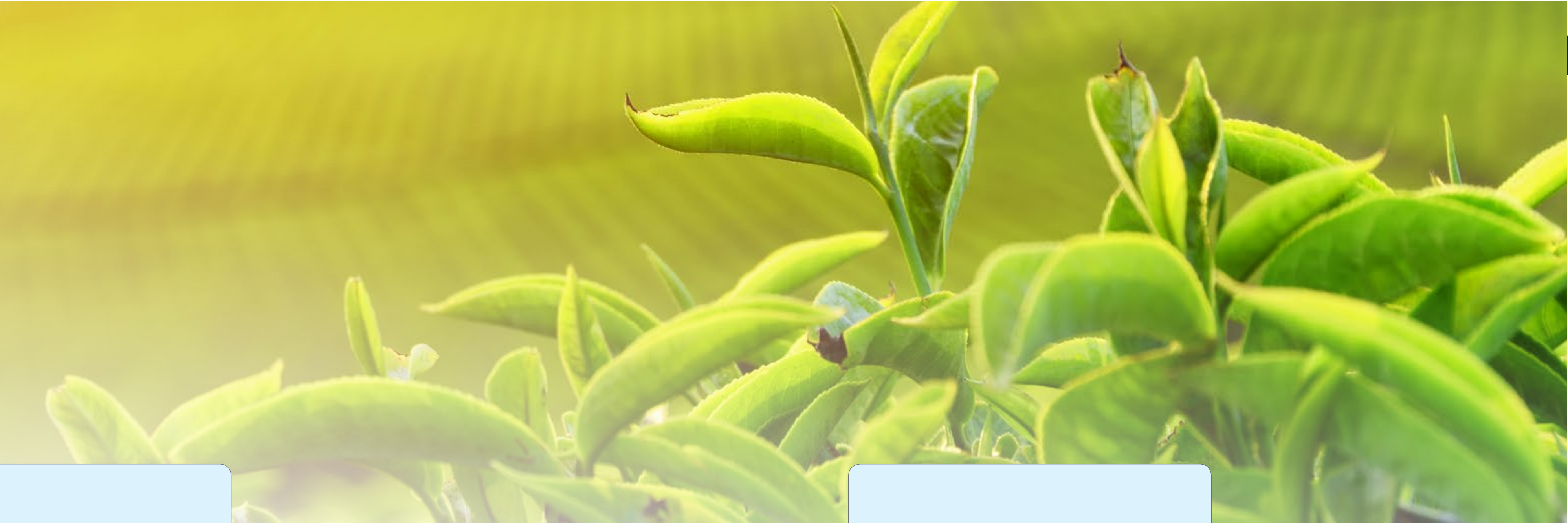
Stanbic Uganda Holdings Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

Stanbic Uganda IT CAN BE™

A member of Standard Bank Group



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ABOUT STANBIC UGANDA HOLDINGS LIMITED

Stanbic Uganda IT CAN BE™

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About this Report

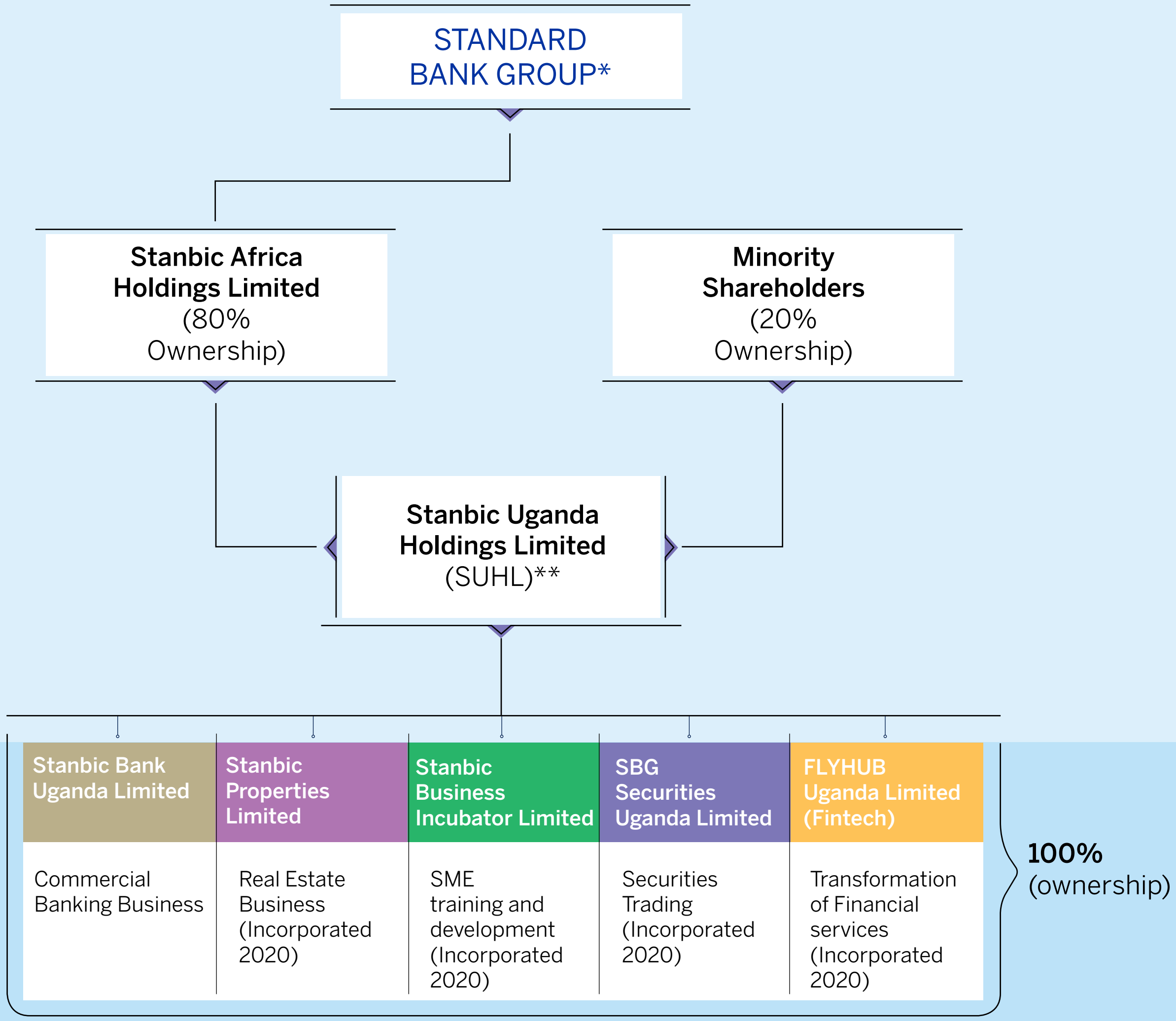
This is the Stanbic Uganda Holdings Limited (SUHL) Annual Report that covers the period 1 January to 31 December 2020. It includes both financial and non-financial information. This report majorly focuses on the banking subsidiary - Stanbic Bank Uganda Limited (SBUL) which was the main operational entity throughout the period under review.

This report also includes additional information up to the date of Board of Directors approval on 26 march 2021.

The scope of the information presented is largely medium term. it accesses the opportunities, risks and impacts influencing our ability to create sustainable shared value as we begin to realise our midterm vision, while delivering on our purpose. 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 while SBUL 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 30 years.

Organisation Structure Overview



** Listed on the Johannesburg Stock Exchange*
*** Listed on the Uganda Securities Exchange*

Our Purpose

Uganda is our home and we drive her growth

Who We Are

A brief history of Stanbic Uganda Holdings Limited (SUHL)

Stanbic Uganda Holdings Limited traces it's history 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 (SBG) acquired Grindlays Bank. The new owners renamed the Ugandan subsidiary, Stanbic Bank Uganda Limited (SBUL).

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

In November 2007, the Government of Uganda divested its ownership in Stanbic Bank Uganda by listing its shares on the Uganda Securities Exchange. Standard Bank 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 hive down of the banking business from the bank (at the time) to a newly incorporated banking subsidiary.

The reorganisation process was finally completed when the transfer of the banking business was effected on 1 April 2019 with a holding company, Stanbic Uganda Holdings Limited (SUHL or the Company) and one wholly owned subsidiary Stanbic Bank Uganda Limited (SBUL). As of 31st December 2020 , SUHL had four additional subsidiaries i.e Stanbic Properties Limited, Stanbic Business Incubator Limited, FLYHUB Uganda Limited and SBG Securities Uganda Limited.

Facts about Stanbic Uganda Holdings Limited as at 31 December 2020

Total Assets
UShs 8.6tn

Employees
1,612

Market Capitalisation
UShs 1.18tn

Shareholders
22,517

Headquarters
Crested Towers, Plot 17 Hannington Road, Kampala

Point of Sale Machines
958

Bank Agents
2,591

Branches
69

Customer Service Points
11

Customers
559,145

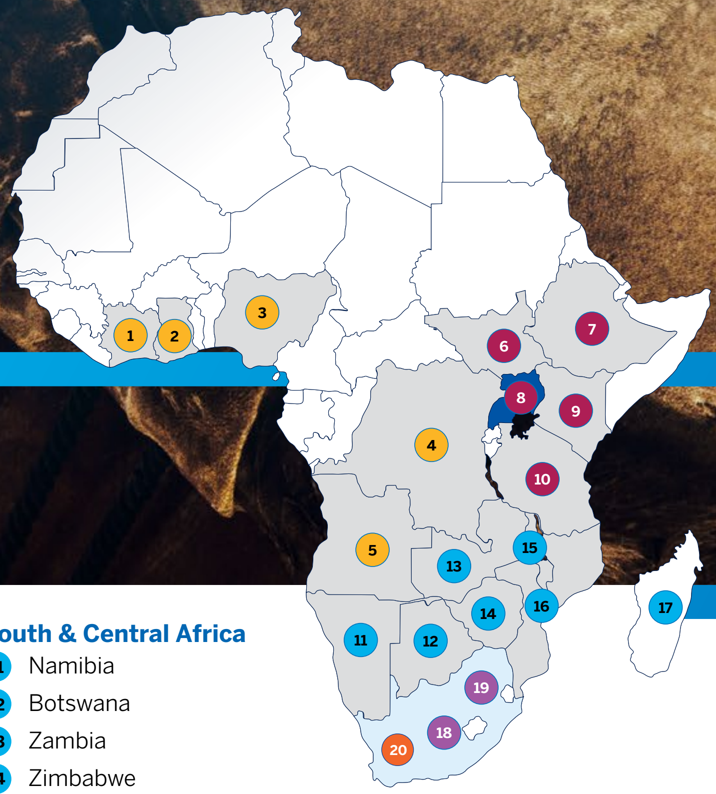
ATMs
171

Cash dispensers
121

Intelligent ATMs
32

Cash deposit machines
21

Standard Bank Group Footprint



West Africa
1. Côte d'Ivoire
2. Ghana
3. Nigeria
4. Democratic Republic of Congo (DRC)
5. Angola

East Africa
6. South Sudan
7. Ethiopia (representative office)
8. Uganda
9. Kenya
10. Tanzania

South & Central Africa
11. Namibia
12. Botswana
13. Zambia
14. Zimbabwe
15. Malawi
16. Mozambique
17. Mauritius
18. Lesotho
19. eSwatini
20. South Africa

Presence in International Markets
Beijing • Dubai • London • New York • Sao Paulo

International Financial Services
Isle of man • Jersey •Mauritius

Standard Bank Group on-the-ground presence in 20 countries in sub-Saharan Africa

Stanbic Bank Footprint in Uganda

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 across the country.

Our Banking presence across Uganda

Branches
69

Customer Service Points
11

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
Jinja town CSP
Kaabong
Kayunga
Kagadi
Kumi
Pakwach
Kakira
Kinyara
Mayuge
Wobulenzi

Stanbic Uganda Holdings Limited
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JAPHETH KATTO

Chairman's Statement

2020 was a challenging year following the outbreak of the Coronavirus pandemic (COVID-19) that affected multi-sectoral operations and economies worldwide. In Uganda specifically, the economy shrank to GDP growth rate of 2.9% compared to 6.8% in FY2018/19, spurred by the impact of lockdown measures to prevent the spread of COVID-19.

Board Diversity

38% **FEMALE** SUHL BOARD

62% **FEMALE** SBUL BOARD

Proposed Dividend per Share

1.86

2019: 2.15

Overview

2020 was a challenging year following the outbreak of the Coronavirus pandemic (COVID-19) that affected multi-sectoral operations and economies worldwide. In Uganda specifically, the economy shrank to GDP growth rate of 2.9% compared to 6.8% in FY2018/19, spurred by the impact of lockdown measures to prevent the spread of COVID-19. In response to the pandemic, key regulators in the industry, such as the Central Bank, issued guidelines to ensure that the financial sector remained resilient through the reduction of the Central Bank Rate (CBR) to an all-time low of 7.0%, waiving limitations on the restructuring of credit facilities and providing exceptional liquidity assistance to financial institutions that required it. In response to the pandemic, Stanbic Uganda initiated its business continuity plans expounded in the Risk Management report to ensure continued service delivery and safety of customers and employees.

During this challenging year, the Board aimed to ensure that the interests of all stakeholders were considered and provided the necessary guidance and support to Management whenever it was required to ensure accountability and transparency.

2020 Performance

Despite the challenges, I am pleased to report that Stanbic Uganda demonstrated its resilience by delivering a solid financial performance driven by a strong focus on our strategic value drivers. Our profitability in 2020 dropped slightly by 6.9% to UGX 242 billion, while our Return on Equity and total capital ratio remained strong at 20.5% and 18%, respectively. Further details highlighting important performance metrics are highlighted in the Financial and Operational Review on pages 34 to 37.

Update on the diversification strategy

In 2020 we implemented our diversification strategy through the setup of four non-banking subsidiaries in addition to Stanbic Bank Uganda Limited (the Bank), i.e. Stanbic Properties Limited (SPL), which primarily holds and manages the real estate portfolio of Stanbic Uganda Holdings (SUHL), Stanbic Business Incubator Limited (SBIL) which provides training and capacity building programs to Small and Medium Enterprises, SBG Securities Uganda Limited. (SBGS) which provides securities trading, brokerage and dealing services, and FlyHub Uganda Limited, the financial technology subsidiary. I am pleased to report that to date; all subsidiaries are fully operational. This new corporate structure is aligned with our vision to be the leading financial services organisation in Uganda and has created a platform through which Stanbic Uganda can offer customers greater value, conduct business more sustainably and ultimately provide a greater return to its shareholders.

Digital Transformation

The Covid-19 pandemic accelerated the Bank digital transformation strategy with innovation and agility top on the agenda to adapt to the changing environment while equally focusing on the associated cybersecurity risks. To facilitate effective board oversight of the digital strategy, the Board, in the first half of the year, underwent a director reverse mentorship program aimed at building director capability and equipping the Board with in-depth knowledge required to drive the digital transformation journey. This innovative program was applauded by both the Board and staff involved and demonstrated agility and willingness to learn and helped demystify what it means to be a board member.

Regulatory Landscape

Following the creation of the additional non-banking subsidiaries, the Stanbic Uganda regulatory framework has widened with a heightened need to ensure compliance with the various regulatory requirements to ensure that were are doing the right business the right way.

During the year, the Uganda Securities Exchange (USE) and Capital Markets Authority (USE) issued proposed amendments to the existing USE rules and CMA regulations, while the National Payment Systems Act was enacted to ensure the safety and efficiency of payment systems. Following the outbreak of the Covid-19 pandemic, different regulators issued various guidelines, key being the Central Bank, which aimed to ensure that the pandemic's adverse effects on the economy were effectively mitigated. The Capital Markets Authority and Uganda Securities Exchange also issued measures to ensure safe business continuity. The Board ensured observance of all issued guidelines and the law.

Despite the challenges in our operating environment, I am pleased to report that SUHL demonstrated its **resilience by delivering a strong financial performance driven by our pillars for maintaining a strong client focus,** an empowered and engaged human resource team and proactive risk management.

The Board changes additionally facilitated the attainment **of the 30% board overlap between the SUHL and Bank boards,** with only two directors double hatting to date. This has **enhanced the independence and objectivity** between the two boards while conducting their responsibilities.

Corporate Governance

SUHL has remained committed to the highest standards of corporate governance during this most difficult of years and deliberately embedded internal policies and processes to ensure good corporate governance and ethics. These included careful and balanced attention to the interests of all stakeholders and logical deliberation and constructive challenge to the choices to be made to ensure fairness, accountability and transparency. The pandemic redefined the Board execution of its responsibilities with an increased focus on board succession planning, training and development, especially in emerging skills and review of the board skills matrix given the rapidly changing business environment. For further details, please refer to the corporate governance section of this report.

During the year, there were key leadership changes across Stanbic Uganda, with the appointment of Ms. Anne Juuko as the Chief Executive of the Bank in March 2020 and Mr. Andrew Mashanda as the Chief Executive of the Stanbic Uganda Holdings Limited in November 2020. This followed Mr. Patrick Mweheire's appointment as the Regional Chief Executive. The Chief Executives and directors of the non-banking subsidiaries were also appointed.

We also augmented the depth, expertise, and gender diversity on the SUHL and Bank boards through the appointment of Ms. Sola David-Borha and Ms. Agnes Konde to the SUHL Board and Ms. Josepha T. Ndamira, Ms. Elizabeth K Ntege and Ms. Emma Mugisha to the Bank Board. The appointments have ensured gender diversity on the Board with 62% and 38% female representation on the Bank and SUHL Boards. The Board changes additionally facilitated the attainment of the 30% board overlap between the SUHL and Bank boards, with only two directors double hatting to date. This has enhanced the independence and objectivity between the two boards while conducting their responsibilities.

Sustainability

Cognisant 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. Our flagship programme for equipping secondary school students with 21st-century skills, the National Schools Championship (NSC), was conducted mainly virtually due to the Covid -19 restrictions. Despite the challenges, over 100 schools were engaged nationwide, with an additional alumni challenge comprised of nine business. The NSC directly impacted 60,000 students, 200 teachers and resulted in the creation of 100 businesses. The sustainability report highlights key NSC success stories of impact as well as the on social investment.

We also continued our support to local businesses through the Stanbic Business Incubator, which set up centres across the country and focuses on skilling local small and medium enterprises, mainly in the agriculture and oil and gas sector. In 2020 over 516 companies and 617 entrepreneurs were trained. We also continued to invest and partner with other stakeholders to promote environmental sustainability, with over 25,000 fruit trees planted during the year. 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 installing energy-efficient technologies across our different representation points will ensure sustainable investment.

In the wake of the Covid-19 pandemic, Stanbic Uganda collaborated with the regulators, the Government, and other stakeholders to offer support through donations to the National covid-19 Taskforce to support communities worst hit by the pandemic and has continued to provide similar support as we recover from the pandemic.

More details on Stanbic Uganda's social and environmental initiatives are provided in the sustainability report.

2020 Annual General Meeting

An important part of our approach to governing our stakeholder relationships is to ensure that our shareholder views are heard and fully considered. Stanbic Uganda continued to demonstrate this through pioneering industry practices by being the first listed company in Uganda to hold a virtual Annual General Meeting (AGM) with the support of both the minority and majority shareholders and regulators. The virtual AGM ensured continued timely accountability and shareholder engagement with over 2,500 shareholders participating at the virtual AGM. The AGM enabled the shareholders to make critical decisions that ensured the company's governance, management, and operations continued being implemented during unprecedented and challenging times. All proposed resolutions were passed, including a special resolution to amend the company articles of association to allow for the company to convene AGMs virtually.

2019 Dividend

Following the outbreak of the covid-19 pandemic, the Central Bank directed all Supervised Financial Institutions (SFIs), the Bank inclusive, to defer the payment of all discretionary distributions, including dividends, for capital preservation purposes. Given that the Stanbic Bank dividends form the pool of dividends to SUHL shareholders, the Board did not recommend the payment of the 2019 dividend at the 2020 AGM. However, in recognition of the importance of supporting shareholders amidst the Covid-19 pandemic, Management continued to engage the regulator while still ensuring that the company remained adequately capitalised. In December 2020, the approval to pay out the 2019 dividend was granted. The Board subsequently approved the dividend pay-out subject to shareholder ratification at the Annual General Meeting scheduled for June 2nd, 2021. The 2019 dividend was paid to shareholders on the register as of January 21st, 2021.

Appreciation and Looking Forward

I would like to thank my fellow Board members for their continued support and insights during this Volatile, Uncertain, Complex, and Ambiguous (VUCA) period. I look forward to working with you in 2021 as we recover from the impact of the COVID-19 pandemic. I also extend my appreciation to the Chief Executives, Management and staff for their resilience, sacrifice, and courage to ensure we continued to serve our customers while taking care of each other.

I would like to extend a special appreciation to Standard Bank Group (SBG) for their support and guidance throughout the year, which was climaxed by the SBG board virtual visit, which provided a platform to share ideas on how we can continue to drive Uganda's growth. In a special way, I would also like to extend my appreciation to Ms. Sola David Borha, the outgoing Africa Regions Chief Executive, whose contributions and perspective from a Group level have been invaluable to the Stanbic Uganda Board.

I must also thank our shareholders, regulators, customers, partners, and other stakeholders for their unwavering support and commitment to Stanbic Uganda. Your confidence inspired the Stanbic team to continue moving forward to ensure delivery of exceptional client experiences.

As we start our journey to transform into a platform business, the lessons learned in 2020 will be important to harness the emerging opportunities not only in the digital space but also in the oil and gas sector as we strive to achieve our purpose: Uganda is our home, we drive her growth.
IT CAN BE.

We showed commitment to our values and purpose of supporting and transforming the lives of people in our communities throughout the pandemic **by increasing our investment on social initiatives to our stakeholders, communities and the Government.**

ANDREW MASHANDA

SUHL Chief Executive's Statement

It has been a challenging but also interesting first few months as Chief Executive of Stanbic Uganda Holdings Limited (SUHL). This unprecedented time brought us to greater realisation of the importance of family and relationships as most of us worked from home for the most part of 2020. We are very grateful for the added sacrifice and effort of the people who remained on the frontline throughout this pandemic.

29%
Total assets
UShs 8.6tn
2019: UShs 6.6tn

3%
Total operating income
UShs 831bn
2019: UShs 807bn

It has been a challenging but also interesting first few months as Chief Executive of Stanbic Uganda Holdings Limited (SUHL). I joined right in the middle of a global pandemic that was and still is forcing us to rethink the way we have always run our businesses and our lives. Even though new strains of the COVID-19 virus seem to be emerging, different pharmaceutical firms across the globe are producing vaccines that can help control this virus. A very positive outcome from this pandemic is the increased adoption of digital platforms, which has been top of our strategy over the last 3-5 years. This unprecedented time also brought us to greater realization of the importance of family and relationships as most of us worked from home for the most part of 2020. We are very grateful for the added sacrifice and effort of the people who remained on the frontline throughout this pandemic.

Financial Performance

Despite the headwinds in 2020, Stanbic posted a strong performance that demonstrated the resilience of our people, balance sheet and strength of the brand. **Our performance was largely driven by Stanbic Bank, our anchor subsidiary, under the able leadership of Ms. Anne Juuko.** Across most of the key metrics from both Balance Sheet and Income Statement, the Bank maintained its leadership position in the industry. To mention but a few, Total assets grew by 29% to UShs 8.6 trillion while operating income grew by 3% to UShs 831 billion and a ROE of 20.5%. Details of this performance have been highlighted in the Bank's Chief Executive statement on page 20 and in the Operating and Financial review on page 34.

The continued strong performance of the banking business over the years gave us the license to transform our corporate structure and go beyond banking by creating a holding company (SUHL), a platform through which we will diversify our revenue streams. This was a key milestone towards putting our clients first, continuing to deliver exceptional services and creating superior value to and for our clients. As at end of 2020, in addition to the banking subsidiary Stanbic Bank Uganda Limited (SBUL), SUHL incorporated four new subsidiaries, three of which were operational by Q4 2020 while the fourth, SBG Securities, awaited regulatory approval to become operational.

Stock markets and share price performance

Stock markets across the globe were significantly impacted by the pandemic, as investors exited equity markets and opted for highly liquid assets given the uncertainty presented by national lockdowns; a measure implemented by many countries to contain the spread of COVID-19. The story in Uganda was not any different, as the Uganda Securities Exchange all **share index dropped by close to 27%** year on year at the height of the lock down in June 2020. By the end of the year however some foreign portfolio flows had returned as some sectors of the economy reopened. **Stanbic's share price closed the year at UShs 23 per share, 12% down year on year.** As more sectors are opened and economic activity picks up, the stock market is expected to respond in tandem.

The continued strong performance of the banking business over the years gave us the license to transform our corporate structure and go beyond banking by creating a holding company-SUHL, a platform through which we will diversify our revenue streams. This was a key milestone towards **putting our clients first, continuing to deliver exceptional services** and **creating superior value to and for our clients.** As at end of 2020, in addition to the banking subsidiary Stanbic Bank Uganda Limited (SBUL), SUHL incorporatedfour new subsidiaries, three of which were operational by Q4 2020 while the fourth, SBG Securities, awaited regulatory approval to become operational.

Subsidiary Updates

The banking subsidiary, a leader in the banking industry will remain the anchor business for Stanbic in Uganda for the short to medium term. The other financial services subsidiaries are SBG Securities and FlyHub. SBG Securities is a stock brokerage entity led by Mr. Joram Ongura a seasoned capital markets expert. SBG Securities has since obtained its operating license from Capital Markets Authority and completed the transfer of business from Stanbic Kenya. In the previous years, the stock brokerage business was a sector leader, a position we intend to maintain going forward. We will continue to partner with all our stakeholders to deepen and support the growth of capital markets in Uganda.

FlyHub, a fintech start-up, which has been in existence for close to six months is the bedrock of our digital platform organisation.

These subsidiaries will enhance our financial services offerings especially with oil and its associated investment plans, starting to gain momentum. This makes us more relevant in the unlocking of the GDP potential from this economic transformation.

The two non-financial banking subsidiaries: Stanbic Properties Limited and Stanbic Business Incubator Limited have now been in operation for close to one year. Stanbic Properties led by Mr. Spencer Sabiiti was set up to manage and optimize the real estate portfolio of Stanbic Uganda and create new pools of revenue. Stanbic Properties will ultimately transform into a real estate digital platform business. In the first nine months of operation, this business delivered a profit.

The Stanbic Business Incubator led by Mr. Tony Otoa , was set up to support sustainable growth of the SME sector which employs the largest population of Ugandans. We believe that by supporting sustainable growth of this sector, we will be achieving our purpose of driving Uganda's growth. **As of 31st December 2020, 516 companies and 617 individuals had been trained in our training centres across Uganda.** Details of the incubator operations can be found in the sustainability report.

Looking Ahead

Over the next few years, our aim as Stanbic Uganda Holdings Limited is to maintain our leadership position in the banking space as well as becoming leaders in the new spheres in which we now operate. In order to achieve this, we will sharpen our focus in all our entities on four pillars:

1. **Client centricity:** Our clients are the reason we exist, therefore understanding and meeting on our client needs will remain at the forefront and center of all our plans, to provide exceptional end to end solutions, using digital technology , data and human insight.
2. **Employee engagement:** We will continue to invest in our employees to ensure that they are adequately enabled to drive the growth of our organisation to be future-ready.
3. **Executing with excellence**: Even as we venture into new revenue sources, it is imperative that we maintain integrity of all our operations. We will therefore build and continue to strengthen our risk management and control structures across the entire organisation to ensure transparency, compliance and integrity. We also define excellence to include delivering comprehensive solutions with maximum effieciency.
4. **Continue to create sustainable growth and value for the communities where we do business** through our Social, economic and environmental initiatives.

We are very grateful to our predecessors on whose shoulders we stand, for laying a solid foundation to propel this franchise to even greater heights. We are deeply grateful for the continued support of all our stakeholders, and together we will achieve our Vision. It can be.

ANNE JUUKO

SBUL Chief Executive's Statement

2020 was a truly unique year, one that presented an unparrelled opportunity to re-set, re-think and re- imagine every single facet of the human experience. The way we live and work has been fully and truly changed for good in most if not all aspects.

16.3%
Customer deposits
USh**s** 5,493bn
2019: UShs4,722bn

26.8%
Customer loans
UShs 3,618bn
2019: UShs2,853bn

2020 was a truly unique year, one that presented an unparrelled opportunity to re-set, re-think and re- imagine every single facet of the human experience. The way we live and work has been fully and truly changed for good in most if not all aspects.

The Banking Industry was not spared, infact the pandemic has been decried as the biggest financial industry crisis since the 2008 Global Sub Prime mortagage crisis. The changes to the industry on account of the pandemic were all encompassing and have laid the foundation for building far more customer-centric business models that put digitisation and agility at the very heart of the sector. The ability to pivot and deliver quick and relevant solutions to clients has become a unique differentiator that will continue to set apart those financial institutions that manage to get it right for many years to come.

Through-out 2020, Stanbic Bank Uganda remained true to our Client Promise-putting them front and centre to our Pandemic response plan. We re-designed our business priorities and proceses to meet our clients at their point of need thereby ensuring continuity of both their businesses as well as the economy at large. And as a direct result, the customers continued to trust us with their businesses leading to a 16.3% growth in client deposits. Net loans and advances equally saw an increase of 26.8% year on year, closing at UShs 3.6 trillion, despite the drastic drop in business activity during the second and third quarters of the year during the lock-down period. As a result, the Bank had a solid all-round performance, with a Profit After Tax of UShs 243 billion albeit lower than the 2019 performance by 6%.

We recognized the challenges our clients were facing as a result of the Pandemic and embarked on providing urgent support to them through credit relief programs to alleviate some of these challenges. As a result, over UShs 850 billion worth of loans were restructured in 2020. In addition to this, we had to take the prudent measure of increasing our provisions for non-performing loans by 110.8% to a tune of UShs 91.7 billion, which was more than double the previous year's total of UShs 43.5 billion.

In line with our promise of maintaining transparency with regard to our lending rates, we consistently lowered the prime lending rate in line with the Central Bank Rate (CBR), from 18% to 16%, thereby passing along a benefit in interest savings worth UShs 26 billion to our customers. Our aim is to ensure our clients can benefit from more affordable lending rates.

We continue to be committed to supporting the government agenda of **infrastructure and building a better Uganda for tomorrow,** by fully supporting trade within the country and across borders through our off-balance sheet exposures.

We leveraged on **digital technology to ensure consistent delivery of banking services to our clients** and this continues to form a significant part of our journey.

Across the globe, the pandemic continued to expose and exacerbate the wide inequality gaps within our society. We proactively found new ways to support the most impacted members of our society, especially the Small and Medium sized Enterprises (SME's). Stanbic Bank introduced an Economic Enterprise Restart Fund (EERF) as a private sector led Covid-19 response to provide affordable funding for key sectors and groups that were adversely impacted the Covid-19 pandemic. The worst hit sectors included; urban trading, tourism, transport, and export-oriented agriculture. Additionally, highly impacted groups also include Micro, Small and Medium enterprises (MSMEs), Savings and Credit Cooperatives (SACCOs) and Village Savings and Credit Associations (VSLAs) including smallholder farmers.

The communities in which we live, and work continue to be a critical part of our agenda. As such, our 2020 programs continued to grow and evolve despite the challenges presented by the Pandemic. We increased our social investments by 34.5% from UShs 2.9 billion in 2019 to UShs 3.9 billion in 2020. Our programs were dedicated to protecting frontline health workers. In collaboration with the Ministry of Health, we contributed food and supplies to local communities where we operate and continued to our support in education, environment and maternal health.

In 2020, we launched a new brand promise which is to "Find New Ways to Make Dreams Possible". Our role is to create new opportunities for our clients by exploring, re-thinking, creating, or even putting aside what may not be relevant today. It is in this spirit that our new Brand payoff line comes alive…. **IT CAN BE.**

There were many lessons learned during the year that have helped us renew our focus, reshape our strategy and create a more robust risk management framework. We leveraged on digital technology to ensure consistent delivery of banking services to our clients and this continues to form a significant part of our journey towards improving the client experience at various touch points.

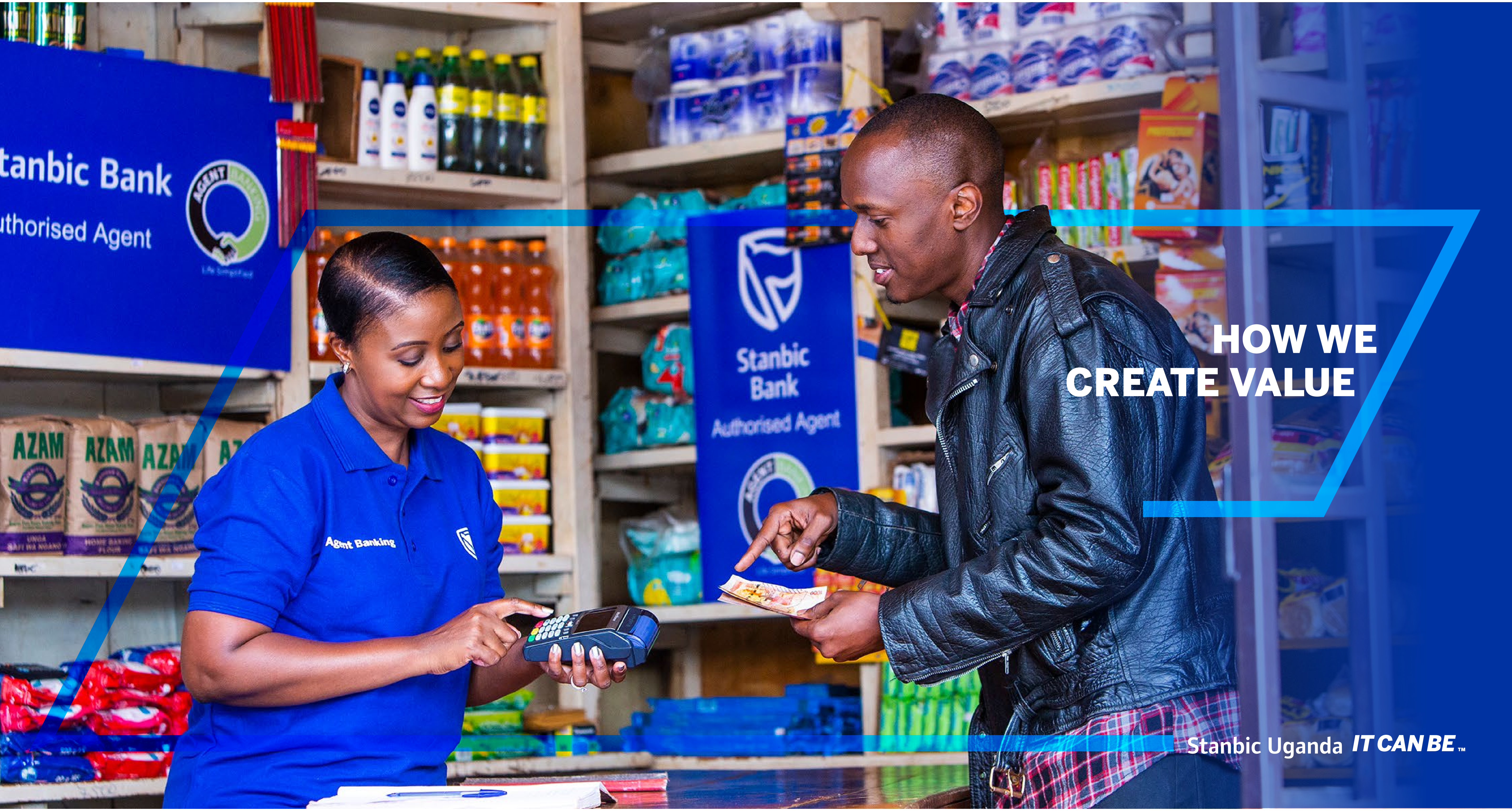
Looking Ahead

Even as we continue to contend with Global pandemic and its corrosive effects on the economy, our singular focus will continue to be our Clients. We will work to deliver on our promise to make our Clients' dreams possible. By deploying low cost and innovative solutions, we are working towards making banking both inclusive and affordable across the various sections of our society.

Our people will remain at the heart of our business and its our priority to ensure that our teams are fully supported to achieve excellence and continue their growth and development journeys, as they contribute to the success of the organization. We continue to strive for a constantly improving robust risk management framework that ensures we are doing business the right way to enhance client value and experience.

We have a renewed focus on sustainability and its role in the current global economic trends. This is now being incorporated in all of our business decisions and as a result, we have enhanced our strategy around the components of sustainability, which include; the environment in which we operate, the communities around us, as well as our internal mechanisms to ensure that we are creating the right level of visibility and transparency to all our stakeholders.

We are part of an amazing organization and a strong brand that each one of our stakeholders contributed to creating over the years. We will continue to uphold our standards, live by our values, support our clients and make dreams possible because with Stanbic Bank indeed, **IT CAN BE.**



HOW WE CREATE VALUE

Stanbic Uganda *IT CAN BE*™

Stanbic Uganda Holdings Limited
Annual report and financial statements year ended 31 December 2020

How We Create Value

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.

OUR CLIENTS

Strategy

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 26-29

Business units and corporate functions

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 40 to 43

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.

Operating context

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 Operating and Financial Review on pages 34 to 37

Risk appetite

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

More details in the Risk Magement Report on pages 46-56

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.

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.

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 60 to 102.

CLIENTS
Personal & Business Banking
Corporate & Investment Banking

EMPLOYEES AND THEIR REPRESENTATIVES
Permanent
Temporary
Contract

GOVERNMENTS AND REGULATORS
Bank Of Uganda
Uganda Securities Exchange
Capital Markets Authority
Financial Intelligence Authority
Deposit Protection Fund

SHAREHOLDERS AND INVESTMENT ANALYSTS
Investors
Shareholders
Analysts

COMMUNITIES AND CIVIL SOCIETY
Suppliers
Media
Advocacy Groups
Public

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 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 Values

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

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

Ethics | Behaviours | Principles

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 clients
Client service teams

CORPORATE FUNCTIONS			BUSINESS UNITS	LEGAL ENTITY
• Project Management • Operations • Service Quality • Credit • Information	Technology • Governance • Finance • Human Capital • Marketing and Communication	• Compliance • Risk • Internal Audit • Legal	• PBB • CIB	• SUHL • SBUL • SPL • SBIL • SBGS • FLYHUB

Directs and guides our business units, and all legal entities

OUR STRATEGY

Who leverage on our presence and diverse capabilities to deliver our strategy

Strong Brand

80 Branches and CSPs

1,612 Employees

Digital Banking

Our Strategic Value Drivers,

now deeply embedded, track our performance in delivering value to all our stakeholders. We continue to develop the associated metrics, ensuring they are simple, understandable and credible.

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT = FINANCIAL OUTCOME, SEE IMPACT

- **Client focus:** We will provide consistently exceptional client experiences in all our markets.
- **Employee engagement:** We will ensure our people feel deeply connected with our purpose and are empowered and recognised.
- **Risk and conduct:** We will do the right business, the right way by adhering to our risk appetite metrics.
- **Financial outcome:** We will deliver superior value to shareholders.
- **SEE impact:** We will drive Uganda's growth by delivering sustainable shared value.

In executing our strategy our key focus areas for 2020 were:

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 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 the issue and owning it is from end to end, **V**ow to make it right and **E**nlighten with information.

In 2020, our **L.O.V.E** behaviour shifted to focusing on impact for the customer and our communities. To do this we would need to open to new ways of work which are Collaboration within and without, Opening up to innovation, Valuing curiosity and knowledge and Empathy to understand each other and our customers. This continues to be a shift we are looking to make on our journey to be the most digital and customer obsessed organisation.

RISK AND CONDUCT means doing the right business the right way.

We are doing this through:

1. Proactively managing risk to ensure compliance with regulatory requirements and optimal capital utilisation.
2. Proactively managing risk to ensure compliance with regulatory requirements and optimal capital utilisation.

Our Strategic Outcomes

Our strategic value drivers measure our strategic progress and allow us to focus on the value we aspire to create for all our stakeholders.

We continue to improve the coverage, accuracy, depth and consistency of the metrics we use to measure our strategic progress against our defined targets for the medium term. Below we set out the key perfomance indicators associated with each of our Strategic Value Drivers.

CLIENT FOCUS

We provide **consistently exceptional client experiences** in all the markets in which we operate.

Measure	Metric	Actual 2020	Actual 2019	Actual 2018
Client experience	Net Promoter Score (NPS)	**+16**	+24	+29
	Customer Satisfaction Index (CSI)	**8.2%**	8.3%	8.3

Our focus is to consistently create excellent client experiences, by understanding our clients and by offering the products, services and solutions they need. The 2020 drop was largely on account of service disruptions due to the COVID 19 pandemic

EMPLOYEE ENGAGEMENT

We ensure our **people feel deeply connected with our purpose** and are empowered and recognised.

