



Stanbic Bank, Uganda **Full year results** **2016**

A reflection of our long
term vision to all our
stakeholders

Stanbic Bank Moving Forward™
A member of Standard Bank Group



PATRICK MWEHEIRE, CE STANBIC BANK



“2016 was another record year for the bank; reflecting our intense client focus and solid performance across our businesses. We had double digit growth in deposits and showed expense discipline while continuing to invest for the future. Building upon the strength and depth of our platform, we continued to deepen relationships with personal and institutional clients and achieved higher customer satisfaction scores during the year.”

“The Ugandan economy will build momentum in 2017 on the back of renewed Oil & Gas spend. Looking ahead there is opportunity for good, rational and thoughtful policy decisions to be implemented which can support local businesses, create jobs for Ugandans across the income spectrum and help communities, and we are well positioned to play our part. I am extremely proud of our bank and our employees who do an incredible job every day for our clients.”

Patrick Mweheire
Chief Executive Stanbic Bank

2016 was a very challenging year for the Ugandan banking industry how has Stanbic managed to buck the trend?

2016 was indeed a challenging year for both the Ugandan economy and the banking sector which both experienced low single digit GDP and private sector credit growth. This was further exacerbated by rapidly deteriorating asset quality in which we witnessed Non-performing loans (“NPL’s”) exceed UGX 1 trillion across the sector. It was a very difficult environment to navigate through and we are pleased that we did. Key to our performance was meticulous planning for the cycle; the Ugandan economy does work in cycles closely aligned to the election calendar and 2016 reflected the pressures we tend to see around election time -high inflation expectations, a heightened interest rate environment and ultimately subdued credit growth. As a bank we understand the opportunities and risks embedded in these cycles and have been very deliberate in fortifying our revenues by building a diversified business model that appropriately positions us to withstand the shocks associated with adverse changes in economic performance. This is the major reason why our revenues and earnings have grown consistently in recent years notwithstanding the industry wide spike in NPL’s driven by the high interest rate environment. You will note that Non-interest revenue which is not susceptible to interest rate fluctuations represents over 40% of our total revenues.

Are there any key highlights about your performance or your contribution to the economy that you would like to point out?

The bank registered considerable growth across all the key financial metrics and

also gained market share in key areas. Some high lights include:

- Reported 2016 **Revenue of UGX 643 billion;** a growth of 21% from 2015
- Total Deposits above **UGX 3 trillion up 25%;** Loans and Advances up 3%
- Off-Balance Sheet guarantees, Letters of credit and bonds of **UGX 1 trillion largely in support of GoU infrastructure** spend
- Profit After Tax of UGX 191 billion; a growth of 27%
- Processed over **UGX 50 Trillion worth of transactions** in 2016
- Arranged **UGX 1 trillion worth of credit** and capital during the year
- Lead arranged the **\$645 million Karuma interest rate swap**, helping to protect Government from future interest rate risk
- Collected over **UGX 2.8 trillion worth of taxes** on behalf of the URA
- Directly paid over **UGX 73 bn in taxes** to the government Treasury
- Gainfully **employed 1802 people;** second largest employer in the sector
- **Social investments of UGX 1.1 bn** focused on education that reached over 10,000 beneficiaries across our communities

Following the recent failure of a systemic bank due to under-capitalization; how comfortable are you about your own capitalization?

Stanbic Bank has net book value of UGX 715 Billion, the largest of any financial institution in the country. As a result, we have a very strong total Capital Adequacy Ratio (“CAR”) ratio of approximately 21%;

+9% points higher than the central bank regulatory minimum of 12%. This resilient capital base positions us with adequate risk mitigation buffers that can withstand significant credit or liquidity stress events. But more importantly, it provides us the platform to be a major catalyst for growth in the Ugandan economy by providing access to financing to support consumers and businesses.

How is Stanbic helping with the reduction of interest rates in the economy?

