe Branch	Plot 161, Volume 77 Folio 19	Bombo Road
Kireka	Plot 319, Block 232 Kyadondo	Jinja Road
Kiboga Branch	Plot 100, Block 634 Kilulumba Mubende Kiboga Town	Hoima 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	
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 Road. Wandegeya	Kagugube Road
William Street Branch	Plot 6, William Street, Kampala	William Street
METRO		
Aponye Mall Branch	Plot 8, Burton Street	Burton Street
Bugolobi Branch	Plot 47A Spring Road, 9 Luthuli Avenue 9 Bandari Rise	47A Spring Road, 9 Luthuli Avenue and 9 Bandari Rise
Entebbe Main Branch	Plot 15,KampalaRoad. 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 Road.Lugogo Kampala. Shop No.5	Lugogo By-Pass Road
Makerere Branch	Senate Building Makerere University Campus	Senate Building
Metro Branch	Plot 4, Jinja Road. Social Security House	Jinja Road
Nakasero Branch	Umoja Building, Plot 20 Nakasero Road	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 Road, Apac Town	Akokoro Road
Arua Branch	Plot 25,Avenueenue Road, Arua Town	Avenueenue Road
Gulu Branch	Plot 2 & 4,Acholi Road, Gulu Town	Acholi Road
Kigumba Branch	Plot 18, Kampala Gulu High Way	Kampala Gulu High Way
Kitgum branch	Plot 4/6, Philip Adonga Road,	Philip Adonga Road Kitgum
Lira Branch	Plot 2,Soroti Road, Lira	Soroti Road
Moyo Branch	Plot 1,Kerere Crescent Road, 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 Township	Bundibugyo Road
Bwamiramira Branch	Plot 18,Karuguza T/Centre,Kibale District	Karuguza Road
FortPortal Branch	Plot 21,Lugard Road, Fort 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 Road, Kabale Town	Kabale Road
Kabwohe Branch	Plot 19B, Kabwohe	Kabwohe Road
Kalangala Branch	Kalangala Main Road, 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 Road, Kisoro Town	Kisoro/Kabale Road
Kyotera Branch	Plot 32, Masaka Road,Kyotera Town	Masaka Road
Lyantonde Branch	Plot 200,Block 76 Lyantonde Town	Kampala/Mbarara Raod
Masaka Branch	Plot 4 Birch Avenue, Masaka Town	Birch Avenueenue
Masindi Branch	Plot29/33,Tongue Street Masindi	Tongue Street
Mbarara Branch	Plot 1/3 Ntare Road, 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

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