Measure	Metric	Actual 2020	Actual 2019	Actual 2018
Employee engagement	eNPS	**61**	44	35
Employee retention	Employee Turnover Rate	**4.2%**	8.8%	9.6%
Employee diversity	Employee diversity (% of female managers)	**41%**	45%	42%

To determine engagement levels, we consider the following:
- Employee net promoter score (eNPS), determined through Internal Service Score
- Employee turnover rate (ETR)
- Employee diversity

To inform and enhance the effectiveness of our employee engagement, the Internal Service Score is conducted annually and the ETR will continue to be tracked monthly.

RISK & CONDUCT

We ensure we do the **right business, the right way** by adhering to our risk appetite metrics.

Measure	Metric	Actual 2020	Actual 2019	Actual 2018
Responsible risk taking	Liquid Assets to Deposit Ratio	**60.0%**	50.0%	53.1
	Capital Adequacy	**18.0%**	18.3%	18.9%
	Bank of Uganda CAMELS* risk rating.	**Acceptable**	Fair	Fair

Government, CMA 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.

*CAMELS:
Bank of Uganda Supervisory Rating System:
Capital Adequacy
Asset Quality
Management
Earnings
Liquidity
Sensitivity to Market Risk

FINANCIAL OUTCOME

We aim to deliver **superior value to shareholders.**

Measure	Metric	Actual 2020	Actual 2019	Actual 2018
Shareholder value	Return on Equity (ROE)	**20.5%**	25.0%	23.5%
	Cost to Income Ratio (CTI)	**48.3%**	49.0%	51.5%
	Cost to Loan Ratio (CLR)	**2.4%**	1.5%	0.2%
	Dividend Per Share (DPS)	**1.86%**	2.15%	1.90%

The financial outcomes remain key measures to assess our value creation for our shareholders. Our focus is to maintain the CTI at acceptable levels and the CLR within the Bank's risk appetite, and to continuously drive growth in PAT and ultimately, our ROE to deliver superior returns to our shareholders.

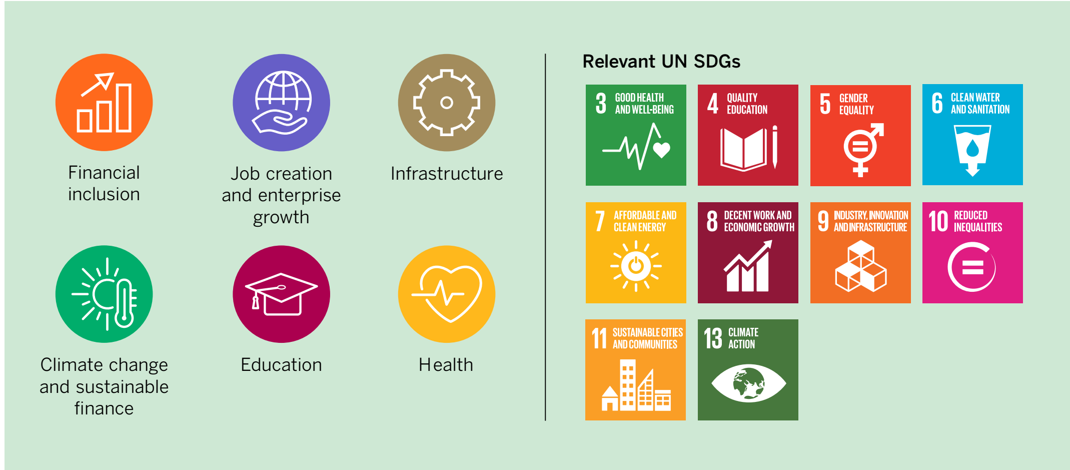
SEE IMPACT

We drive Uganda's growth through **delivering shared value.**

Our SEE management approach is guided by our purpose, drivers that support Uganda's growth, our core business and the needs of our societies. We continue to work on identifying metrics to measure our direct contribution to society. 2020 was an unprecedented year with a global pandemic that affected all sectors in the economy. As Stanbic, we identified with our different stakeholders through our CSI in both the education and health sectors that were heavily impacted.

Additionally, we provided support to our clients through loan restructures, awareness campaigns etc. Further details of our initiatives can be found in the Sustainability Report on page 69.

Measure	Metric	Actual 2020	Actual 2019	Actual 2018
Delivering shared value	**Social:** CSI Investments (UShs bn)	3.9	2.9	2.5
	Economic: Loans disbursed (UShs bn)	3.2	2.1	1.7
	Procurement percentage spent on local suppliers	87%	87%	90%
	Enviromental:			
	Water consumed (kilolitres)	20,820	26,073	24,268
	Fuel consumed (litres)	403,662	450,431	476,498
	Paper consumed (tonnes)	59	64	106



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.

Stanbic Uganda Holdings Limited
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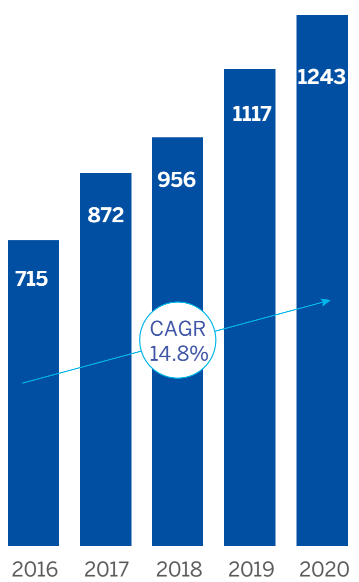
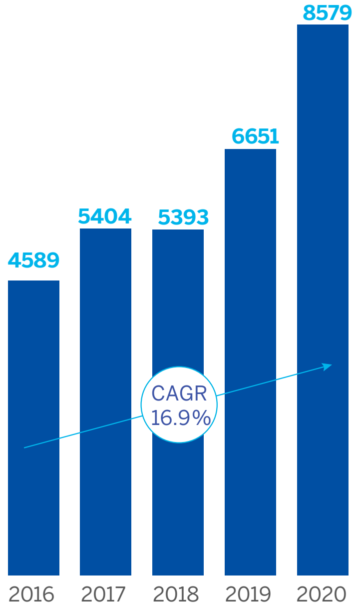
2020 at a Glance

PROFIT BEFORE TAX (↓)	UShs 318.6bn	2019: UShs 349.6bn
RETURN ON EQUITY (↓)	20.5%	2019: 25.0%
EARNINGS PER SHARE (↓)	UShs 4.7	2019: 5.1
TOTAL CAPITAL (↓)	18.0%	2019: 18.3%
NON-PERFORMING LOAN RATIO (↑)	4.5%	2019: 4.3%
COST TO INCOME RATIO (↓)	48.3%	2019: 49.0%
CUSTOMER DEPOSITS (↑)	UShs 5.5tn	2019: UShs 4.7tn
CUSTOMER LOANS (↑)	UShs3.6tn	2019: UShs 2.9tn
CREDIT LOSS RATIO (↑)	2.4%	2019: 1.5%

Shareholders' Equity



Total Assets



1. **Best Bank in Uganda** (EMEA Finance 2020)
2. **Best Investment Bank in Uganda** (EMEA Finance 2020)
3. **Best Bank in Uganda** (Global Finance 2020 / 2021)
4. **Best Bank in Uganda** (2020 Euromoney)
5. **Cards Payment Excellence** (Digital Impact Africa Awards 2020)
6. **Best Brand on Social Media** (Digital Impact Africa Awards 2020)
7. **Digital Powered Campaign Excellence Award** (Digital Impact Africa Awards 2020)

Stanbic Bank Ratings (2020)

FitchRatings

Local Rating = AAA (Uga) Stable
International Rating = B+ (Negative Outlook)

MOODY'S

Local Currency Deposit Rating = B1 (Stable Outlook)
Foreign Currency Deposit Rating = B3 (National Ceiling)

Operating and Financial Review

The 2020 operating environment was a uniquely challenging one. The positive sentiment registered from the end of 2019 was swiftly overrun by a locust scare early in Q1 followed by the all-round disruption occasioned by the COVID-19 pandemic that significantly impacted the global and the local economy.

Capital Adequacy (Total CAR)

18.0%

2019: 18.3%

Cost to Income

48.3%

2019: 49%

SAMUEL F. MWOGEZA, CHIEF FINANCIAL OFFICER

The 2020 operating environment was a uniquely challenging one. The initial positive sentiment registered from the tail end of 2019 was swiftly overrun by a locust scare early in Q1 followed by the health and economic disruption occasioned by the COVID-19 pandemic that significantly impacted the global and the local economy. As the Government of Uganda (GoU) rolled out a series of lockdown measures aimed at containing the pace of new infections, there were significant disruptions in business activity and a resultant dip in business confidence. This further led to a drop in the Purchase Managers Index (PMI), which reached a record low of 21.6 in April before recovering in the second half of the year to close at 51.2. Notably, the economy significantly slowed down in FY2019/20 with a GDP growth of 2.9% compared to 6.8% in FY2018/19, as the good growth momentum posted in the first half of FY2019/20 reversed in the second half of the financial year with a contraction of 3.2% in the quarter to June 2020, from a contraction of 1.7% in the quarter to March 2020. Private sector credit (PSC) growth across central sectors of the economy also weakened in 2020 from 12% as at December 2019 to 8% as at December 2020. It is worth noting that approximately 30% of the PSC growth recorded was in relation to capitalized interest on restructured loans under the Bank of Uganda (BoU) sanctioned credit relief programme which further emphasizes the muted lending activity across the industry for the year in review.

GoU outlined its stimulus plan to revamp the economy in response to the business disruption and contraction on GDP as a result of the pandemic. The plan emphasized actions to drive import substitution through powering industrial progress and substituting over US$7 billion in imports. In addition, a series of tax relief measures including waivers, reductions and deferments to support impacted businesses were also rolled out. Bank of Uganda also instituted several monetary policy actions to counter the stress in the financial sector and the broader economy. These actions included extended liquidity support to supervised financial institutions (SFIs) in stress, suspension of discretionary payments (such as dividends & bonuses), as well as supporting credit relief measures aimed at enabling SFIs offer more accommodative loan payment concessions to affected clients. In addition, the Central Bank Monetary Policy Committee (MPC) cut the Central Bank Rate (CBR) twice in the first of 2020 by 200 basis points (bps) from 9% to 7%, to mitigate the deteriorating macroeconomic conditions, ensure the normal functioning of financial markets and enable adequate access to credit. The Central Bank then held an accommodative stance for the rest of the year holding CBR flat at 7% to support economic recovery.

Additional COVID-19 support was received from the International Monetary Fund (IMF) and the Africa Development Fund (ADF). The IMF approved a disbursement of USD 491.5mn for Uganda under the Rapid Credit Facility to help finance the health, social protection and macroeconomic stabilization measures, and meet the urgent balance of payments and fiscal needs. The ADF approved a USD 31.6mn (UShs 115 billion) disbursement to Uganda through the COVID-19 Crisis Response Support Programme, to provide financing for targeted spending, aimed at containing and mitigating the health and economic impact of the pandemic. The total loan value from the top three lenders (World Bank, International Monetary Fund and Africa Development Fund) to aid government operations in the fight against COVID-19 stands at USD 823mn.

Annual headline inflation peaked in the month of July at 4.7%, closing December 2020 at 3.6% from opening levels of 3.4% in January. Annual core inflation was 5.9% in December 2020 as compared to 3.1% in January 2020, whereas annual food inflation touched minus -6.2% levels at year end from 2.6% levels in January 2020. The rise in annual core inflation across the year was driven by services inflation that rose to 11.8% in October 2020 from 1.5% in January 2020. This increase was primarily driven by transport services inflation which saw a spike to 64.0% (October 2020) as compared to 3.4% recorded for the year ended January 2020, off the back of the rising transport fares due to COVID-19 social distancing guidelines for public transportation.

The shilling closed the month of December 2020 at 3,655/3,665 levels against the USD compared to 3670/80 in January 2020, with the appreciation mainly attributed to the low business activity following a disruption in international supply chains occasioned by lockdowns and muted corporate demand towards year end. The currency is expected to remain range-bound with susceptibility to depreciate as economic activity picks up mid-Q1 2021.

Regulatory Update

The National Budget for the financial year 2020/2021 was read in June 2020; Key highlights included a 12.4% increment in the total budget from the previous year to UShs 45.5tn, with Works & Transport (16%), Security (12%) and Education (9%) dominating the sector allocations. Government also set aside UShs 1 trillion to offer low interest credit facilities to manufacturers and commercial agriculturalists under the Uganda Development Bank. Parliament of Uganda further approved a supplementary budget worth UShs 3.8tn most of which is to be funded through domestic borrowing.

Parliament of Uganda passed into law the National Payment Systems Bill, 2019, that amongst others provides for the safety & efficiency of payment systems and issuance of electronic money, whilst promoting fair competition between large and small players. The Bill also streamlines the trust/escrow accounts that telecommunication companies hold with financial institutions.

BoU implemented some primary dealer reforms, restricting competitive bidding in the primary auction to only primary dealer banks, effective 1 October 2020. This is expected to enhance liquidity in the secondary market as competitive bidding will be limited to primary dealer banks (7 out of the 26 Commercial banks in Uganda). Increased liquidity in the government securities market enhances the attractiveness of the securities as it facilitates ease of entry and exit in the financial market.

BoU implemented the requirement for supervised financial institutions (SFIs) to complete an Internal Capital Adequacy Assessment Process (ICAAP) that addresses the unique structural and operating characteristics and risks faced by the respective SFI as a pre-condition to any dividend payments. This ICAAP process formed part of the monetary policy response by BoU to potential systemic risks posed by the pandemic, by controlling capital outflow via discretionary payments.

The Financial Institutions (Capital Buffers and Leverage Ratio) Regulations 2020 were gazetted. These require SFIs to hold a capital conservation buffer of 2.5%, a systemic risk buffer of 0% - 3.5% for the domestic systemically-important banks and a minimum leverage ratio of 6%.

Other Key Developments

Uganda and Tanzania signed an agreement allowing for the construction of a 1,445 km (898 miles) crude-oil pipeline at an estimated cost of UShs 13tn (USD 3.5 billion) that will connect Uganda's oil fields to Tanzania's port of Tanga. This came on the backdrop of the Host Government Agreement (HGA) between Uganda and international oil and gas company Total, for the East Africa Crude Oil Pipeline (EACOP) project. The HGA signifies a pact between the Government and the oil company on the commercial framework for the Lake Albert Development Project. Subsequently, in April 2021 a key milestone was achieved with the signing of key oil agreements, paving the way for the commercialization of Uganda's oil deposits with first products targeted for 2025.

Financial Review

Our 2020 performance was commendable and demonstrated resilience with solid earnings closing at UShs 242 billion, which was just 6.7% lower than 2019 despite the significant slowdown in business activity and heightened credit risk environment resulting from COVID-19. We continued to focus on creating value for our clients and supporting them through the pandemic, enabling the productivity of our employees through innovative and agile working solutions and maintaining a proactive risk stance in response to the challenging and evolving operating landscape we faced.

Stanbic Uganda Holdings Limited
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As a result our consolidated results for the year closed with a profit after tax (PAT) of UShs 242 billion and a return on equity (RoE) of 20.5%. This was supported by strong double-digit growth on customer loans and deposits, further bolstered by a well-positioned trading book and well managed operational costs.

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 is as follows;

Note: Given that Stanbic Bank Uganda Limited was the major subsidiary of Stanbic Uganda Holdings Limited (SUHL) for the year ended December 2020, the commentary below will largely focus on 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 decreased by 5.6% against prior year, largely due to the timing of settlement of a significant repo paid off by Bank of Uganda. In addition, cash positions have further been optimized through the year off the back of the higher digital transactions with approximately 88% of all transactions in the banking business being executed on non-branch channels.

Securities Investments

Government securities holdings increased year on year, these include; the financial investment, trading securities and pledged assets. Strong liquidity levels spurred by significant growth in customer deposits created room for more investment in securities. As noted, a significant proportion of this liquidity was channeled to building the trading book to drive benefit on mark-to-market (MTM) gains in light of the declining interest rate environment across the year.

Loans and Advances to Customers

Loans and advances grew by 26.8% (UShs 765 billion) in 2020 outperforming 2019 growth of 14%. The growth recorded was above the private sector credit growth rate of 8.3%. This growth was mainly supported by the facility extended to Government of Uganda towards budgetary support.

Customer Deposits

Customer deposits maintained a strong double-digit growth of 16.3% (UShs 771 billion) albeit slower than the 2019 growth of 21%. This growth was from both new clients and increased flows from existing clients across our retail, SME and corporate and investment client base as the market experienced a build-up of cash balances in key anchor ecosystem clients. The driving force behind this continued growth in deposits is from a clear strategy of growing the liability base through leveraging our universal banking capabilities, to strengthen our position as the primary 'banker of choice' into our customers eco-systems, as well as deepening existing customer relations.

Key highlights were:

- Strong growth on customer loans
- Strong growth on customer deposits
- Strong trading gains (fixed income and money market)

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

Margins

This represents the profit margin between the interest rate earned from 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 tenure and currency and the credit quality of assets on the book.

The net interest margins (NIMs) registered a material decline year-on-year off the back of reductions in CBR during the year (monetary response to support economic recovery from the impact of the pandemic) and general decline across the yield curve for government securities. This resulted in lower yields on the assets but also led to a decrease in cost of funding/deposits resulting in NIMs dropping by 200bps from 2019.

Credit Loss Ratio

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.

As part of the COVID-19 pandemic relief Programme, the Bank restructured 2,132 loans with total value of UShs 839.5 billion. The total value of restructures with an active moratorium stood at UShs 157 billion by the end of the year. Notably the bulk of the pressures on the loan book were on our SME portfolio where most of the impairment was raised. Resultantly the credit loss ratio increased from the 1.5% recorded in 2019 to 2.4%, which still lies within our risk appetite of 2.5%.

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 2020, 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 9.3% to UShs 490.8 billion from UShs 448.9 billion recorded in 2019. The upward trend was as a result of the increased investment in interest-bearing assets, notably customers loans and advances together with increased investments in government securities held at fair value through other comprehensive income (FVOCI).

Non-interest Income

Non-interest revenue comprises net fee and commission revenue, trading revenue and other revenue. Non-interest revenue decreased by 5% closing at UShs 340.6 billion from UShs 358.2 billion recorded in 2019. The decrease was registered on non-interest revenue categories as follows:

Net Fees and Commission

Net fees and commission income dropped by UShs 3.7 billion (2.3%) to UShs 157.3 billion from the UShs 160.9 billion recorded in 2019. The performance of fees and commissions was negatively impacted by reduced activity from short term facility fees, trade finance and a general reduction across transactional lines. Notably also, digital fees on retail digital channels were zero-ised in Q2 to support shift to more cashless transactions as one of the COVID-19 response measures.

Trading Revenue

Trading revenue was down UShs13.9 billion (7.2%) closing at UShs 177.3 billion from the UShs 191.2 billion recorded in 2019. The trading revenue dropped year on year despite strong performance from the fixed income and money market trading desks due to steep decline in customer foreign exchange trading, in line with the general market decline in transactional activity in Q2 and Q3 resulting from the pandemic.

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 UShs 48.2 billion year on year to UShs 91.7 billion from UShs 43.5 billion in 2019, with the credit loss ratio closing the year at 2.4% compared to 1.5% in 2019. Pressures resulting from the pandemic impacted mostly the SME portfolio (approx. 50% restructured).

Operating Expenses

Operating expenses represent the costs that were 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 took a marginal uptick (1.7%) closing the year at UShs 421 billion compared to UShs 414 billion in 2019.

Staff costs reflected a growth of 2.7% from UShs 165.0 billion in 2019 to UShs 169.5 billion. The increment was as a result of annual inflation-related increment and deliberate efforts to enhance the capability and capacity of our staff to facilitate productivity in light of the lockdown restrictions.

Other operating costs slightly increased by 1%, closing at UShs 251.5 billion from UShs 248.9 billion in 2019. This increase was mainly due to the upgrade of the core banking system to support future growth as well as increase in provisions for operational losses, the enabling of remote connectivity, and other supplies necessitated by the COVID-19 lockdown restrictions (operational health and safety requirements).

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

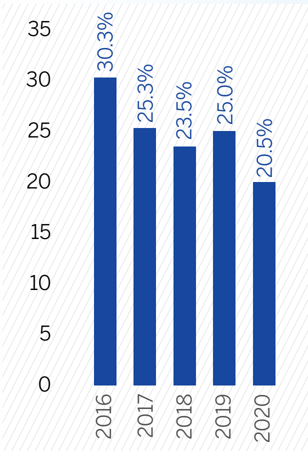
5 Year Performance

	2020	2019	2018	2017	2016
Income statement (UShs'm)					
Profit before income tax	**318,613**	349,634	296,678	265,666	253,949
Profit after tax	**241,686**	259,094	215,140	200,468	191,152
Financial position (UShs'm)					
Shareholders' equity	**1,243,439**	1,116,866	956,352	872,280	714,942
Total assets	**8,578,898**	6,650,825	5,393,059	5,420,531	4,588,610
Loans and advances to customers	**3,618,353**	2,852,647	2,508,828	2,133,986	1,976,748
Property and equipment	**81,418**	86,438	51,527	75,267	63,318
Customer deposits	**5,493,480**	4,722,204	3,892,295	3,620,946	3,058,505
Returns and ratios					
Return on average equity	**20.5%**	25.0%	23.5%	25.3%	30.3%
Return on average assets	**3.2%**	4.3%	4.0%	4.0%	4.6%
Loan to deposit ratio	**65.9%**	60.4%	64.5%	58.9%	64.6%
Cost to income	**48.3%**	49.0%	51.5%	50.5%	52.1%
Capital adequacy					
Tier 1 capital ratio	**15.8%**	15.8%	16.2%	21.3%	17.7%
Total capital ratio	**18.0%**	18.3%	18.9%	24.2%	21.1%
Risk weighted assets (UShs'm)	**5,825,212**		4,425,055	3,650,214	3,069,288
Share statistics (UShs)					
Closing number of shares in issue (in millions)	**51,189**	51,189	51,189	51,189,	51,189
Earnings per share - basic and diluted	**4.72**	5.06	4.20	3.92	3.73
Dividends per share - proposed and/or paid	**1.86**	2.15	1.90	1.76	1.17
Other information					
Number of employees	**1,612**	1,667	1,664	1,740	1,802

Key Perfomance Indicators

PROFITABILITY

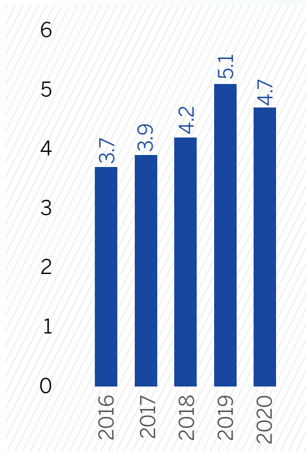
RETURN ON EQUITY(RoE)



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

Results: RoE was 4.5% down up from 2019 mainly on account of drop in PAT given the impact of the pandemic on the economic activity and increased credit quality deterioration .

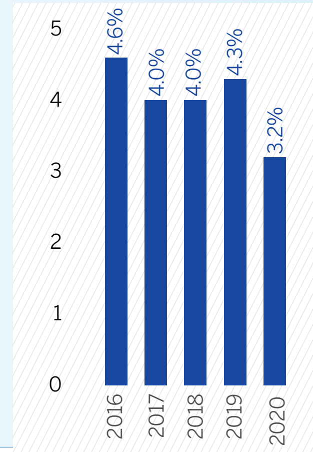
EARNINGS PER SHARE(EPS)



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

Results: EPS was down 6.7% against prior year in line with the drop in profits.

RETURN ON ASSETS(RoA)

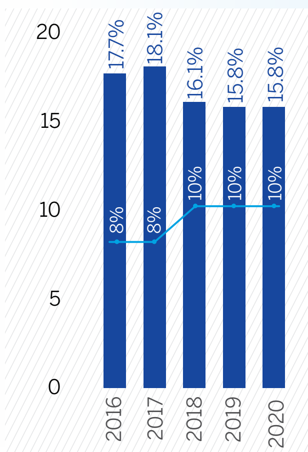


Objective: To effectively deploy the Bank's liquidity into the optimal balance of assets that generates consistent returns above the internal benchmark of 4%

Results: RoA closed 2020 at 1.1% below prior year and target of 4.0%. This was mainly due to rapid reduction in client transactions and credit quality due to the pandemic .

CAPITAL ADEQUACY

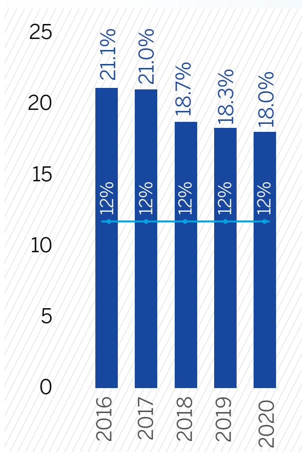
TIER 1 CAPITAL ADEQUACY RATIO (CAR)



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 Capital closed at 15.8% compared to 10% regulatory requirement. Capital position remains despite increased provisions.

TOTAL CAPITAL ADEQUACY RATIO (CAR)

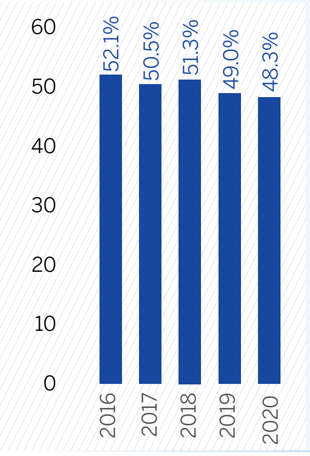


Objective: To maintain adequate levels of capital required to cover for regulatory capital adequacy requirements, business growth and investment prospects and for assessed stress events.

Results: Total Capital closed at 18.0% compared to 12% regulatory requirement. Capital position remains despite increased provisions.

EFFICIENCY

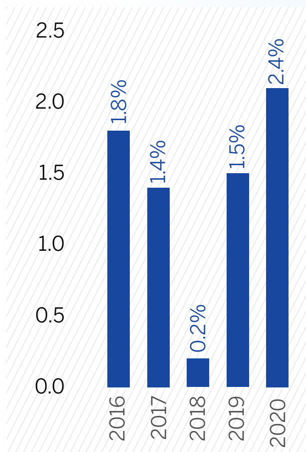
COST TO INCOME RATIO (CTI)



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 48.3%, maintaining 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 managing our running costs should see the CTI maintained below the 50% hurdle.

CREDIT LOSS RATIO (CLR)



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

Results: The CLR of 2.4% much higher than 1.5% recorded in the prior year but was still maintained below the target risk appetite level of 2.5%.

Corporate & Investment Banking review

2020 was a year that tested our resilience, agility to adopt to new ways of work and creativity to reach our customers differently.

EMMA MUGISHA, HEAD CORPORATE AND INVESTMENT BANKING

6.6%
Customer deposits
UShs 2,377bn
2019: 2,229bn

58.9%
Customer loans
UShs 1,866bn
2019: 1,174bn

Business performance

	CIB		
	2020	**2019**	**Variance**
Profit after Tax (UShs bn)	**151**	147	3%
Cost to Income	**38.7%**	40.2%	-1.5%
Credit Loss Ratio	**1.4%**	0.7%	0.7%

Client

We led with empathy in 2020, showing our clients support even during challenging times. We restructured over UShs 56 billion in loans and advances.

We continued to execute on our client centered strategy, by being deliberate about thought leadership sessions with key drivers of GDP in the economy. We also organized several open dialogues on pertinent topics of discussion that affect the economy, like managing teams remotely, digitization, oil and gas, the road sector, insurance and manufacturing though digital channels.

The lockdown window in 2020, as a result of the pandemic had an impact on the economy and especially the lower base economy where the SACCOs/VSLAs and SMEs sit. In the case of SACCOS/VSLAs where operations are based on weekly meetings and loan repayments, the lockdown meant that these were suspended, highly impacting both savings and loans repayments. This ultimately affected the livelihoods and businesses as a whole putting gloom on the country.

In response to the above issue, Stanbic Bank and various partners came up with a three-year Private Sector Led Response Fund, with a focus on MSME's, SACCO's and VSLA's including Participating Financial Institutions (PFI's) i.e. Banks, MFI's & MDI's. The fund will act as a stimulus fund available to Banks and MFIs/MDIs for on-lending to M/SME'S, SACCOs and VSLAs. The 3 key pillars of the fund are:

- Provide cheaper financing/lending to the entities
- Digitize the operations of the SACCOs/VSLAs to improve efficiencies and lower cost of doing business
- Provide technical assistance through training and upskilling of the members within the SACCOs/VSLAs

The success of the fund is to create jobs for the unemployed youth, increase household income, improved food security in rural and urban areas and foster financial deepening.

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.

We however grew the balance sheet by **58.9% on loans and advances,** 2020 saw us book our largest deal which was lending to the Government of Uganda and 6.6% on customer deposits.

The lockdown window in 2020, as a result of the pandemic had an impact on the economy and **especially the lower base economy** where the SACCOs/VSLAs and SMEs sit.

People

In light of the pandemic, we had to adapt to a hybrid work environment, to enable business continuity to our customers, especially during the lockdown window. We were able to fully enable our team to work from home, and put in place checks to ensure information security, system stability and internet connectivity are not affected. Our support to the teams during the period earned us the highest Are You A Fan score

As part of our journey to become a platform bank, we partnered with Salesforce Inc., an American cloud-based software company which provides customer relationship management service and also provides a complementary suite of enterprise applications focused on customer service, marketing automation, analytics, and application development. This allowed us to roll out Future-proof learning content to our staff and incentivized them to explore the learnings. This is still ongoing.

Risk

Relative to the expectations of COVID 19 effect, our Clients were largely resilient, we took a hit on provisions for doubtful repayments on loans, to the tune of UShs 25 billion. However, this was largely concentrated to one name.

We also set up a Third-Party Risk Management Committee to monitor, improve and proactively detect and mitigate all risk relating to third parties that provide services to the bank.

We have embarked on a journey to enhance our risk culture and take learnings from some incidents that took place in 2020. This is aimed at improving accountability at an individual, departmental and ultimately bank level.

Financial Performance

We grew our revenue by 7% year on year, but due to the hit taken on provisions, our bottom line had lower growth of 3%. This growth was inspite of reducing our lending rates in tandem with the lowered Regulatory Rate.

We however grew the balance sheet by 58.9% on loans and advances, 2020 saw us, book our largest deal which was lending to the Government of Uganda and 6.6% on customer deposits.

We also maintained a strong performance on the trade side with our guarantee book increasing to a 44% market share in the banking industry.

Looking ahead

We are reorganizing ourselves to serve the customer in a more wholistic way. We will continue to pioneer thought leadership with key players in the economy, to ultimately add value to the country.

Oil and Gas is a game changer for the country's economy, and the Final Investment Decision (FID) was triggered on 11th April 2021 with the signing of several agreements between Uganda, Tanzania and the Oil companies, kickstarting the process to first oil. As the leading bank in Uganda, we intend to enable the stakeholders to achieve the objectives most especially local content participation by supporting, training and financing potential local players in this space.

We will continue to grow our relationships with our customers through deeper engagements, permeating their ecosystems, leading with data and digital solutions and doing business the right way.

Finally, we will continue to be agile and re-tool our people as many times as necessary, to stay ahead of the market expectations and deliver the best service to the customer.

GRACE MULIISA, HEAD PERSONAL AND BUSINESS BANKING

Personal & Business Banking review

Personal and Business Banking serves individuals, medium and small enterprises, and commercial businesses. We provide financial services to our clients across accounts, payments, financing solutions as well as supporting their business banking needs. 89% of the transactions are conducted outside the branch network.

Personal & Business Banking business (PBB) remained resilient despite the unprecedented economic slowdown introduced by COVID-19 and the consequent severe impact on the economy especially Small and Medium Enterprises. Our initiatives therefore during the year focused on supporting our clients to survive and thrive.

True to our purpose

- We quickly responded to support the businesses and sectors that were hugely impacted by the pandemic by providing credit repayment relief 46% of the portfolio within Business Banking (SME) were offered this relief
- Extended free banking to clients on digital channels to ensure their safety and convenience
- Maintained client engagement and created awareness of COVID-19 and its impact to their businesses through webinars
- Dropped our prime lending rate from 17.5% to 16%, to ease the cost of borrowing for our clients.

2020 At a Glance

Client Focus

Our customers are our business and our focus on client centricity therefore remained our priority. We focus on building long term relationships through Relationship Management Models, expertise and advisory. The year 2020 specifically offered unique insights on our customers expectations and experiences through various initiatives.

- Remote customer onboarding and lending as part of the core banking system upgrade, hence providing customer convenience. You do not need a visit to the branch any more to access personal lending or account opening.
- Ramped up digital adoption with more than 89% of transactions done outside the branch.
- 27,000 net new active clients (6.5% YoY growth)
- Strong year on year deposit growth - up 25% .
- Agent Banking at 73% adoption thereby providing customer convenience.
- Upgraded our core banking platform to become more modular, agile and client focused.
- Won Card Payment Excellence Award - Digital Impact Africa awards 2020
- Won Digital Powered Campaign Excellence Award.
- Best brand on social media – Digital Impact Africa Awards 2020

In order to adapt to the rapidly evolving client needs, we continue to invest in our client service models and channels to deliver consistent customer experience.

Digital Transformation

Our digital journey continues to deliver good gains for the Bank and excellent customer experience across the different customer interactions.

In 2020, our clients' need for quick, convenient and reliable digital solutions was strongly highlighted as mobility was limited due to the country wide lockdowns.

Our key wins for the year included;

1. An expansion of our Business Online platform to include our Small and Medium Enterprise Clients

↑ 25%
Customer deposits
UShs 3,116bn
2019: 2,493bn

↑ 4.3%
Customer loans
UShs 1,752bn
2019: 1,679bn

Business performance

	PBB		
	2020	2019	Variance
Profit after Tax (UShs bn)	**82**	107	-23%
Cost to Income	**59.6%**	58.6%	1.0%
Credit Loss Ratio	**3.6%**	2.1%	1.5%

2. Digital lending on USSD and online Banking for both existing borrowers and new ones.
3. Remote and paperless client onboarding.

Our commitment to continuously delivering superior and exceptional digital financial solutions .

People and Culture.

Our Culture Journey took centre stage with key engagement intiatives such as Barbershop, Ignite, Book Club, Future Skills Academy and Team immersions.

Our learning interventions were aligned to our agreed critical skills and learning pathways that ensured that we built relevant future-ready capabilities within our teams. FY'20 reported 90.0% enrolment on trainings, 93.8% enrolment on leadership skills and 87% on personal skills, all in line with driving our Future Ready Transformation (FRT).

In response to the COVID-19 pandemic, the Bank launched the Wellness series dubbed 'Lets Talk- Mind, Body Soul, which attracted an attendance of close to 600 staff. Our wellness partners facilitated several sessions on Maintaining Human Connections Whilst In Isolation, Work Life Integration, Ergonomics, Emotional Impact for teams affected by COVID-19, and several other pandemic related sessions for the total bank.

Special recognition (SONA award) was made to the critical staff who continued to serve the clients during the thick of the lockdown.

Our culture journey has significantly reduced employee attrition rates from 8.8% in 2019 to 3.6% at end of December 2020.

2020 was a successful year from a people and culture perspective, inspite of the pandemic strain, and reflected in a high eNPS score of +65, up from +47 in 2019. Overall, we believe great employee experience drives great client experience.

Financial Performance

Customer deposits closed at UShs 3.1 trillion up by 25% from 2019. Targeted initiatives to grow the wallet share amongst existing customers and new to bank customers as well as strong online proposition amidst COVID-19 pandemic strongly contributed to the deposit growth.

Loans and Advances (Customer loans) closed at UShs 1.75 trillion up by 4.3% year-on-year. The loan book slow growth was mainly as a result of slow economic activities and impact on the existing customers.

Income dropped marginally by 0.6% year on year. The decline in income is attributed to low volumes largely from low transactional volumes from impact of COVID-19 as it affected customer spending as well as concessions on digital channels offered as a result of the pandemic relief measures.

Profit after tax ended at UShs82Bn. The year on year decline is attributable to overall slow growth and the impact of the provisions resulting from some sectors that were hugely impacted by the pandemic.

Outlook for 2021 & Beyond

In 2021, we remain committed to providing a consistent and superior experience to our customers and to provide valuable and compelling solutions while partnering with them for growth.

Stanbic Uganda Holdings Limited
Annual report and financial statements year ended 31 December 2020

Chief Risk Officer's review

The COVID-19 pandemic and containment measures tested the operational resilience of SUHL's risk management system and our ability to provide exceptional customer service. The overall final financial impact of the credit, operational and strategic risks remain uncertain even in light of the vaccine rollout in the country. SUHL's balance sheet remained strong throughout the year with ample liquidity and adequate capital.

MARTIN SEKAZIGA – CHIEF RISK OFFICER

In 2020, SUHL was able to adapt to the changing and increasingly complex operating environment by closely monitoring its risk exposure and staying committed to our customer value proposition despite the impact of the COVID-19 pandemic. Our robust risk management framework ensured we operated well within the regulatory requirements, the details of which are shared in this report.

Reflections on the Year

2020 was characterised by heightened anxiety and volatility in the macro-economic indicators caused by the global COVID-19 pandemic as well as the impending general elections at the time.

The economic growth slowed precipitated by the direct and indirect impact of lockdown measures to prevent the spread of COVID-19.

Following the record low monetary policy environment, the Monetary Policy Committee (MPC) maintained an accommodative stance and held the Central Bank Rate at 7% in a bid to support the recovery of the economy. It also reaffirmed its commitment to provide liquidity support to Supervised Financial Institutions (SFIs) in need given the uneven pace of economic recovery. The band on the CBR remained at +/-2 percentage points, while the margin on the rediscount rate and bank rate were also unchanged at 3 and 4 percentage points on the CBR respectively.

Consequently, the rediscount rate and the bank rate stood at 10 percent and 11 percent, respectively.

SUHL responded to the pandemic by evoking updated business continuity plans and working closely with third parties to deliver to the customer. Simulations conducted to test SUHL's business continuity management, recovery and resolution plans and risk data aggregation and risk reporting readiness, proved beneficial to cushion the disruption brought about by COVID-19 containment measures. The discipline is evolving into proactive operational risk management whereby reliance is placed on data analytics to predict emerging risks and assess the immediate stance and identify gaps with respect to the potential events in order to equip SUHL for such risks.

The Bank also proactively worked with customers who were adversely impacted by the pandemic to provide credit relief in the form of restructured facilities. This was done consistent with Bank of Uganda guidelines.

The adverse economic conditions led to an increase in loss provisions for the year. The Bank continues to proactively monitor the quality and resilience of the credit portfolio as the business environment remains uncertain.

One of our key priorities as we execute on our strategy is staying true to our Corporate Purpose: Uganda is our home and we drive her growth. The Bank experienced certain events during the year that led to negative media and exposed vulnerabilities in our control environment such as the inherent risks associated with relying on third parties for service delivery. As such, our controls agenda is a top priority and we remain steadfast in our commitment to addressing any vulnerabilities that led to these events and driving a culture of excellence that delivers results for all our stakeholders in manner that does not introduce undue risk to SUHL as a whole.

> As the customer led shift of local SUHL operating models progresses to simpler, more convenient, more transparent, and more readily personalized services, it is becoming increasingly important for SUHL to remain forward-looking in its management of the risk environment.

There was continued focus on improving system stability and cyber security capabilities. The IT security function continuously monitors SUHL's cyber risk posture to ensure timely detection and adequate mitigation of cyber security threats.

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

Cyber risk and Third-Party risk are key concerns to SUHL given the exposure related to working from home outside the in house protection capabilities and increased reliance on service providers for critical operations. 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 SUHL 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.
5. A good risk culture to focus on doing the right business the right way consistent with the principles of responsible finance and act on the organisation's current and future risks.

Introduction

Managing Risk

Effective risk management is of primary importance to SUHL's overall operations. Throughout its history, SUHL has maintained a conservative but pragmatic and consistent approach to risk, helping to ensure we are committed to our fiduciary responsibilities to our stakeholders. 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 SUHL, with effective governance and corresponding risk management tools. Our risk management function oversees the framework. 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

SUHL's governance structures are informed by Ugandan and South African regulatory requirements and the Standard 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 SUHL. SUHL'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 that SUHL 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), Board Asset and Liability Committee and Board Credit Committee (BCC) with each committee focusing on different aspects of risk management.

Board Audit Risk Committee

The Board Risk Management Committee reports to the SUHL board and exercises independent and objective oversight of risk management to ensure the quality, integrity and reliability of the risk management systems. Additional responsibilities include:

To review and assess the integrity and effectiveness of the accounting, financial, compliance and other control systems.

To review the internal controls, operating procedures and systems of the company.

To ensure the independence and effectiveness of the internal and external audit functions.

To contribute to a climate of discipline and control that will reduce the opportunity for fraud.

Board Risk Management Committee, Board Credit Committee and Board Asset and Liability Committee

The three primary Board Committees responsible for risk in the Bank are BRMC, BCC and BALCO. The management committees are structured forums designed to provide oversight of key principle risks impacting SUHL operations and escalating key matters to the board.