We are fully committed to maintaining the transparency of our pricing to our customers, and you will notice that over the last 9 months, we have reduced our Prime Lending Rate (“PLR”) by 5% from a high PLR of 25% to an existing rate of 20%. We moved directly in tandem and reduced our PLR five times and in equal measure each time the Central Bank Rate (“CBR”) was revised downwards. We now have the lowest PLR of all active commercial banks in the local credit market, making it a lot more affordable and attractive for our customers to borrow for personal and business purposes. We have further communicated that our PLR will drop to 19.5% effective April, 1 in line with latest CBR drop of 0.5%. We strongly believe that this level of transparency demonstrates our commitment to being part of the solution.

Fraud remains a challenge within the sector what has the bank done to minimize cases of financial impropriety?

Increased cases of identity fraud and cyber-crime are a challenge that needs to be tackled from an individual bank point of view and strengthened with a collective

industry and stakeholder approach. We have recently introduced new and enhanced security features across our digital platforms that have made them safer to use without compromising on the quality of our customer banking experience, these include among others:- the introduction of more rigorous password protection features, authorization codes for individual transactions and upgraded our banking software eco-system. We have a zero tolerance policy towards fraud and have made sure our internal systems and procedures are robust enough to thwart the efforts of even the most sophisticated cyber criminals.

What final message do you have for your customers, shareholders and employees and what can they look forward to from the bank in 2017?

On behalf of the bank, I thank all our stakeholders, customers and employees especially for assisting us achieve such extraordinary results and remain resilient in such challenging times. Your trust and support has been unwavering. While some macro-economic headwinds remain in 2017, I am encouraged about the potential momentum that oil and gas spend might provide to spark economic growth. We will continue to invest in innovation and technology, infrastructure and talent- crucial for protecting the bank and customers and for our growth. The bank is getting safer and stronger each year. We will continue to adjust our competitive strategy to the new world and see exciting opportunities ahead to invest and contribute to the transformation of lives in our communities.

Stanbic Bank Uganda Transforming Lives Our Contribution to Society



While achieving significant growth, 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. The key focus area for our CSI is Education. We believe that quality education is critical to achieving social and economic growth.

Highlights

Over
10,000
lives reached through
our Programmes

230 SMEs
mentored in the Stanbic
Bank Business Mentorship
Programme

Over
3,000 STUDENTS
benefited from the Stanbic National
Schools Championships programme



Stanbic Bank Early Childhood Development Programme

This Programme provided opportunities for children in underserved communities to acquire literacy and numeracy skills in a safe, clean and inspirational environment. Stanbic Bank Uganda partnered with Ka Tutandike Uganda to refurbish the Ggaba market ECD Centre which serves over 40 vulnerable children to provide a safe and inspirational learning environment for children from vulnerable families.



Stanbic Bank National Schools Championship

Stanbic Bank partnered with the Ministry of Education for the third season of the national schools Championships. The competition was a national quiz competition, with the objective of encouraging students to sharpen their critical thinking, channel their energy and develop their problem-solving skills.



Employee Community Involvement Programme

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 2016, 133 staff volunteered their expertise, time and financial contributions to help solve some of the social challenges encountered by our communities.



Philanthropy and Commitment to Humanitarian projects

In 2016, we contributed to a wide variety of initiatives in form of donations and sponsorships and invested over UGX 170M of our Social Investment budget to these activities. Organizations that were supported include; Rotary Children and Youth Village, Infectious Disease, Institute, Plan Uganda, Elizabeth Glazer Paediatric AIDS Foundation (EGPAF), Theresa Home among others

Stanbic Bank Uganda Limited

Summarised Audited Financial Statements for the year ended 31 December 2016

Income statement for the year ended 31 December 2016

	2016 UShs' 000	2015 UShs' 000
Interest income	423,855,935	350,330,210
Interest expense	(47,500,475)	(38,850,179)
Net interest income	376,355,460	311,480,031
Fee and commission income	116,447,582	108,878,606
Fee and commission expenses	(1,814,906)	(3,178,947)
Net fees and commission income	114,632,676	105,699,659
Net trading income	151,834,914	114,459,189
Other operating income	623,578	894,479
Total income before credit impairment charge	643,446,628	532,533,358
Impairment charge for credit losses	(36,640,522)	(28,747,373)
Total income after credit impairment charge	606,806,106	503,785,985
Employee benefit expenses	(136,769,846)	(120,118,291)
Depreciation and amortisation	(22,714,254)	(16,917,933)
Other operating expenses	(193,373,385)	(163,451,913)
Profit before income tax	253,948,621	203,297,848
Income tax expense	(62,796,786)	(52,538,567)
Profit for the year	191,151,835	150,759,281
Earnings per share for profit attributable to the equity holders of the Bank during the year (expressed in UShs per share):		
Basic & diluted	3.73	2.95