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 SUHL 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 SUHL'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 SUHL.
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.
9. To have oversight of all matters relating to asset and liability management and its policies
10. To ensure that effective credit governance is in place to provide for the adequate management, measurement, monitoring and control of credit risk including country risk.

Board Audit Committee

The BAC reviews SUHL'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 SUHL'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 SUHL 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, BALCO or BAC to assist the subcommittees effectively fulfill their risk oversight mandates. The Risk Management Committee (RMC), Asset and Liability Committee (ALCO) and Credit Risk Management Committee (CRMC) are management committees responsible for risk management within the Bank.

The 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 ALCO 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.

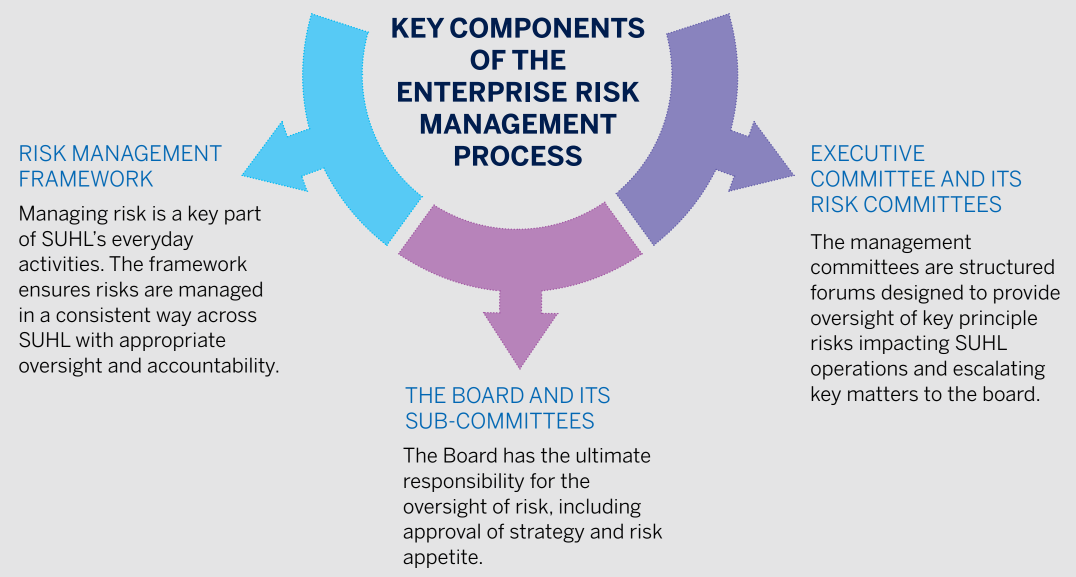
In addition, the models enable SUHL to gain an enhanced understanding of its risk profile, for example, by identifying potential concentrations and assessing the impact of portfolio management actions. Stress testing and scenario analysis are an integral part of capital planning and are used to ensure that SUHL'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.

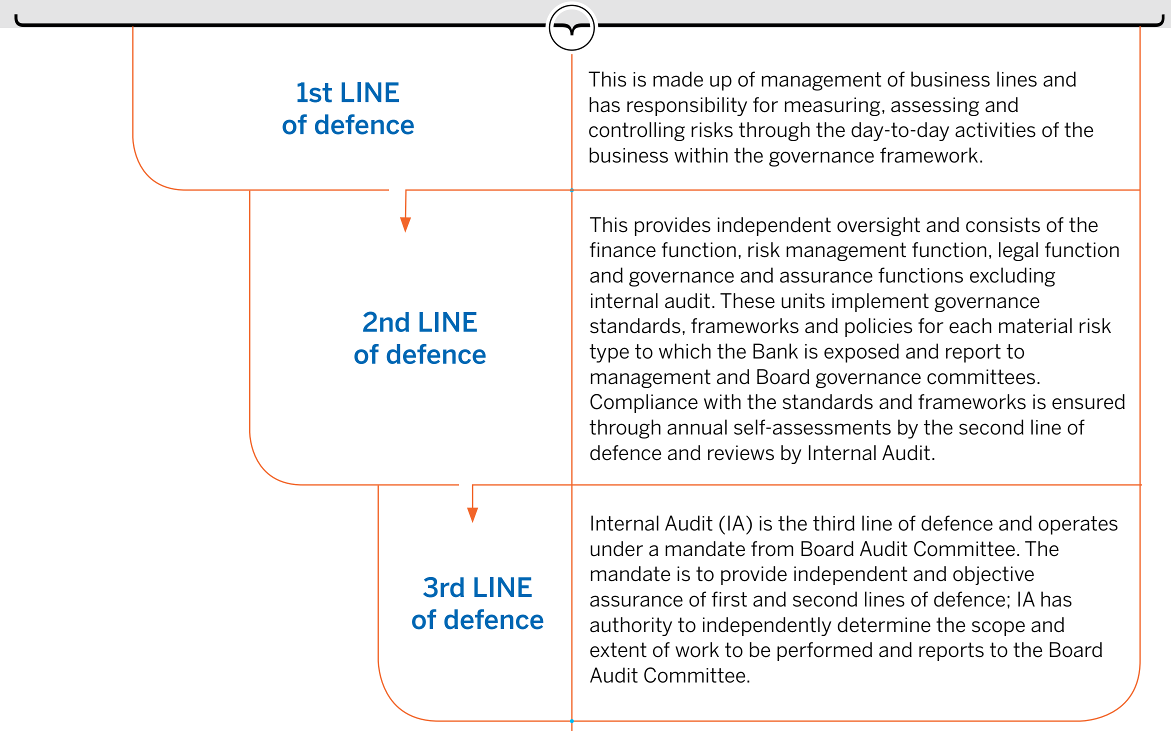
Business Units

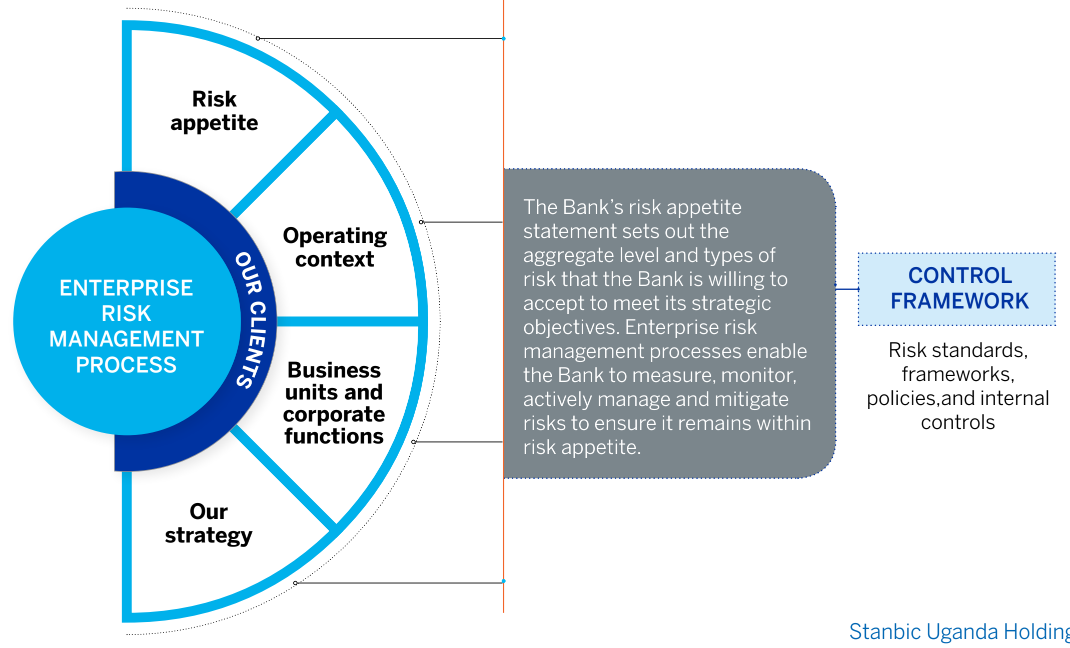
Business units own and manage the principal risks inherent in the activities they perform daily.

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.



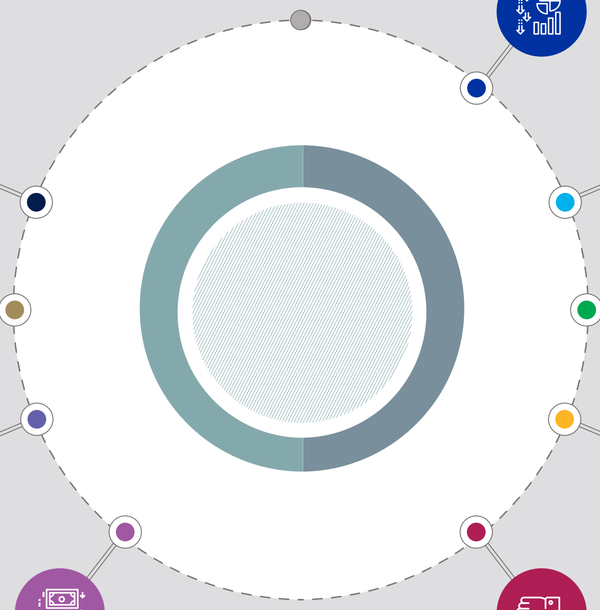




Risk types in Banking activities

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.



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.

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.

1. CREDIT RISK

YEAR IN BRIEF

The year 2020 saw the effects of the Corona virus outbreak that led to a slowdown in global and domestic economic activity and adversely affected Bank's customer's financial health. To contain the outbreak, a lockdown in the first half of the year was instituted and this resulted into a decline in Uganda's GDP growth of 2.9% compared to 6.8% in FY2018/19, much lower than the earlier projected 6.0 to 6.3%. This slowdown in economic activity impaired the ability of borrowers to service their debt obligations and remains a lingering threat to financial stability. From a sectoral perspective, real estate, education, tourism, transport and trade were significantly impacted. The Bank granted its customers credit relief due to COVID-19 to the tune of UShs 840 billion as at December 2020.

Although there was growth in the book year on year, gross loans and advances are 8% off budget on the back of a challenging economic environment. The credit loss ratio closed at 2.4% up from 1.5% at December 2019. Adequate provision has been taken in recognition of the initial and lingering effects of the pandemic.

The second half of the year saw easing of the lock down and a gradual improvement in economic conditions was noted. Nevertheless, the pandemic and its drawn-out nature, in combination with the measures put in place to contain the spread of the virus, have continued to present a challenging operating environment for the Bank and as such credit risk indicators remain elevated.

FOCUS AREAS FOR 2021

Ministry of Health statistics show that the worst of the pandemic is behind us and the outlook for 2021 is therefore cautiously optimistic. The optimism is conditional upon discovery of an effective COVID-19 vaccine and its speedy roll out while the final investment decision to trigger investment in the oil and gas sector is expected during the year as well.

2. COUNTRY RISK

Uganda' economic growth slowed precipitated by the direct and indirect impact of lockdown measures to prevent the spread of COVID-19.

YEAR IN BRIEF

The macro environment remained relatively stable in light of the shocks caused by COVID-19. Bank of Uganda (BoU) eased monetary policy and held the Central Bank Rate at 7% in a bid to support the recovery of the economy. It also reaffirmed its commitment to provide liquidity support to Supervised Financial Institutions (SFIs) in need given the uneven pace of economic recovery.

FOCUS AREAS FOR 2021

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 COVID-19, locusts, 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 2020. 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 2021

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

SUHL continued to utilise insurance to hedge and transfer risk in accordance with prudent risk management. In addition to the running insurance policies, SUHL through its Group Office procured cyber risk insurance to cover the increasing risk posed by cyber criminals across the globe. Premiums remained largely flat year on year except for instances where there was decline largely attributed to an improvement in risk mitigation measures.

This was attributed to an improved control environment across all functions of SUHL reflecting through reduced claims; both in value and volume reported within 2020.

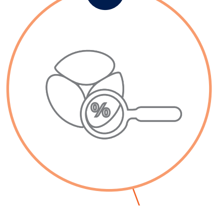
FOCUS AREAS FOR 2021

Focus areas for 2021

Focus shall be on encouraging tighter controls across SUHL assurance functions to further strengthen the gains achieved in the past years in terms of reduced loss ratios and reduced or flat premiums year on year.

Ensuring value by following through with the insurers for losses suffered by SUHL that sit within the procured insurance coverages will also remain top of mind as we continue to look for partnerships with insurers to tailor products that address current uninsured risks.

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

The restrictive measures undertaken to minimise the spread of the pandemic had a significant impact on the economy particularly trade and services and this spilled into the financial markets resulting into high volatility in the currency markets and a steep rise in interest rates. The Uganda shilling weakened against the dollar trading as high as 3911 level at the start of the COVID-19 pandemic as offshore investors withdrew their capital from the country, creating a large demand for USD.

The shilling recovered as inflows from Aid agencies and IMF in response to the pandemic started to pour in. This reversed the trend and we saw the currency gain nearly 6% against the US dollar to close the year around 3686.

Interest rates rose steeply, driven by the increased borrowing from the Government treasury as it sought funds to cover the gap created by lower tax receipts. The longer bonds all traded as high as 16.5% while the 1-year treasury bill climbed to 14.0%, where they closed the year.

FOCUS AREAS FOR 2021

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, SUHL's focus is on making efficient regulatory compliance a competitive advantage and embedding a strong culture of compliance across the organisation.

YEAR IN BRIEF

The compliance framework is guided by the motto "Doing the right business, the right way", a tenet which ensures adherence to the regulatory framework and ethical conduct. With the onset of the COVID-19 pandemic, SUHL was thrust into a new normal of doing business that came with heightened regulatory compliance obligations which had to be complied with. Management actively tracked adherence to the directives with regular updates to the Board.

Additionally, there was a shift in AML/CFT Trends and typologies in 2020 due to the pandemic and this called for strengthening the AML/CFT control framework including revising the Know Your Customer (KYC) requirements and upgrading the AML surveillance system to a more robust solution currently ongoing. In the second half of 2020, SUHL heightened its focus on conduct risk to include a keen attention to our staff.

FOCUS AREAS FOR 2021

Review and implementation of the conduct risk management framework will be a key priority for 2021.

As Compliance, we appreciate the vital role that our regulators play in the way we do business especially as we transition into a platform business. It is thus vital that we work closely with our regulators to keep them abreast of our business strategy and most especially get their support.

Above all, 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.

Strengthening the AML/CFT control framework including revising the Know Your Customer (KYC) requirements and upgrading the AML surveillance system to a more robust solution currently ongoing

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

YEAR IN BRIEF

The Bank manages its capital levels to support business growth, maintain depositor and creditors' confidence and create value for its shareholders strictly within regulatory requirements and risk appetite limits as approved by the board. This function is managed under oversight of the Asset and Liability Committee (ALCO). A three-year financial forecast is used to come up with a capital plan which is tested under a range of scenarios as part of the appetite limit setting process. COVID-19 called for SUHL to activate its business continuity measures in a quick and targeted manner to support our clients while preserving SUHL's financial position. This was testimony to the SUHL's operational resilience.

FOCUS AREAS FOR 2021

There are developments in the regulatory environment such as the coming into effect of the capital buffers and leverage ratio regulations, as well as, transition to Basel II capital accord. This will make a difference on how SUHL manages capital optimally to ensure growth in safe and sound manner.

8.

OPERATIONAL RISK

2020 SUHL's operational risk profile trended moderately for most of the year with some incidents of high specific exposures underpinning key challenges in third party and conduct risk types. The operational risk losses from economic and operational activity resultantly increased year on year, with one off COVID-19 costs being adopted in line with industry guidelines and the impact of specific significant incidents. Pressures on business growth, operating under a continuing pandemic environment, increased reliance on third parties, technology, environmental matters and regulatory evolution require renewed focus in the upcoming year.

YEAR IN BRIEF

2020 was characterised by heightened anxiety and volatility in the macro-economic indicators caused by the global COVID-19 pandemic as well as the impending general elections at the time. SUHL responded by applying updated business continuity plans and working closely with third parties to deliver to the customer. Simulations conducted to test SUHL's business continuity management, recovery and resolution plans and risk data aggregation and risk reporting readiness, proved beneficial to the COVID-19 related stresses. The discipline is evolving into proactive operational risk management whereby reliance is placed on data analytics to predict emerging risks and assess the immediate stance and identify gaps with respect to the potential events in order to equip SUHL for such risks.

There was continued focus on improving system stability and cyber security capabilities. The IT security function continuously monitors SUHL's cyber risk posture to ensure timely detection and adequate mitigation of cyber security threats.

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

The controls 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. SUHL benefited from technology to detect, monitor and intervene to known threats and fraudulent activities on customers' accounts; as well as applying our previous experience and understanding of fraud seasonalities to equip our people, customers and systems against fraud. 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.

FOCUS AREAS FOR 2021

For the year ahead, SUHL is seeking to manage risk even better by being intentional about the risk culture. Targeted training for staff in the first line of defence will be embarked on to strengthen the understanding and application of risk management principles and tools.

It is expected that this will result in a much-improved control environment to enable the efficient delivery on our strategy.

Attention will be given to the risk introduced by third parties, in line with our move towards the platform business model. Automation is planned to increase efficiencies by simplifying the risk grading and monitoring of Service Level Agreements with third parties.

SUHL will continue to pre-empt and respond to emerging risk so as to provide reliable and safe solutions to our customers

SUHL will also continue to monitor cyber security threats as we encourage remote working capabilities for our employees and the use of our digital platforms for transacting.

9.

RISK APPETITE AND STRESS TESTING

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 SUHL 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 SUHL 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 SUHL can support within its available financial resources.

Risk profile is the amount or type of risk SUHL 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 SUHL'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

Uganda's economy significantly slowed down in FY2019/20 with a GDP growth of 2.9% compared to 6.8% in FY2018/19, precipitated by the direct and indirect impact of lockdown measures to prevent the spread of COVID-19.

The most affected sectors were the industry and services sectors that each grew by 2.2 percent and 2.9 percent respectively, lower than 10.1 percent and 5.7 percent in FY2018/19. A recovery in economic activity is underway across the country, but is proceeding at an uneven pace

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	2020
Capital	Total regulatory capital	<16.0%	18.0%
Liquidity	Loan to deposit ratio (FCY)	>80%	60.0%
Loan impairment	Non-performing loans ratio	>6.5%	4.5%
Portfolio Metrics	Liquid assets to total deposits	<20%	58.3%
	Operational losses to gross revenue	<0.9%	0.4%

FOCUS AREAS FOR 2021

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, earthquakes and changes in weather.

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

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 cyber crime 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.

Risk	Risk drivers	Mitigants
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 bank 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 contract 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.

SUSTAINABILITY REPORT

Stanbic Uganda Holdings Limited
Annual report and financial statements year ended 31 December 2020

Sustainability of our Organisation

The unprecedented events of 2020 were a catalyst for change and further deepened SUHL's commitment to sustainability. With the emergence of the global COVID-19 pandemic, we elevated our drive for sustainable and inclusive economic growth to ensure we live to our promise and create shared prosperity while promoting the wellbeing of communities and society.

JAPTHETH KATTO, CHAIRMAN STANBIC UGANDA HOLDINGS LIMITED

The unprecedented events of 2020 were a catalyst for change, and further deepened SUHL's commitment to sustainability. With the emergence of the COVID-19 pandemic, we elevated our drive for sustainable and inclusive economic growth to ensure we live to our promise and create shared prosperity while promoting the wellbeing of communities and society.

With all the challenges the pandemic presented, we joined hands with our customers and other stakeholders to address the constant needs and, through our initiatives, we ensured that our efforts resulted in long-term and positive social impacts.

Our 2020 sustainability report highlights our major interventions in line with our commitment to our Social, Economic and Environment ***(SEE)*** and Environment, Social and Governance ***(ESG)*** priorities. As we have emphasised before, the success and sustainability of our organisation is being measured not only by its profitability, but also by its investment in activities that directly impact on the community in which we operate.

Social

With the gravity of the challenges faced in 2020, we more than doubled our support to community and invested UShs 3.9 billion (2020), 34.5% increase from UShs 2.9 billion (2019) through our corporate social investment (CSI) Programmes. We made donations to frontline health works in collaboration with the Ministry of Health, contributed food and supplies to in local communities where we operate, and continued our support to education, environment and maternal health.

Through our flagship Programme "Stanbic National Schools Championship" that has been a great success for over five years, we had a tremendous impact on students country wide and promoted continued education especially during the pandemic. The CSI Programme reached 45,000 students in primary schools, 150,000 students in secondary school, and indirectly, over 100,000 additional students. We also extended direct benefit to over 400 teachers, 25 university students on bursary, 20,000 through ECIs, and over 200,000 beneficiaries through various donation interventions in health and environment.

Economic

Stanbic Uganda played a vital role in driving economic recovery last year. We remained true to our promise that our lending rates will be transparent and as such, we consistently lowered the prime lending rate in line with the Central Bank Rate (CBR), from 18% to 16%, therefore saving customers interest payments worth UShs 26 billion. Our aim is to ensure our customers can benefit from more affordable lending rates.

To support our customers, we offered credit relief Programmes in response to COVID–19 challenges with over UShs 800 billion worth of loans restructured in 2020.

Our loans and advances increased by 26.8% year on year from UShs 2.9 trillion to *UShs 3.6 trillion*, providing the much needed financial support for clients to sustain their businesses as the pandemic unfolded.

Through the Stanbic Business Incubator, we continued to provide training and capacity development to SMEs to improve their scale and capacity to participate especially in Uganda's budding Oil and Gas sector. To date, 2,392 Individuals and 1,216 companies have been trained since the inception of the Programme in February 2018.

Environment

In line with our sustainability priorities, SUHL continues to drive the environmental conservation Programmes through ensuring use of adequate infrastructure, tools and methods for environmental sustainability. In 2020, electricity consumption reduced by 10.7% and this is attributed to various initiatives undertaken to reduce our total energy consumption. Our fuel consumption also reduced by 12.3% in 2020, largely attributed to the logistical team's sensitisation to the network on efficient usage. Paper consumption also reduced by 29% as we deployed our paperless and digital agenda.

Throughout this sustainability report, we provide greater detail about our various sustainability initiatives across the organisation and our support to our stakeholders as we continue to create shared value through the implementation of our SEE and ESG framework.

With all the challenges the pandemic presented, **we joined hands with our customers and other stakeholders to address the constant needs** and through our initiatives, we ensured that our efforts resulted in long-term and positive social impacts.

To support our customers, we offered credit relief Programmes in response to COVID–19 challenges with **over UShs 800 billion worth of loans** restructured in 2020.

Highlights

Social Investments

UShs 3.9bn

Up by **34.5%** to provide support to communities during the pandemic.

2019: UShs 2.9 billion

Credit Relief Programme

Over UShs 800bn

Loans restructured in 2020 to support businesses during the COVID-19 pandemic.

SME capacity building

2,392 Entrepreneurs

Total number of entrepreneurs trained at the Stanbic Business Incubator to date.

Stanbic Uganda Holdings Limited
Annual report and financial statements year ended 31 December 2020

About this report

The 2020 SUHL Sustainability Report presents a comprehensive analysis of our sustainability performance for the year ended 31 December 2020. Any material events after this date and up to Board approval are included. The report has been developed to provide a holistic view of our sustainability performance to a 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.

Furthermore, other stakeholders also include those who may be impacted by our business activities i.e communities we operate in, business associations, civil society groups as well as our natural environment, community development, and non-governmental organisations.

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.**

SUSTAINABILITY PERFORMANCE

The 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. SUHL integrated report provides a broad 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 2020 have been reaffirmed as being the most relevant to SUHL for the period ending 2020. These issues are detailed in the reporting practices section.

SUSTAINABILITY APPROACH

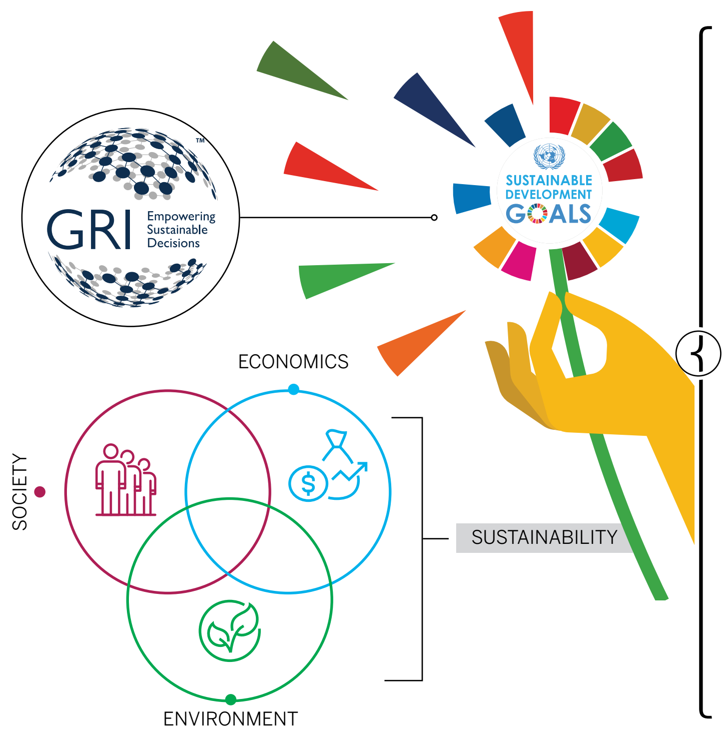
Our ongoing sustainability is linked directly to our being a valuable member of our communities and of society in general, now and into the future. Our social impact sets out our commitment to positively contribute to the societies in which we operate through our business activities. This means that we have an implicit 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 not considered under direct influence of 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 (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 man made), and financial. The capitals are considered in commentary in this report.

Our Sustainability Strategy



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 of every project or transaction in which we get involved.

SEE (Social, Economic and Environmental) - Value Creation

We create value by living our purpose and achieving our vision through the diligent execution of our strategy. Our strategic value drivers measure our strategic progress, allowing us to focus on the value we aspire to create for all our stakeholders.

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.

SEE and ESG integration

We are committed to driving sustainable and inclusive economic growth in Uganda and ensuring that our business activities create net positive social, economic and environmental (SEE) impacts.

Effective enviromental, social and governance (ESG) risk management plays a critical role in this. We recognised ESG risks as one of the material risks in 2020 and have begun a comprehensive review of our governance systems and processes to ensure we are aligned with global good practice.

Over the past year, Stanbic Uganda begun the journey to review the governance structures to ensure that the appropriate oversight and management of ESG risk management.

Stanbic Uganda is in the process of establishing a sustainability unit solely focused on delivering the SEE and ESG priorities for the organisation. Concurrently, we strengthened governance of ESG risk within the business and introduced new oversight mechanisms, and new policy frameworks to enable us to assess and monitor ESG risks more effectively.

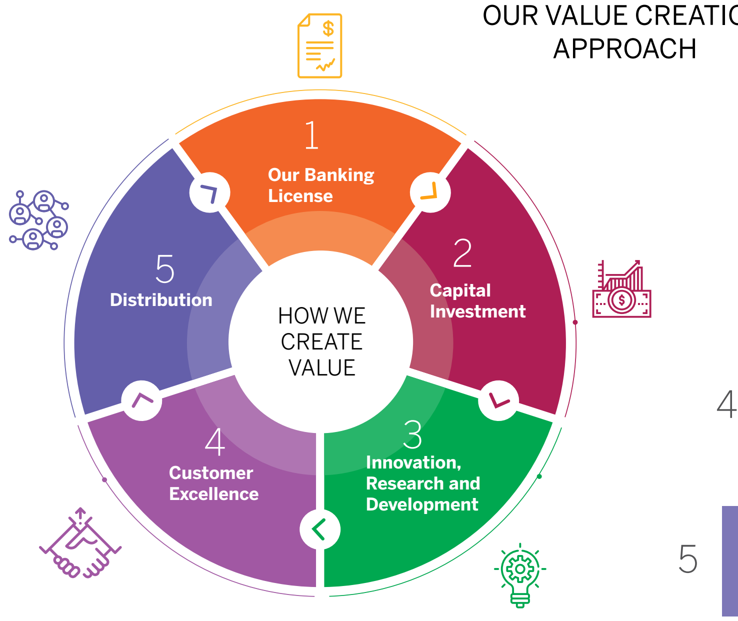
We continued to support skills development and the evolution toward new ways of work for our employees and communities, and we did all we could to keep our clients and customers as safe as possible in the context of unprecedented risks to public health in 2020.

We commit to continuous consultation and engagement with our stakeholders, and to reporting transparently on progress as we work toward strengthening our ESG risk governance and management.

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 VALUE CREATION APPROACH



1 The acquisition of our banking license from Bank of Uganda

2 We invest in our information technology systems, infrastructure, and people to ensure that we provide relevant products and services in Uganda

3 We develop new products and services, and improve on existing ones, to ensure that we meet the needs of our customers and clients

4 We work to understand changing consumer needs and we up skill our staff to ensure we deliver a distinct customer experience. Our success determines our ability to attract and retain customers

5 We ensure a robust distribution network which is a critical enabler to our business and growth strategy and ensures that our products and services are accessible.

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

			2020	2019	2018
ECONOMIC	**Shareholders**				
	Net profit after tax	UShs 'millions	**241,686**	259,094	215,140
	Return on equity	%	**20.5%**	25.0%	23.5%
	IT Spend as a % of Operating costs	%	**15.7%**	12%	10%
	Customers				
	Number of customers		**559,145**	551,073	522,972
	Number of branches		**69**	69	69
	Number of CSPs		**11**	10	10
	Number of ATMs		**171**	173	175
	Suppliers				
	Number of active suppliers		**792**	825	898
	Total procurement spend	UShs 'millions	**180,968**	178,223	156,456
	% of procurement spend with local suppliers	%	**87%**	87%	90%
ENVIRONMENTAL	**Environment**				
	Electricity purchased	kilowatt hours	**3,581,455**	4,552,708	4,806,373
	Fuel consumed	litres	**403,662**	450,431	476,498
	Water consumed	kilolitres	**20,820**	26,073	24,268
	Paper consumed (Copier)	tonnes	**38**	54	57
	Paper consumed (Other)	tonnes	**59**	64	106
SOCIAL	**Employees**				
	Number of employees		**1,612**	1,667	1,664
	Number of female employees		**850**	***865***	857
	Training spend	UShs 'millions	**1,732**	4,476	3,581
	Number of employees trained		**1,469**	1,150	1,656
	Number of interns		**15**	72	47
	Number of female managers		**173**	164	166
	Corporate social investment	UShs 'millions	**3,433**	2,906	2,525

Stanbic Bank Uganda has established an Economic Enterprise Restart Fund (EERF) as a private sector led COVID-19 response to provide affordable funding for key sectors and groups that were adversely impacted by the pandemic.

Overview - Economic Contribution

By delivering on our sustainability priorities, we create a meaningful impact in our communities and for stakeholders we serve. As one of the domestic systemically important banks, we remain pivotal to facilitating Uganda's economic growth. 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.

As one the largest employers in the country with over 1,600 staff members, we continue to provide employment opportunities for Ugandans. This directly enables our contribution to improve 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.

Our continued lending to the primary growth sectors constituted more than 50% of our loan book in the year 2020. 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 through supporting these sectors.

Ugandans do not have access to collateral needed to access financial services and as a 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.

Economic transformation

Interventions during COVID-19

2020 was a tough year for many of our clients and stakeholders. Nonetheless, Stanbic Uganda honoured its pledge to ensure our clients and communities were supported during the pandemic, and these are the key highlights of our economic interventions:

1. Credit relief Programmes

We offered credit relief Programmes to its customers in response COVID–19 challenges with over **UShs 800 billion worth of loans restructured in 2020.**

2. Stanbic Economic Enterprise Restart Fund

Stanbic Bank Uganda has established an Economic Enterprise Restart Fund (EERF) as a private sector led COVID-19 response to provide affordable funding for key sectors and groups that were adversely impacted by the COVID-19 pandemic. The worst hit sectors included; urban trading, tourism, transport, and export-oriented agriculture. Additionally, highly impacted groups also include small and medium enterprises (loan), savings and credit cooperatives (SACCOs) and village savings and credit associations including smallholder farmers.

The fund is intended to provide cheaper funding to small and medium enterprises, savings and credit cooperatives as well as village savings and credit associations to enhance their productivity and provide both digital & technical support in capacity building and institutional development. The EERF will drive financial inclusion through the digital banking process and build economic activity sustainability that will help create employment opportunities, increase consumption, and avert poverty in the rural and peri-urban areas.

3. Providing affordable financing

We remained true to our promise that our lending rates will be transparent and as such, we consistently lowered the prime lending rate in line with the Central Bank Rate (CBR), from 18% to 16%, therefore relieving customers of interest payments worth UShs 26 billion. Our aim is to ensure our customers can benefit from more affordable lending rates.

Financial Inclusion and enhancing access to financial services

Promoting financial inclusion is fundamental to achieving sustainable economic growth. Stanbic's role is to ensure we drive financial inclusion to enable every individual all the way to the last mile, to have access to affordable financial services. We aim to ensure that the services meet their needs and are delivered with dignity, in a responsible, convenient and in a sustainable way.

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

Agent Banking Services:

Agent banking is a key service that provides convenience and fosters financial inclusion. We therefore continue to enhance the platform to enable our customers to transact from their immediate neighbourhoods. We rolled out the money transfer service which allows both the banked and non-banked population to send and receive money on any mobile number using any of our agents located across the country.

We also rolled out liquidation/cash out capability for both MTN and Airtel agents thus enabling theagents to purchase float or withdraw physical cash (rebalance) off their e-value in real time via Stanbic. This capability has further contributed to easing cash handling through recycling cash that the agents previously had to carry to branches while being prone to the associated risks.

And lastly, a major step we took was completing the integration with Agent Banking Corporation (ABC) to enable Stanbic customers to deposit and withdraw cash at agents of banks integrated to the ABC platform across the country. The service also allows customers of other banks integrated to the ABC platform to deposit and withdraw cash from any Stanbic agent. This increased agent transaction volumes and commissions as well as improved customer experience and convenience by increasing number of outlets where they can deposit and withdraw cash countrywide.

Digital Lending Initiatives

Stanbic Bank continues to come up with innovative solutions to make it easy and convenient for customers to access financial services. This includes credit facilities embedded in our mobile and online banking services. As a result, Stanbic Bank pre-qualified customers can now access, through self-service on *290# and Online Banking, instant top up loans and new loans in less than two minutes, in addition to instant cash advance and loan redraws that were rolled out in 2019. Prequalification of customers is done using the customer decisioning engine to ensure that the credit services are extended to customers who meet all the mandatory requirements.

Online Account Opening

Online account opening has revolutionized how customers join the Bank. Now more than ever before, there has been an increased customer need to access banking services at their convenience following the outbreak of COVID-19. All the customer requires is a valid national ID for Ugandan citizens or a valid passport for those living abroad. During the lockdown, customers could still open accounts online and start transacting without need for any paperwork. Key to note is that the solution has controls in place such as online video verification to ensure that the Bank is dealing with the rightful customer. Over 31,000 accounts have been opened from the time of inception with transaction value as high as USh s 100bn. The solution has since been further refined and will allow for video verification; a first in the industry.

FlexiPay Wallet

The Stanbic FlexiPay is a digital solution that enables customers to make financial transactions conveniently and safely on secure platforms. The service can be consumed by banked and unbanked customers thus promoting financial inclusion. Launched to staff first, the FlexiPay wallet is accessible on both feature and smart phones and the capability for end to end self-onboarding supported by validation of customer phone and national ID (sanction screening) aided by the direct integration with the National Indentification and Registration Authority customers can carry out fund transfers between wallets and Stanbic accounts, transfers to mobile money wallets, bill payments for electricity and water and merchant payments, among others. The solution, once launched to the public, will improve customer experience and support raising of household incomes for the merchants that will be acquired to offer services to the population.

Contactless Card

Stanbic Uganda in November 2020 launched an upgraded contactless Visa card with the latest technological applications that allows customers to tap their cards to complete a low value payment transaction, instead of inserting the card into a point-of-sale machine and entering a PIN. These contactless cards are embedded with specialized chip and wireless antenna utilizing near field communication technology that enables a seamless payment process with increased security to allow customers keep their card with them rather than handing in to the cashiers or entering a PIN or signing a slip.

URA Tracking for UNBS Payments

We built the capability on Business Online for Uganda Revenue Authority one of our top CIB customers to digitally track this type of payment. The capability enables all manufacturers in Uganda to pay certification fees for their goods to Uganda National Bureau of Standards (UNBS) which is the regulatory body.

This has helped the Government of Uganda to reduce revenue leakage, reduce the reconciliation challenges and improve customer experience.

Stanbic Business Incubator

The Stanbic Business Incubator

Amongst all the sectors in Uganda, the SME sector remains the engine of growth for economic development, innovation and wealth creation.

The over 160,000 SMEs in the country, employ over 2.5 million people and account for approximately 90% of the entire private sector, generating over 80% of manufactured output that contributes 20% of the gross domestic product (GDP).

However, SMEs continue to face numerous challenges that affect their long-term sustainability. These factors include skill and knowledge gaps and access to both finance and markets. Stanbic realised the need to support the growth of these SMEs and established the Stanbic Business Incubator three years ago in 2018. The Incubator offers capacity building and entrepreneurship development Programmes aimed at supporting and nurturing SMEs.

The Programme is largely structured to provide business development training Programmes and follow-up 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.

HIGHLIGHTS IN NUMBERS

516 Companies trained in 6 cohorts in 2020	617 Individual entrepreneurs trained	10 Successfully conducted business trainings in 10 districts: Kapchorwa, Jinja, Mbale, Mbarara, Kabale, Gulu, Arua, Lira, Kasese and Fort Portal.
2,392 Total number of entrepreneur trainings since 2018	1,219 Total number of companies trained since 2018	

- The Incubator opened up the business development services training to all sectors of the economy which was strategic since all these sectors will ultimately feed into the oil and gas sector.
- The Incubator operationalised all the regional Incubator Centres in Mbale, Gulu and Mbarara in 2020.

SMEs in Uganda

The over 160,000 SMEs in the country, employ over 2.5 million people and account for approximately 90% of the entire private sector, generating over 80% of manufactured output.

Business Incubator - Realised Impact 2020

Subject	Cohorts 11 – 13	Cohorts 14-16	Regional Programme
Cohort Duration	5 months (Mar 2020 -Jul 2020)	4 Months (Sept 2020-Dec 2020)	3 Weeks (December 2020)
Cohort Industry	***Cohort 11:*** Construction, Transport & Logistics ***Cohort 12:*** Renewable Energy ***Cohort 13***: Camp Services & Hospitality	***Cohort 14:*** Construction, Fabrication, Transport. Logistics, ICT, E-commerce & Energy ***Cohort 15:*** Agribusiness & Manufacturing ***Cohort 16:*** Consumer Goods & Services	Northern, Western and Eastern region. (all sectors consolidated)
Number of companies	144 companies on boarded in the 3 cohorts as follows: › Construction, Transport & Logistics – 49 companies › Renewable Energy – 45 companies › Camp Services & Hospitality – 50 companies A total of 100 companies graduated after four months	156 companies on boarded in the 3 cohorts as follows: › Construction, Fabrication, Transport, Logistics, ICT, E-commerce & Energy– 55 companies › Agribusiness & Manufacturing – 40 companies › Consumer Goods & Services – 61 companies A total of 86 companies graduated after four months	216 companies were trained through the regional programme, and a total of 166 graduated. Companies had a total of 10 training days that were followed by 5 days coaching and mentorship support.
Number trained	A total of 182 individuals were trained in the 3 cohorts, 34% of whom were female.	A total of 159 individuals were trained in the 3 cohorts, 41% of whom were female.	A total of 246 individuals were trained in the four regional cohorts.
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 5 modules were undertaken as part of the regional Programme supported by practical International business games and coaching.
Course evaluation	Feedback on the various courses modules was undertaken through and subsequent post-course feedback. The highest rated course during the year was Business Analysis & Planning 81% and the lowest rate was Joint Ventures at 53%.		

Programme impact summary: From the post programme survey, 83% of the SMEs said that they were satisfied with the structure of the Programme, 95% said that they were likely to attend future training Programmes with the Business Incubator and 97% said that they were likely to recommend the incubator Programme to a friend or a colleague. Overall, 88.2% of the SMEs were satisfied with the training Programme.

Online Mode of Delivery: In the wake of the COVID-19 pandemic, the Business Incubator had to transition from classroom-based setup to an online training mode especially during the lockdown. The feedback from the SMEs was that 89% liked the online application and registration process. 76% liked the online scheduling and timing of the training, 84% appreciated the online learning management system and 82% appreciated the online training delivery mode.

Year	2018	2019	2020
Cohorts	1-4	5-10	11-16
Companies	192	508	516
Individuals	516	1,259	617

Business Incubator-Client Testimonials

Rachel Lubega
Quality Management Services

Rachel Lubega had already co-owned her corporate event business, Quality Management Services Ltd, for 18 years. However, despite the longevity of her business, she believed she still had room to grow. "When I heard about the Stanbic Business Incubator, I felt excited because I love learning, getting training, and gaining new skills."