Statement of financial position as at 31 December 2016

	2016 UShs' 000	2015 UShs' 000
Assets		
Cash & balances with Bank of Uganda	709,350,387	589,841,286
Derivative assets	10,066,617	2,638,073
Government securities - held for trading	250,484,271	177,809,717
Government securities - available for sale	640,941,821	507,024,434
Other investments	62,930	60,690
Current income tax recoverable	12,496,197	14,247,605
Loans and advances to banks	758,656,662	345,265,985
Amounts due from group companies	36,147,113	29,380,268
Loans and advances to customers	1,976,748,072	1,917,243,556
Other assets	49,330,012	78,721,808
Prepaid operating leases	98,660	108,998
Property and equipment	63,318,002	49,209,285
Goodwill and other intangible assets	79,601,588	2,811,538
Deferred income tax asset	1,307,349	14,777,770
Total assets	4,588,609,681	3,729,141,013
Shareholders' equity and liabilities		
Shareholders' equity		
Ordinary share capital	51,188,670	51,188,670
Available for sale revaluation reserve	3,071,123	(15,938,540)
Statutory credit risk reserve	22,893,968	19,901,192
Retained earnings	577,788,232	449,606,422
Proposed dividends	60,000,000	40,000,000
	714,941,993	544,757,744
Liabilities		
Derivative liabilities	592,135	2,119,522
Deposits from customers	3,058,504,763	2,438,420,865
Deposits from banks	293,726,727	365,209,914
Amounts due to group companies	242,805,246	190,407,880
Borrowed Funds	11,579,364	11,110,540
Subordinated debt	72,137,386	23,740,086
Other liabilities	194,322,067	153,374,462
Total Liabilities	3,873,667,688	3,184,383,269
Total equity and liabilities	4,588,609,681	3,729,141,013

Statement of comprehensive income for the year ended 31 December 2016

	2016 UShs' 000	2015 UShs' 000
Profit for the year	191,151,835	150,759,281
Other comprehensive income for the year after tax:		
Net gain/ loss on available for sale revaluation reserves	19,009,663	(8,829,581)
Total comprehensive income for the year	210,161,498	141,929,700

Statement of changes in equity for the year ended 31 December 2016

	Share capital UShs' 000	Available for sale revaluation reserve UShs' 000	Statutory Credit Risk Reserve UShs' 000	Proposed dividends UShs' 000	Retained earnings UShs' 000	Total UShs' 000
Year ended 31 December 2016						
At 1 January 2016	51,188,670	(15,938,540)	19,901,192	40,000,000	449,606,422	544,757,744
Profit for the year	-	-	-	-	191,151,835	191,151,835
Net gain/loss in available for sale revaluation reserve	-	19,009,663	-	-	-	19,009,663
Total comprehensive income for the period	-	19,009,663	-	-	191,151,835	210,161,498
Transactions with owners recorded directly in equity						
Dividend paid	-	-	-	(40,000,000)	-	(40,000,000)
Statutory credit risk reserve	-	-	2,992,776	-	(2,992,776)	-
Equity-settled share-based payment transactions	-	-	-	-	22,751	22,751
Proposed dividend	-	-	-	60,000,000	(60,000,000)	-
Balance at 31 December 2016	51,188,670	3,071,123	22,893,968	60,000,000	577,788,232	714,941,993
Year ended 31 December 2015						
At 1 January 2015	51,188,670	(7,108,959)	3,589,996	84,973,192	354,326,635	486,969,534
Profit for the year	-	-	-	-	150,759,281	150,759,281
Net change in available for sale revaluation reserve	-	(8,829,581)	-	-	-	(8,829,581)
Total comprehensive income for the period	-	(8,829,581)	-	-	150,759,281	141,929,700
Transactions with owners recorded directly in equity						
Dividend paid	-	-	-	(84,973,192)	-	(84,973,192)
Statutory credit risk reserve	-	-	16,311,196	-	(16,311,196)	-
Equity-settled share-based payment transactions	-	-	-	-	831,702	831,702
Proposed dividend	-	-	-	40,000,000	(40,000,000)	-
Balance at 31 December 2015	51,188,670	(15,938,540)	19,901,192	40,000,000	449,606,422	544,757,744

Stanbic Bank Uganda Limited
Summarised Audited Financial Statements for
the year ended 31 December 2016



Statement of cashflows for the year ended 31 December 2016

	2,016 UShs' 000	2,015 UShs' 000
Cash flows from operating activities		
Interest received	458,139,781	366,870,173
Interest paid	(48,273,398)	(40,332,601)
Net fees and commissions received	114,918,322	105,726,176
Net trading and other Income/recoveries	162,552,205	126,982,056
Cash payment to employees & suppliers	(351,673,270)	(294,900,975)
Cash flows from operating activities before changes in operating assets & Liabilities	335,663,640	264,344,829
Changes in operating assets & liabilities		
Income tax paid	(55,721,957)	(56,688,077)
(Increase)/decrease in derivative assets	(7,428,544)	752,091
Decrease in government securities - available for sale	87,705,289	123,711,780
(Increase) / decrease in government securities - trading	(72,674,554)	79,712,218
Increase in cash reserve requirement	(48,980,000)	(24,630,000)
Increase in loans and advances to customers	(140,476,308)	(355,977,012)
(Decrease)/Increase in other assets	29,103,910	(22,825,860)
Increase in customer deposits	620,856,821	307,547,247
(Decrease)/increase in deposits and balances due to other banks	(71,483,187)	202,606,005
Increase/(Decrease) in deposits from group companies	52,397,366	(385,439,366)
(Decrease) / increase in derivative liabilities	(1,527,387)	2,052,782
Increase in other liabilities	62,510,735	49,367,470
Net cash from operating activities	789,945,824	184,534,107
Cash flows from investing activities		
Purchase of property & equipment	(30,390,727)	(18,056,899)
Purchase of computer software	(83,405,154)	-
Proceeds from sale of property & equipment	136,571	333,882
Net cash used in investing activities	(113,659,310)	(17,723,017)
Cash flows from financing activities		
Dividends paid to shareholders	(40,000,000)	(84,973,192)
Increase/(decrease) in borrowed funds	468,824	(2,957,197)
Increase in subordinated debt	48,397,300	4,195,887
Net cash from/(used in) financing activities	8,866,124	(83,734,502)
Net increase in cash and cash equivalents	685,152,638	83,076,588
Cash and cash equivalents at beginning of the year	934,426,339	851,349,751
Cash and cash equivalents at end of the year	1,619,578,977	934,426,339

Report of the Independent Auditors on
the Summary Financial Statements to the
members of Stanbic Bank Uganda Limited

Opinion

The summary financial statements, which comprise the summary statement of financial position at 31 December 2016, the summary income statement, summary statement of changes in equity and summary statement of cash flows for the year then ended and other disclosures, are derived from the audited financial statements of Stanbic Bank Uganda Limited for the year ended 31 December 2016.

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

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, the Financial Institutions Act and the Companies Act of Uganda. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 28 March 2017. The report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the current period.

Directors' Responsibility for the Summary Financial Statements

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

Auditors' Responsibility

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

KPMG

Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda
28 March 2017

Message from the Directors

The above summarised financial statements were audited by KPMG Certified Public Accountants and received an unmodified audit opinion. The financial statements were approved by the Board of Directors and Bank of Uganda on 27 March 2017.

A copy of the full financial statements will be found on our website, www.stanbicbank.co.ug by the 15 April 2017.

Dividend

The Directors have resolved to recommend to shareholders at the forthcoming annual general meeting, a final dividend for the year ended 31 December 2016 of UShs 1.172 per share. The annual general meeting will be held on 10 May 2017. The book closure date will be on 10 May 2017 with respect to entitlement to this dividend which will be paid by 01 June 2017.