As part of the training, she joined a cohort of service providers that included some of her competitors. Through networking and personal bonding, she began to see her competition as potential business partner. "We even were able to get business together. It was great having to create that kind of relationship with our competitors," she added.

Not only was she able to create business opportunities through networking, but she became more adept at auditing, bookkeeping, and digital marketing. To the benefit of her business, she transferred many of these new skills she was learning to her employees.

Michael Senteza
Drimo Investments Limited

The Stanbic Business Incubator Programme is a well-structured business training programme. The training has not only enlightened, but also redirected the processes previously taken for granted in my business, which cost us several opportunities and money. The implementation of the acquired skills has opened up new opportunities and ventures for the company through compliance, planning and efficiency.

It is said, "Knowledge is power" indeed there are a host of perspectives that we have now initiated, after better understanding of planning, compliance and collaboration.

With our new outlook and refreshed perspective, we see our business developing strategic partnerships and establishment of a strong and sustainable brand. I would strongly encourage other small businesses to take on this Programme as well as any businesses that wants to see long term success and grow to the next level of viability irrespective of age and gender.

Masika Jenet
Mush Wonders, Kasese

I attended the Stanbic Incubator Programme from Kasese and this programme has had a very positive impact on me and my business. What stood out most was the wonderful experts who trained us and simplified all the knowledge to help us improve our business. They provided useful information through relatable examples on things like bookkeeping and business profiling. Now I track my business records and developed a business profile to market my company.

I am very glad that I was selected to participate in this programme since it has helped me to become more serious and determined about my business. I set out to engage myself in a number of business trainings to help me boost my entrepreneurial skills.

In future, I want to open up a new business and the incubator training has given me the best foundation. Of the knowledge that was shared with us, I was much more touched by the seven Habits of Highly Effective People; the presenter was quite elaborate, and I very well knew where I wanted to be in life then. Thanks to The Stanbic Incubator, my new business plans are moving well, and I hope to be victorious pretty soon. I would highly recommend a friend to take up the trainings.

Economic thought leadership interventions

Seeds of Gold – Growing the agriculture sector through Farm Clinics

Agriculture is the backbone of Uganda's economy, employing over 70% of the population, and contributing half of Uganda's export earnings and a quarter of the country's gross domestic product. A vibrant agricultural sector is what Uganda's economy needs to thrive especially in the exigencies of the COVID-19 pandemic. The annual Seeds of Gold Farm Clinic was held at Mukono Zonal Agricultural Research and Development Institute (Muzardi) Station in Ntaawo, Mukono District.

The devastating effects of the pandemic on agriculture stifled productivity, making it important to focus on agribusiness financing in order to drive expansion and achieve competitiveness.

Stanbic Bank Uganda, who for two years in a row have been prime sponsors of the event helped to bridge the information gap on financing while unveiling related products on offer. Up to UShs 450 billion of the Bank's total loan book has been directed towards formal agriculture financing across the value chain.

Stanbic Bank has been instrumental in providing affordable loans and credit facilities to individual farmers, cooperatives, large-scale plantation owners, farm suppliers, and other stakeholders. We broadly ensure that we finance them through mechanisation and sale of produce.

The Bank has enhanced the modernisation of the sector as a means of improving productivity, efficiency, and value addition in the sector.

Up to UShs 450 billion of the Bank's total loan book has been directed towards formal agriculture financing across the value chain.

Stanbic will also provide business financing and will match UNDP with $3 million for debt financing for the five-year period of the initiative.

Stanbic and UNDP partnership - Youth4Business Innovation and Entrepreneurship Facility

Stanbic Uganda in partnership with The United Nations Development Programme (UNDP) launched a Youth4Business Innovation Facility designed to spur impact-driven entrepreneurship, foster innovation, and leverage business solutions to address the youth unemployment challenge; and enable micro, small and medium enterprises (MSMEs) recover from the impacts of COVID-19.

The facility, anchored in the global 2030 Agenda for Sustainable Development, is an integrated support package intended to act as a catalyst for innovation by enabling youth pilot and transform sustainable enterprise ideas and models with a commercial viability into impact at scale. This will partly address the market failure where financial institutions are reluctant to provide start-up capital to young entrepreneurs.

Stanbic Bank will play an instrumental role in this initiative through the Business Incubator, where young business entrepreneurs will have the opportunity to receive entrepreneurship training and development. The Stanbic Business Incubator will also drive the Innovation Challenge Fund and Growth Accelerator, Enterprise Challenge Fund, Youth Entrepreneurship and Innovation Ecosystem Platform.

Stanbic will also provide business financing and will match UNDP with USD 3 million for debt financing for the five-year period of the initiative. All the businesses will be supported with setting up business accounts at the commencement of the initiative and as a result they will be pre-scored for short-term working capital.

Besides the COVID-19 pandemic, the government continues in the fight against a vast number of outbreaks.

International Development Groups (IDG) Forum

Stanbic Bank Uganda hosted an IDG forum themed "Re-imagining the post COVID-19 era for Uganda's development community".

Hosted by Anne Juuko, Stanbic Bank Chief Executive, other speakers included; Elsie Attafuah, UNDP Country Representative, Richard Ssewakiryanga, Executive Director Uganda NGO Forum, Alvin, Rick Somarriba, USAID Deputy Mission Director and Dr. Rhoda Wanyenze, the Dean School of Public Health, Makerere University, Kampala.

Most of the work IDGs are engaged in is largely dependent on engagements with the community. So we ensure that the existing and new innovations continue to promote development of the communities they operate in. Besides the COVID-19 pandemic, the government continues in the fight against a vast number of outbreaks.

Now more than ever, there is evident need to collaborate and strengthen the Ugandan health sector. USAID as a donor has been a strong supporter in the fight against the locust out breaks which continue to pose a threat to livelihoods in northern and eastern Uganda.

There are humanitarian assistance needs that IDGs have to consider very differently moving forward. Mainly because people are becoming more and more vulnerable due to increased levels of unemployment and poverty caused by the pandemic. The Forum had an overall participation of over 228 online attendees.

Contribution and Payments into the Economy and Stakeholders

Contribution and Payments into the Economy & Stakeholders:

Through our operations, we engage with a wide range of stakeholders who are directly or indirectly integrated in our activities. The stakeholders are 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:

Of the total wealth created in 2020 the following is the total flow of capital among some key stakeholders:

UShs 169 billion or 33% was distributed to employees as remuneration and benefits (Up from UShs 164 billion in 2019).

UShs 96 billion or 19% was distributed to the Ugandan government in form of taxes: (down from UShs 109 billion in 2019).

UShs 95 billion or 19% was paid in dividends to shareholders both ordinary and non-controlling interests (down from UShs 110 billion in 2019).

Payments to Stakeholders

	2020 UShs 000	2019 UShs 000	2018 UShs 000
Suppliers	**180,967,697**	178,223,153	156,456,243
Payments to Government (Direct & Indirect)	**96,227,594**	109,149,008	103,065,176
Payments to Regulators	**11,475,079**	10,395,944	9,613,529
Payments to Shareholders	**95,000,000**	110,000,000	97,500,000
Payments to Employees	**169,512,134**	164,999,991	148,609,404

Our support to the economy is also reinforced by our revenue contributions to the national budget and 2020 saw us contribute UShs 96 billion in form of tax (direct and indirect).

Value Added Statement

Value added is calculated as the company's revenue performance minus payments such as cost of materials, depreciation and amortisation. The resulting amount is distributed to the stakeholders who include employees, shareholders, community investments and government. The total wealth created by **SUHL in 2020 is UShs511 billion** as shown in the value-added statement below.

Value added statement for year ended 31st December 2020	2020 UShs '000	% of wealth created	2019 UShs '000	% of wealth created	2018 UShs '000	% of wealth created
Value added						
Interest Income	**536,233,586**	105%	484,410,301	103%	404,291,586	100%
Commission fee income	**157,281,369**	31%	160,970,448	31%	144,360,210	35%
Other revenues	**183,316,638**	36%	197,196,438	34%	145,832,430	34%
Interest paid to depositors	**(45,441,437)**	-9%	(35,469,336)	-11%	(33,372,120)	-11%
Other operating expenses & impairments	**(320,049,165)**	-63%	(270,886,094)	-57%	(191,772,158)	-57%
Wealth Created	**511,340,991**	100%	536,221,757	100%	469,339,948	100%
Distribution of wealth						
Employees	**169,512,134**	33%	164,999,991	35%	148,609,404	38%
Government	**96,227,594**	19%	109,149,008	20%	103,065,176	19%
Ordinary shareholders - (dividends)	**76,000,000**	15%	88,000,000	9%	78,000,000	22%
Non-controlling interests	**19,000,000**	4%	22,000,000	2%	19,500,000	5%
Corporate social investment (CSI) spend	**3,914,938**	1%	2,978,700	0%	2,525,282	0%
Retentions to support future business growth	**146,686,325**	29%	149,094,058	33%	117,640,086	16%
Wealth Distributed	**511,340,991**	100%	536,221,757	100%	469,339,948	100%

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 56%, up from UShs 2,054 Billion in 2019 to UShs 3210 billion in 2020.

Loan Disbursement per Category

	2020 UShs	2019 UShs	2018 UShs
Corporate banking	**2,041,784,969,158**	1,027,545,014,699	767,628,910,828
Business banking	**1,014,893,707,726**	708,026,337,164	583,324,858,133
Personal banking	**154,007,448,965**	318,327,253,263	320,949,148,169
Total	**3,210,686,125,849**	**2,053,898,605,125**	**1,671,902,917,131**

Financial Intermediation by Sector and Focus Factions

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

Loan Balances per Sector Economic Sector	2020 UShs '000	2019 UShs '000	2018 UShs '000
Agriculture, Fishing & Forestry	**484,530,596**	518,095,700	393,327,313
Mining and Quarrying	**201,152**	339,301	373,398
Manufacturing	**345,510,386**	403,857,150	266,660,578
Trade	**504,355,116**	486,217,126	457,707,118
Transport and Communication	**285,968,005**	199,229,277	297,265,960
Electricity and Water	**127,378,090**	110,114,662	80,255,963
Building, Mortgage, Construction and Real Estate	**445,350,107**	399,542,064	376,641,507
Business Services	**62,197,173**	41,203,844	28,025,803
Community, Social & Other Services	**733,599,019**	74,462,504	70,816,944
Personal Loans and Household Loans	**809,109,664**	722,286,154	641,549,831
TOTAL*	**3,798,199,309**	**2,955,347,782**	**2,612,624,415**

*Regulatory Gross Loans

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 and values.

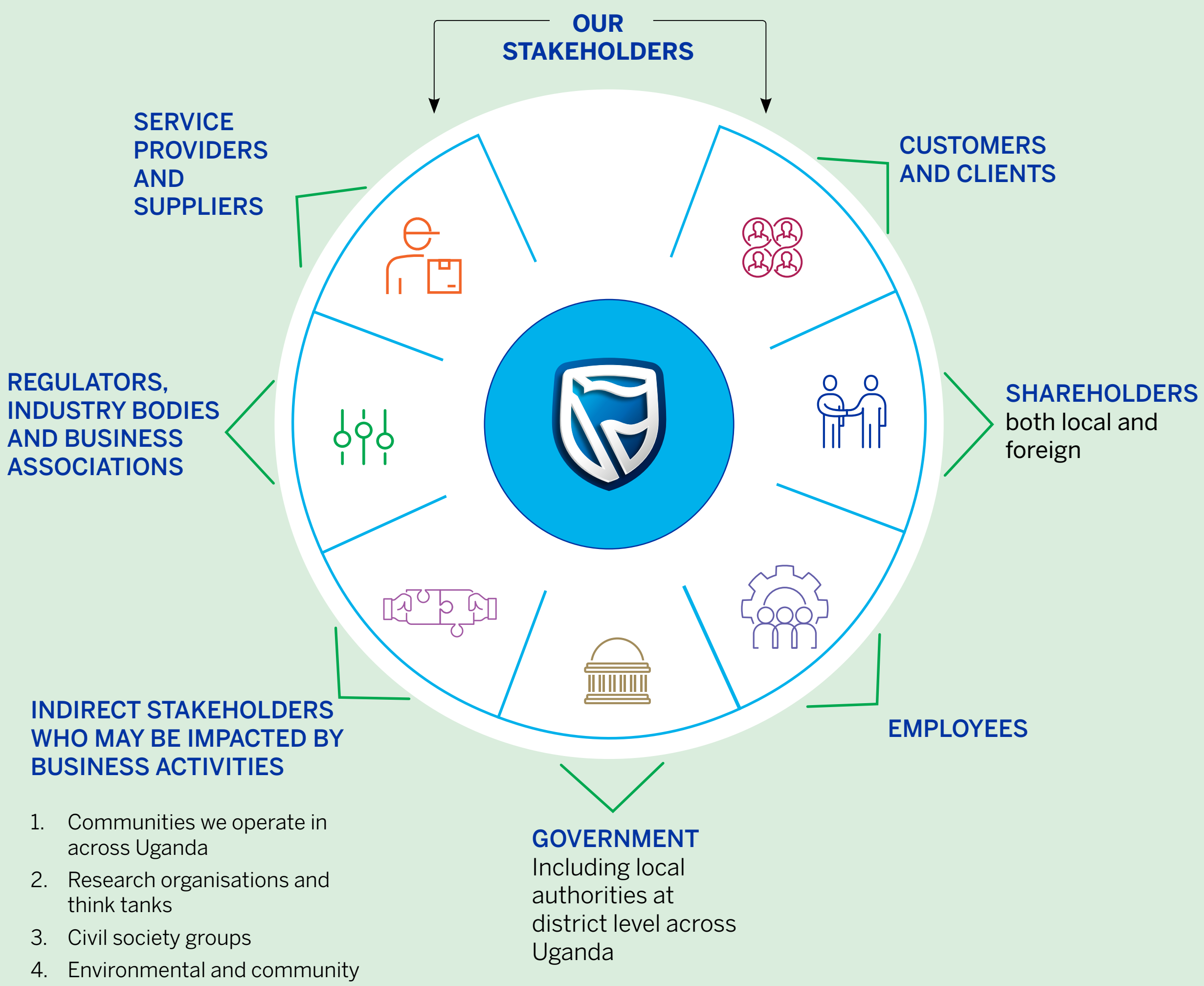
SUHL through its employee value proposition enabled acquisition of nine staff homes in 2020 and extended UShs 10.5 bn financial enablement to 768 employees in 2020.

	2020		2019		2018	
	No. of Staff	UShs Amount	No. of Staff	Amount	No. of Staff	Amount
Staff Home Loans	**9**	**952,005,645**	61	7,829,785,410	62	8,825,493,929
Staff Personal Loans	**768**	**10,527,719,517**	1837	18,492,746,234	1480	16,273,176,224
Total	**777**	**11,479,725,162**	**1,898**	**26,322,531,644**	**1,542**	**25,098,670,153**

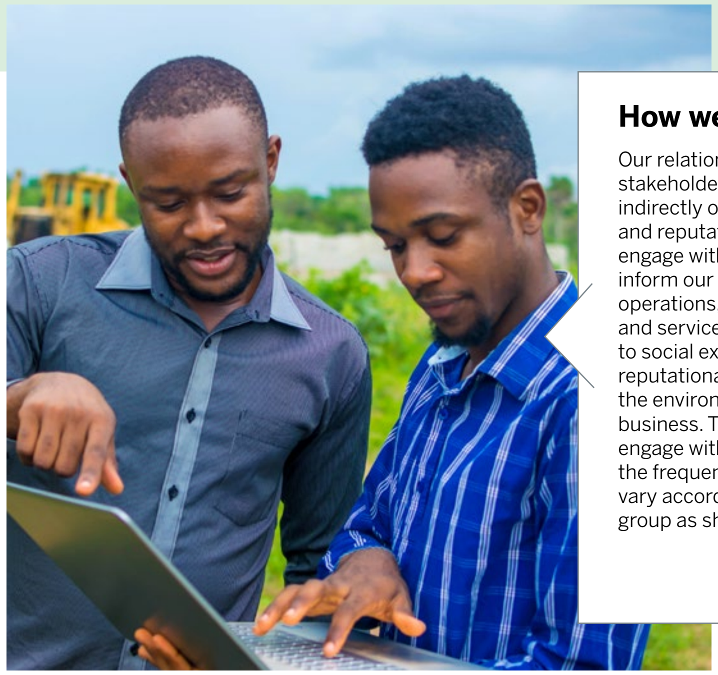
19%
of total wealth created
UShs 96bn
2019:UShs 109bn

Funds to the Ugandan government in form of taxes: (down from UShs 109 billion in 2019).

Building a Responsible Business



1. Communities we operate in across Uganda
2. Research organisations 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're a Stanbic Uganda Holdings Limited stakeholder. You're someone we recognise as a partner in driving Uganda's growth. Whether you are a first-time home buyer looking for a home loan, a small business needing working capital, an employee growing your career, a shareholder wanting to better understand our strategy, a supplier in our value chain, a policymaker in government, a parliamentarian, a regulator overseeing our conduct, a student on a Stanbic Bank bursary, or a young professional considering a career in banking, you are affected by our activities.

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 Investment • Competitive performance, good governance, transparency and a good present and future value for their investment	• SUHL continued to generate record earnings, with the best capitalised and most profitable Bank in Uganda and 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.
GOVERNMENT AND REGULATORS	*BOU* • Formal meetings, policy discussions, conference. • Onsite visits and compliance inspections	*BOU* • Emphasis on consumer protection: Bank of Uganda directive to introduce to all customers a "Key Fact document"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 • Capital adequacy: Given the pandemic and its expected impact, all banks were required to perform an ICAAP test pre-approval to pay any discretionary payments.	*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. Further, the launch of agency banking will allow the bank bring banking services closer to the people at affordable and inclusive propositions. • ***The results of the ICAAP test demonstrated a resilient capital structure for the bank hence approval to pay 2019 dividends.***
	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 the tax experts and consultants to ensure and sustain highest levels of tax compliance
	CMA & USE • Formal meetings, regular discussions, analysts' briefings	*CMA* • Build confidence and trust in the Uganda capital markets through providing a true and fair view of SUHL operations and performance. • Exchange controls and forex shortages	*CMA* • Partner with CMA in enhancing financial literacy for stakeholders • Elaborate and detailed annual reports providing a transparent, impartial view of SUHL operations and performance

CUSTOMERS AND CLIENTS	• Satisfaction & NPS surveys • Various customer channels including the distribution network. • Marketing and communications • Relationship and business managers. • Customer contact contact (CCC)	• Tailor made products and affordability • Managing complaints • Convenience and digital solutions	• We reviewed our customer value propositions to enhance the client products and solutions while addressing ease of accessibility and price. We launched a range of digital solutions with a key innovation, Flexipay; a versatile platform through which the customer can access various services. • To improve the efficiency in managing customer complaints and feedback, we begun implementing the 360-degree customer view using Salesforce a new technology platform that will greatly improve our knowledge of the customer and how better to support them in real time.
EMPLOYEES	• Employee engagement • Engagement surveys • Training Programmes, conferences • Staff events, town halls, internal Communications, internal meetings and discussions	• Wellbeing and productivity during COVID -19 • Business transformation and changes • Job security and remunaration • Trainings and acquiring new skills	• In the wake of the pandemic, we prioritised the safety and wellbeing of our employees. We put in place the work hybrid policy to provide staff with great flexibility while working remotely and provided the necessary support to keep them in good health through our enhanced care package. • To keep staff abreast of key development, we held monthly town hall sessions led by the Chief Executives to ensure all teams were informed about business updates. • As the business begun its transformation journey in 2020, regular team engagements were held to provide updates on department and changes. We continue to engage the teams to make sure there is no concern on job uncertainty. • Continuous training development Programmes have been deployed throughout the Bank on various systems that staff can access, such as sales force, network next and many more.
SUPPLIERS	• Supplier engagement and development • Supplier awareness forums • Vendor performance meetings • Regular vendor meetings	• Supplier survival during the pandemic • Extending financial support	• We held a supplier forum to support supply partners during the pandemic themed "Building resilience in the wake of COVID-19". The information shared, gave suppliers the opportunity to reshape their business models for long term sustainable growth. • We also reviewed how to provide financial support to suppliers especially SMEs to aid satisfactory performance and delivery.

2020 Awards - Accolades from our Stakeholders:

In 2020, Stanbic Uganda continued to be recognised in various areas of excellence by our stakeholders. The organisation was commended for its contribution to the economy, environment good governance and society as awhole. The summary below highlights the notable accolades received:

2020 ACCOLADES

1. Best Bank in Uganda - Euromoney Awards 2020
2. Best Bank in Uganda – Global Finance Magazine 2020
3. Best Bank in Uganda - EMEA Finance African Banking Awards 2020
4. Best Primary Dealer 2019/2020 – Bank of Uganda
5. Best Digital Brand - Digital Impact Africa Awards 2019/2020
6. Best Finance Team – ACCA
7. Best Investment Bank – EMEA Finance

SILVER WINNER - FIRE AWARDS 2020

The FiRe Awards are organized by the Institute of Certified Public Accountants of Uganda (ICPAU) in collaboration with the Capital Markets Authority (CMA), Uganda Securities Exchange (USE) and The New Vision, Uganda's leading News Daily. The initiative seeks to recognize excellence in integrated financial reporting. The awards seek to recognize quality and content of the annual reporting and spur further transparency in financial reporting.

In 2020, Stanbic Uganda emerged as the Silver Award Winner for best Integrated Annual Report of the year and received awards in a five more categories:

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

BEST PRIMARY DEALER AWARD: BANK OF UGANDA 2020

Stanbic Bank Uganda was named best Performing Commercial Bank of the Year 2020 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 2020

Recognized as Best Bank in Uganda at the Euromoney Awards 2020, 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. Euromoney awards for excellence recognise 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 nine of the accolades at the event including Africa's Best Investment Bank, and the continent's Best Bank for Wealth Management.

GLOBAL FINANCE AWARDS 2020

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

DIGITAL IMPACT AFRICA AWARDS 2020

The awards recognize companies which drive digital inclusion, financial inclusion and cyber security across the African continent.

1. Best Brand on Social Media Award (for financial services, telecom and IT)
2. Digital Powered Campaign Excellence Award in reference to the 2020 Stanbic National Schools Championship that was execute online amidst the COVID-19 pandemic.
3. 'Cards Payment Excellence' Award.

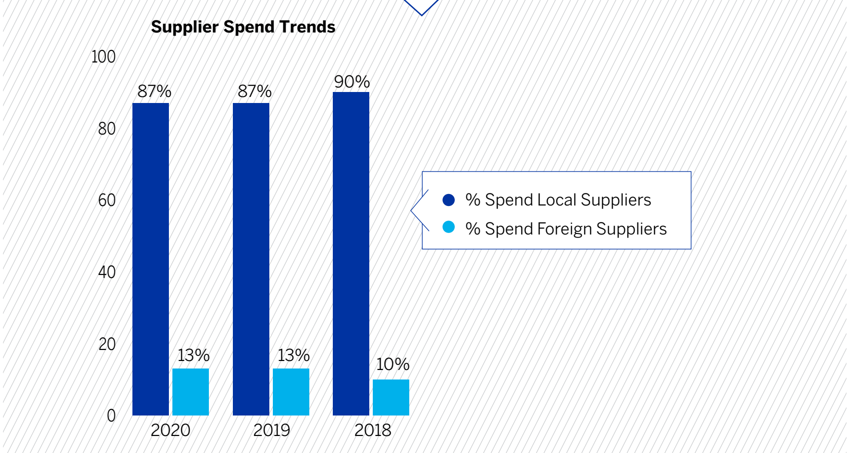
Procurement Practices

Through leveraging efforts & initiatives undertaken in prior years, the Stanbic Uganda continued to apply practices aligned to the principles of transparency, integrity and equality on a consistent basis across all its Procurement activities throughout 2020.

Furthermore, driving growth of local suppliers remained a key focus. RFx processes are structured in a manner that draws as many local suppliers as possible to participate in available procurement & supply opportunities in alignment with the Government of Uganda policy on promotion of local content through the Buy Uganda Build Uganda (BUBU) initiative that was launched in 2017. As a result, we continue to sustain our procurement spend commitment with local suppliers (87% in 2020) as demonstrated by the Bank's third party/external supplier spend trends (between local & foreign suppliers) over the 2018 to 2020 period.

Procurement Spend

	2020 USh (millions)	2019 UShs (millions)	2018 UShs (millions)
Total Procurement Spend	**180,968**	178,224	w156,457
Amount Spent on Local Suppliers	**156,842**	154,452	140,961
Amount Spent on Foreign Suppliers	**24,125**	23,772	15,496
%age Spent on Local Suppliers	**87%**	87%	90%



Sustainable Procurement

Our procurement policy supports initiation and development of supply relationships with partners that observe the principles of ethical procurement such as; workforce diversity, human rights, equal opportunities and practices that protect the environment, among other sustainable procurement practices. Our vendor selection and award processes are structured to establish supplier compliance to these standards/ expectations at onboarding. For its long-term partnerships, Stanbic continues to monitor Supplier commitment to these ethical standards throughout the relationship lifecycle through related contract clauses and ongoing compliance monitoring.

Specifically, in support of environmental protection, the Bank has deployed technologies (COUP [procurement systems] A P2P & Adobe sign) that facilitate end to end digital procurement engagements (proposal submission, contract signing, etc) with it's supply partners, thereby eliminating the need for paper/printing and guarding against the would be impact on the environment.

Additionally, Stanbic Uganda endeavours and commits to settlement of undisputed supplier invoices within 10 business days to enable its supply partners minimize the impact of credit on their operations and support continuity.

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

Supplier Development

Over the years, the Bank has progressively nurtured partnerships with its service providers through focus on application of several initiatives including; extension offinancial support to SME suppliers to aid the satisfactory performance of their contractual obligations, supporting supplier risk management initiatives through focussed 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 project 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.

In 2020, the Bank organized and conducted a supplier forum/event that focussed on supporting supply partners towards building business resilience in the wake of COVID-19.

All these initiatives are critical for sustainable business growth and equip the Bank's supply partners with the resources, skills and competencies required to grow, maintain & propel their organisations to greater horizons.

SEE and ESG goals

EDWARD CHARLES MUTEBI,
Head, Procurement

SEE and ESG represent the need to uphold the practice of nurturing the competencies needed to drive socially and environmentally responsible procurement, thereby contributing to the consistent application of structured & risk awareness practices throughout all the stages of the procurement process, to deliver sustainable growth and commercial advantage for both the Bank and its supply partners.

Our People

2020 was a transformative year for the organisation especially in the awake of the COVID-19 pandemic. The events of the year were unprecedented for the world as a whole, and we take a moment to commiserate with all that lost their lives or lost a loved one. As the pandemic unfolded it was clear that we needed to shift our pace and our thinking. We made and kept our promise zero layoffs or pay cuts guaranteeing employment to our over 1600 staff in a tough business environment. This was in line with our purpose of driving Uganda's growth.

DAVID MUTAKA, HEAD HUMAN CAPITAL

Two key themes, humanity and resilience emerged and shone through all of our activities for 2020. As the pandemic ravaged the continent it was clear that lives were at stake and our customers were going to need different help and we needed to find new ways to serve them. Our first focus was to make sure our staff were safe.

For those colleagues who had to work in our branches, call centres and offices to maintain essential services, we arranged safe transport during the most intense phases of lockdowns, provided personal protective equipment (PPE), implemented increased hygiene, temperature and symptom testing protocols across all Bank premises, used multiple sites and shifts, and set limits on branch occupancy and on physical proximity in branches, to protect both our employees and our clients. We also granted a special National Service Appreciation Award to all employees who worked outside the safety of their homes during the total lockdowns.

Though 75 of our colleagues contracted Covid 19, we are grateful that none of our colleagues lost their lives and they all recovered. The Bank supported staff through the testing, quarantine and treatment.

We asked our colleagues through a survey in June how they were doing in light of the pandemic and 97% of staff working at home and office had adapted, 89% felt their leader was caring about their well being and how they were doing and 86% felt heard when they spoke. Keeping connected while at different locations also scored a high of 90% informally and 95% formally. The resilience and productivity as a result was commendable and we celebrate the teams at the Bank.

Our second focus was our ability to remain open and innovate to serve our customers in new and different ways. At the peak of the pandemic we enabled over 60% of our staff to work at home through technology.

At the core we also realised our culture needed to shift if we were to be future ready. This included a brand and employee promise refresh to finding new ways to make dreams possible, with the tag line shifting to IT CAN BE. Driven by our reasons to believe rooted in our heritage, and these are Human at Heart, African to the Core and Driven to Win.

Our LOVE behaviour shifted to focusing on impact for the customer and our communities. To do this we would need to be open to new ways of work which are collaboration within and without; opening up to innovation, valuing curiosity and knowledge and empathy to understand each other and our customers. This continues to be a shift we are looking to make on our journey to be the most digital and customer obsessed organisation on the continent. Our innovation challenge unearthed 127 new ideas to help making banking cheaper. Staff contributed over 100 million in various social initiatives to support the communities through Covid 19.

With all the changes our policies needed review and among those we introduced was the hybrid workplace policy to manage the flexible work environment that had been introduced by the need to work remotely.

The above resulted in our highest engagement scores ever at eNPS of +61 up from +47 in 2019, with a participation rate of 86%. The continued belief of our staff in the organisation's commitment to drive sustainable and inclusive growth across Africa is a critical ingredient for our success.

Finally but not least we could not remain the same structurally on our journey to be future ready and the Bank started the transformation journey, thinking about how we should be better organised to keep the customer at the centre of all we do and execute at speed. The results of this will be seen in 2021 and beyond.

Employee Wellbeing – and in the wake of COVID 19 I am certain there are some critical updates here

2020, the country engagement score hit a staggering +62 over a set target of +47. This was largely attributed to the Bank's COVID19 response. We provided welfare support to teams working from office (WFO), supported expecting mothers to access health services during a time when movement was restricted, supported customer care centre staff who were stranded with transportation and accommodation when the lock down ban was effected at an odd hour on March 26th, 2020.

A structured approach to coordinating the testing, tracking, counselling, monitoring of 75 COVID-19 cases in collaboration with the Government Ministry of Health officials ensured limited inconvenience to staff. The team arranged for emotional impact sessions for the eight teams that were impacted by COVID-19. The team launched the Banks' mental wellness programme dubbed the Let's Talk – Mind, Body & Soul, a programme that encouraged staff to openly talk about the stigma around mental challenges. This was meant to address a topical issue that is impacting staff and families but did not have a platform for discussion. There was great appreciation from staff on the same. We also hosted and facilitated mental health & ergonomic sessions for 1,200 staff.

To track employee activity and response we launched a COVID App which got up to 99% utilisation in October 2020. We launched the tele medicine facility & the ICAS on the go app to ease access of health & wellness services. We have seen less requests for ergonomic chairs as staff have now taken personal initiative to exercise the recommended working from home ergonomic practices. In order to respond to new work trends & improve productivity, we drafted the workplace hybrid policy, which clarifies rights, responsibilities of the employees and enables them be productive while securing Bank data and property.

41.2%

Women hold managerial positions

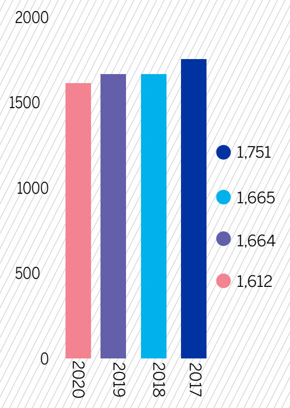
Women and Diversity Update

In this segment we are proud to celebrate our first female and Ugandan Chief Executive, Anne Juuko. We recognise that diversity and inclusion are the ingredients for innovation and being a human organisation that is representative of the communities that support us. Our flagship women development programme continues to flourish, and this year, to continue to enable good human beings, we introduced the Barbershop for men. This was aimed at promoting positive masculinity that inherently respects and promotes women and humanity. Our gender statistics continue to improve year on year.

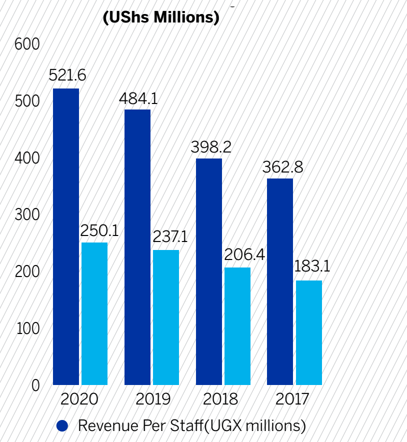
The Bank had a total Headcount of 1,612 staff in 2020, **of whom majority are female (52%)** compared to 51.9% 2019. Female employees also held 173 of the Managerial roles in 2020, up from 164 in 2019. The Bank provides equal opportunities to all Ugandans and this is based on merit.

	2020	2019	2018
Total Employees	**1612**	1,664	1,665
Staff Costs (UShs millions)	**169,512**	164,999	148,609
Female Employees	**839**	865	857
Interns	**15**	72	47
Employee Turn Over	**4.2%**	8.8%	9.6%
No of Temporary Staff	**80**	125	112
Revenue Per Staff(UShs millions)	**521.6**	484.1	398.2
Cost Per Staff(UShs millions)	**250.1**	237.1	206.4
Males trained	**761**	561	805
Females trained	**777**	589	851
Total no of staff trained	**1,480**	1,150	1,656
Training Spend (UShs millions)	**1,733**	4,476	3,581

HEAD COUNT



STAFF PRODUCTIVITY (IN MILLIONS)



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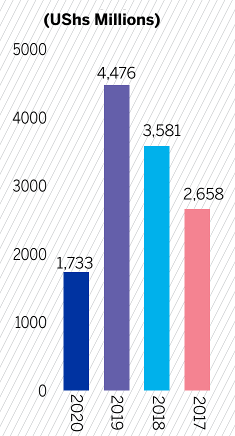
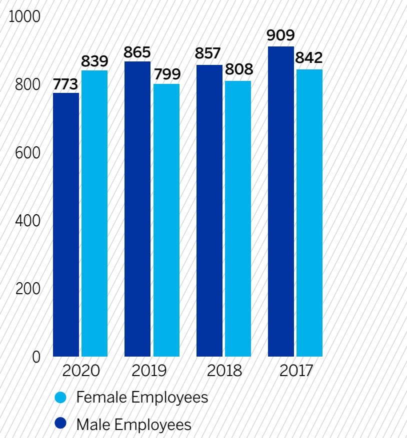
TRAINING SPEND



GENDER COMPOSITION



Our Journey to Creating a Learning Organisation

2020 Learning Trends

The year 2020 presented a rise in the utilisation of the e-learning platforms with exposure to a wider range of curated content for the learners. Preferences of our learners moved from classroom to self-directed learning, especially micro learning to meet their needs. (popular sources, You tube videos, podcasts, technology entertainment and design talk etc.)

There is more flexibility of the learners, increasingly eager to use mobile devices and virtual settings to meet their needs. Our universal learning interventions have been easily executed virtually across the organisation and we have been able to spread impact to more people to benefit from our interventions more than ever.

Personalised learning where individuals have been enabled to self-serve and choose content that is relevant for their personal development has resulted into a wider consumption of learning content without limitations of job title or level.

Learning was more focused on the future skills and leadership effectiveness and simplifying the working learners experience.

Leadership Effectiveness

Personal effectiveness and productivity sessions were held for the Executive Team and senior leaders. The focus was enabling the leaders to transition to the new ways of working as a result of the pandemic and provide the right support to their teams to ensure that the teams are productive.

It was important to keep people connected so we run sessions that got the leaders together to share experiences, best practices and challenges. This was done through Speaker series which focused on trust, empathy & Authenticity. We partnered with influencers who are making a difference in communities to share their leadership journeys. The leaders / influencers were previously local but with the virtual sessions, we have expanded to international speakers too. These sessions happen on a monthly basis.

The leadership stories shared have made it clear that the path to impactful leadership is the right leadership behaviour. Integrity and authenticity are paramount in building trust as we lead people and serve clients. These series reached at least 629 staff.

Partnering with Toastmasters to elevate talent and nurture true potential

Our purpose is strong and true, and our vision for the future is in sight. Uganda is Our Home and We Drive Her Growth. We know we can achieve it, but the only way we'll do so is by really putting our clients' dreams at the heart of our every move, as we drive Uganda's growth. When these dreams start to be realised, that's when progress – for everyone – will happen.

Embracing Digital Learning

With the pandemic, there was a need to shift how we think about learning with an accelerated focus on having a future ready, agile and resilient workforce.

The shift in digital learning 2020 Vs 2019:

96% of the staff were improving themselves in personal skills

95.3% acquired future skills — 105%
2019: 46.5%

82.2% Leadership utilisation — 9.5%
2019: 76.6%

92.5% Workplace technical skills — 141%
2019: 38.4%

We landed our first major banking system upgrade virtually and it was successfully implemented. On this project, there were 70 employees trained as trainers to teach the rest of the employees about the system. The train the trainer and end user training continued online, and the project was deployed successfully in July 2020 with 100% of the teams having been trained to use the new system. Some of the learners were excited to have training in the comfort of their homes. It opened us up to the convenience of digitisation.

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The only way we can expect our people to give this important objective their all is by enabling their own dreams to be realised too. Our promise to our people is that we will find new ways to make their dreams possible. We will listen to their hopes, wants, needs, help them shape their career experiences around them and enable them to become the best version of themselves.

We have partnered with Toastmasters as one way to create a safe space for our people to build their confidence, think differently and creatively. The mission of Toastmasters is to provide a supportive and positive learning experience in which members are empowered to develop communication and leadership skills, resulting in greater self-confidence and personal growth.

The partnership with Toastmasters started in 2019 with two Clubs chartered and launched in March 2020, with 223 staff having attended at least one Toastmasters session in 2020.

We live in unprecedented times due to the global pandemic. We have had to rethink how we continue to reskill and upskill our people. Our goal is to create a learning organisation and have learning on the go. All our people have access to relevant learning content 24/7, platforms and experiences.

As a result of the pandemic. The toast-masters sessions have shifted from physical engagements to virtual sessions. This has resulted in improved participation and more people joining this community. This indicated our ability to be agile and that every challenge can be an opportunity depending on your mindset.

As a result, we have more people bringing themselves to work. They are more motivated to help us win and are inspired to show up at their very best and commit to achieving their dreams.

Leveraging Diversity to Improve Business Effectiveness

As part of our culture journey, we focused on signature diversity leadership programmes i.e. Ignite & Barbershop.

Ignite is a women's programme focusing on elevating women in leadership, challenging limitations and empowering women to fulfil their potential. The 2020-2021 programme is being run by the alumni from the programme to further embed the learning and pay it forward. The alumni are also mentors to at least nine ladies in the Bank. So far 350 female employees have been through the programme.

We launched the Barbershop programme which is a men's programme focusing on authentic masculinity. We have identified specific topics to focus on based on what we are solving. 352 men signed up for Barbershop. The sessions are happening two-fold; webinars for the full team and smaller circles with the mentors, providing safe spaces to regenerate, share reflections and how they are applying their learning.

The Book Club

We have The Book Club aims at developing capability by challenging our thinking. We recognise that learning takes on different forms, so the Book Club creates space for employees to deliberate on the books they have read, ideas they mined and how this can be applied in the work environment. The books selected have a future ready theme to help with the mindset shift required for the new world. The books reviewed were 'Future Now' by John Sanei, 'The Amazon Management System' by Ram Charan, 'The Black Swan' by Nasim Nicholas Taleb and currently 'Switch - How to Change Things When Change is Hard' by Chip Heath & Dan Heath.

We have had 109 employees attend at least one session. As a result, they are now part of the strategic multi-disciplinary workstreams as a way of applying the new learning.

Creating agile & Feature Teams

As an outcome of the culture work, collaboration and curiosity are key pillars. There were several multi-disciplinary workstreams that presented opportunities to employees to do more and different from their current roles. Multidisciplinary work streams are a great avenue for blended learning.

We launched the Barbershop programme which is a men's programme focusing on authentic masculinity. We have identified specific topics to focus on based on what we aim to solve.

352
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Compliance framework and practices

SUHL's compliance framework is guided by a motto "Do the right business, the right way", a tenet which ensures adherence to the regulatory framework and ethical conduct. To drive good compliance practice across SUHL, the Board and Management have embedded a compliance framework that ensures that there is, timely and accurate reporting; compliance with laws and regulation; proactive engagement with our regulators; and proactive reviews of key operations. The compliance framework is rigorous; ensuring that each member of the group is well-informed of the evolving laws and regulations impacting its operations and business guaranteeing conduct within statutory, supervisory and regulatory requirements.

The framework supports SUHL's strategy by embedding a culture of compliance, which enhances the sustainability of the Group. This has seen a drop in fines incurred by the Group.

As a line of defence, the compliance function has taken strides to ensure that the bank not only meets its reporting obligations but does so timely which has been through harnessing the power of digital transformation to track various reporting obligations.

Annually, compliance risk assessments are performed across the entire Bank, Key risk indicators are re-defined, and the respective units' regulatory universes are refreshed to ensure close monitoring of any developments and potential compliance gaps within the bank. These are initiatives to proactively manage compliance risk. Additionally, the regulatory universe is often amended to monitor imminent compliance trends and obligations. This is to proverbially stay ahead of the curve. This has proven especially relevant for SUHL as it grows and continues to diversify its portfolio with the addition of the FlyHub.

At Stanbic, we appreciate the vital role that our regulators play in the way we do business especially as we transition into a platform business. It is thus vital that we work closely with our regulators to keep them abreast of our business strategy and most especially get their support.

With the onset of the COVID-19 pandemic, SUHL and particularly Stanbic Bank was thrust into a new normal of doing business that came with heightened regulatory compliance obligations which had to be complied with in addition to the planned compliance activities for the year.

2020 COMPLIANCE HIGHLIGHTS

Regulatory developments

The key development in 2020 was the passing of the National Payments System Act. The Act serves to provide for the safety and efficiency of payment systems; prescribe the rules governing the oversight and protection of payment systems; regulate payment service providers; and regulate issuance of electronic money among others. The regulatory outlook for 2021 has a number of regulations to operationalise the National Payments Systems Act and regulations to operationalise the Data Protection and Privacy Act. The draft versions of these regulations were discussed last year and are imminent in 2021.

Anti-Money Laundering

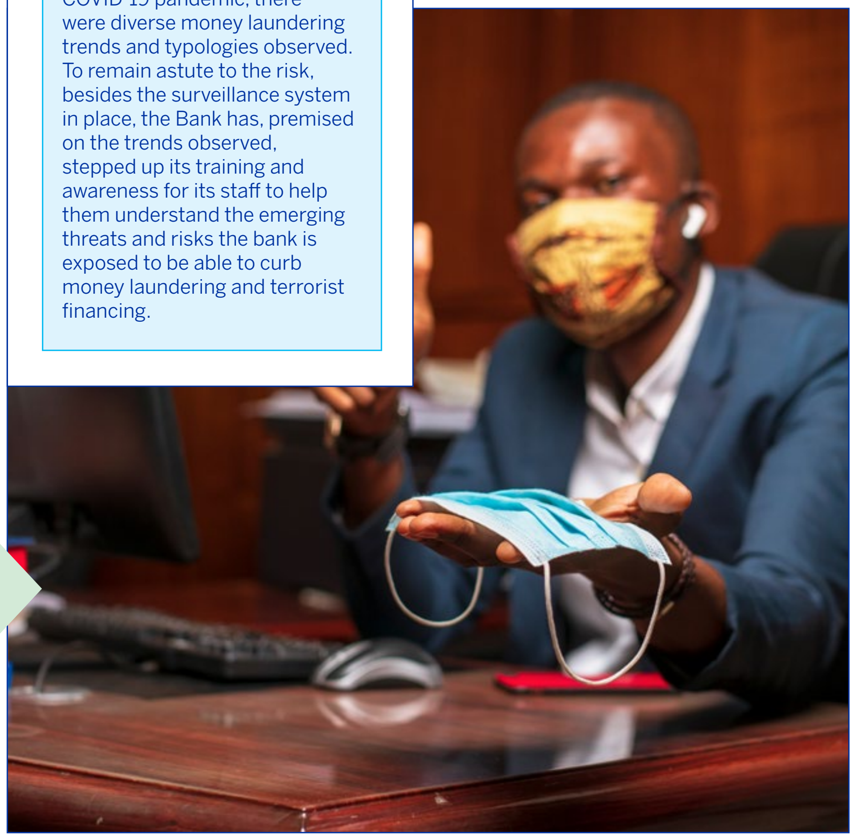
SUHL largely operates within the financial services sector, as such, money laundering is one of the major risks it faces. Cognisant of the risk posed, SUHL has, across the entire group, implemented robust AML/CFT framework to ensure adequate knowledge of the parties that we enter relationships with. With the COVID-19 pandemic, there were diverse money laundering trends and typologies observed. To remain astute to the risk, besides the surveillance system in place, the Bank has, premised on the trends observed, stepped up its training and awareness for its staff to help them understand the emerging threats and risks the bank is exposed to be able to curb money laundering and terrorist financing.

2020 through the Compliance lens

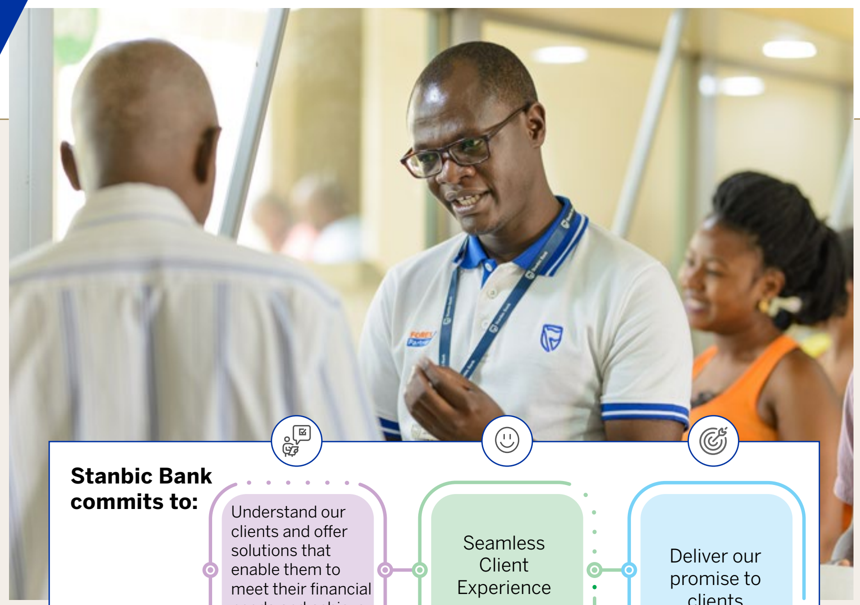
The year 2020 can be summarised as one of agility and dynamism, a wave that required SUHL's compliance framework to quickly adapt and provide protection to the group's operations. With the onset of the COVID-19 pandemic, SUHL and particularly Stanbic Bank was thrust into a new normal of doing business that came with heightened regulatory compliance obligations which had to be complied with in addition to the planned compliance activities for the year.

In order to safeguard the economy from adverse effects that came with the measures put in place to combat the pandemic, Bank of Uganda issued operational directives throughout the course of the year which the Bank fully complied with. Management actively tracked adherence to the directives with regular updates to the Board. With the new normal brought on by the pandemic, SUHL had to adapt its operations to suit the environment and this saw a huge shift towards digital operations. The thrust into digital operations required that SUHL remains alive to the Data Protection and Privacy Act that came into force in 2019. The Bank had to navigate this transformation alive to the legislative standards set out in the regulatory framework.

In the second half of 2020, SUHL heightened its focus on conduct risk to include a keen attention to our staff. As such, there was a review of the conduct risk management framework and it is a priority area in 2021.



Customer Experience



One of the key strategic priorities of Stanbic Bank is customer centricity. As a financial services organisation, we continue to listen to our customers to deliver services and solutions that are meaningful to them and we are committed to finding new ways to make your dreams possible.

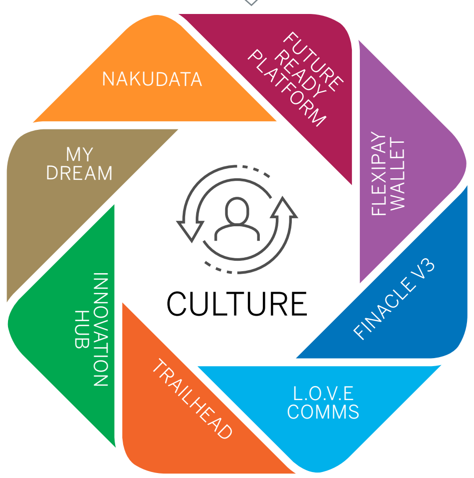
In the wake of the global COVID 19 pandemic, Stanbic Bank recognised the enormous impact of this crisis on the people of Uganda and most especially the customers who are servicing loan facilities with us. The Bank offered relief solutions ranging from repayment holidays to credit restructures for customers who were impacted.

Stanbic Bank commits to:

- Understand our clients and offer solutions that enable them to meet their financial needs and achieve their goals
- Seamless Client Experience
- Deliver our promise to clients

In 2018, we started the culture transformation journey that resonated into the behaviours' to be exhibited by all staff in light of offering excellent service to the customer. These were defined as Leap into action, Own the Issue, Vow to get it right and Enlighten with information (L.O.V.E). The year 2020 required an enhancement of the L.O.V.E descriptors to enable us take customer experience to an advanced level. The culture refresh through collaboration focused on the behavioural aspects of staff. The behaviours to transform the customer experience were agreed to be implemented as; let's Team Up (to get things done), Open your mind (to find a way), Value knowledge (to empower), Empathize (to understand & act) and these were underpinned on the pillars of collaboration, innovation, being human and being curious. Several workstreams were birthed from the culture refresh with the task of coming up with practical and easy to implement solutions for the customer's needs as illustrated below.

In addition, Project Exodus, one of the digital workstreams was able to deliver limit increases both for internet banking and agent banking, simplified and leaned processing under account opening, digital registration, pre-scored lending and customer virtual verification. Further benefits were realised in enhancing the curriculum for customers enrolled in the Incubator with a digital and cash module.



Customer Satisfaction

The drive to adopt and utilise digital channels as well as simplification and digitisation of processes remains a key focus area to enable sustainable improvement to deliver services closer to the customers. Whereas we received more customer appreciation on use of the alternate channels, on accessibility, product range, and good customer service through the customer survey, there was a decline in the Net Promoter Score from +24 in 2019 to +16 in 2020. The Bank has embraced these insights and is working through the various workstreams to solution better for the customer.

Managing complaints

The journey of having a 360-degree view of the customer is ongoing with focus on implementation of Salesforce for client servicing, relationship management, marketing, sales and onboarding as well as simplification. This is in line with the Bank's strategic objective of becoming a platform business. The salesforce capabilities that will be realised in the implementation will improve customer engagements through solutions and measuring efficiency, convenience and relevance while offering an always on, always secure platform for sales, service, digital and relationship management.

As a way of preparing the staff for the salesforce implementation and continually being future ready, the salesforce trailhead learning environment was rolled out in 2020 to empower staff in areas pertaining to offering excellent customer relationship management and service, utilising data, digitalisation and innovation to solution for the ever changing customer needs and provide customer sales operational excellence.

Inclusive customer value propositions

Our customer value propositions continue to be enhanced to meet clients' needs. In 2020, the enhancement in the bank's core banking system enabled the automation of unsecured personal loan redraws and top-ups, lending using online Banking platforms, online account opening and digital onboarding. Customer self-service for USSD PIN reset and management of the debit card were enabled for mobile and internet banking.

To further drive Uganda's growth, the Flexipay Wallet solution was launched to answer the pain points clients have expressed about the friction, access and cost of financial services. The solution, accessible apple, Google play store and *291*1# will offer free transfers to other flexipay wallet holders, bill payments, airtime purchase as well as earning loyalty points for transactions above UShs10,000.

To enhance the Bank's relevance and connectivity in East Africa, the borderless banking solution was launched with Uganda, South Sudan and Kenya to offer seamless real time transaction capability across these countries. Our customers are able to execute over-the-counter cash withdrawals, deposits in local and foreign currency in branches in the different countries like they would do in branches in their home countries hence saving precious business time, money yet facilitating growth in regional trade market share.

Occupational Health and Safety

Occupational health and safety (OHS) remains a key focus area for the Bank. In 2020 a number of interventions were put in place to address OHS requirements and ensure that employees have a safe and secure workplace most especially during theCOVID-19 pandemic. The interventions put in place included; OHS specific inspections, awareness sessions, provision of safety gears for staff i.e. face masks, gloves (for teams that handle cash), desk shields, temperature guns at all entry points into our respective POR's, hand sanitiser bottles, deep cleaning etc. Social distancing was equally adopted as recommended by Ministry of Health. The OHS requirements are now incorporated into premise maintenance plans. Safety committees were instituted, 200 OHS officers trained and a full OHS risk assessment incorporated into the 2020 work plan.

The Bank further received work certificates for all branches across the network from the Ministry of Labour. One branch was refurbished, and five head office units relocated/refurbished in 2020 to ensure compliance with the OHS standards and a further 10 branches scoped for 2021. Furthermore, 200 staff received training in; first aid, fire safety, wellness, ergonomics and lifting techniques in areas where the work involves lifting.

Environmental Responsibility

Good environmental practices are encouraged as they secure the wellbeing of the general economic divide.

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

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

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

Environmental Highlights

		2020	2019	2018
Electricity purchased	kilowatt hours	**3,581,455**	4,009,723	4,806,373
Fuel consumed	liters	**403,662**	460,438	476,498
Water consumed	kiloliters	**20,820**	26,073	24,268
Paper consumed (Copier)	tons	**38**	54	57
Paper consumed (Other)	tons	**59**	64	106
Carbon Emissions	tons	**5,172**	6,151	7,371

Energy Consumption

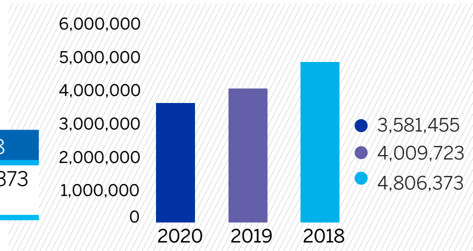
Energy consumption has a direct effect on operational costs and exposure to fluctuations in energy supply and prices. Our environmental footprint is shaped in part by our choice of energy sources. Energy utilised at Stanbic Bank is basically in the form of hydro-electric power that is required to power up our machines and at the same time provide lighting, amongst other uses. Hydroelectric power is regarded as clean energy and thus doesn't pose any negative material impact to the environment. The Bank however runs diesel powered generators as back up supply for instances where the hydroelectric power is unavailable. There are two locations in the network (Kotido and Kaabong) which are off grid, however solar power supply was installed at these locations three years ago after a successful proof of concept as a primary source with a generator being used at each site as a backup. Alternative sources of power that are robust enough to run full branch infrastructure with no/ minimal impact to the environment are being explored and once confirmed to be suitable, a proof of concept will be carried out before adopting the solution.

The Bank's electricity consumption reduced by 10.7% in 2020 and this is attributed to various initiatives undertaken to reduce our total energy consumption despite the addition of some equipment in the network like the cash depositing machines which consume more power compared to normal ATMs. There was also stable supply of the grid which resulted in corresponding drop in running of backup diesel generators. Furthermore, with the onset of COVID-19, there was rationalisation of use of equipment thus lowering the electricity purchased.

The energy efficiency initiatives like deployment of LED lights and automation of air conditioners is still being implemented for branches which are being set up/ revamped.

Sensitisation was carried out across the network on energy usage and this has also greatly contributed to reduction of energy usage as well as reduction in the size of some branches. Automation of lights is currently being explored for head office and a proof of concept is scheduled for Q2 2021.

		2020	2019	2018
Electricity purchased	kilowatt hours	**3,581,455**	4,009,723	4,806,373

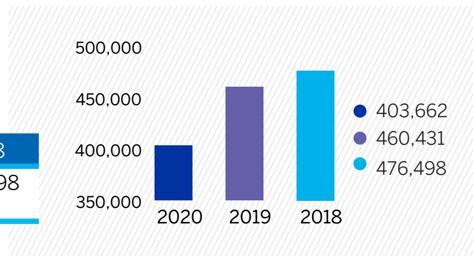


Fuel Consumption

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

Our fuel consumption reduced by 12.3% in 2020.This is attributed to the logistical team's sensitisation to the network on efficient usage, timely engagements with Umeme to restore power which increased on grid power uptime and replacement of old and high fuel consuming cars with more efficient new cars. Furthermore, grid power supply at the data recovery site at Muyenga where there is high power consumption due to IT equipment was stabilized by Umeme, thus a decline in fuel spent for the two generators on site.

		2020	2019	2018
Fuel consumed	liters	**403,662**	460,438	476,498



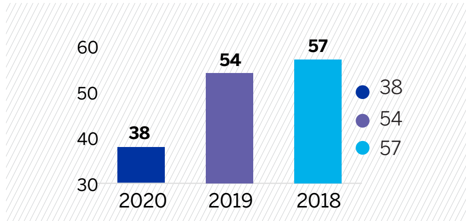
Materials

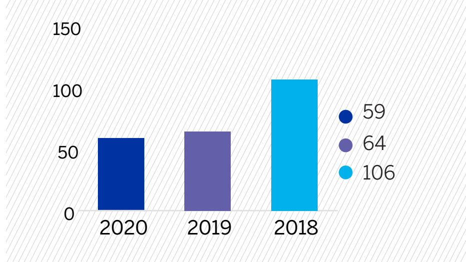
Our value creation process requires marginal input of materials and as such our major input is paper which is used in form of stationery of varied nature. This is used to print necessary source documents as well as various reports.

Paper consumption reduced by 29% in 2020 compared to the consumption in 2019. This is attributed to some initiatives adopted in the paperless agenda space where dual screens were introduced in some departments within the Bank to minimise on paper usage. Furthermore, the introduction of digital engagements like Teams for meetings as well as customer transactions which were digitised also discouraged the usage of paper. Key to note was the impact of COVID-19 on business where business slowed down for a period of six months. This is expected to drop further once the paperless initiatives in place are fully adopted.

Consumption of other stationery in this area also reduced by 8% compared to 2019 due to increased sensitisation on stationery usage across the network as well publication of costs incurred by different teams on stationery which has greatly impacted on the behaviour in stationery usage.

		2020	2019	2018
Paper consumed (Copier)	tonnes	**38**	54	57
Paper consumed (Other)	tonnes	**59**	64	106



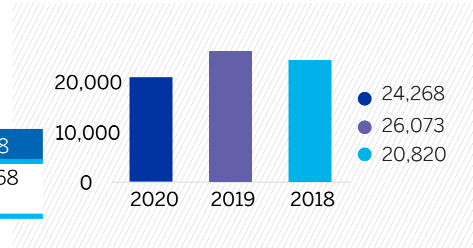


Water Consumption

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

The decreasing trend in water usage in 2020 was attributed to the COVID-19, which caused more people to work from home.

		2020	2019	2018
Water consumed	kiloliters	**20,820**	26,073	24,268



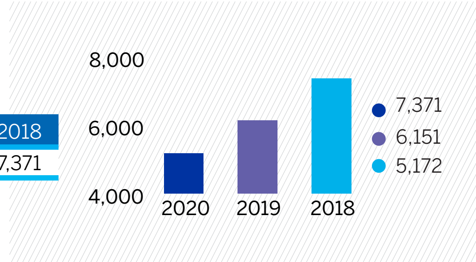
Green House Gas Emissions

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

Our carbon footprint decreased by 16% in 2020 driven majorly by our lower reliance on diesel due to power stability and equipment rationalisation.

The COVID-19 impact spread throughout the year 2020 and hence affecting majority of business operations such as commercial flights, head office and the branch network mobility.

	2020	2019	2018
Carbon emissions (tonnes)	5,172	6,151	7,371

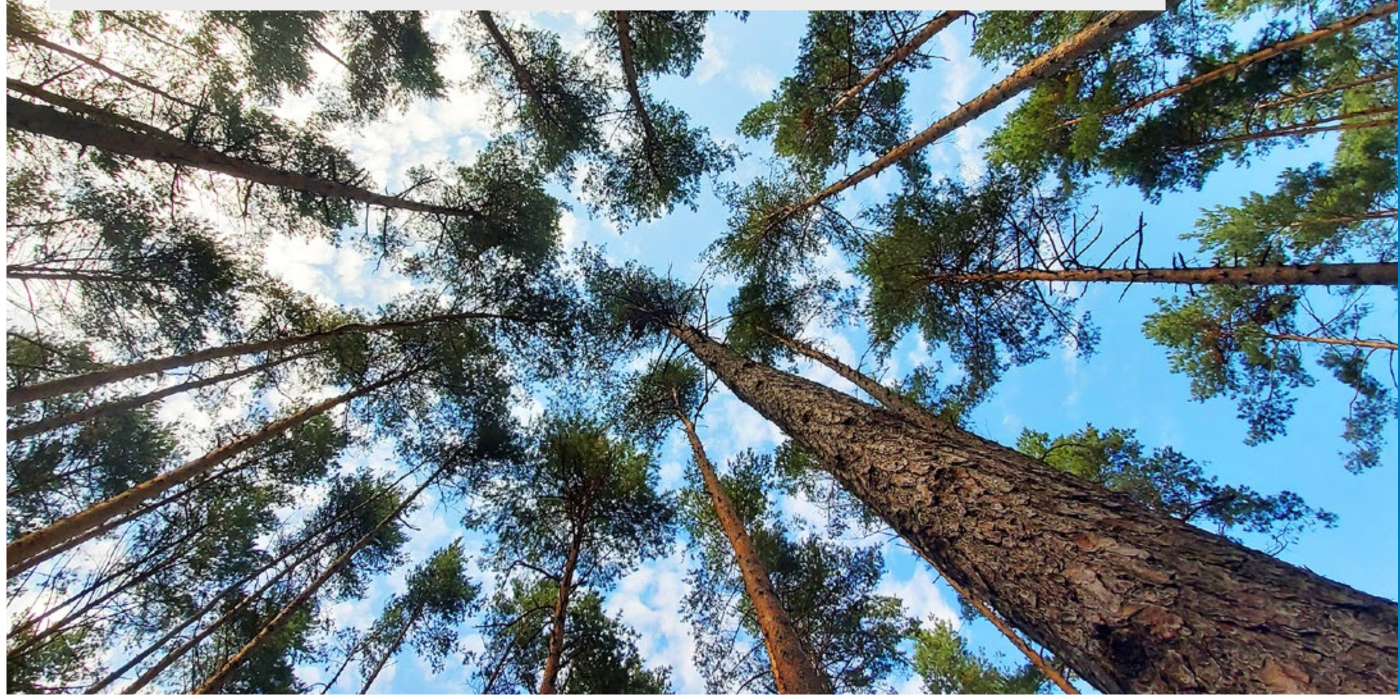


Strategic Environmental Initiatives

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

- Power automation, equipment rationalisation and deployment of environmentally friendly alternative power solutions like solar and inverters.
- Waste management (adopt usage of waste segregation bins at all PoR's)
- Tree planting initative in partnership with other corporate entities
- Automation of process to reduce on demand for paper.
- Adopt equipments (generators, vehicles etc.) with smart technology which have minimal impact to the environment.
- Office and branch space rationalisation.

Our carbon footprint decreased by 16% in 2020 driven majorly by our lower reliance on diesel due to power stability and equipment rationalisation.



Social Investments in our Communities

Introduction

Our corporate social investments speak to our purpose: Uganda is our Home we drive her growth – and our Social, Economic and Environment priorities that align to the Sustainable Development Goals (SDGs).

A key focus for our social investments is education, in addition to other critical support areas such as health and environment. We believe that quality education is critical to achieving social and economic growth. We therefore focus on creating sustainable interventions that support education at different levels including; early childhood development, primary and secondary level education, tertiary education, adult education in financial literacy and entrepreneurship training.

Through our various social investment Programmes, we touched the lives of over 450,000 direct beneficiaries and over 40 million people through our online platforms in 2020.

A key focus for our social investments is **Education,** in addition to other critical support areas such as **Health and Environment**. We believe that quality education is critical to achieving social and economic growth.

Our CSI Highlights

With the challenges brought on by the COVID-19 pandemic, we more than doubled our support to community and invested UShs 3.9 billion, a 34.5% increase from UShs 2.9 billion through our CSI Programmes. We made donations to frontline health works in collaboration with the Ministry of Health, contributed food and supplies to in local communities where we operate and continued to our support in education, environment and maternal health.

CSI Intervention Reach (Number of Beneficiaries)	2020	2019	2018
Employee Community Involvement (ECI)	**12, 884**	20,000	15,361
Philanthropy and Commitment to Humanitarian projects	**312,504**	247,000	173,739
CSI Special Projects and Strategic Partnerships	**133,750**	141,000	106,154
Total	**459,138**	408,000	295,254

CSI Investment	2020	2019	2018
CSI Investment (UGX)projects	**3,914,938,416**	2,906,362,595	2,525,282,654

Key projects and partnerships

Interventions during COVID-19 pandemic:

Stanbic Uganda quickly recognised the need to respond to the challenge faced by communities during the pandemic.

Among the many interventions, we made donations to frontline health works in collaboration with the Ministry of Health, partnered with private sector players to provide fuel for field workers and contributed food and supplies to local communities where we operate. Our employees joined the cause and made donations that supported local communities.

PROTECTION GEAR KITS
Purpose: Provide protective gear for COVID-19 field teams ; 400 Kits
Amount; UShs 66.8m
Partnerships; Ministry of Health
Vendor: Joint Medical Stores
Handover activities; Done

UBA PARTNERSHIPS
Purpose; Uganda Bankers Association is pooling funds from all Banks to support during crisis
Amount; UShs 20m
Partnership/s; Uganda Bankers Association
Handover activities; Done

FUEL FOR COVID-19 FIELD CARS
Purpose; Provide fuel for the COVID response field team; 25 cars
Amount: 40m
Partnership/s: Total, Uganda Breweries Limited and Ministry of Health
Hand over; Done

COVID-19 EMPLOYEE CONTRIBUTION
Purpose: Collect funds towards the crisis - Give back to 17 children homes
Accounts opened: functional
Amount; UShs 140m
Handover activities: Done

Stanbic Uganda Holdings Limited
Annual report and financial statements
year ended 31 December 2020

Stanbic Bank National Schools Championship 2020

The National Schools Championship is the flagship project that brings together both students and teachers from school eco systems across the country and aims to empower the future leaders and job creators.

The championship focus areas are life skills, financial skills that aim at encouraging the students towards critical thinking, promoting financial literacy and providing exposure to vast knowledge beyond the classroom.

We believe that healthy competition and innovativeness among students is a step forward to creating active minds that yield solutions that would steer not only improved academic performance, but also generate the future leaders, innovators and job creators.

In 2020, the championship was three tiered. The first tier (Startup Challenge) was the business generation stage where 60,000 students from 100 schools (25 per region) participated in the search for all new business ideas and battled for the best execution at the finale. The second and third tiers (Biz-Grow and Alum-Grow Challenges) spoke to our project sustainability plan where we engaged existing businesses (15 competitors) on ground to battle for more financial investment into their businesses.

The 2020 winner of the StartUp challenge was Mentor S.S in Lira District. Despite being first time participants from they emerged winners with an app that connects students to teachers anywhere at any time in any location, and enabled tele education during the COVID-19 lockdown.

The EDUTELE app was designed by three students Atim Vivienne, Adongo Benna and Lochero Declan Mike with their teacher Ogwal Tonny. Students in Senior 1,2,3 and 5 are real time beneficiaries of the project. Each student pays 100,000/- per term which is inclusive of printed notes and a learning timetable for students. EDUTELE ensures education is integrated with telecommunication to keep students in touch with their teachers despite them not being in class. This is education beyond classrooms which received clients as far as Kampala District.

60,000 students from 100 schools (25 per region) participated in the search for all new business ideas and battled for the best execution at the finale.

Our Involvement

Stanbic Bank together with the implementing partner Investors Club Project run the fifth season of the National Schools Championship that targets secondary schools across Uganda to stimulate students to sharpen their critical thinking, while creating problem-solving skills and thinking out of the box mentality while learning a variety of skills (hand and soft skills).

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

100 Patron teachers and 100 headteachers from 100 schools countrywide were taken through a business and life skill training for personal growth and to also prepare them for the student sessions.

60,000 students from 100 secondary schools participated in the competition directly in which they were trained on the following skills among others; financial literacy, leadership, psychosocial wellness, crisis management, conflict resolution, marketing communication and self-expression, extended life skills and entrepreneurship.

Over 200,000 plus students and teachers and the communities in which they operate were also impacted by the different project ideas as well as the various financial literacy trainings in the various schools.

Over 600 business ideas were generated with 150 thriving to date. Operational businesses received investments from Stanbic and other donors worth **UShs 30 million**

This year the project grew to cater for the businesses that were started three years ago under the Project, and Project almni who have since set up their own businesses.

LEO Africa Partnership – Nurturing Young Ugandan Leaders and Entrepreneurs

According to United Nations Statistics, almost 80% of Uganda's population is below the age of 30. While the economy has shown impressive growth in recent years, it faces challenges in tackling its youth unemployment rate, which is among the highest in Sub-Saharan Africa. In this regard, Stanbic Uganda partners with the Young and Emerging Leaders Project (YELP), an initiative of the LéO Africa Institute. The project, which operates across East Africa, inducts up to 30 outstanding young people per year into a fellowship programme designed to support self-advancement, integrity, social responsibility and socioeconomic transformation.

Fellows are selected based on their efforts to empower and transform their communities, addressing issues of poverty, climate change and unemployment and supporting social justice. They engage in critical reflection sessions, conversations with leaders from various sectors, peer-to-peer sharing and learning. In 2020, all the 70 fellows over the years held leadership seminars and online networking events.

Our Involvement

Stanbic donated UShs 70 million 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.

Leo Africa Partnership - Impact/outcome

Strategic networking opportunities for these upcoming emerging leaders with mentors across the continent

Networking opportunities with their own fellows Africa wide

Engaging and powerful leadership trainings that at graduation enable them join a recognised elite group of emerging leaders

This platform also connects the fellows to a **wide range of investors** and job opportunities

The fellows came from seven different countries (Uganda, Kenya, Rwanda, Burundi, Congo, South Africa, Tanzania and Somalia)

BARBARA KASEKENDE
MANAGER
CORPORATE SOCIAL INVESTMENT

The 2020 winner of the Start-up challenge was **Mentor S.S in Lira district.** Despite being first time participants, they emerged winners with an **app that connects students to teachers** anywhere at any time in any location.

Tree planting initiatives

We continue to promote environmental conservation through various initiatives that deliver on our SEE and ESG priorities which align to the Sustainability Development Goal on climate action. In 2020, Stanbic Bank Uganda partnered with the Ministry of Water and Environment and other key private sector players including Uganda Breweries Limited, American Tower Corporation Uganda, and MTN Foundation in the ROOT tree planting campaign.

The campaign aimed to have a target of 40 million trees planted country wide and the drive is targeting restoration of the indigenous tree and fruit species across the entire landscapes of Uganda. Stanbic successfully planted over 30,000 trees and our future goal is to plant over 50,000 trees.

In addition, Stanbic engaged both staff and partners in a green campaign where over 15,000 fruit trees were distributed countrywide to schools participating in the National Schools Championship and staff members for both personal projects and employee community initiatives. Emphasis was made on delivery of fruit trees to combat food insecurity as well as aid positive climate action crisis. Stanbic also partnered with organisations such as Climate Change Action East Africa (CCAEA) to plant trees in the primary schools in which solar lighting was installed.

Stanbic successfully **planted over 30,000 trees** and our future goal is to plant over 50,000 trees.

Promoting Better Maternal Health

Stanbic together with the various partners made a donation to Uganda's largest maternal health centre – Kawempe Hospital to **support the health care workers during the pandemic.**

Even with the significant improvements made towards maternal health care in Uganda especially with investment in antenatal and neonatal specialised treatment, the numbers of maternal deaths is still devastating.

There is an urgent need for quick solutions from various stakeholders to join hands in ensuring all pregnant mothers have access to quality and affordable healthcare services.

To promote improved maternal health care, Stanbic Uganda partnered with various players in the public and private sector to raise support and greater awareness of the issues mothers face. The partners included: ATC Uganda, Huawei, Vivo Energy, Liberty Life, UNOC, MTN, Umeme, Uganda Communications Commission, Trademark East Africa, Total, NSSF, Crown Beverages, Uganda Breweries Limited, AFREXIM and United Nations Development Programme. The aim is to address the four critical areas affecting maternal health in Uganda by providing hospital equipment, enhancing mothers welfare through mama kits, conducting community outreach and sensitisation and ensuring health workers welfare are taken care of.

In addition, Stanbic together with the various partners made a donation to Uganda's largest maternal health centre – Kawempe Hospital to support the health care workers during the pandemic. We also started an awareness campaign under the theme 'Every Mother Counts', in which we intend to ensure that government hospitals have proper lifesaving equipment, individual mothers receive proper care during their pregnancy period and ensure that doctors, midwives and nurses are appreciated, comfortable and enjoy delivering quality services to these mothers.

Philanthropy and Commitment to Humanitarian projects

In addition to our key projects, Stanbic Uganda has been instrumental to providing support in various communities facing diverse challenges that require specific interventions to support their needs.

We provided both financial and in-kind support to our communities and below are some of the key initiatives we supported:

Project Name	Our Involvement	Support in UShs	Impact
CSCA Vocational Training Initiative	Under privileged youth empowerment	15,000,000	150
UBL ROOTS Initiative	Tree planting campaign 25k trees planted in schools so far	10,000,000	66,000
CCAEA	Tree planting in schools	17,586,000	2,500
Boundless Minds	Youth empowerment training	6,000,000	100
Busega YDC	Youth empowerment training	2,000,000	550
Book giving campaign	Several primary school children impacted	5,000,000	1 500
KCCA school lighting	Solar lighting in primary schools	37,000,000	25,000
IC-SBU/2020/002 Stanbic Education Forum	Online forum on the status of education in Uganda today	18,720,000	-
MUK Ivory Tower	Scolastic material support	100,000,000	38,000
Support towards Kyebambe Girls	Contribution towards the enhancement of the Kyebambe Girls project	4,250,000	800
Heros for Health Awards	Support Ministry of Health award outstanding workers	30,000,000	10,000
EAC YouLead summit	Youth empowerment project	10,000,000	20,000

Employee Community Involvement (ECI)

Our employees are passionately involved in community activities and on annual basis join hands to make donations to various initiatives that address community needs. Our Employee Community Initiatives Programme encourages all our staff to participate in any CSI areas that can make a difference in society. The organisation through its Grant Matching Policy extends the impact of volunteerism by contributing to causes that staff have donated. In 2020, over 800 staff volunteered their expertise, time and financial contributions to help solve some of the social challenges encountered by our communities.

We are confident that encouraging volunteerism and engaging staff in CSI activities they are truly passionate about makes them believe in our mission and work towards delivering on it while supporting their leadership development thereby creating a lasting transformation in the communities where we operate. Below are key Employee Community Involvement initiatives;

Initiative/ Project	Dept / Team	Our Involvement and Impact	SBUL Contribution	Staff contribution	Total	Beneficiaries
St Peters Child Development Centre	Lugazi Branch	Scholastic material	600,000	400,000	1,000,000	50
Angels Centre	Finance Department	Solar lighting	9,000,000	4,400,000	13,400,000	50
Divine Junior Academy	Channels Department	Food and scholastic material	250,0000	2,500,000	5,000,000	159
Oasis Childrens Home	Pmo Department	Food and cleaning supplies	100,0000	1,000,000	2,000,000	500
KADIPA	Kamuli Branch	Food items	100,0000	598,000	1,598,000	210
Leo Africa Initiative	Legal Department	Mentorship to the fellows	n/a	n/a	n/a	30
Chance for Children	Mityana Branch	Food and sanitary items	360,000	300,000	660,00	50
Smile Africa Ministries	Tororo Branch	Food items	700,000	300,000	1,000,000	420
Gejja Women's Foundation	Mpigi Branch	Sanitary towels	1,000,000	112,500	1,125,000	800
St Kizito Babies Home	Mbale Branch	Food and cleaning supplies	420,000	500,000	920,000	26
Mulago National Referral Hospital	Mulago Branch	Cleaning supplies	700,000	350,000	1,050,000	1,000
Kawempe Home Care	Kawempe Branch	Food items	50,0000	30,0000	800,000	80
TOTAL			1,7780,000	11,648,000	29,428,000	3,375

Employee Community Intiatives in pictures

In 2020, **over 800 staff volunteered** their expertise, time and financial contributions to help solve some of the social challenges encountered by our communities.