Mr. Japheth Katto
Chairman

Mr. Patrick Mweheire
Chief Executive

Dr. Samuel Sejjaaka
Director

Mrs. Candy Okoboi
Company Secretary

Key performance indicators



Customer Deposits

Customer deposits were up by Ushs 620 billion (25%) in 2016. The strong growth was driven by strong customer focused execution leveraging on eco-system opportunities and realizing a number of acquisitions (new-to-bank) of customer relationships.

Net Loans and advances

Loans and advances were up by 59 Billion Ushs (3%) in 2016. The slow growth was largely on account of the tightened risk appetite maintained in the first half of the year off the back of the high interest rate environment and slow economic activity during the period. Upward trend however was noted as interest rates dropped off in the second part of the year.

Shareholders' Equity

Shareholders equity grew by 170 Billion Ushs (31%) in 2016 largely due to strong growth in profits for the period.

Total Assets

The total assets were up by 860 Billion Ushs (23%) in 2016. This strong growth was enabled by strong deposit growth (25%) with the incremental liquidity being adequately deployed.

Total income

Total income was up by 111 Billion Ushs (21%) in 2016. There was even distribution of this revenue growth from the 2 income categories; Net interest income (NII) and Non-interest revenue (NIR).

Total Operating costs

Total operating costs were up by 53 Billion Ushs (17.4%) in 2016 with 14% growth from staff costs and 18% growth from other operating costs. Staff costs growth was driven by the continued focus on building staff capability. The other operating costs growth was driven by continued investment under digital financial inclusion products and also key exceptional costs under legal cases, operational loss provisions and cash processing costs.

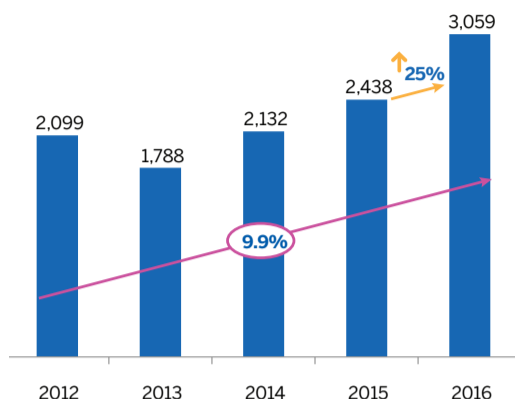
Profit After Tax (PAT)

Profits were up by 40 Billion Ushs (27%) in 2016. This growth was primarily enabled by the diversity of the Bank's revenue streams, solid credit risk management and optimal deployment of liquidity from the strong deposit growth.

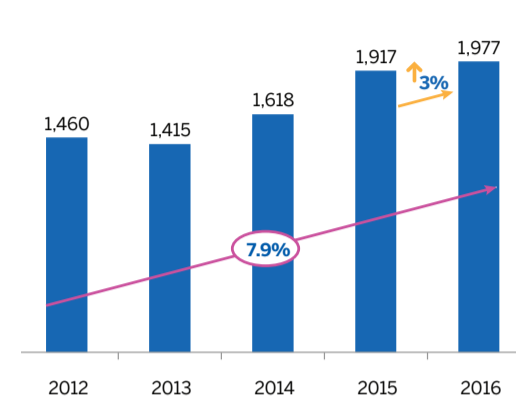
Dividends

Proposed dividends have increased by 50% from 40 Billion Ushs in 2015 to 60 Billion Ushs off the back of the growth in profitability.