Reporting Practices

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

Disclosure Number	Description	Required for CORE	Cross Reference/ Heading	Page Reference
102-1	Name of the organisation	Core	Who we are	7
102-2	Activities, brands, products, and services	Core		207
102-2	Activities, brands, products, and services	Core	Supplementary information	207
102-3	Location of headquarters	Core	Supplementary information	9 and 212
102-4	Location of operations	Core	Stanbic Footprint in Uganda	208-209 and 212
102-5	Ownership and legal form	Core	Organisation Structure	7
102-6	Markets served	Core	Who we are and supplementary information	11
102-7	Scale of the organisation	Core		11
102-8	Information on employees and other workers	Core	Investing in our employees	83-86
102-9	Supply chain	Core	Our products and services	207
102-10	Significant changes to the organisation and its supply chain	Core	Who we are	N/A
102-11	Precautionary Principle or approach	Core		N/A
102-12	External initiatives	Core	Direct benefits to society	93-98
102-13	Membership of associations	Core		N/A
Strategy				
102-14	Statement from senior decision-maker	Core	Chairman's Sustainability Statement	60
102-15	Key impacts, risks, and opportunities		Compliance practices	87
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	Core	Covered in our values	26
102-17	Mechanisms for advice and concerns about ethics		Risk management and control	46-56
Governance				
102-18	Governance structure	Core	Corporate governance	110
102-19	Delegating authority		Corporate governance	111
102-20	Executive-level responsibility for economic, environmental, and social topics		Corporate governance	N/A
102-21	Consulting stakeholders on economic, environmental, and social topics		Corporate governance	116-117
102-22	Composition of the highest governance body and its committees		Corporate governance	106
102-23	Chair of the highest governance body		Corporate governance	106
102-24	Nominating and selecting the highest governance body		Corporate governance	114
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102-33	Communicating critical concerns			N/A
102-34	Nature and total number of critical concerns			N/A
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102-43 102-44	Approach to stakeholder engagement Key topics and concerns raised	Core	Stakeholder engagement	83-86
102-45	Entities included in the consolidated financial statements	Core		N/A

Reporting Practice				
102-46	Defining report content and topic Boundaries	Core	About this report	62
102-47	List of material topics	Core	About this report	63
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102-49	Changes in reporting	Core		N/A
102-50	Reporting period	Core	Our Report	62
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102-54	Claims of reporting in accordance with the GRI Standards	Core	GRI Index	99-102
102-55	GRI content index	Core	GRI Index	99-102
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103-1	Explanation of the material topic and its Boundary	Core		N/A
103-3	Evaluation of the management approach	Core	Chairman's Statement	60
Economic Approach				
201-1	Direct economic value generated and distributed			76
201-2	Financial implications and other risks and opportunities due to climate change		Environmental responsibility	89-92
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	89-92
Procurement Practices				
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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	87
205-3	Confirmed incidents of corruption and actions taken			N/A
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Compliance practices	87
Materials				
301-1	Materials used by weight or volume		Environmental responsibility	89-92
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	90
302-2	Energy consumption outside of the organisation		Environmental responsibility	90
302-3	Energy intensity		Environmental responsibility	90
302-4	Reduction of energy consumption		Environmental responsibility	90
302-5	Reductions in energy requirements of products and services		Environmental responsibility	90
Water				
303-1	Water withdrawal by source		Environmental responsibility	91
303-2	Water sources significantly affected by withdrawal of water		Environmental responsibility	91
303-3	Water recycled and reused		Environmental responsibility	91
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	92
305-2	Energy indirect (Scope 2) GHG emissions	Environmental responsibility	92
305-3	Other indirect (Scope 3) GHG emissions	Environmental responsibility	92
305-4	GHG emissions intensity	Environmental responsibility	92
305-5	Reduction of GHG emissions	Environmental responsibility	92
305-6	Emissions of ozone-depleting substances (ODS)	Environmental responsibility	92
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions		N/A
Effluents and Waste			
306-1	Water discharge by quality and destination	Environmental responsibility	91
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	83-86
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Investing in our employees	83-86
401-3	Parental leave	Investing in our employees	83-86
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	83-86
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	83-86
403-3	Workers with high incidence or high risk of diseases related to their occupation	Investing in our employees	83-86
403-4	Health and safety topics covered in formal agreements with trade unions	Investing in our employees	83-86
Training and Education			
404-1	Average hours of training per year per employee	Investing in our employees	83-86
404-2	Programmes for upgrading employee skills and transition assistance programmes	Investing in our employees	83-86
404-3	Percentage of employees receiving regular performance and career development reviews	Investing in our employees	83-86
Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Investing in our employees	83-86
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	83-86
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 programmes	Direct Contributions to society	93-98
413-2	Operations with significant actual and potential negative impacts on local communities	Direct Contributions to society	93-98
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
Stanbic Uganda IT CAN BE™

Board of Directors

Stanbic Uganda Holdings Limited · Stanbic Bank Uganda Limited · Stanbic Properties Limited · Stanbic Business Incubator Limited · SBG Securities Uganda Limited · FlyHub

Japheth Katto [69]
Chairman Board
BCom Honours, FCCA
CPA - Uganda
APPOINTED 2014
Committee: None

Sola David Borha [60]
Non- Executive Director
Advanced Management Program, Harvard Business School;
Global CEO Program of CEIBS, Wharton and IESE
APPOINTED 2019
Committee: None

Patrick Mweheire [50]
Non-Executive Director
BSc (Econ, Daemen)
MBA (Harvard)
APPOINTED 2012
Committee: Credit and Risk

Andrew Mashanda [50]
Chief Executive SUHL
BSc Accounting
Univ. of South Africa
PGD Global Management
APPOINTED 2020
Committee: None

Patrick J. Mangheni [68]
Non-Executive Director
PhD Functional Analysis (Oxford)
APPOINTED 2015
Committee:
Audit & Credit
C/M Risk

Anne Juuko [39]
Chief Executive SBUL
BCom MUK
MBA.Strategic Planning Edinburgh Business School
APPOINTED 2020
Committee: Credit, Risk and Human Capital

Emma Mugisha [47]
Executive Director
B.SWASA, MUK
MBA, Rotterdam
APPOINTED: 2020
Committee: Risk and Asset and Liability

Agnes Konde [48]
Non-Executive Director
BA(SS), MUK
MBA Univ of Liverpool
APPOINTED 2020
Committee: Audit, Risk and Board Nominations and Remuneration

Eva Kavuma [58]
Non-Executive Director BSc Business Administration
(Ithaca, New York)
MA Interntional Management
(Thunderbird, Arizona)
APPOINTED: 2016
Committee: Credit and Human Capital

Sam Zzimbe [68]
Non-Executive Director
MA Finance and Investment, ACCA
APPOINTED 2017
Committee: C/M Audit

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

Elizabeth Ntege [51]
Non-Executive Director
BSc.Eng (Hons),
De-Montfort University UK.
Business Incubation Management,
African Business Incubation Institute, SA
Bullet Proof Management and Leadership, Crestcom International USA
Certified Network Associate and Professional, Cisco Systems Inc-UK
APPOINTED 2019
Committee: Credit, Human Capital

Candy Wekesa Okoboi [50]
Non-Executive Director,
Stanbic Business Incubator
Joined the Bank: 2016
L.L.B MUK; PGD.L.P, LDC
MBA, Edinburgh Business School
APPOINTED: 2020

Tony Okao Otoa [39]
Chief Executive Stanbic Business Incubator/Executive Director
LLM Oxford Brookes
BSc International Relations and Communication and Media, Oxford Brookes
APPOINTED: 2020

Catherine Poran [50]
Non-Executive Director,
Stanbic Business Incubator
Ongoing MBA (Heriot-Watt University Edinburgh)
PGD Business Management,
LLM, Buckingham University
APPOINTED: 2020

Samuel Fredrick Mwogeza [39]
Non-Executive Director,
Stanbic Properties Limited
B.Comm (Acc.) MUK
MBA, Edinburgh Business School
CPA - Uganda
FCCA
APPOINTED: 2020

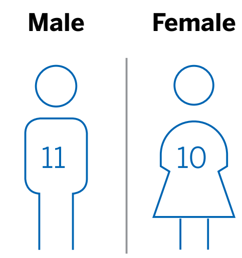
Patricia N. Musiime [41]
Non-Executive Director,
Stanbic Properties Limited
BA(SS), MUK
MBA, Nkozi
APPOINTED: 2020

Spencer Sabiiti [36]
Chief Executive Stanbic Properties Limited/Executive Director
Ongoing MBA (Edinburgh Business School)
PGD Construction Project Management MUK
BSc. Quantity Survey MUK
Professional Member, Institute of Surveyors of Uganda.
Member of the International Organisation of Health and Safety, UK
APPOINTED 2020

Herbert Olowo [48]
Non-Executive Director,
FLYHUB Uganda Limited
PGD (Eng);
Msc IT Security, Liverpool;
MCSE; MCSA;
MCP; ENA; ENS;
ITIL – Foundation
APPOINTED: 2020

Joram Ongura [34]
Chief Executive SBG Securities Uganda Limited/ Executive Director
SITI East Africa
APPOINTED 2021

Haruna Mawanda [45]
Ag. Chief Executive Flyhub Uganda Limited/Executive Director
PhD IT, Capella University,
Minneapolis, MN, USA
Certified Information Systems Auditor
APPOINTED: 2020



SBU Executive Committee

Anne Juuko
Chief Executive
Joined the Bank: 2012
JOINED EXCO: 2020

Emma Mugisha
Head, Corporate & Investment Banking
Joined the Bank: 2013
JOINED EXCO: 2018

Grace Mullisa
Head, Personal & Business Banking
Joined the Bank: 2019
JOINED EXCO: 2020

Samuel Fredrick Mwogeza
Chief Financial Officer
Joined the Bank: 2010
JOINED EXCO: 2015

David Mutaka
Head, Human Capital
Joined the Bank: 2010
JOINED EXCO: 2020

Herbert Olowo
Chief Information Officer
Joined the Bank: 2015
JOINED EXCO: 2015

Doreen Rwakatungu
Regional Head Audit
Joined the Bank: 2016
JOINED EXCO: 2017

Candy Wekesa Okoboi
Head, Legal
Joined the Bank: 2016
JOINED EXCO: 2016

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

Martin Sekaziga
Chief Risk Officer
Joined the Bank: 2019
JOINED EXCO: 2019

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

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

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

Kaweesa Walusimbi
Head Project Management Office
Joined the Bank: 2019

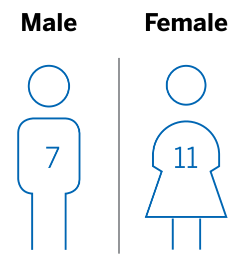
Miriam Naigembe
Head Digital Transformation
Joined the Bank: 2013

Daniel Ogong
Head Marketing & Communications
Joined the Bank: 2017

Yvonne Namutosi
Head Dervice Quality
Joined the Bank: 2017

Samuel Isiko Bulenzi
Head, Enterprise Data Office
Joined the Bank: 2020

Moses Mbubi Witta
Manager, Corporate Services
Joined the Bank: 2013



SUHL Executive Committee

Andrew Mashanda
Chief Executive SUHL
Joined SUHL: 2020

Moses Mbubi Witta
Manager, Corporate Services
Joined SUHL: 2020

Rita Kabatunzi
Company Secretary
Joined SUHL: 2020

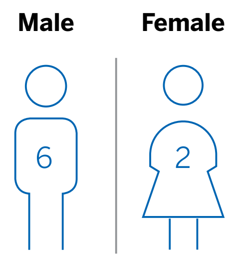
Sophie Achak
Investor Relations and Strategy
Joined SUHL: 2020

Spencer Sabiiti
Chief Executive Stanbic Properties Limited/ Executive
Joined SUHL: 2020

Tony Okao Otoa
Chief Executive Stanbic Business Incubator/ Executive Director
Joined SUHL: 2020

Haruna Mawanda
Ag. Chief Executive Flyhub Uganda Limited/ Executive Director
Joined SUHL: 2020

Joram Ongura
Chief Executive SBG Securities Uganda Limited/ Executive
Joined SUHL: 2021



Corporate Governance Statement

2020 was an unprecedented year following the outbreak of the covid-19 pandemic which tested the rigour of our governance practices, ability to respond, agility and our commitment to our purpose. The 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 to benefit all stakeholders. This statement highlights how the key elements of good governance were applied during the 2020 financial year.

Corporate Structure

Stanbic Uganda Holdings Limited (SUHL) is a non-operating holding company listed on the Uganda Securities Exchange (USE) with 22,534 shareholders as of December 31st, 2020. 80% of the shares are owned by Stanbic Africa Holdings Limited (SAHL), a private limited liability company incorporated in the United Kingdom which is wholly owned by Standard Bank Group (SBG), a South African financial services company listed on the Johannesburg Stock Exchange (JSE). Institutional and retail shareholders hold 20%. Key shareholder information is covered on page 204.

SUHL owns 5 (five) subsidiaries; Stanbic Bank Uganda Limited (the Bank/SBU), which remains the largest subsidiary, Stanbic Properties Limited (SPL), Stanbic Business Incubator Limited (SBIL), Flyhub Uganda Limited (Flyhub) and SBG Securities Uganda Limited (SBGs). The Bank is a licensed financial institution under the Financial Institutions Act and is a member of the Uganda Bankers Association. SBU is engaged in the business of commercial banking and the provision of related banking services. SPL holds and manages the real estate portfolio of Stanbic Uganda. SPL's other services include; valuation services, site acquisition, property consultancy, and execution of real estate projects. SBIL was set up as part of the reorganisation process to support the sustainability of Small and Medium Enterprises in Uganda through capacity building programmes on best business practices. Flyhub is a Fintech company that provides financial technology and innovative services as part of the digital transformation journey. SBGs is licensed by the Capital Markets Authority and provides securities trading, brokerage, dealing and management services,

This corporate structure aligns with our vision to be the leading financial services organisation in Uganda through a diversified strategy creating an eco-system platform through which Stanbic Uganda can offer customers greater value, ultimately sustaining the business and creating shareholder value. The SUHL corporate structure is shown on page 7

Regulatory and Governance framework

The SUHL corporate governance approach is guided by the Capital Markets Authority Corporate Governance Guidelines, USE Listing Rules, 2003, Companies Act 2012, the Financial Institutions Act (Corporate Governance) Regulations, 2005, King IV Report as adopted by the Standard Bank Group as well as the memorandum and articles of association of each entity. This comprehensive framework facilitates adherence to good governance practice and enables the Board to effectively fulfil its mandate, as evident from the numerous accolades and recognitions received for good Governance.

The Company abides by the USE Continuing Listing Obligations which require timely disclosure of information, transparency and fairness to guard against insider trading and promote investor confidence.

Despite the challenges of covid-19 pandemic, SUHL maintained its commitment to accountability to shareholders by convening and conducting the first virtual Annual General Meeting (AGM) held by any Listed company in Uganda. This provided an example for the market to benchmark shareholder engagement and dialogue in a time of uncertainty. SUHL continued to demonstrate its commitment to contribute to thought leadership and industry collaborative thinking to resolve and respond to the unprecedented challenges of the pandemic. Stanbic Uganda invested in research, shared its experience and approach with the USE and other Listed entities.

Beyond the regulatory framework, the organisational governance culture is grounded in the key tenets of good corporate governance that is; accountability, transparency, ethics, disclosure, fairness and social responsibility. This is demonstrable in the evident elements of good corporate governance that include disclosure, robust control environment, effective board practices, good corporate citizenship and stakeholder engagement.

The covid- 19 pandemic tested the soundness of our governance practices and the fitness for purposes, calling into question the traditional practices promoted by best practices suited to a certain rather than uncertain environment.

Subsidiary Governance Framework and Policy Framework

Across SUHL and its subsidiaries, the highest standards of good corporate governance have been set, standardised and articulated in the subsidiary governance framework, Board and Committee mandates and policies applied across the holding company structure. The governance framework is supported by a policy framework comprised of policies adopted by the subsidiaries as are relevant and applied in accordance with the articles of association of the respective subsidiaries. As a practice, the subsidiary governance and policy framework is adopted by all subsidiaries but adapted to the unique circumstances of each subsidiary. This framework guides the relationship and exercise of power between SUHL and its subsidiaries and the powers of the Board and Management articulated in the mandates for each Board and its committees.

This framework enables effective oversight and accountability and provides a yardstick for subsidiary governance across the Holding company structure, ensuring disciplined execution of the organisational purpose and strategy.

Evolving Role of the Board

The Board of Directors are the custodians of the business. They are ultimately responsible and accountable for promoting both the short and long-term success of the Company, ensuring its sustainability in order to maximise value for shareholders and for the benefit of its stakeholders. In achieving this role, the Board is guided by the articles of association and board mandate, which articulate matters reserved for the Board and practices around fulfilment of its roles and responsibilities.

The soundness of governance practices has been brought to the forefront during past crises, and the covid-19 pandemic was no different. While no fundamental changes emerged in the roles and responsibilities of the Board, the pandemic redefined how the Board executes its duties and board practices. The Board maintained its commitment to achieving high standards of corporate governance through ensuring transparency, accountability, integrity and a sound ethical culture across SUHL and its subsidiaries.

The traditional key responsibilities of the Board remained as follows:

- Sets the strategic direction and provides entrepreneurial leadership.
- Sets organisational values to drive culture, ethics and oversee 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 Board continued to ensure adequate focus on the Company's strategy, mainly to ensure it remained aligned to the evolving environment, including the accelerated implementation of the digital transformation journey to offer a broader range of digital services. This focus was in tandem, focusing on the accelerated risks arising from the increased use of technology and digital channels, including cyber risk. The details of the strategic focus for the year are articulated in the CE statement on page 19 and the details on risks at pages 46-56.

The Board adopted a collaborative approach to strategy, business continuity, risk and stakeholder management. The stakeholders brought to the fore were the employees, customers, suppliers, Government and society impacted by the pandemic. Despite the challenges faced during the pandemic, the Board provided effective leadership and oversight, as demonstrated with the smooth leadership succession of the Holding Company Chief Executive. The Board also supported the Bank Chief Executive in her first year in charge with a resultant commendable performance during the period of uncertainty. Additionally, the Board supported the recruitment of chief executives for three of the non-banking subsidiaries and executive managers for the Bank.

The approach to the fulfilment of Board and Management roles evolved into a greater collaboration to resolve the immediate challenges such as the health and safety of employees, the health of client businesses, and review of credit terms for the worst hit businesses, particularly for the Bank subsidiary. The Board demonstrated its leadership in its availability, accessibility, agility and courage to take critical decisions devoting more time to oversight and timely critical approvals. The Board played a more visible role in participating and supporting different customer, employee and community initiatives, including collaborating with the Government, regulators, and other stakeholders to offer flexible and accessible financial services to support customers and communities worst hit by the pandemic.

The Board enhanced its communications with Management to ensure that the business continuity plans were effected and potential disruptions to the business mitigated. The Board, led by the Board Chairman, provided assurance to employees by attending events and issuing circulars of encouragement to staff.

Delegation of Authority

The 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 judgement, the Board, through the board mandate and delegation of authority framework, delegates its authority to the board committees and Management respectively with clearly defined mandates and authorities while ensuring accountability through quarterly reports to the Board and via digital means in between quarterly meetings.

The delegation of authority framework guides Management in the exercise of powers and provides 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 emphasised with oversight on approval limits performed by the Finance Department. An Executive Committee Mandate is in place to ensure operation with delegated authority. Delegated authority, including authorisation limits, is in place. The Company Secretary and the Chief Financial Officer play a central role in ensuring the exercise of limits within the Board and Executive Management mandate.

The delegation of authority has facilitated utilisation 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 and 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 and declaring any conflicts of interests and ensuring compliance with the law.

Board Size and Composition

Stanbic Uganda completed the process of separating the board members, including the board chairpersons of Stanbic Uganda Holdings Limited and Stanbic Bank Uganda, with only three directors (common directors) double-hatting. The separation of the boards has enabled the respective boards to perform their responsibilities independently and objectively and allowed the directors to commit adequate time and focus in conducting their respective responsibilities.

On the other hand, the common/double-hatting directors provide a useful connection between the boards by facilitating information flow and offering perspective and context to board discussion and decision-making. The common directors provide a cost-efficient board model through the leveraging of their skills and experience within the entities that they double-hat. They provide critical skills and experience in universal banking, financial services, people development and doing business in sub-Saharan Africa, which enriches the board composition and effectiveness of the different boards.

Both the Stanbic Uganda Holdings and Stanbic Bank Boards are comprised of Executive and Non-Executive Directors (NED), the majority of whom are Independent NEDs, including the Board Chairpersons. The board size is appropriate to facilitate effective discharge of responsibilities and mandates, including at committee level to ensure productive meetings. This composition provides a balance of power so that no individual or group dominates discussion or decision making.

In 2020, the director appointments aimed to improve board diversity to enhance effectiveness through the diversity of skills, experience, thought, and perspective, focusing on gender and age. 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 their independent judgement to bear on 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. Gender diversity on the Board is demonstrated with 62% and 38% female representation at SBU and SUHL, respectively. This diversity in skills and gender on Board has facilitated strategic innovation and development of sustainable solutions for the organisation.

The non-banking subsidiaries are still in their infancy stages; therefore, the boards have been structured to effectively discharge their responsibilities through the utilisation of specialised skills and experience of selected Executive Management members who are appointed as NEDs in the short-term to provide strategic leadership and oversight as the different businesses become fully operational.

Table 1: Board composition of Stanbic Uganda Holdings and its Subsidiaries as at December 31st, 2020

Classification	SUHL	SBU	SPL	SBIL	SBGS	Flyhub
Non-Executive Directors	2	1	2	2	1	1
Independent Non-Executive directors	5	5	-	-	1	-
Executive Director	1	2	1	1	1	1

Succession Planning and Director Recruitment

In accordance with the director succession policy, the Board has adopted a continual approach to review and refresh its succession plan to ensure alignment with the organisation's strategy and identify candidates with the skills, experience, and knowledge required to further the vision and strategic direction of the organisation. The Director recruitment process is a formal, rigorous and transparent procedure 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, and candidates are selected to fill identified actual and potential gaps informed by the skills matrix, which is updated annually. A select panel of 3 directors interview the candidates, and successful candidates are recommended to the Board for approval. The appointments are confirmed at the AGM. The Financial Institutions Act requires that directors nominated for appointment to the bank board are subjected to a 'fit and proper test' to assess their competence and capacity to fulfil their responsibilities.

The succession plan was put to the test, and not only did it facilitate the separation of the SUHL and SBU boards, but also facilitated the transition to new Chief Executives at both SUHL and SBU with the appointment of Mr Andrew Mashanda and Ms Anne Juuko, respectively, following the appointment of Mr Patrick Mweheire as Regional Chief Executive. Ms Emma Mugisha was appointed as Executive Director following the appointment of Mr Kevin Wingfield as Chief Executive of Stanbic Bank Tanzania. In 2021, the Board will continue to focus on succession planning for the board and board committee leadership.

Through the Board Human Committee, the Bank Board 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 various initiatives intended to nurture the next women leaders in the organisation.

As part of succession planning, the 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.

Board Changes (Director Appointments, Resignations and Rotation)

At the AGM held on June 17th, 2020, Mr Japheth Katto and Mr Samuel Zimbe were re-elected, while Ms. Sola David-Borha and Ms Agnes Asiimwe Konde were appointed as Non-Executive Directors. Mr Greg Brackenridge retired from the Board following his retirement from Standard Bank Group after 25 years of distinguished service. Mr Kevin Wingfield resigned from the board following his appointment as Chief Executive Stanbic Bank Tanzania. Ms Eva G. Kavuma and Mr Samuel Zimbe resigned from the SUHL and SBU Board, respectively, as part of the transitional process of separating the two boards. In line with our articles of association and best practice, the Board has adopted a staggered approach to board rotation to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity. The articles of association stipulate that one-third of the non-executive directors are required to retire annually and, if available and eligible, stand for re-election at the AGM. Directors who have been in office the longest is calculated from the last re-election or appointment date and are required to stand for re-election.

Director Induction and Board Development

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 of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector trends. Both internal and external industry experts facilitate the trainings. Additional time is scheduled outside of the Board meetings to run dedicated sessions that highlight critical issues related to the Company's strategy.

The Board has adopted new approaches to board development through the director reverse mentorship Programme, which aims to build the directors' capability and equip the Board with in-depth knowledge required to drive the digital transformation journey and other technical matters. Reverse mentorship also serves to bridge information gaps in reporting by interacting with technical and front-facing teams who can be a valuable source of information beyond the boardroom. The Board has embraced this new way of learning due to the fostered culture of agility and willingness to learn. This has increased effectiveness in the oversight role for the Board as a whole, equipping the Board with greater confidence to constructively challenge and make informed decisions. Topics covered through reverse mentorship included; customer digital on-boarding, transactions and lending, data architecture, digital marketing, information security and relevant regulations.

The Company also continued to leverage the international expertise available within Standard Bank Group for training and development, external international experts and experts within the Company. The trainings were aimed at enhancing the skills of directors and understanding key issues, and these were focused on risk culture, cyber risk resilience, leadership, Board effectiveness, client focus, crisis and change Management, innovation and creativity, as well as leveraging networks.

Newly appointed directors underwent an induction Programme which involved meetings with the Board Chairman, Regional Chief Executive, Chief Executive and executive management to understand the company operations. The directors also received induction packs that contained relevant governance information such as memorandum and articles of association, governance framework, Board and Committee mandates, organisational structures, significant reports and important legislation and policies. The remainder of the induction Programme is tailored to each new directors' specific requirements.

Board Evaluation

The Board continued the practice of annual assessment of the 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 2020 board evaluation was externally facilitated by an independent service provider in accordance with good corporate governance practices, which require the company to conduct an external evaluation once every three years. The external board evaluation provided impartiality and independence in reviewing the Board's effectiveness, its committees and individual directors.

In line with recommended best practice, the focus was on people, process and culture in recognition of the fact that Governance relates both to process and to behavioural 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 was very good. The areas of high satisfaction included: the board skills-set, size, and composition of the Board are appropriate for the size and complexity of business, understanding of strategy, duties and responsibilities, and the relationship with Management. The directors were also satisfied that the Board had the appropriate structures and process to respond to the challenges arising from the covid-19 pandemic.

Areas of improvement included the need for more focus on cybersecurity and environmental, social and governance risks, as well as more emphasis on regular review of the strategy to ensure agility and adaptability to the changing environment. Following the compilation of the board evaluation results, a virtual fishbowl feedback session was conducted to interrogate and further understand the responses given by the board members and agree on an action plan.

Resolved areas of improvement arising from the previous board evaluation included: a review of the board composition for diversity, separation of the SUHL and Bank boards, conducting an external board evaluation, the establishment of Board Asset and liability Committee, board succession planning and enhancement of focus on crisis management and disaster recovery arrangements.

The Board Chairperson met with all directors and the company secretary to discuss individual assessments as a key step to improving their effectiveness. The findings of the assessment informed the 2021 training and development plan as well as the annual review of the Board and committee composition. The identified areas of improvement have been included in the board action plan. The Board is satisfied that it fulfilled its responsibilities in accordance with its mandate for the year 2020.

Board Committees

The Board delegates some of its responsibilities to the Board committees in line with the Board mandate but remains ultimately accountable to shareholders. The Board committees allow the Board to divide its work into manageable sections and facilities in-depth, adequate consideration of specific issues that require specialised areas of expertise. Therefore, the Board is able to tap into 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 judgement in critical areas such as remuneration, director nomination, and oversight controls.

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 meet at least once every quarter to consider, discuss and constructively challenge management reports. The committees then report to the Board with recommendations for board consideration and approval where required.

A. Stanbic Uganda Holdings Limited

Due to the non-operating nature of the Holding Company, the SUHL Board operates with only two committees; Audit and Risk Committee and Board Nomination and Remuneration Committee, in line with the Capital Markets Authority Corporate Governance Guidelines.

Board Audit and Risk Committee

The Committee is comprised solely of independent Non- Executive Directors. To safeguard the independence of the Audit and Risk Committee chairperson, he does not sit on any other committee as a member. The Committee assists the Board with discharging its responsibility to develop and maintain effective internal control systems, safeguard the Company's assets and maintain adequate accounting records. The Committee reviews the company 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.

Before recommending the 2020 consolidated financial statements to the Board for approval, the Committee reviewed the accounting approach adopted to determine the forward-looking impact from an IFRS 9 perspective on the Bank's credit provisions and considered the results of the external audit's review of managements estimation of the impact of covid-19 pandemic on the consolidated annual financial statements. The Committee also reviewed the quality and integrity of the financial statements and satisfied itself that the appropriate accounting principles had been adopted in accordance with the International Financial Reporting Standards and that the disclosures in the financial statements were clear, complete and well contextualised 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 in light of the covid-19 pandemic, 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

Nomination and Remuneration Committee.

The Committee is new, having been established in Q4 2020. It is comprised of mainly independent Non- Executive Directors and chaired by the Board Chairperson. The Committee is responsible for proposing new nominees to the Board, assessing board composition and effectiveness and recommending to the Board for approval the remuneration of non-executive directors and executive/senior Management. Its mandate applies to the SUHL subsidiaries to the extent that it is aligned with any subsidiary-specific regulatory/statutory requirements.

B. Stanbic Bank

In the reporting year, the Bank Board comprised of five standing committees; Audit, Risk management, Credit, Human capital and the newly established Asset and liability committee. Following the different board changes during the year, the composition of the board committees were reviewed based on the skills and expertise of the different directors.

Board Risk and Management Committee

The Board has ultimate responsibility for risk management. The Board Risk Management Committee (BRMC) assists the Board discharge this responsibility by 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 the risks faced by the Bank in all areas of operation.

Consistent with the above principles, the Committee played a significant role following the outbreak of the covid-19 pandemic in assessing the company risk profile and satisfying itself of the adequacy, robustness and resilience of the risk management frameworks in place. Key risks considered by the Committee included: strategic, operational, credit, liquidity, cybersecurity and reputational risks. The Committee met four times during the year with regular updates shared by Management as the pandemic unfolded. The Risk Management Committee assisted the Committee in discharging its duties relating to the identification, measurement, control and monitoring of key risks, business continuity plans and ensuring the controls, processes, procedures and systems employed met the Bank's risk appetite and requirements of regulatory authorities in response to the pandemic. Management was required to submit additional information during the quarterly meetings, which quantified risks specific to the pandemic hence guiding the Committee's decision-making process.

The BRMC recommended 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 closely to avoid duplication. The 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 standard are in place to meet regulatory requirements, effective operation of first-line processes and 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 and its legal and regulatory responsibilities. A comprehensive risk management report is provided on pages 46-56, which sets out the framework for risk and capital management.

Board Audit Committee

The Committee is comprised of a majority Independent Non-Executive Directors. The Audit Committee Chairperson does not sit on any other committee as a member to safeguard her independence; however, she can attend the BRMC 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 internal control systems, 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 defence model with the corporate governance framework. As part of the three lines of defence, the audit, risk and compliance functions provide reports for review and discussion as part of monitoring effectiveness. More detail on the approach to risk management is provided in the risk and capital management section on pages 46-56.

In discharging its responsibilities as set out in the Committee's terms of reference, the Committee's activities in 2020 did not only focus on routine areas of responsibility but also on specific focus areas that emerged as a result of the potential impact of the covid-19 pandemic, which included: a review of measures taken to ensure the internal financial control environment remained resilient, approval of amendments to internal audit plan in response to the pandemic which included an enhanced approach to combined assurance to strengthen risk and control oversight in business processes that changed as a result of the pandemic. The Committee also reviewed the accounting treatment of the covid-19 relief measures offered to customers in relation to the Bank of Uganda moratorium and reviewed the results of internal audit advisories in relation to the impact of the pandemic with a particular focus on credit portfolio reviews.

As part of the interim and financial year-end reporting process, the Committee reviewed the accounting approach adopted to determine the forward-looking impact of the pandemic from an IFRS 9 perspective on the Bank's credit provisions and considered the results of the external audit's review of managements estimation of the impact of covid-19 on the Bank's annual financial statements.

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, who 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.

In accordance with the provisions of the Financial Institutions Act, the Committee 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 appointment of Pricewaterhouse Coopers as External Auditors including negotiating fees payable, approval and monitoring progress of the 2020 Internal audit plan 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 Credit Committee

The role of this Committee is to ensure that effective frameworks for credit governance are in place to provide for 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 the credit and loan approvals, applications and advances made by the Company.

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 limits. 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 approves the Bank credit policies taking into account charges in applicable laws or regulations or as warranted by the charging economic and/or banking conditions.

In discharging its responsibilities as set out in the Committee's terms of reference, the Committee's activities in 2020 focused on providing oversight on the impact of the covid-19 pandemic on the credit portfolio, which involved: a review of forward-looking assessments of the macroeconomic outlook in the context of the impact of the pandemic on expected credit impairment, credit risk and capital and liquidity metrics. The Committee reviewed and approved the approach used to offer credit relief loan restructures to clients whose businesses were impacted by the pandemic and monitoring of performing and non-performing loan portfolios. The Committee also reviewed the business models and credit risk appetite to reflect the changes in the operating environment and closely monitored credit performance across different sectors to identify areas of potential distress and mitigate identified credit risks.

Further detail on the Management of credit risk is set out in the comprehensive risk management report on pages 51.

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 to executive and senior Management and other key personnel to ensure that compensation is consistent with the Company's culture, objectives, strategy and control environment. The Committee also ensures that the Company develops and maintains compensation policies that will attract and retain the highest quality executives and senior managers and reward them for the Company's progress and enhancement of shareholder value.

Employee wellbeing was a primary focus for the Committee throughout 2020 following the covid-19 outbreak. The Committee considered the appropriateness of the different measures and safety protocols put in place to ensure the health, safety and wellness of the employees as well as compliance with occupational health and safety regulations and guidelines issued by the Ministry of Health. The Committee approved key policies such as the Workplace hybrid policy to enable employees to work safely and productively regardless of whether they worked at home hence ensuring that the business continuity needs were met.

Key to note is that there were no retrenchments during the year, which is reflective of the value of our employees to the business. Through the 2020 'Are you a Fan' survey, the employee voice confirmed that our staff initiatives were highly appreciated and impactful with an eNPS of +61% against a target of +50%, second only to Ghana across Standard Bank Group in africa.

The Committee continued to support employee-focused engagements such as staff townhalls, Leadership Speaker series and knowledge café series, which are intended to enhance talent growth and professionally develop the employees to take up more leadership positions, contributing to succession planning across the Bank. During the year, the Committee also oversaw the process of appointment of key Executive Management members.

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 and 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 60-102 and in the remuneration report on pages 121-122.

Board Asset Liability Management Committee

The Board Asset Liability Management Committee was established in Q1 2020 following guidance from the Bank of Uganda. The Committee is responsible for the board capital and asset liability management function. It establishes guidelines on the Bank's tolerance for risk and expectations from investments, including, among others, limits on loan to deposit ratio and capital ratio and limits on maximum and minimum maturities for newly acquired and existing categories of assets. The Committee also reviews and approves the bank policies, procedures and holding portfolio to ensure that goals for diversification, credit quality, profitability, liquidity, community investment, pledging requirements and regulatory compliance are met and sets the guidelines on the capital position of the Bank and the capital management plans undertaken to ensure that capital levels are maintained in accordance with the risk appetite, business strategy and regulatory requirements.

The Committee's activities in 2020 were focused on ensuring that the Bank's capital and liquidity risk management frameworks were strengthened to mitigate the heightened liquidity and capital risks associated with the COVID-19 pandemic and its impact on the Bank. The Committee, on a quarterly basis, monitored and evaluated the Bank's liquidity and capital adequacy positions using scenario forecasts to ensure compliance with both internal and regulatory ratios and, where required, made recommendations to the Board on planned foreign currency funding initiatives. The Committee also reviewed the internal capital adequacy assessment process (ICAAP) and recommended to the Board for approval the dividend pay-out for the year ended December 31st, 2020.

The Committee comprises both Non-Executive and Executive Directors and complied with its mandate for the year under review and its legal and regulatory responsibilities. Three meetings were held during the year.

Board Meetings

The COVID-19 pandemic changed how the Board conducts its business. Following the institution of the lockdown, the Board seamlessly transitioned to virtual meetings to ensure the safety of the board members and employees. The number of board engagements increased as the Board met more regularly to discuss and agree on the impact of the pandemic and the appropriate response

The agenda for the Board and committee meetings were in effect also amended to focus on the areas the required board attention while ensuring that the Board kept sight of the longer-term issues that would likely impact the Company. Management was required to submit additional information to the Board relating to the emerging risks, which informed and guided the decision-making process.

In line with best practice, management reports are circulated to the directors at least five days before the scheduled meeting to facilitate director preparedness. To achieve clarity and enhance board reporting, Management is required to submit reports that are concise and focused on the required decisions. This enables the directors to internalise 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 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 challenge assumptions constructively. Attendance of meetings remained very good with the well-reasoned absence of directors. This ensured that quorum was met and that the discussions and decisions made were of high quality.

Table 2: Stanbic Uganda Holdings Limited Board and Board Audit and Risk Committee Meetings and attendance in 2020

Name of Director	February 11th & 12th		May 27th	August 18th &19th		October 28th	December 5th
	BARC	Board	Board	BARC	Board	Board	Board
Japheth B. Katto (Chairman)	N/A	√	√	N/A	√	√	√
Patrick Mweheire	N/A	√	√	N/A	√	√	√
Patrick J. Mangheni	√	√	√	√	√	√	√
Samuel Zimbe	√	√	√	√	√	√	√
Eva G. Kavuma	√	A	√	√	√	√	√
Sola David-Borha	N/A	√	√	N/A	√	√	√
Agnes Asiimwe Konde	N/A	N/A	N/A	N/A	√	√	√
Greg Brackenridge	N/A	√	√	N/A	N/A	N/A	N/A
Kevin Wingfield	N/A	√	N/A	N/A	N/A	N/A	N/A
Andrew Mashanda	N/A	N/A	N/A	N/A	N/A	N/A	√

√ = Attendance: **A** = Apology: **NA** = Not Applicable: **BARC**-Board Audit & Risk Committee

Table 3: Stanbic Bank Uganda Limited Board and Committee meetings and attendance in 2020

	Q1 February 11th & 12th				April 9th		Q2 May 26th & 27th					
Name of Director BHC	BAC	BCC	BRMC	Board	Special meeting	BHC	BAC	BCC	BRMC	BALCO	Board	
Japheth B. Katto (Chairman)	N/A	N/A	N/A	N/A	√	√	N/A	N/A	N/A	N/A	N/A	√
Patrick Mweheire	N/A	N/A	√	√	√	√	N/A	N/A	√	√	√	√
Patrick J. Mangheni	N/A	√	N/A	√	√	√	N/A	√	N/A	√	√	√
Samuel Zimbe	N/A	√	N/A	N/A	√	√	N/A	√	N/A	N/A	N/A	√
Eva G. Kavuma	√	N/A	N/A	√	A	√	√	N/A	N/A	√	√	√
Josepha T. Ndamira	N/A	√	N/A	√	√	√	N/A	√	N/A	√	√	√
Elizabeth K. Ntege	√	N/A	√	N/A	√	√	√	N/A	√	N/A	N/A	√
Anne Juuko	N/A	N/A	N/A	N/A	N/A	√	N/A	N/A	N/A	N/A	N/A	√
Greg Brackenridge	√	N/A	√	N/A	√	√	√	N/A	√	N/A	N/A	√
Kevin Wingfield	N/A	N/A	N/A	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Q3 August 18th & 19th						Q4 October 27th & 28th						Board Strategy Retreat-December 5th
	BHC	BAC	BCC	BRMC	BALCO	Board	BHC	BAC	BCC	BRMC	BALCO	Board	
Japheth B. Katto (Chairman)	N/A	N/A	N/A	N/A	N/A	√	N/A	N/A	N/A	N/A	N/A	√	√
Patrick Mweheire	A	N/A	√	√	√	√	√	N/A	√	√	√	√	√
Patrick J. Mangheni	N/A	√	N/A	√	√	√	N/A	√	N/A	√	√	√	√
Samuel Zimbe	N/A	√	N/A	N/A	N/A	√	N/A	N/A	N/A	N/A	N/A	N/A	√
Eva G. Kavuma	√	N/A	N/A	√	√	√	√	√	N/A	N/A	N/A	√	√
Josepha T. Ndamira	N/A	√	N/A	√	√	√	N/A	√	N/A	N/A	N/A	√	√
Elizabeth K. Ntege	√	N/A	√	N/A	N/A	√	√	N/A	√	√	N/A	√	√
Anne Juuko	N/A	N/A	√	N/A	N/A	√	√	N/A	√	√	√	√	√
Emma Mugisha	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√

√= Attendance: **A** = Apology: **NA** = Not Applicable: **BAC**-Board Audit Committee BRMC-Board Risk Management Committee
BHC-Board Human Capital Committee **BCC**-Board Credit Committee **BALCO**- Board Asset and Liability Management Committee

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 with the understanding that the ability of the Company to create value for itself depends on its ability to create value for the stakeholders through partnering with them to find solutions to sustainability challenges.

In the wake of the COVID 19 pandemic, the Board played an essential role in guiding and overseeing the Company's response to the pandemic. The Board supported the different initiatives carried out by Management to combat the pandemic. These included collaborations with the regulators, the Government, and other stakeholders to offer flexible and accessible financial services to customers in the form of credit relief measure, donations to the National covid-19 Taskforce to support communities worst hit by the pandemic and providing support and protection to employees. The early and decisive response at the onset of the pandemic ensured that we could support our clients, keep our employees safe, and provide uninterrupted services.

Stanbic Uganda continued to demonstrate its commitment to driving sustainable and inclusive economic growth and ensuring that our business activities created net positive social, economic and environmental (SEE) impact through different programmes such as our flagship Stanbic National Schools Championship aimed at development for secondary school students and teachers and Stanbic Business Incubator which offers entrepreneurial training and skills development to small and medium-sized enterprises (SMEs). The initiatives are informed by the United Nations global sustainable Development Goals and focus on the following goals: No poverty, quality education, affordable and clean energy, decent work and economic growth, industry innovation and infrastructure, climate action and partnership. More information on the Stanbic business incubator and National Schools Championship can be found on pages 71-73 and page 94, respectively.

As the Company moves to implement its oil and gas strategy following the signing of the Final Investment Decision, the assessment and management of our environment social and governance-related risks will be key on the agenda in order to support sustainable investment.

Relationship with shareholders

An important part of our approach to governing our stakeholder relationships is to ensure that our shareholder views are heard and fully considered. Despite the pandemic, Stanbic Uganda continued to do this through pioneering industry practices by being the first listed company in Uganda to hold a virtual Annual General Meeting (AGM) with the support of both the minority and major shareholders and regulators. This followed a government restriction on physical gatherings to curb the spread of the COVID-19 pandemic. The virtual AGM ensured continued timely accountability and shareholder engagement in times of uncertainty, with over 2,500 shareholders participating at the virtual AGM compared to 598 shareholders in the previous year. In the lead-up to the AGM, the Company proactively conducted shareholder data clean-up exercises to validate and update shareholder details to support full shareholder participation and resolve any unpaid dividend claims.

The AGM enabled the shareholders to make critical decisions that ensured the Company's governance, management, and operations continued being implemented during unprecedented and challenging times. Shareholders were given an opportunity to submit questions ahead of the AGM and at the AGM, which were all answered. All proposed resolutions were passed, including a special resolution to amend the company articles of association to allow for the Company to convene AGMs virtually.

A sequence of investor briefings were held prior to the AGM following the announcement of the 2019 audited financial statements in which the Chief Executive and Senior Management provided a deep dive into the company performance and strategic outlook for the next year. Participants were also given an opportunity to share their views on the company performance.

The different shareholder engagements highlighted above facilitated consistent interaction and communication with shareholders throughout the year aimed at ensuring disclosure and transparency of the company activities and performance

2019 Dividend

Following the outbreak of the covid-19 pandemic, the Bank of Uganda directed all Supervised Financial Institutions (SFIs), the Bank inclusive to defer the payment of all discretionary distributions, including dividends, for purposes of capital preservation. Given that the Stanbic Bank dividends form the pool of dividends to SUHL shareholders, the Board did not recommend the payment of the 2019 dividend at the 2020 AGM. However, recognising the importance of supporting shareholders amidst the COVID-19 pandemic, Management continued to engage the regulator while still ensuring that the Company remained adequately capitalised. On December 24th, 2020, the approval to pay out the 2019 dividend was granted. The Board subsequently approved the dividend pay-out subject to shareholder ratification at the next AGM. The 2019 dividend was paid to shareholders on the registers as at 21 January 2021.

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 212.

Access to information and resources

Executive Management and the Board interact regularly. The Executive Committee Members are invited to attend Board meetings where necessary. In addition, Non-Executive Directors meet without the Executive Directors in closed sessions, where necessary. Directors have unrestricted access to Management and the Bank information and 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.

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 operate effectively by exploiting available digital solutions and 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 drop in the paper consumed.

Ethics and Organisational Integrity

The Board is responsible for ensuring that the conduct of the Board, Management and employees is aligned with the company values and code of ethics. The Board exercises oversight of the steps taken by executive management to foster a culture of ethics and appropriate conduct. The code of ethics is designed to empower employees and enable effective decision making at all levels of the business according to defined ethical principles. It also aims to ensure that as a significant player in the financial services industry, we adhere to the highest standards of responsible business practice as we interact with our stakeholders. The code interprets and defines Standard Bank 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.

SUHL and its subsidiaries have strong whistleblowing policies and procedures in place. Staff are periodically trained on ethics and conduct matters 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 whistleblow, assurance of protection and the hotlines available are well publicised on the intranet and by the internal communications and compliance teams, regularly checked by internal audit.

Ethical incidents are reported via the ethics and fraud hotlines, human capital department, risk and compliance departments. Reported incidents for the period related to fraud and human capital related issues which were well managed as part of the Company's risk management process with minimal impact to the business. The Company's policies on conduct related matters and disciplinary measures have been reviewed to prevent re-occurrences. The Board will, in 2021, focus on driving risk and conduct culture change to ensure alignment with the principles and values espoused in the code of ethics and our commitment to doing the right business the right way. The management risk and conduct reporting parameters have been reviewed and enhanced to facilitate effective oversight.

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 prior to appointment, as and when it arises and annual declaration of interests. All declared interests are recorded in a Register of interests maintained by the company secretary. Directors are required not to place themselves in positions that would interfere with the exercise of their object judgement or prevent them from acting in the best interest of Stanbic Uganda. Directors are excluded from participation in discussions and decisions on any matter on which they are actually or potentially conflicted. In exceptional circumstances, where a conflicted director is the sole expert on the matter under discussion, the Board may allow for the presentation of his or her expert input; however, the director will not participate in the deliberation and voting on the matter. Direct and indirect interests include but are not limited to outside directorships, other fiduciary positions, investments or shareholdings in other companies. Should a declared conflict be to such an extent that it interferes with the director's ability to fulfil their fiduciary duties or cause reputational damage to Stanbic Uganda, the director may be required to resign. During the year, the Board was satisfied that the directors allocated sufficient time to discharge their responsibilities effectively.

Dealing in Securities

The 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

Codes and regulations

As a listed entity, the holding Company operates in a highly regulated environment. The regulatory scope has further been widened with the setup of the non-banking subsidiaries that report to various regulatory bodies. Compliance 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 risk management in the Company and significant interactions and correspondences with the Bank of Uganda.

Management assessed the impact of new and proposed legislation and regulations, such as the National Payments Systems Act, 2020 and escalated to the Board Risk Management and Audit Committees by disclosing material regulatory issues and legislative developments. The Company throughout 2020 continued to nurture a strong culture of Governance and responsible risk management in line with Standard Bank Group risk appetite and governance framework. The Company constantly monitored its practices to ensure that they are well suited for it and serve to enhance business and community objectives. In the financial year 2020, SUHL and all its subsidiaries complied with all legislation, regulations and codes of best practice.

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 Company Secretary function is a shared service between SUHL and all its subsidiaries which has facilitated information flow, standardisation of corporate governance practices, and the integration of processes within the holding company structure, hence supporting in ensuring that the different strategic objectives are aligned to the organisational vision. The company secretary ensures that the respective Boards remain mindful of their 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 directors' induction and continuous professional development to enable the Board to function effectively and ensures that the directors have full and timely access to information relevant to the proper discharge of their duties. This includes corporate announcements, investor communications, and other developments that may affect the Company and its operations. All directors have access to the services of the company secretary.

Remuneration Report

Where considered appropriate, the Board initiates modifications to remuneration designs to ensure that regulatory requirements are met and that the remuneration policies are progressive, consistent with, and promote effective risk management.

Remuneration Philosophy and Policy

Stanbic Uganda Holdings Limited and its subsidiaries are committed to attracting and retaining world-class people. Consequently, we work to develop a depth and calibre of human resource 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 is a core competency of the company.
As an integral part of growing and fortifying our human capital skills, the Board continually reviews the remuneration philosophies, structures and practices.

In determining the remuneration of employees, the Board reviews market and competitive data and considers the company'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 capital and finance, provide supporting information and documentation relating to matters considered by the Board.

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 some instances, globally. Fixed pay is normally reviewed annually, in the first quarter of the year, and market data is used for benchmarking this. In the longer term, the Board aims to move from a fixed salary and benefits to a 'cost-to-company' 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 company 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 the overall company 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 company has implemented a DBS to compulsorily defer a portion of incentives over a minimum threshold for some senior managers and executives. This improves the 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 whole or in part, at the Board'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. 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 the 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 company 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. Shareholders appoint directors 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 incentive 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 2020

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	-	-	1,796,583	2,258,144	960,397	118,645	5,133,769
Non-executive directors	610,969	316,205	-	-	-	-	927,174
Former non-executive directors	-	-	-	-	-	-	-
Total	**610,969**	**316,205**	**1,796,583**	**2,258,144**	**960,397**	**118,645**	**6,060,943**

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**

Report of the Audit and Risk Committee

This report is provided by the Board Audit Committee in respect of the 2020 financial year of Stanbic Uganda Holdings Limited and its subsidiaries. The Committee's operation is guided by a detailed mandate that is informed by the Companies Act 2012 (hereinafter "the Ugandan Companies Act"), the Financial Institutions Act, 2004 as amended impacting the banking subsidiary, the Uganda Securities Exchange (USE) Listing Rules 2003 and is approved by the Board. The Committee is appointed by the Board annually. Information on the membership and composition of the Audit and Risk Committee, its terms of reference and its activities is provided in greater detail in the corporate governance statement.

Execution of Functions

The Committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the SUHL 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 auditor and the external audit:

- Considered and recommended to the Board for the appointment of PricewaterhouseCoopers (PwC), Certified Public Accountants, as external auditor for the financial year ended 31 December 2020, in accordance with all applicable legal requirements.
- Approved the external auditor's terms of engagement, the audit plan and budgeted audit fees payable.
- Assessed and obtained assurance from the external auditor that their independence was not impaired.
- Approved proposed contracts with the external auditor for the provision of non-audit services and pre-approved proposed contracts with the external auditor for the provision of non-audit services above an agreed threshold amount.
- Considered the nature and extent of all non-audit services provided by the external auditor.
- Confirmed that no reportable irregularities were identified and reported by the external auditor.

In respect of the Financial Statements:

- Confirmed the going concern principle as the basis of preparation of the consolidated annual financial statements.
- Examined and reviewed the consolidated 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 company in determining charges for and levels of impairment of performing loans.
- Ensured that the consolidated annual financial statements fairly present the financial position of the Group, 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 Group determined to be a going concern.
- Ensured that the consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Ugandan Companies Act and the Uganda Securities Exchange Listing Rules 2003. and all other applicable accounting guides and pronouncements.
- Considered accounting treatments, significant unusual transactions and accounting judgements.
- Considered the appropriateness of the accounting policies adopted and changes thereto.
- Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Reviewed and discussed the external auditor's audit report.
- Considered and made recommendations to the Board on the consolidated 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, the content of the consolidated annual financial statements, internal controls and related matters.

In respect of risk management and information technology:

- Considered risks as they pertained to the control environment, financial reporting and the going concern assessment.
- Considered updates on key internal and external audit findings in relation to the IT (Information Technology) control environment, significant IT Programmes and IT intangible assets.

In respect of financial accounting and reporting developments:

- Reviewed Management's process and progress with respect to new financial accounting and reporting developments.

In respect of the Coordination of Assurance Activities, The Committee:

- Reviewed the plans and work outputs of the external and internal auditor as well as compliance and financial crime control and concluded that these were adequate to address all significant financial risks facing the business, and
- 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 internal control systems, 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.
- Based on the above, the Committee formed the opinion that there were no material breakdowns in internal control at the date of this report, including internal financial controls, resulting in any material loss to the company.
- 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 company'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 Group and Company.
- Monitored compliance with the Ugandan Companies Act, the USE Listing rules 2003, 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 company'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 pertaining to financial reporting and the going 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 Auditor

The audit committee is satisfied that PricewaterhouseCoopers Certified Public Accountants are independent of the Group. This conclusion was arrived at, inter alia, after taking into account the following factors:

- The representations made by PricewaterhouseCoopers Certified Public Accountants to the Audit Committee in relation to their independence as external auditor.
- The auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Group.
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by them.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.

In conclusion, the Board Audit and Risk Committee has complied with its legal, regulatory and governance responsibilities as set out in its mandate.

On behalf of the Board Audit and Risk Committee

Chairman

26 March 2021

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of Stanbic Uganda Holdings Limited ("the Company" or "SUHL") and it's subsidiaries (together " the Group").

Principal activities

Stanbic Uganda Holdings Limited is a non-operating company with 5 (five) subsidiaries; Stanbic Properties Limited (SPL), Stanbic Business Incubator Limited (SBIL), Flyhub Uganda Limited (Flyhub), SBG Securities Uganda Limited (SBGS) and Stanbic Bank Uganda Limited (SBU). SBU is a licensed financial institution under the Financial Institutions Act, 2004 as amended and is a member of the Uganda Bankers Association. SBU is engaged in the business of commercial banking and the provision of related banking services. SPL holds and manages the real estate portfolio of the Group. Other services offered to clients include; valuation services, site acquisition, property consultancy and execution of real estate projects. SBIL was set up as part of the reorganisation process to support the sustainability of SMEs in Uganda through capacity building programmes on best business practices. Flyhub is a Fintech company that provides financial technology and innovative services as part of the digital transformation journey. SBGs is licensed by the Capital Markets Authority and provides securities trading, brokerage, dealing and management services,

Results

The Group's profit for the year of UShs 242 billion (2019: UShs 259 billion) has been added to retained earnings. The detailed results of the Group are shown on page 132-201.

Dividends

At their meeting of 10 February 2021, the Directors resolved to recommend a dividend of UShs 1.86 per share (2019: UShs 2.15) totalling UShs 95.0bn (2019: UShs 110.0bn) at the Company's next annual general meeting. This resolution was based on the expectation of dividends to be paid to the Company by its main subsidiary, Stanbic Bank Uganda Limited.

The Bank sought BOU no objection to pay the 2020 final dividend however this was declined. The Bank was advised to defer the dividend pay-out until 31 December 2021 subject to a re-assessment. The Bank dividend forms the pool of dividends to SUHL shareholders, therefore the SUHL Board of directors will not recommend payment of the final dividend for the year ended 31 December 2020 to the shareholders at the 2021 AGM which will be paid upon receipt of regulatory approval.

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 are as shown on page 106 of this report.

Directors' interest in shares

At 31 December 2020, the following Directors held direct interest in 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

Directors' and Officers' liability insurance was maintained during the year.

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

26 March 2021

Statement of Directors' Responsibilities

The Ugandan Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

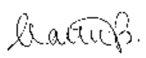
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act.

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 Group of its profit in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors have assessed the Group's ability to continue as a going concern. In performing this assessment, the Directors have considered the results of the Group's assessment of the possible impact on its cash flows and operations as a result of the macroeconomic impact of COVID-19 on the local Ugandan market and wider international economy that is disclosed in Note 2 (ii) of the financial statements. The Directors hereby report that nothing has come to their attention to indicate that the Group will not remain a going concern for at least 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 26 March 2021 and were signed on its behalf by:



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Mr. Japheth Katto
Board Chairman
26 March 2021

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Mr. Andrew Mashanda
Chief executive
26 March 2021

INDEPENDENT AUDITOR'S REPORT

to the members of Stanbic Uganda Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the state of the financial affairs of Stanbic Uganda Holdings Limited ("the Company") and its subsidiaries (together, the "Group") as at 31 December 2020, and of its consolidated and separate profit and cash flows for the year then ended, in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act.

What we have audited

The financial statements of Stanbic Uganda Holdings Limited set out on pages 132 to 201 comprise:

- the consolidated and separate statement of financial position as at 31 December 2020;
- the consolidated and separate income statement for the year then ended;
- the consolidated and separate statement of other comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory information.

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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers Certified Public Accountants, Communications House, 1 Colville Street, P. O. Box 882, Kampala Uganda.
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Partners: C Mpobusingye D Kalemba F Kamulegeya P Natamba U Mayanja
PricewaterhouseCoopers CPA is regulated by the Institute of Certified Public Accountants of Uganda (ICPAU), ICPAU No. AF0004

Key audit matters	How our audit addressed the key audit matters
Impairment of loans and advances to customers As disclosed in Notes 2, 3(c) and 19 of the financial statements, the Directors have estimated provisions for expected credit losses ("ECL") on loans and advances to customers of UShs 165,089 million at 31 December 2020 (2019: UShs 116,632 million). We considered this a key audit matter in view of the complex and subjective judgment exercised by the Directors in estimating the above provisions. In addressing this area, we focused on the following: • the appropriateness of models used by the Directors in the estimation of provision of impairment of loans and advances; • the assumptions and estimates applied in the calculation; and • the overlays applied to the impairment calculation in response to the additional uncertainty to the estimate arising from the effects of the New Corona Virus 2019 (COVID-19) pandemic.	Our audit procedures are summarised as follows: We evaluated the appropriateness of the methodology applied by the Directors in the calculation of expected credit losses for consistency with IFRS 9; We validated controls implemented by the Group over the staging of loans and advances between default (Stage 3), significant increase in credit risk (Stage 2) and others (Stage 1) and tested, on a sample basis, the staging of loans and advances with additional emphasis on loans that were restructured during the year; We evaluated the appropriateness of segmentation of the Group's loan portfolio for purposes of estimation of PDs; We tested, on a sample basis, the reasonableness of PDs used by the Directors as well as the accuracy of the underlying historical data applied by management in deriving PDs; We evaluated the overall reasonableness of the adjustments made to impairment in response to the added uncertainty introduced by the effects of the COVID-19 pandemic; We assessed the suitability of forward-looking data and corroborated the assumptions using publicly available information; We tested, on a sample basis the reasonableness of the EAD for on and off-balance sheet items; We tested, on a sample basis, the reasonableness of the present values of expected future cashflows of loans and advances used by the Group in the calculation of LGD; We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9; and We performed an independent recomputation of provisions for expected credit losses, separately on the Group's personal and business banking portfolio and corporate and investment banking portfolio, using independently recomputed PDs and independent forward looking information and compared our results to those obtained by the Directors to evaluate the reasonableness of provisions for expected credit losses in these financial statements.
Fair valuation of derivative assets and liabilities The Group is the holder and issuer of derivative financial instruments in the normal course of business. In line with IFRS 9: Financial Instruments, these derivatives are measured at fair value at each reporting date. The Directors employed valuation techniques in estimating the fair values of outstanding derivatives at as at 31 December 2020 at UShs 160 billion for derivative assets and UShs 229 billion for derivative liabilities, as disclosed in Note 27 of the financial statements. This was considered a key audit matter for our audit in view of the significant judgments exercised by the Directors in estimating the fair value of derivatives, the materiality of outstanding derivatives, and the additional complexity and long-dated nature of currency swap derivatives which are predominantly over 5 years in duration. In particular, we focused on the fair valuation methodology applied by the Directors; the estimation of inputs into the fair valuation in view of the limitations on available market data/prices; and the overall reasonableness of prices applied in the valuation.	Our audit procedures are summarised as follows: We obtained evidence that selected manual and computer controls applied by the Directors that are relevant to the completeness, existence, accuracy and fair valuation of derivative assets and liabilities were designed and operated effectively during the year; We obtained evidence of the appropriateness of the methodology and computational accuracy of the model used by the Directors in the fair valuation of derivative assets and liabilities; We tested the accuracy of data inputs used by the Directors in the fair valuation of derivative assets and liabilities; and We reviewed the completeness and accuracy of disclosures made by the Directors in respect of derivative assets and liabilities.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, the Statement of Directors' Responsibilities and the Report of the Audit and Risk Committee which we obtained prior to the date of this auditor's report, and additional sections of the Group's annual report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Other information (continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the additional sections of the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies 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.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's 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 the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the Directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Group, so far as appears from our examination of those books; and

iii) the consolidated and separate statement of financial position and the consolidated and separate income statement are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Uthman Mayanja – P0181.

PricewaterhouseCoopers

Certified Public Accountants
Kampala
29 March 2021

CPA Uthman Mayanja


FINANCIAL STATEMENTS
Stanbic Uganda IT CAN BE™

Consolidated and separate income statement
For the year ended 31 December 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	UShs'000	UShs'000	UShs'000	UShs'000
Interest income	5	536,233,586	484,410,301	-	-
Interest expense	6	(45,441,437)	(35,469,336)	(37,816)	-
Net interest income		490,792,149	448,940,965	(37,816)	-
Fee and commission income	7	165,731,160	170,766,015	-	-
Fee and commission expenses	7	(8,449,791)	(9,795,567)	-	-
Net fees and commission income		157,281,369	160,970,448	-	-
Net trading income	8	177,344,278	191,205,066	-	-
Other (losses)/ gains on financial instruments	9	(132,234)	347,798	-	-
Other operating income	10	6,104,594	5,643,574	129,583,471	1,526,623
Total income before credit impairment charge		831,390,156	807,107,851	129,545,655	1,526,623
Impairment charge for credit losses	11	(91,734,105)	(43,522,012)	-	-
Total income after credit impairment charge		739,656,051	763,585,839	129,545,655	1,526,623
Employee benefits expense	12	(169,512,134)	(164,999,991)	(2,197,538)	-
Depreciation and amortisation	22 & 23	(48,424,389)	(45,626,420)	(266,824)	(51,624)
Other operating expenses	13	(203,106,739)	(203,324,989)	(978,892)	(977,875)
Profit before income tax		318,612,789	349,634,439	126,102,401	497,124
Income tax expense	14	(76,926,464)	(90,540,381)	864,030	(151,136)
Profit for the year		241,686,325	259,094,058	126,966,431	345,988
Earnings per share for profit attributable to the equity holders of the Group during the year (expressed In UShs per share):					
Basic and diluted	15	4.72	5.06	2.48	0.01

The notes set out on pages 138 to 201 form an integral part of these financial statements.

Consolidated and separate statement of other comprehensive income
For the year ended 31 December 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Profit for the year		241,686,325	259,094,058	126,966,431	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	(5,113,372)	(1,079,362)	-	-
Total comprehensive income for the year		236,572,953	258,014,696	126,966,431	345,988

The notes set out on pages 138 to 201 form an integral part of these financial statements.

Consolidated and separate statement of financial position
As at 31 December 2020

	Notes	GROUP 2020 UShs'000	GROUP 2019 UShs'000	COMPANY 2020 UShs'000	COMPANY 2019 UShs'000
Cash and balances with Bank of Uganda	16	**1,155,333,607**	1,123,942,143	**1,000**	-
Derivative assets	27	**160,917,126**	82,497,309	**-**	-
Trading assets	17	**1,101,949,038**	612,551,106	**-**	-
Pledged assets	17	**460,527,242**	29,455,491	**-**	-
Financial investments	17	**721,772,782**	766,360,371	**-**	-
Current income tax recoverable	14	**5,066,711**	2,038,942	**11,720,417**	15,883,532
Loans and advances to banks	18	**683,929,488**	825,252,492	**-**	-
Amounts due from group companies	36	**354,851,856**	89,055,563	**154,995,286**	35,491,352
Loans and advances to customers	19	**3,618,353,321**	2,852,647,445	**-**	-
Investment in subsidiaries	38	**-**	-	**893,504,489**	881,068,551
Other assets	21	**96,788,730**	52,640,352	**227,504**	253,465
Property, equipment and right of use assets	23	**81,417,930**	86,438,365	**861,851**	2,336,815
Goodwill and other intangible assets	22	**93,447,576**	97,068,254	**-**	-
Deferred tax asset	20	**44,542,719**	30,877,380	**850,042**	-
Total assets		**8,578,898,126**	6,650,825,213	**1,062,160,589**	935,033,715
Shareholders' equity and liabilities					
Shareholders' equity					
Ordinary share capital	24	**51,188,670**	51,188,670	**51,188,670**	51,188,670
Fair value through other comprehensive income reserve	25	**(2,513,543)**	2,599,829	**-**	-
Statutory credit risk reserve	26	**-**	8,466,533	**-**	-
Retained earnings	38	**1,099,764,261**	944,611,403	**790,299,169**	758,332,738
Proposed dividends	33	**95,000,000**	110,000,000	**95,000,000**	110,000,000
		1,243,439,388	1,116,866,435	**936,487,839**	919,521,408
Liabilities					
Derivative liabilities	27	**229,733,411**	125,976,132	**-**	-
Deposits from customers	28	**5,493,479,534**	4,722,203,570	**-**	-
Deposits from banks	29	**785,477,443**	201,699,798	**-**	-
Amounts due to group companies	36	**351,607,479**	31,920,350	**88,295,740**	-
Borrowed funds	30	**43,346,567**	11,081,783	**-**	-
Subordinated debt	32	**73,022,525**	73,280,466	**-**	-
Other liabilities	31	**358,791,779**	367,796,679	**37,377,010**	15,190,720
Deferred tax liability	14	**-**	-	**-**	321,587
		7,335,458,738	5,533,958,778	**125,672,750**	15,512,307
Total equity and liabilities		**8,578,898,126**	6,650,825,213	**1,062,160,589**	935,033,715

The financial statements on pages 132 to 201 were approved for issue by the Board of Directors on 26 March 2021

Chairman

Chief Executive

Director

Company Secretary

The notes set out on pages 138 to 201 form an integral part of these financial statements.

Consolidated and separate statement of changes in equity for the year ended 31 December 2020

GROUP	Notes	Share capital	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
Balance at 1 January 2020		**51,188,670**	**2,599,829**	**8,466,533**	**110,000,000**	**944,611,403**	**1,116,866,435**
Profit for the year		**-**	**-**	**-**	**-**	**241,686,325**	**241,686,325**
Other comprehensive loss after tax for the year	25	**-**	**(5,113,372)**	**-**	**-**	**-**	**(5,113,372)**
Transactions with owners recorded directly in equity							
Dividends paid		**-**	**-**	**-**	**(110,000,000)**	**-**	**(110,000,000)**
Statutory credit risk reserve		**-**	**-**	**(8,466,533)**	**-**	**8,466,533**	**-**
Proposed dividends	33	**-**	**-**	**-**	**95,000,000**	**(95,000,000)**	**-**
Balance at 31 December 2020		**51,188,670**	**(2,513,543)**	**-**	**95,000,000**	**1,099,764,261**	**1,243,439,388**
	Notes	**Share capital**	**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**
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							
Dividends paid		-	-	-	(97,500,000)	-	(97,500,000)
Statutory credit risk reserve		-	-	(2,607,372)	-	2,607,372	-
Proposeds dividends	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

The fair value through OCI reserverelates to debt financial investments (note 17) measured at fair value through OCI.
The notes set out on pages 138 to 201 form an integral part of these financial statements.

Consolidated and separate Statement of changes in equity for the year ended 31 December 2020 (continued)

COMPANY	Notes	Share capital	Proposed dividends	Retained earnings	Total
		UShs' 000	UShs' 000	UShs' 000	UShs' 000
Balance at 1 January 2020		51,188,670	110,000,000	758,332,738	919,521,408
Profit for the year		-	-	126,966,431	126,966,431
Transactions with owners recorded directly in equity					
Dividends paid		-	(110,000,000)	-	(110,000,000)
Proposed dividends	33	-	95,000,000	(95,000,000)	-
Balance at 31 December 2020		51,188,670	95,000,000	790,299,169	936,487,839
	Notes	**Share capital**	**Proposed dividends**	**Retained earnings**	**Total**
		UShs'000	UShs'000	UShs'000	UShs'000
Balance at 1 January 2019		-	-	-	-
Profit for the year		-	-	345,988	345,988
Transactions with owners recorded directly in equity					
Re-organisation		51,188,670	-	867,986,750	919,175,420
Proposed dividends	33	-	110,000,000	(110,000,000)	-
Balance at 31 December 2019		51,188,670	110,000,000	758,332,738	919,521,408

The fair value through OCI reserve comprises of the fair value through OCI reserve for debt financial investments (note17) measured at fair value through OCI.
The notes set out on pages 138 to 201 form an integral part of these financial statements.

Consolidated and separate statement of cash flows
For the year ended 31 December 2020

	Notes	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
		UShs'000	UShs'000	UShs'000	UShs'000
Cash flows from operating activities					
Interest received	5	514,409,124	515,364,947	-	-
Interest paid	6	(46,511,654)	(35,488,229)	(37,816)	-
Net fees and commissions received	7	162,228,254	154,909,537	129,583,471	-
Net trading and other Income/recoveries		192,349,594	203,984,483	-	-
Cash payment to employees and suppliers		(389,839,999)	(402,756,475)	(3,777,911)	-
Cash flows from operating activities before changes in operating assets and liabilities		432,635,319	436,014,263	125,767,744	-
Changes in operating assets and liabilities					
Income tax (paid)/refund	14	(91,394,617)	(96,426,020)	4,171,663	(12,061,785)
Increase in derivative assets	27	(78,419,817)	(66,300,298)	-	-
Decrease in financial investments	17	277,021,578	28,347,946	-	-
Increase in trading assets	17	(841,973,214)	(304,126,776)	-	-
Increase in cash reserve requirement		(81,630,000)	(63,890,000)	-	-
Increase in loans and advances to customers	19	(842,235,712)	(424,209,855)	-	-
(Increase)/decrease in other assets	21	(49,095,263)	20,883,066	1,552,584	(253,465)
Increase in customer deposits	28	772,346,181	829,927,814	-	-
Increase in deposits and balances due to other banks	29	583,777,645	100,315,359	-	-
Increase in deposits from group companies	36	319,687,129	84,366,591	-	-
Increase/(decrease) in derivative liabilities	27	103,757,279	(6,577,400)	-	-
Increase/(decrease) in other liabilities		5,933,466	100,045,387	(17,494,559)	(95,461,011)
Net cash from operating activities		510,409,974	638,370,077	113,997,432	(107,776,261)
Cash flows from investing activities					
Purchase of property and equipment		(17,761,017)	(23,596,971)	(943,945)	(156,050)
Purchase of computer software		(11,081,968)	-	-	-
Proceeds from sale of property and equipment		376,858	669,188	-	-
Net cash used in investing activities		(28,466,127)	(22,927,783)	(943,945)	(156,050)
Cash flows from financing activities					
Principle lease payments	23	(11,391,314)	(18,657,728)	(421,930)	-
Dividends paid to shareholders	33	(110,000,000)	(97,500,000)	(110,000,000)	-
Dividends from subsidiary	10	-	-	129,000,000	-
Investment in subsidiaries		-	-	(10,600,000)	-
Increase/(decrease) in borrowed funds	30	32,264,784	(2,706,338)	-	-
Decrease in subordinated debt		(257,941)	(896,517)	-	-
Net cash used financing activities		(89,384,471)	(119,760,583)	7,978,070	-
Net Increase/(decrease) in cash and cash equivalents		392,559,376	495,681,711	121,031,557	(107,932,311)
Cash and cash equivalents at the beginning of the year		2,057,985,417	1,562,303,706	33,964,729	141,897,040
Cash and cash equivalents at end of the year	35	2,450,544,793	2,057,985,417	154,996,286	33,964,729

The notes set out on pages 138 to 201 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, PO Box 7395, Kampala, Uganda. The Company's shares are listed on the Uganda Securities Exchange (USE) and it has five subsidiaries which include Stanbic Bank Uganda Limited, FLYHUB Uganda Limited, Stanbic Properties Limited, Stanbic Business Incubator Limited and SBG Securities Uganda Limited.

For purposes of reporting under the Companies Act of Uganda 2012 (herein referred to as the Ugandan Companies Act) 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. Accounting policy elections

(i) 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 Ugandan Companies Act 2012 and the Financial Institutions Act 2004 as amended. 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 where otherwise stated below:

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:

- 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 market place 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 costless accumulated armotisation/ depreciation and impairment.

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 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 Group and Company'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 (UShs'000) 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. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as fair value through OCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

b) 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 2020 and have not been applied in preparing these annual financial statements.

IFRS 9 Financial Instruments General hedge accounting (GHA)

Effective date: 1 January 2018, but can be adopted for any financial period prior to the effective date of the Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA) which is still to be advised

The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The group has decided to adopt the IFRS 9 GHA as at 1 January 2021 in line with some market competitors both locally and globally. The group will transition to IFRS 9's GHA for all current and further micro hedges (hedges that minimises/manages the risk exposure of a single instrument). However, the group will continue to apply IAS 39 for macro hedges (hedges that minimises/ manages the risk exposure of a portfolio), as IFRS 9 does not provide any guidance in this regard. The IASB is currently still researching the accounting model to cover situations where a group manages it risk dynamically (i.e. when the risk position being hedged changes frequently and is hedged by an open portfolio of changing assets and liabilities). The group is actively participating in some of the IASB research in the regard. The group has established detailed project plan which includes the key responsibilities of the group's hedge accounting forum relating to the transition to IFRS 9 GHA. The group's estimated transition impact which is not expected to be material/significant to the group's results and is in the process of assessing the system design requirements to accommodate IFRS 9 GHA.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

Effective date: deferred the effective date for these amendments indefinitely

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the Group's financial statements.

IFRS 16 Leases (amendment)

(Effective for annual periods beginning on or after: 1 June 2020)

IFRS 16 requires an entity to account for a change in consideration or term of a lease contract to be accounted for and disclosed as a lease modification. In light of the recent COVID-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular COVID-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits the application of the practical expedient to rent concessions that meet specific COVID-19 related requirements and requires specified disclosures. An entity shall apply the practical expedient as an accounting policy choice and consistently to contracts with similar characteristics and in similar circumstances. The purpose of the amendment is to provide relief to lessees from the complexity arising in applying the requirements of IFRS 16 to COVID-19 related rent concessions. The amendment will be applied retrospectively and is not expected to have a material impact on the Group.

IAS 1 Presentation of Financial Statements (amendments)

(Effective for annual periods beginning on or after 1 January 2023)

The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. 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.

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

Adoption of new and amended standards effective for the current financial year

- IFRS 3 Business Combinations (amendment) (IFRS 3), the amendment clarifies 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 will be applied prospectively.
- IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (amendments) (IFRS 9) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). 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 amendment will be applied retrospectively.

Early adoption of revised standards:

IFRS 3 Business Combinations (amendments) (IFRS 3).

- This standard requires an entity to refer to the Conceptual Framework for Financial Reporting in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 instead of the Conceptual Framework. The amendments will be applied prospectively.

IAS 16 Property, Plant and Equipment (amendments) (IAS 16).

- Narrow-scope amendments to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds and related cost in profit or loss. The amendments will be applied retrospectively.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments)

- Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively. Adjusting prior periods is not required, but rather adjusting the opening Retained Earnings with the cumulative effect of the amendments on transition date.
- The adoption of new and amended standards on 1 January 2020 did not affect the Group's previously reported financial results, disclosures or accounting policies and did not impact the Group's results upon transition.

Accounting for the Reorganisation

Background

In 2018, the Group 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 Limited (SBUL) 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, SBUL, 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 (SBUL) 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 SBUL.

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, SBUL 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 SBUL, also changed its name from Stanbic Bank Holdings Limited (SBHL) to Stanbic Uganda Holdings limited (SUHL).

Basis of preparation for the financial statements for 2019

The Group 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.

Stanbic Bank Holdings Limited income statement for the quarter ended 31 March 2019

	SBHL 31 March 2019 UShs' 000
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 (1 January 2019 to 31 March 2019) while managed by Stanbic Bank Holdings Limited before completion of the reorganisation and 9 months (1 April 2019 to 31 December 2019) under Stanbic Bank Uganda Limited after the reorganisation.

	2019			2018
	SBHL	SBUL	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 under it's new name Stanbic Uganda Holdings Limited.

Statement of financial position	SBHL 31 March 2019 UShs' 000	SUHL 1 April 2019 UShs' 000	SBUL 1 April 2019 UShs' 000
Cash and 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, equipment and right of use asset	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 credit risk reserve	12,391,393	-	12,391,393
Fair value through other comprehensive income reserve	6,558,160	-	6,558,160
Retained earnings	857,743,838	867,986,774	(10,242,912)
Proposed dividends		-	-
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 transferred 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 (Dividends payable)	(109,673,832)
Total	38,106,893

Please refer to note 2(iii) for the detailed accounting policies applied in the preparation of the financial statements.

(ii) 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. While models have been enhanced, no material changes to assumptions have occurred during current or prior reporting periods apart from those mentioned below. 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 (Personal Business Banking) 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.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

- The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetime is less than 12-months).
- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetimes include consideration for multiple default events,i.e. where defaulted exposures cure and then subsequently re default. This consideration increases the lifetime periods and the potential ECL.
- The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

Significant increase in credit risk (SICR) and low credit risk

PBB

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio category 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 banking 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.

To determine whether a client's credit risk has increased significantly since origination, the Group would need to determine the extent of the change in credit risk using the table below.

Master rating scale band	SICR trigger (from origination)
SB 1 - 12	Low credit risk
SB 13 - 20	3 rating or more
SB 21 - 25	1 rating or more

Incorporation of forward looking information in ECL measurement

The Group determines the macroeconomic outlook, over a planning horizon of at least three years, 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 (Forward Looking Information), 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 (i.e. no reasonable expectation of recovery). This assessment considers both qualitative and quantitative information, such as past performance, behaviour and recoveries. The Group assesses whether there is a reasonable expectation of recovery at an exposure level. As such once the below criteria are met at an exposure level, the exposure is written off.

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. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the Group is able to receive any further economic benefit from the impaired loan. The period defined for unsecured PBB products are determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write-off recoveries. Factors that are within the Group's control are assessed and considered in the determination of the period defined for each product. The post-default payment period is generally once the rehabilitation probability (repayment of arrear instalments) is considered low to zero, and a period of 180 days post default with no payments; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation 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 exposure 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. CIB products, write-off are assessed on a case-by-case basis, and approved by credit governance committee based on the individual facts and circumstances.

For unsecured exposures, post write-off collection and enforcement activities include outsourcing to external debt collection agents as well as, collection/settlement arrangements to assist clients to settle their outstanding debt. The Group continuously monitors and reviews when exposures are written off, the levels post write of recoveries as well as the key factors causing post write-off recoveries. which ensure that the Group's point of write-off remains appropriate and that post write-off recoveries are within expectable levels after time.

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 2020. The amendments include improved SICR classification and enhancements to certain assumptions within the modelling techniques ECL calculations.

Stanbic Uganda'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 2020, for inclusion in Group's forward-looking process and ECL calculation.

Ugandan economic expectations

The base case is the forecast showing the most likely trend in which key economic indicators will evolve. It is assigned a 65% probability. For instance, the CBR is expected hold at 7% through 2021. Holding this signal rate low, continues to signal to supervised financial institutions to ease their lending rates thus making credit more affordable hence support economic growth recovery from the COVID-19 adverse effects on economic activity.

The bear case on the other hand shows the possible pessimistic trend in which key economic indicators may evolve and is assigned a probability of 25%. For instance, the CBR is expected to be hiked to forestall strong inflationary pressures. In this case GDP growth is forecast to take much longer to recover from the trough of Q2:2021 as the second and third COVID-19 wave in global economies, dampens demand for Uganda's exports.

The bull case shows the possible optimistic trend in which key economic indicators may evolve and is assigned a probability of 10%. For instance, the CBR is expected to be reduced to stimulate the otherwise sluggish private sector credit growth since inflationary pressures from foreign exchange are deemed low as the local currency remains relatively stable.

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.

2020	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors	Next 12 months	Remaining fore-cast period[2]	Next 12 months	Remaining forecast period[2]	Next 12 months	Remaining forecast period[2]
Uganda						
Inflation (%)	**4.8**	**4.2**	**6.4**	**5.6**	**4.1**	**2.9**
Real GDP[1] (%)	**5.0**	**6.7**	**3.9**	**6.0**	**6.4**	**7.5**
Policy Rate (%)	**7.0**	**6.5**	**9.0**	**8.0**	**6.5**	**5.5**
91-Day T-Bill (%)	**8.3**	**8.4**	**11.0**	**10.5**	**7.5**	**7.6**
Exchange rate USD/UGX	**3808**	**3961**	**4240**	**4271**	**3719**	**3796**
Prime lending rate (%)	**16.0**	**14.5**	**18.0**	**16.0**	**15.5**	**13.5**
2019						
Uganda						
Inflation (%)	4.7	5.2	5.7	6.2	3.9	3.9
Real GDP1 (%)	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/UGX	3850	4135	4033	4228	3741	3953
Prime lending rate (%)	17.5	17.5	18.5	18.5	16.5	16.5

1 Gross domestic product 2 The remaining forecast period is 2022 to 2024
2020 - The scenario weighted average is: Base at 55%, Bull at 25% and Bear at 20%
Base scenario: A scenario based on the most likely/expected macro-economic factors.
Bearish scenario: A scenario based on plausible but more conservative macro-economic factors
Bullish Scenario: A scenario based on plausible but more optimistic macro-economic factors

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 2020 based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighing of the above factors.

Macroeconomic factors

Allowances for credit losses	2020 UShs	2019 UShs
PBB Forward looking impact on IFRS 9 provision scenarios		
100% Base	2,344,346	8,491,206
100% Bear	12,419,980	14,378,845
100% Bull	1,915,772	6,062,550

Refer to notes 18 and19 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 counter parties to meet their financial or contractual obligations when due.

Group's response to Covid 19.

Background

Following the global novel corona virus (COVID-19) outbreak in March 2020, the Government announced that in a bid to curb the spread of the COVID-19 virus, specific measures would take effect, and this resulted in a hard lockdown that impacted majority of the sectors in the economy, with only minimal operations limited to the essential service sectors.

In April 2020, Bank of Uganda (BOU) put in place Credit Relief Measures aimed at maintaining financial stability and reducing the economic impact of COVID-19. Guidelines were also issued to Commercial Groups, Credit Institutions and Microfinance Deposit-taking Institutions (MDIs) on how to apply the measures.

BOU allowed Supervised Financial Institutions to restructure any loan affected by the COVID-19 pandemic as long as this was done within one-year effective April 1st 2020. Within this period, eligible borrowers can have their loans restructured for up to two (2) times, and any further restructuring can be applied for and approved by BOU.

In response to the pandemic, The Group initiated a Rapid Risk Review exercise to assess the credit risk profile of all the exposures on the book given the unfolding disruption triggered by the pandemic. Counterparties with perceived high risk were placed under close monitoring as the pandemic evolved. Regular sector focused reviews were instituted and sectors under increased risk were identified. The risk appetite for the affected sectors was moderated accordingly.

Furthermore, a framework to consider credit accommodations directly linked to COVID-19 was established to expedite credit relief with due consideration of the risk assumed and in accordance with BOU guidelines.

PBB IFRS 9 Impairment Model Overlays:

The portfolio Model

For the portfolio model the Group applied an enhanced Significant Increase in Credit Risk (SICR) rule that includes downgrading customers that are identified to have relatively lower turnovers. These transfers are done in addition to the other SICR components of historical delinquency and any qualitative factors

The corporate model

Counterparty specific review of the population was undertaken to determine counterparties with indicators of elevated risk. To these counterparties, we applied downgrades, thus the linked Probability of Default (PD) and higher impairments for any counterparties with elevated risk. The overlay was applied to identified increased credit risk and thus transfer accounts from Stage 1 to Stage 2. Thus Overlay amount does not apply to Stage 1. The overlay proactively resulted into transfer of counterparties to Stage 2 in account of additional stress. The provisions are therefore accounted for under this stage 2 resulting into additional provisions of UShs 1,676 Million. This amount is derived by comparing the total ECL position after including these transfers and the total ECL position without these transfers as at 31 December 2020.

The forward looking Model

Adoption of a minimum forward-looking for loans under stage 3 percentage (PD equivalent). This is obtained by comparing the statistically derived Forward Looking loans under stage 3 ratio based on most recent trends and comparing it to the actual under stage 3 ratio and in instances where the latter is greater, the parameter is adopted after applying an incremental percentage based on information available at the time. This model overlay has been adopted to cater for any uncertainty that comes with the impact of Covid 19 on the PBB portfolio at large.

Approach to stage 3 impairment

Overlay applied on inputs to the provisions of loans under stage 3 exposures in terms of the timing of the cashflows expected to be realised from the recovery and rehabilitation; we maintained cashflows in the initial projection period irrespective of passing of time and drawing closer to the realisation date thus maintaining the provisions as we monitor the COVID-19 environment. In addition, the statistically derived cashflow realisation period for fixed property was increased by 100% in order to cater for any protracted recovery scenarios as a result of the pandemic's impact.

Outstanding Covid 19 related restructures as at 31st December 2020

	Personal and Business Banking	Corporate and Investment Banking
Credit exposure		
Restructured loans and advances.	149,497,261	7,224,651
Provisions held		
Stage 1	741,460	3,547
Stage 2	2,009,394	44,579
Stage 3	3,235,698	-

Progress on normalization of activities is reported to the Credit Risk Management Committee and the Board Credit Committee. All clients across all segments remain subject to risk reviews with a view to establish the vulnerable entities given the emerging situation under COVID-19. Overall, the impact of COVID-19 on the portfolio has dampened economic activity with temporary effects noted save for tourism linked businesses, trade related SMEs and some segments of the real estate sectors.

Basing on the information available, adequate provisions have been taken on a forward-looking basis and management has determined that the impairment model outputs were reasonable.

Fair value

Financial instruments

In terms of IFRS, the Group is either required to or elects to measure a number of its 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 particula, provides assurance that the risk and return measures that the Group has taken are accurate and complete.

Valuation process

The Group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the 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 assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the Group makes 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. Changes in these assumptions 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 that are 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 instruments
- correlation between risk factors
- prepayment rates
- other illiquid risk drivers.

In making appropriate valuation adjustments, the Group applies 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 or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- prepayment rates
- limiting exposure to such risk drivers and analysing 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. 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'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. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values.

Portfolio exception: The Group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain Groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date.

The total amount of the change in fair value estimated using valuation techniques not based on observable market data that was recognised in profit or loss for the year ended 2020 was a net gain of UShs 16.8million (2019: UShs 1.0 million net Loss).

Refer to note 3(h) fair value hierarchy disclosures.

Computer software intangible assets

The Group reviews its assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates, significant changes in macroeconomic circumstances or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amount.