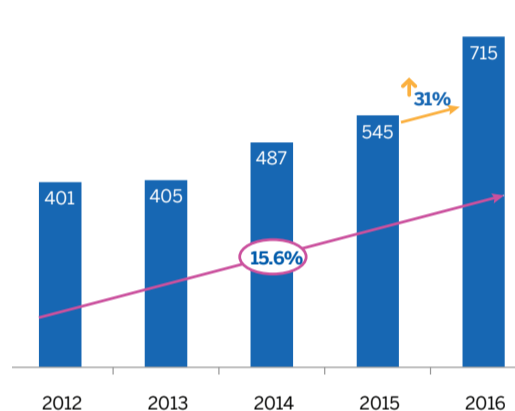
Customer Deposits



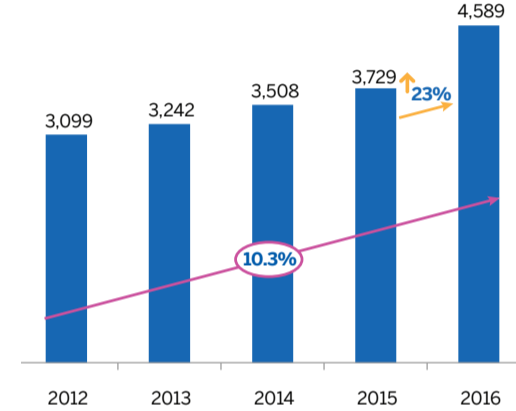
Net Loans and advances



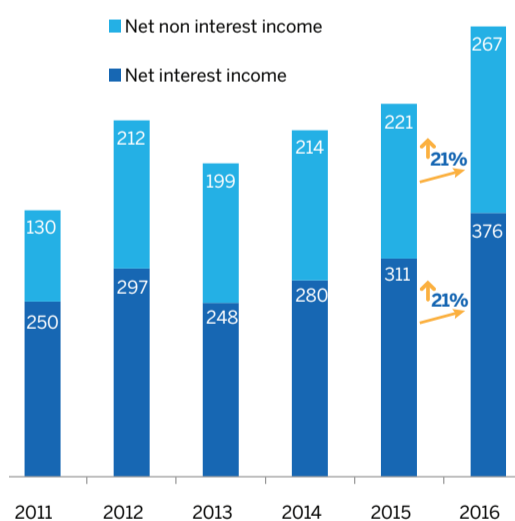
Shareholders' equity



Total Assets



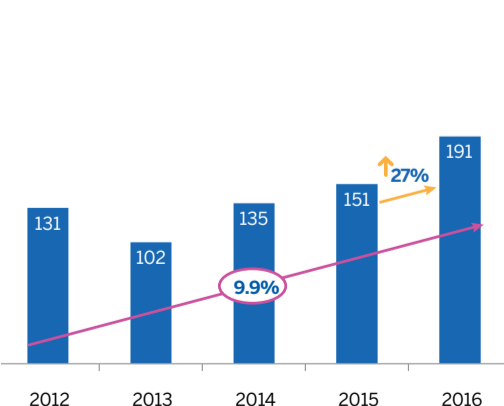
Total Income (NIR/NII)



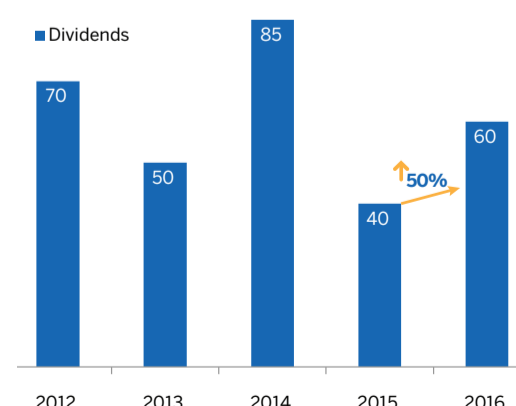
Total costs



PAT



Dividends





Key performance ratios



Profitability

	2012	2013	2014	2015	2016
Return on Average Assets ,%	4.5%	3.2%	4.0%	4.2%	4.6%
Return on Average Equity,%	37.6%	25.2%	30.3%	29.2%	30.3%
Interest Expense/Interest Interest income,%	15.0%	13.1%	10.6%	11.1%	11.2%

Profitability Ratios assess the Bank's ability to generate earnings compared to the resources it deploys (e.g. cost, capital, assets invested in) over a certain period of time



Efficiency

	2012	2013	2014	2015	2016
Cost/Income Ratio	39.8%	57.4%	53.2%	53.6%	52.1%
Costs/Average Assets,%	7.4%	8.4%	8.2%	8.3%	8.5%
Personnel Costs/Total Operating Income	17.4%	23.5%	24.2%	22.6%	21.3%
PAT / Total Operating Income	25.7%	22.8%	27.3%	28.3%	29.7%
Total Operating Income /Average Assets,%	17.5%	14.1%	14.6%	14.7%	15.5%

Efficiency Ratios analyze how effectively the Bank converts resources it deploys into revenue generated.



Liquidity

	2012	2013	2014	2015	2016
Net Loans/Total Assets,%	67.7%	55.1%	60.8%	65.4%	43.1%
Total Deposits /Total Liabilities	77.8%	63.0%	70.6%	76.6%	79.0%
Gross Loans /Total Assets	47.1%	43.7%	46.1%	51.4%	44.3%
Gross Loans /Total Deposits	72.8%	82.7%	78.2%	80.5%	66.5%
Interest Earnings Assets/Total Assets	79.4%	83.4%	76.8%	79.8%	79.8%

Liquidity Ratios measure the Bank's ability to meet its financial obligations as and when they fall due at a reasonable price.



Asset Quality

	2012	2013	2014	2015	2016
NPLs/Total Gross Loans,%	6.0%	5.0%	3.9%	1.5%	3.2%
Credit loss ratio	7.6%	3.0%	2.2%	1.5%	1.8%

Asset Quality evaluate the credit risk associated with the Bank's assets.



Capital Adequacy

	2012	2013	2014	2015	2016
Core Capital / Risk Weighted Assets	15.7%	16.7%	17.5%	16.4%	17.7%
Total Qualifying Capital / Risk Weighted Assets	20.3%	20.7%	19.3%	18.1%	21.1%

Capital Adequacy Ratio measure the Bank's capital in relation to its Risk Weighted Assets (RWA). The RWA is based off risk weighting of both on and off-balance sheet exposures as per the Financial Institutions Act.



Market Sensitivity

	2012	2013	2014	2015	2016
Forex Loans / Forex Deposits	71%	58%	61%	73%	68%
Forex Loans / Gross Loans	45%	47%	52%	52%	52%
Forex Deposits / Total Deposits	38%	45%	44%	47%	44%

Market sensitivity Ratios measure the sensitivity of the bank's positions (investments, assets, exposures) to market risk as a result from changes in market rates.



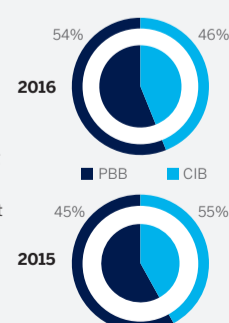
Selected Operating Data

	2012	2013	2014	2015	2016
Employees	1,859	1,903	1,879	1,899	1,802
Number of Active Branches & Service points	74	74	78	78	82
Number of ATMs	177	172	175	173	173
Number of POS Terminals	196	291	398	438	529
Number of accounts	445,212	455,092	485,218	584,188	665,112

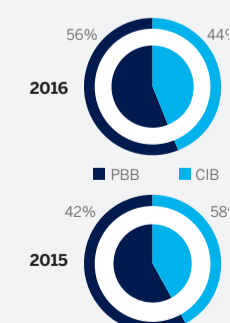
Business Highlights

- CIB: Corporate & Investment Banking
- PBB: Personal & Business Banking
- TCM: Treasury & Capital Management

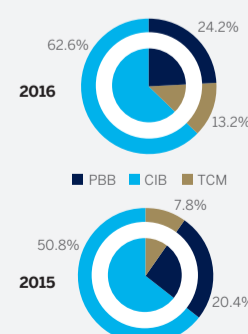
Customer loan distribution by Business Unit



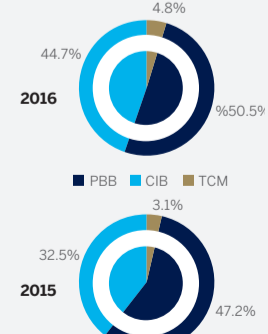
Customer Deposits distribution by Business unit



Profit after tax



Total income distribution



FlexiPay

Pay school fees
using your phone

Simply dial ***290*1#** and get started



For more information please call our toll free lines:
0800 250250 or 0800 150150

Stanbic Bank Moving Forward™