Through the performance of the impairment test, only one intangible asset has been identified as impaired:

- KYC software (impairment of UShs 1,508 million)

The recoverable amount is determined as the higher of an asset's fair value less cost of disposal and its value in use. The value in use is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate.

The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

During 2020, the Group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by a total amount of UShs 1,508 million (2019: nil).

Current and deferred tax

The Group is subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The Group recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 14 and note 20, respectively, in the period in which such determination is made. Uncertain tax positions are provided for in accordance with the criteria defined within IAS 12 Income Taxes and IFRIC 23. 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. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded, include determining whether there is an obligation, as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions, management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the Group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial results. Refer to note 34 off- Balance sheet Financial instruments, contingent liabilities and commitments disclosures.

(iii) Detailed Accounting Policies

(a) Financial instruments

Initial measurement - financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Nature

(i) Amortised cost

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered minimal and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

(ii) Fair value through OCI

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.

(iii) Held for trading

Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(iv) Designated at fair value through profit or loss

Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

(v) Fair value through profit or loss – default

Financial assets that are not classified into one of the above mentioned financial asset categories.

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

(i) Amortised cost

Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges.

Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

(ii) Fair value through OCI

Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.

(iii) Held for trading

Designated at fair value through profit or loss

Fair value through profit or loss – default

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are not measured at fair value through profit or loss. The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)	At each reporting date the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. 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 group 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.
Forward-looking information	Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the Group changes its business model or managing of its financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

Financial liabilities

Nature

Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Designated at fair value through profit or loss

Financial liabilities are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis.
- where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.

Amortised cost

All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss

Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue.

Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.

Amortised cost

Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised or modified in the following instances:

	Derecognition	Modification
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	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. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts or loan commitment below market rate

A financial guarantee contract is a contract that requires the group (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 original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee.

A loan commitment is described in IFRS 9 as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose. Loan commitments at a below market interest rate are initially recognised when the group and company become party to the irrevocable commitment at fair value.

Financial guarantee contracts (that are not designated at fair value through profit or loss) and loan commitments at a below market interest rate, are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee or loan commitments; or
- unamortised premium.

Statutory Credit Risk Reserve

In addition to the measurement of impairment losses on loans and advances in accordance with the International Financial Reporting Standards (IFRS) as set out above, Stanbic Bank Uganda Limited is required by the Financial Institutions Act (FIA) 2004, as amended 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, as amended 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.

The financial assets and liabilities below have been included on the face of the statement of financial position.

(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) Financial investments

Included in the financial investments are investment securities which include interest-bearing assets classified as financial investments are measured at fair value and equity investments. 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) Financial liabilities

Included in the financial liabilities amounts 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.

(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.

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.

(d) Net trading revenue

Net trading revenue comprises gains or losses related to trading assets and liabilities, and include all realised and unrealised fair value changes, interest and foreign exchange differences.

(e) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity investment.

(f) Segment reporting

An operating segment is a distinguishable component of the 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.

(g) 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 land and 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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. **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. **Termination of leases:** When the Group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised.	**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. **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 amortisation. **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 Payments made under these leases, net straight-line lease asset or liability, being the difference of any incentives received from the lessor, between actual payments and the straight-line lease are recognised in operating expenses on expense are recognised. 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.	

(l) 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.

(ii) 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.

(iii) 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

(iv) 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.

(v) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(m) Derivative financial instruments

Derivatives and embedded derivatives

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities. Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant Group accounting policy.
The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

(n) Sale and repurchase agreements

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate.
For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

(O) 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.

(p) 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 in the CGU on a pro rata basis.

Computer software development costs

Costs associated with maintaining computer software Programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the 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 licences 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.

(q) 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.

(r) 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 statement of financial position date are disclosed in the dividend note. This is transferred 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.

(s) 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.

(t) Equity compensation plans

The parent company operates two equity settled share based compensation plans through which certain key management staffs 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.

(u) 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.

(v) Consolidation of entities

The Group controls and consolidates an entity where the Group has power over the entity's relevant activities; is exposed to variablereturns 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.

When the Group ceases to have control in an entity, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 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 lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds. The Group 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.

3(b) Capital management

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 regulator, Bank of Uganda, that are enshrined in the Financial Institutions Act and accompanying Financial Institutions (Capital Adequacy Requirements) Regulations, 2018.
- 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 - Stanbic Bank Uganda Limited (The "Bank") monitors the adequacy of its capital using capital adequacy ratios established under the Financial Institutions Act 2004, as amended (FIA) which ratios are broadly in line with those for the Bank for International Settlements (BIS). In addition under the same law, the Bank is required to maintain minimum paid up capital of UShs 25 bn.

The Bank is compliant with this requirement with a holding of UShs 51 bn. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off- balance- sheet commitments at weighted amounts to reflect their relative risk.

The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, and 100%) are applied. Certain asset categories have intermediate weightings. The Bank is required at all times to maintain a core capital (tier 1) of not less than 10% of total risk adjusted assets plus risk adjusted items off the statement of financial position and a total capital (tier 1 + tier 2) of not less than 12% of its total risk adjusted assets plus risk adjusted items off the statement of financial position.

Off-balance-sheet credit related commitments and forwards are taken into account by applying different categories of credit
conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, deferred income tax asset and investments in financial companies, not consolidated. Tier 2 capital includes the Bank's eligible long-term loans, and general provisions. Tier 2 capital is limited to 50% of Tier 1 capital.

The table below summarizes a composition of regulatory capital

	2020 UShs'000	2019 UShs'000
Core capital (Tier 1)		
Shareholders' equity	51,188,670	51,188,670
Share Premium	829,879,881	829,879,881
Retained earnings	208,791,259	57,204,143
Less: Deductions determined by Bank of Uganda	(171,895,125)	(160,278,679)
Total core capital	917,964,685	777,994,015
Supplementary capital (Tier 2)		
Unencumbered general provisions for losses	55,722,812	46,212,202
Subordinated term debt	73,022,525	73,280,466
Total supplementary capital	128,745,337	119,492,668
Total capital (core and supplementary)	1,046,710,022	897,486,683

Breakdown of deductions determined by the Financial Institutions Act 2004, as amended

	2020 UShs'000	2019 UShs'000
Good will and other intangible assets	93,447,576	97,068,254
Unrealised gains on securities	32,073,957	32,011,457
Deferred tax asset	43,860,049	31,198,968
Fair value through other comprehensive income reserve (loss)	2,513,543	-
	171,895,125	160,278,679

The Bank's capital adequacy level was as follows:

	Risk Weight	Financial position nominal balance 2020 UShs'000	Financial position nominal balance 2019 UShs'000	Risk weighted balance 2020 UShs'000	Risk weighted balance 2019 UShs'000
Statement of financial position					
Cash and balances with bank of uganda	0%	**1,155,797,738**	1,123,942,143	**-**	-
Financial investments	0%	**721,573,358**	766,177,716	**-**	-
Other financial investments	100%	**199,424**	182,655	**199,424**	182,655
Trading assets	0%	**1,101,949,038**	612,551,104	**-**	-
Pledged assets	0%	**460,527,242**	29,455,491	**-**	-
Placements with local banks	20%	**91,104,336**	537,809,285	**18,220,867**	6,345,624
Placements with foreign banks*		**592,940,361**	283,620,312	**329,705,881**	157,128,651
Amounts due from group companies	100%	**354,917,315**	89,059,084	**354,917,315**	89,059,084
Loans and advances to customers-regulatory basis	100%	**3,710,775,005**	2,913,206,972	**2,987,077,846**	2,910,997,379
Other assets	100%	**241,548,747**	120,185,495	**241,548,747**	120,185,495
Deferred tax asset	0%	**43,860,049**	31,198,968	**-**	-
Goodwill	0%	**1,901,592**	1,901,592	**-**	-
Other intangible assets	0%	**91,545,984**	95,166,662	**-**	-
Property, equipment and right of use asset	100%	**80,159,638**	88,055,706	**80,159,638**	88,055,706
		8,648,799,827	6,692,513,185.	**4,011,829,718**	3,371,954,594
Off-balance sheet items					
Contingencies secured by cash collateral	0%	**37,706,448**	45,810,145	**-**	-
Guarantees and acceptances	100%	**33,937,949**	26,818,782	**33,937,949**	26,818,782
Performance bonds	50%	**1,564,579,190**	1,507,654,609	**782,289,595**	753,827,305
Trade related and self liquidating credits	20%	**225,282,651**	127,732,179	**45,066,394**	25,546,436
Other commitments	50%	**1,433,445,628**	1,041,694,219	**716,722,814**	520,847,110
		3,294,951,866	2,749,709,934	**1,578,016,752**	1,327,039,633
Counterparty risk				**13,384,030**	9,529,296
Market risk				**221,981,066**	208,689,994
Total risk weighted assets				**5,825,211,566**	4,917,213,517

***Placements with foreign banks**

The risk weights applied to balances with foreign banks are detemined in accordance with the internal credit rating of the bank as follows;

Category	Risk Weight	Financial position nominal balance 2020 UShs' 000	Financial position nominal balance 2019 UShs' 000	Risk weighted balance 2020 UShs' 000	Risk weighted balance 2019 UShs' 000
Rated AAA to AA (-)	20%	**476,179**	6,484,738	**95,236**	1,296,947
Rated A (+) to A (-)	50%	**525,707,074**	242,607,740	**262,853,537**	121,303,870
Rated A (-) to non-rated	100%	**66,757,108**	34,527,834	**66,757,108**	34,527,834
	Total	**592,940,361**	283,620,312	**329,705,881**	157,128,651

Tier 1 and Tier 2 capital

	Capital 2020 UShs'000	Capital 2019 UShs'000	Bankratio 2020 %	Bankratio 2019 %	FIAminimumratio 2020 %	FIAminimumratio 2019 %
Tier 1 capital	**917,964,685**	777,994,015	**15.8%**	15.8%	**10%**	10%
Tier 1 + Tier 2 capital	**1,046,710,022**	897,486,683	**18.0%**	18.3%	**12%**	12%

The financial institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 were gazetted and took effect on 31 December 2020. One of the objectives is to provide financial institutions with a buffer for losses during periods of financial and economic stress without breaching the minimum core capital and total capital adequacy requirements so as to protect the financial institutions sector from the build-up of systemic risks of systemic risks during an economic upswing when aggregate credit growth tends to be excessive and reduce the likelihood of impairment or failure of systemically important financial institutions.

This introduces a Capital Conservation buffer of 2.5%, a Systemic Risk Buffer for domestic systemically important banks ranging from 0% to 3.5% and a Countercyclical Buffer ranging from 0% to 2.5%. The buffers are calculated as a percentage of total risk adjusted assets plus risk adjusted off balance sheet items. The buffers are added on the minimum total capital and core capital ratios.

The regulations also introduce a minimum leverage ratio of 6%. This is calculated as the core capital divided by the total balance sheet plus off-balance sheet exposure.

The Bank of Uganda will prescribe the required systemic risk buffer and the countercyclical buffer to financial institutions. The Bank's capital adequacy ratio of 15.9% and 18.1% for core capital and total capital respectively as well as the leverage ratio at 7.7% is within the regulatory requirements.

Loans and advances to customers are stated net of provisions as determined in accordance with the Financial Institutions Act, 2004 as ammended.

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 categorized as below;

Loans and advances to customers for regulatory capital purposes

	2020 UShs'000	2019 UShs'000
Gross loan and advances	**3,798,199,309**	2,986,849,675
Specific provisions (regulatory)	**(72,229,055)**	(68,318,787)
Interest in suspense (regulatory)	**(15,195,249)**	(5,323,917)
	3,710,775,005	2,913,206,971
Less		
Loans secured by government securities	**(49,110,068)**	(2,209,592)
Loan to Government of Uganda	**(672,367,601)**	-
Loans secured by cash cover	**(2,219,490)**	-
Loans secured by inward bankers guarantees	**(7,682,580)**	-
	2,979,395,266	2,910,997,379

Reconciliation of Loans and advances to customers between IFRS and FIA

	2020 UShs'000	2019 UShs'000
Gross loans and advances (IFRS purposes)	**3,791,098,436**	2,974,829,460
Written off facilities according to FIA 2004, as amended	**(19,309,907)**	(18,395,419)
Loans and advances to other financial institutions	**-**	(31,501,893)
Staff loans fair value adjustment	**15,927,551**	18,659,162
Modification	**(266,740)**	(105,663)
Effective interest rate adjustment	**10,749,969**	11,862,135
Gross loans and advances (regulatory purposes)	**3,798,199,309**	2,955,347,782

Stanbic Bank Uganda Limited holds loans and advances for which it is required to write them off in accordance with the Financial Institutions Act 2004, as amended (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.

Adjustments were made for other IFRS requirements to arrive at the loans and advances amounts under the Financial InstitutionsAct 2004, as amended (FIA).

The Group's credit concentration

As at 31 December 2020, the Group had two 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 totalling to UShs 672,367 million on balance and UShs 386,643 million 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 Group third line of defence is provided by the Bank's internal audit, under its mandate from the Group audit committee The fourth line of defence is provided by external audit. Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the 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 counter party credit risk 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 banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, the 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

Maximum exposure to credit risk

Debt financial assets at amortized cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorized 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. The Group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialized lending and retail asset classes), as illustrated in the table on pages 162 to 163. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PPB portfolios. The Group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilizes both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

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.

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.

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ECL coverage

	2020		2019	
	Loans and advances%	ECL coverage ratio	Loans and advances%	ECL coverage ratio
Stage 1	93.3	0.8	92.7	0.8
Stage 2	2.7	17.7	3.9	17.0
Stage 3	4.0	61.2	3.4	49.7
	100.0		100.0	

Credit risk exposures relating to assets included on the statement of financial position are as follows:

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Balances with Bank of Uganda	712,707,085	693,348,495	-	-
Loans and advances to banks	1,037,098,743	911,954,721	154,955,286	35,491,352
Financial investments				
Treasury bonds (FVOCI)	415,818,251	414,779,871	-	-
Treasury bills (FVOCI)	305,755,107	351,397,845	-	-
Pledged assets	107,975,960	29,455,491	-	-
Loans and advances to customers				
Loans to individuals				
Overdrafts	107,792,846	137,248,916	-	-
Term loans	1,227,043,295	1,161,588,498	-	-
Mortgages	293,360,776	263,940,563	-	-
Loans to corporate entities				
Large corporate entities	1,924,507,972	1,203,150,318	-	-
Small and medium size entities	238,393,546	208,901,165	-	-
Trading assets				
Treasury bonds	529,104,511	307,280,951	-	-
Treasury bills	572,844,527	305,270,153	-	-
Pledged assets	352,575,282	-	-	-
Derivative assets	160,917,126	82,497,309	-	-
Other assets and related party receivables	98,471,331	54,743,745	227,504	253,465
	8,084,342,358	6,125,558,041	155,222,790	35,744,817

Credit risk exposure relating to assets not on the statement of financial position are as follows:

Financial guarantees	1,623,737,529	1,567,358,047	-	-
Loan commitments and other credit related liabilities	1,433,445,628	1,182,349,389	-	-
	3,057,183,157	2,749,707,436	-	-
	11,141,525,515	8,875,265,477	155,222,790	35,744,817

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2020 and 2019, 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 2020

As at 31 December 2020				Collateral coverage			
	Customerloans UShs'000	Netting off agreements UShs'000	Exposure after netting off UShs'000	0-50% UShs'000	51-100% UShs'000	Over100% UShs'000	Total UShs'000
Secured loans	1,295,067,805	2,219,490	1,292,848,315	156,325,695	751,033,277	385,489,343	1,292,848,315
Unsecured loans	2,496,030,630	-	2,496,030,630	-	-	-	-
	3,791,098,435	2,219,490	3,788,878,945	156,325,695	751,033,277	385,489,343	1,292,848,315

As at 31 December 2019				Collateral coverage			
	Customerloans UShs'000	Netting off agree-ments UShs'000	Exposure after netting off UShs'000	0-50% UShs'000	51-100% UShs'000	Over100% UShs'000	Total 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

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:

- 93.4% and 2.7% of the loans and advances portfolio is categorised in stage 1 and stage 2 respectively (2019: 92.7% stage 1 and 3.9% 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.

Loans and advances are summarized as follows

	31 December 2020		31 December 2019	
	Loans and advances to customers UShs'000	Loans and advances to banks UShs'000	Loans and advances to customers UShs'000	Loans and advances to banks UShs'000
Stage 1	3,494,165,995	684,044,697	2,700,364,376	825,390,055
Stage 2	120,037,393	-	146,327,333	-
Stage 3	176,895,047	-	128,137,751	-
Gross loans and advances	3,791,098,435	684,044,697	2,974,829,460	825,390,055
Allowances for impairment	(165,089,082)	(115,209)	(116,632,408)	(137,563)
Interest in suspense	(7,656,032)	-	(5,549,607)	-
	3,618,353,321	683,929,488	2,852,647,445	825,252,492

The allowance for impairment are summarized per segment as follows:

	2020		2019	
	Loans and advances to customers UShs'000	Loans and advances to banks UShs'000	Loans and advances to customers UShs'000	Loans and advanc-es to banks UShs'000
Personal and Business Banking				
- Mortgage lending	(11,968,492)	-	(6,528,136)	-
- Instalment sales and finance leases	(8,314,696)	-	(6,404,824)	-
- Card debtors	(1,049,747)	-	(721,547)	-
- Other loans	(90,994,675)	-	(76,075,284)	-
Corporate and Investment Banking				
- Corporate lending	(52,761,472)	(115,209)	(26,902,617)	(137,563)
	(165,089,082)	(115,209)	(116,632,408)	(137,563)

The total impairment provision for loans and advances is UShs 165,204 million (2019: UShs 116,769 million) of which UShs 108,285 million is stage 3 impairment (2019: UShs 63,677 million). Further information on the impairment allowance for loans and advances to Banks and to customers is provided in Notes 18 and 19.

The table below illustrates the credit risk for debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure as per the Group's master rating scale

		SB1-12		SB13-20	SB21-25		Default						
2020	Total Gross Carrying Amounts UShs'000	Stage 1 UShs'000	Stage 2 UShs'000	Stage 1 UShs'000	Stage 1 UShs'000	Stage2 UShs'000	Stage3 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 impairedloans (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	**282,260,048**	-	248,998,152	-	-	16,920,817	16,341,079	**16,341,079**	**10,257,095**	543,443	5,540,541	37%	6%
Vehicle and asset finance	**173,890,374**	4,390,740	147,650,722	-	-	14,523,158	7,325,754	**7,325,754**	**3,346,080**	-	3,979,674	54%	4%
Card debtors	**3,722,980**	-	929,821	-	-	2,515,869	277,290	**277,290**	**20,594**	-	256,696	93%	7%
Other loans and advances	**1,448,618,387**	-	**1,221,722,524**	-	**66,499,846**	**67,510,308**	**92,885,709**	**92,885,709**	**36,659,926**	**1,070,481**	**55,155,302**	61%	6%
Personal unsecured lending	**787,552,954**	-	734,606,974	-	3,764,971	30,582,179	18,598,830	**18,598,830**	**3,192,614**	555,201	14,851,015	83%	2%
Business lending and other	**661,065,433**	-	487,115,550	-	62,734,875	36,928,129	74,286,879	**74,286,879**	**33,467,312**	515,280	40,304,287	55%	11%
CIB								-				-	-
Corporate	**1,210,239,045**	385,998,266	745,608,323	18,567,241	-	-	60,065,215	**60,065,215**	**10,670,023**	6,042,108	43,353,084	82%	5%
Sovereign	**672,367,601**	-	672,367,601	-	-	-	-	-	-	-	-	-	-
Bank	**684,044,698**	565,723,770	118,320,928	-	-	-	-	-	-	-	-	-	-
Other service													
Gross carrying amount	**4,475,143,133**	**956,112,776**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**4%**
Less: Interest in suspense	(7,656,032)		-										
Less:Total expected credit losses for loans and advances	(165,204,291)		-										
Net carrying amount of loans and advances measured atamortised cost	**4,302,282,810**	**956,112,776**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**4%**
Financial investment at fair value through OCI													
Sovereign	721,772,782	721,772,782	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**721,772,782**	**721,772,782**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Add: Fair value reserve ralating to fair value adjustments (before the ECL balance)	(188,212)	(188,212)	-	-	-	-	-	-	-	-	-	-	-
Total financial investment at fair value through OCI	**721,584,570**	**721,584,570**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance sheet exposures		-	-	-	-	-	-	-	-	-	-	-	-
Letters of credit and banker's acceptances	237,768,709	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees	1,623,737,529	-	-	-	-	-	-	-	-	-	-	-	-
Irrevocable unutilised facilities	1,433,445,628	-	**-**	-	-	-	-	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	**3,294,951,866**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expected credit losses for off-balance sheet exposures	(4,924,978)	-	**-**	-	-	-	-	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	**3,290,026,888**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure to credit risk on financial assets subject to an expected credit loss	**8,313,894,268**	**1,677,697,346**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	66%	2%
Add the following other banking activities exposures:													
Cash and balances with Bank of Uganda	1,155,333,607	-	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	160,917,126	-	-	-	-	-	-	-	-	-	-	-	-
Trading assets	1,101,949,038	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	**10,732,094,039**	**1,677,697,346**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**2%**

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Due to the short-tern nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

The table below illustrates the credit risk for debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure as per the Group's master rating scale

		SB1-12		SB13-20	SB21-25	Default						
2019	Total Gross Carrying Amounts UShs'000	Stage1 UShs'000	Stage1 UShs'000	Stage2 UShs'000	Stage2 UShs'000	Stage3 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 impairedloans (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 atamortised 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 investment at fair value through OCI												
Sovereign	766,360,371	766,360,371	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	766,360,371	766,360,371	-	-	-	-	-	-	-	-	-	-
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	766,250,352	766,250,352	-	-	-	-	-	-	-	-	-	-
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	6,685,394,015	2,129,665,350	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%	3%
Add the following other banking activities exposures:												
Cash and balances with Bank of Uganda	1,123,942,143	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	82,497,309	-	-	-	-	-	-	-	-	-	-	-
Trading assets	612,551,104	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	8,504,384,573	2,129,665,350	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%	3%

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Due to the short-tern nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

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Loans and advances to banks

The total gross amount of stage 3 loans and advances to Banks as at 31 December 2020 is Nil (2019: nil). No collateral is held by the Group against loans and advances to banks.

Other financial assets

There are no other financial assets in stage 3 (2019: nil). No collateral is held by the Group against other financial assets.

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 categorized 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 2020							
Government securities - FVOCI	721,573,358	-	-	-	-	-	721,573,358
Pledged assets	460,527,242	-	-	-	-	-	460,527,242
Loans and advances to banks	684,044,697	-	-	-	-	-	684,044,697
Loans and advances to customers	158,640,321	344,949,159	528,168,712	70,095,139	723,647,774	1,965,597,330	3,791,098,435
Financial assets designated at fair value through profit or loss:							
Debt securities	1,101,949,038	-	-	-	-	-	1,101,949,038
	3,126,734,656	344,949,159	528,168,712	70,095,139	723,647,774	1,965,597,330	6,759,192,770

	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							
Government securities - FVOCI	766,177,716	-	-	-	-	-	766,177,176
Pledged assets	29,455,491	-	-	-	-	-	29,455,491
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 through profit or loss:							
- Debt securities	612,551,104	-	-	-	-	-	612,551,104
	2,626,148,157	358,710,038	516,149,791	79,663,871	782,934,834	844,797,135	5,208,403,826

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 it's trading and non trading portfolios to estimate the market interest rate risk of positions held and the maximum losses that could arise. The estimates are based upon a number of assumptions for various changes in market conditions. The assets and liabilities committee (ALCO) sets limits on boththe 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 2020	Average UShs'000	Maximum UShs'000	Minimum UShs'000	31 December 2020 UShs'000
Interest rate book - Trading	459,362	627,595	295,446	531,092
Interest rate book - FVOCI	889,825	1,060,178	563,951	809,882
Foreign exchange trading book VAR	374,539	730,703	55,351	119,617

12 months to 31 December 2019	Average	Maximum	Minimum	31 December 2019
Interest rate book - Trading	396,543	612,808	205,868	528,378
Interest rate book - FVOCI	705,365	4,555,943	162,281	412,385
Foreign exchange risk VAR	1,508,168	14,808,500	51,167	432,788

The Uganda shilling weakened against the dollar trading as high as 3911 level at the start of the COVID-19 pandemic on account of a general sell off of the Uganda shilling thus the weakening of the currency. The Uganda Shilling however, appreciated from May 2020 onwards mainly due to muted local demand and huge inflows from Non-Government Organisations (NGO's) and offshore players. The Uganda shilling closed the year trading at an average level of 3686.

The average normal Value at Risk Utilisation for the year on interest rate (IRT) desk was UShs 459Mn which was more than UShs 397million in 2019, this was due to increase in T-bill and Bond investment ($5.1million) in 2020. On the fixed (FXT) book, average normal Value at Risk utilisation was UShs 375million which was less than UShs 1.5bn registered in 2019 on back of client flows during the year.

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 2020				
Assets				
Cash and balances with Bank of Uganda	163,278	16,744	9,785	189,807
Loans and advances to banks	556,124	34,112	24,599	614,835
Amounts due from group companies	339,571	-	13,649	353,220
Loans and advances to customers	875,831	718,385	6	1,594,222
Derivative assets	132,239	-	-	132,239
Other assets	15,831	1,680	319	17,830
Total assets	2,082,874	770,921	48,358	2,902,153
Liabilities				
Customer deposits	2,236,466	141,459	18,091	2,396,016
Amounts due to banks	156,799	113,962	1,237	271,998
Amounts due to group companies	13,048	224,303	25,213	262,564
Derivative liabilities	135,555	-	-	135,555
Subordinated bonds/debt	73,023	-	-	73,023
Other liabilities	39,909	7,562	778	48,249
Total liabilities	2,654,800	487,286	45,319	3,187,405
Net statement of financial position	(571,926)	283,635	3,039	(285,252)
Net currency forwards	(169,969)	-	-	(169,969)
Commitments to extend credit	(686,332)	-	-	(686,332)
Net mismatch	(1,428,227)	283,635	3,039	(1,141,553)
As at 31 December 2019				
Total assets	1,921,594	61,394	33,014	2,016,002
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)

Foreign currency risk sensitivity UShs equivalent

		USD 2020	USD 2019
Total net long/(short) position	millions	(129,990)	(164,852)
Sensitivity (UShsdepreciation)	%	10	10
Impact on OCI	millions	-	-
Impact on profit or loss	millions	6,921	6,813

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. As at31 December 2020, the company did not hold any foreign denominated assets and liabilities. (31 December 2019: Nil)

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.

	Up to 1month UShs'm	1-6 months UShs'm	6-12 months UShs'm	Over 1year UShs'm	Non-interest bearing UShs'm	Total UShs'm
At 31 December 2020						
Asset:						
Cash and balances with bank of uganda	-	-	-	-	1,155,334	1,155,334
Government securities FVOCI	118,180	150,224	176,360	277,009	-	721,773
Pledged assets	62,902	86,845	-	310,780	-	460,527
Government securities FVTPL	222,015	234,544	221,379	424,011	-	1,101,949
Deposits and balances due from other banks	683,929	-	-	-	-	683,929
Amounts due from group companies	354,852	-	-	-	-	354,852
Loans and advances to customers	641,815	511,298	294,188	2,171,052	-	3,618,353
Derivative assets	-	-	-	-	160,917	160,917
Tax recoverable	-	-	-	-	5,067	5,067
Other assets	-	-	-	-	316,197	316,197
Total assets	2,083,693	982,911	691,927	3,182,852	1,637,515	8,578,898
Liabilities and shareholders' funds:						
Customer deposits	5,230,621	217,899	42,017	2,942	-	5,493,479
Deposits due to other banks	785,477	-	-	-	-	785,477
Borrowed funds	6,026	92	212	37,017	-	43,347
Amounts due to group companies	351,607	-	-	-	-	351,607
Derivative liabilities	-	-	-	-	229,733	229,733
Other liabilities	-	-	-	-	358,719	358,719
Subordinated bonds/debts	-	-	-	73,023	-	73,023
Total liabilities	6,373,731	217,991	42,229	112,982	548,104	7,335,459
Shareholders' equity	-	-	-	-	1,243,439	1,243,439
Total interest repricing gap	(4,290,038)	764,920	649,698	3,069,870	(104,708)	-
At 31 december 2019						
Total assets	1,895,061	744,839	669,462	1,879,179	1,462,284	6,650,825
Total liabilities and shareholder's equity	4,885,212	142,289	36,478	78,013	391,967	5,533,959
Shareholders' equity	-	-	-	-	1,116,866	1,116,866
Total interest re-pricing gap	(2,990,151)	602,550	632,984	1,801,166	(46,549)	-

Furthermore the ALCO monitors the sensitivity of net interest income to changes in interest rates. Limits are set and monitored monthly.

The sensititvity of net interest income to changes in interest rates for LCY (UGX) is as follows;

	31st December 2020		31st December 2019	
	Change in net interest income UShs'000	% of net interest income	Change in net interest income UShs'000	% of net interest income
100bps Increase in interest rates	11,868,492	2.9%	15,631,219	3.7%
100bps decrease in interes trates	(11,429,302)	-2.8%	(15,625,468)	-3.7%

NII sensititvity in for FCY(USD) is as follows;

	31st December 2020		31st December 2019	
	Change in net interest Income UShs'000	% of net interest income	Change in net interest Income UShs'000	% of net interest income
100bps Increase in interest rates	5,191,830	20.1%	5,156,118	19.3%
100bps decrease in interes trates	(3,006,533)	-11.6%	(5,151,101)	-19.2%

The Company does not have interest bearing financial assets and liabilities at the reporting period.

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 mini- mum 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 demand.

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 is 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 un- drawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

	2020 USh's' 000	2019 USh's' 000
Liquid assets to deposit ratio		
Total deposits	5,493,479,534	4,722,203,570
Total liquid assets held	3,293,765,863	2,362,491,352
Liquidity ratio	60.0%	50.0%
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 reporting date and from financial assets by expected maturity dates.All figures are in millions of Uganda Shillings.

GROUP	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 2020							
Liabilities							
Deposits from customers	(5,493,480)	(5,493,480)	(5,259,882)	(197,688)	(34,143)	(1,767)	-
Deposits from other banks	(785,477)	(785,477)	(785,477)	-	-	-	-
Amounts due to group companies	(351,607)	(351,430)	(351,430)	-	-	-	-
Derivative liabilities	(229,733)	(229,733)	(565)	(2,777)	(9,728)	(84,629)	(132,034)
Borrowed funds	(43,347)	(43,347)	(6,026)	(92)	(212)	(37,017)	-
Subordinated debt	(73,023)	(103,703)	-	(2,922)	(2,922)	(23,376)	(74,483)
Other liabilities	(358,792)	(393,394)	(347,467)	(2,804)	(8,403)	(32,277)	(2,443)
Total financial liabilities (contractual maturity dates)	(7,335,459)	(7,400,564)	(6,750,847)	(206,283)	(55,408)	(179,066)	(208,960)
Assets							
Cash and bank balances with Bank of Uganda	1,155,334	1,155,334	1,155,334	-	-	-	-
Government securities-FVOCI	721,773	846,718	120,570	150,153	192,000	383,995	-
Pledged assets	460,527	564,172	60,380	103,270	-	400,522	-
Government securities- FVTPL	1,101,949	1,297,652	218,053	223,718	242,531	121,967	491,383
Loans and advances to banks	683,929	684,045	684,045	-	-	-	-
Amounts due from group companies	354,852	354,853	15,333	339,520	-	-	-
Loans and advances to customers	3,618,353	3,733,185	1,146	353	1,774	1,945,486	1,784,426
Derivative Assets	160,917	160,917	659	5,568	3,349	19,307	132,034
Other Assets	77,568	77,568	77,568	-	-	-	-
Total financial assets (expected maturity dates)	8,335,202	8,874,908	2,333,552	822,582	439,654	2,871,277	2,407,843
Liquidity gap	999,743	1,474,344	(4,417,295)	616,299	384,246	2,692,211	2,198,883
Cumulative Liquidity Gap	999,743	1,474,344	(4,417,295)	(3,800,996)	(3,416,750)	(724,539)	1,474,344
Off-Balance Sheet							
Guarantees	(1,623,738)	1,623,738	218,329	490,434	268,441	646,534	-
LCs	(237,769)	237,769	108,609	128,247	-	913	-
Commitments to extend credit	(1,433,446)	1,433,446	1,433,446	-	-	-	-
Total Off-Balance Sheet	(3,294,953)	3,294,953	1,760,384	618,681	268,441	647,447	-
Liquidity gap	(2,295,210)	4,769,297	(2,656,911)	1,234,980	652,687	3,339,658	2,198,883
Cumulative Liquidity Gap		4,769,297	(2,656,911)	(1,421,931)	(769,244)	2,570,414	4,769,297
As at 31 December 2019							
Total financial liabilities (contractual maturity dates)	(5,525,924)	(5,568,453)	(5,179,595)	(118,872)	(50,228)	(80,363)	(139,395)
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
Total Off Balance sheet	(2,749,707)	2,749,707	1,226,183	460,688	317,165	745,671	-
Net Liquidity gap	(1,864,315)	3,846,061	(1,333,696)	1,310,477	865,727	3,062,848	(59,295)
Net Cumulative liquidity gap		3,846,061	(1,333,696)	(23,219)	842,508	3,905,356	3,846,061

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.

The table below analyses the Company's non-derivative financial assets and liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

COMPANY	Carrying amount USh's'000	Gross norminal In/ out flow USh's'000	Up to 1 month USh's'000
As at 31 December 2020			
Amounts due to group companies	88,295,740	88,295,740	88,295,740
Other liabilities	37,377,010	37,377,010	37,377,010
Total financial liabilities (contractual maturity dates)	125,672,750	125,672,750	125,672,750

	Carrying amount USh's'000	Gross norminal In/ out flow USh's'000	Up to 1 month USh's'000
As at 31 December 2019			
Amounts due to group companies	-	-	-
Other liabilities	15,190,720	15,190,720	15,190,720
Total financial liabilities (contractual maturity dates)	15,190,720	15,190,720	15,190,720

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 34), are summarised in the table below.

(ii) Other financial facilities

Other financial facilities (Note 34) are also included below based on the earliest contractual maturity date.

	Not later than 1 year USh's'000	1 to 5 years USh's'000	Above 5 years USh's'000	Total USh's'000
As at 31 December 2020				
Letters of credit	236,856,084	912,625	-	237,768,709
Guarantees	977,203,827	646,533,702	-	1,623,737,529
Commitments to extend credit	1,433,445,628	-	-	1,433,445,628
	2,647,505,539	647,446,327	-	3,294,951,866

	Not later than 1 year USh's'000	1 to 5 years USh's'000	Above 5 years USh's'000	Total USh's'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
	2,004,036,220	745,671,216	-	2,749,707,436

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	
	2020	2019	2020	2019
	UShs'000	UShs'000	UShs'000	UShs'000
Financial assets				
Cash and balances with Bank of Uganda	**1,155,333,607**	1,123,942,143	**1,155,333,607**	1,123,942,143
Loans and advances to banks	**683,929,488**	825,252,492	**683,929,488**	825,252,492
Amounts due from group companies	**354,851,856**	89,059,084	**354,851,856**	89,059,084
Loans and advances to customers	**3,618,353,321**	2,852,647,445	**3,618,353,321**	2,852,647,445
Other assets	**8,881,791**	132,284	**8,881,791**	132,284
Financial liabilities				
Customer deposits	**5,493,479,534**	4,722,203,570	**5,493,479,534**	4,722,203,570
Amounts due to other banks	**785,477,443**	201,699,798	**785,477,443**	201,699,798
Borrowed funds	**43,346,567**	11,081,783	**43,346,567**	11,081,783
Amounts due to group companies	**351,607,479**	71,475,842	**351,607,479**	71,475,842
Subordinated debt	**73,022,525**	72,801,196	**73,022,525**	72,801,196
Other liabilities	**219,750,597**	169,432,554	**219,750,597**	169,432,554

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 makes 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 model- ling 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 be- tween risk factors, prepayment rates, and other illiquid risk drivers. In making appropriate valuation adjustments, the Group and com- pany 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'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 2020 was a net loss of UShs 16.77 million net gain (2019: UShs9.6 million net loss) for the Group

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 hierarchy as at 31 December 2020 and 2019.

As at 31 December 2020	Level 1	Level 2	Level 3	Total
	UShs'000	UShs'000	UShs'000	UShs'000
Financial assets				
Coin and bank notes	**442,626,522**	**-**	**-**	**442,626,522**
Bank of Uganda Cash Reserving Requirement	**456,990,000**	**-**	**-**	**456,990,000**
Derivative assets	**-**	**160,917,126**	**-**	**160,917,126**
Government securities (FVTPL)	**-**	**1,101,949,038**	**-**	**1,101,949,038**
Pledged assets		**460,527,242**	**-**	**460,527,242**
Government securities (FVOCI)	**-**	**721,573,358**	**-**	**721,573,358**
Other financial investments	**-**	**-**	**199,424**	**199,424**
Total assets	**899,616,522**	**2,444,966,764**	**199,424**	**3,344,782,710**
Financial liabilities				
Derivative liabilities	**-**	**229,733,411**	**-**	**229,733,411**
Total liabilities	**-**	**229,733,411**	**-**	**229,733,411**

As at 31 December 2019	Level1 UShs'000	Level2 UShs'000	Level3 UShs'000	Total UShs'000
Financial assets				
Coin and bank notes	430,593,648	-	-	430,593,648
Bank of Uganda Cash Reserving Requirement	375,360,000	-	-	375,360,000
Derivative assets	-	82,497,309	-	82,497,309
Government securities (FVTPL)	-	612,551,106	-	612,551,106
Pledged assets	-	29,455,491	-	29,455,491
Government securities (FVOCI)	-	766,177,717	-	766,177,717
Other financial investments	-	-	182,654	182,654
Total assets	805,953,648	1,490,681,623	182,654	2,296,817,925
Financial liabilities				
Derivative liabilities	-	125,976,132	-	125,976,132
Total liabilities	-	125,976,132	-	125,976,132

The balances with the central bank excluding cash reserving requirement was in terms of IFRS 9 classified as amortised cost. Coins and bank notes have been classified at fair value through profit or loss 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 2020 and 31 December 2019

Other investments at fair value through profit or loss

	Other Investment fair valued through profit and loss	
	2020	2019
	Shs'000	Shs'000
Opening balance	**182,654**	69,957
New Share allocation	**-**	113,652
Gains and losses recognised in profit/(loss)	**16,770**	(955)
Closing balance	**199,424**	182,654
Total gains or losses for the period included in profit or loss under 'other gains (losses)	**16,770**	(955)

The table below shows Items not measured at fair value for which fair value is disclosed

31 December 2020	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Balances with Bank of Uganda	255,717,085	-	-	255,717,085
Loans and advances to banks	-	-	683,929,488	683,929,488
Amounts due from group companies	-	-	354,851,856	354,851,856
Loans and advances to customers	-	-	3,618,353,321	3,618,353,321
Other financial assets and related party receivables.	-	-	8,881,791	8,881,791
Total assets	255,717,085	-	4,666,016,456	4,921,733,541
Financial liabilities				
Customer deposits	5,212,881,448	280,598,086	-	5,493,479,534
Amounts due to other banks	-	-	785,477,443	785,477,443
Borrowed funds	-	-	43,346,567	43,346,567
Subordinated debt	-	-	73,022,525	73,022,525
Amounts due to group companies	-	-	351,607,479	351,607,479
Other financial liabilities	-	-	219,750,597	219,750,597
Total liabilities	5,212,881,448	280,598,086	1,473,204,611	6,966,684,145

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	317,988,495	-	-	317,988,495
Loans and advances to banks	-	-	825,252,492	825,252,492
Amounts due from group companies	-	-	89,059,084	89,059,084
Loans and advances to customers	-	-	2,852,647,445	2,852,647,445
Other financial assets and related party receivables.	-	-	132,284	132,284
Total assets	317,988,495	-	3,767,091,305	4,085,079,800
Financial liabilities				
Customer deposits	4,552,180,115	169,901,710	121,745	4,722,208,570
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	-	-	71,475,842	71,475,842
Other financial liabilities	-	-	169,432,554	169,432,554
Total liabilities	4,552,180,115	169,901,710	527,092,188	5,249,174,013

3 (i) Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table below sets out the Group's classification of financial assets and liabilities,and their fair values

GROUP	FVTPL UShs' m	Amortised cost UShs' m	FVOCI UShs' m	Other assets/ liabilities UShs' m	Total carrying amount UShs' m
2020					
Assets					
Cash and balances with central banks	899,617	255,717	-	-	1,155,334
Derivative assets	160,917	-	-	-	160,917
Government securities	1,101,949	-	721,773	-	1,823,722
Pledged assets	352,575	-	107,952	-	460,527
Loans and advances to banks	-	683,929	-	-	683,929
Loans and advances to customers	-	3,618,353	-	-	3,618,353
Amounts due from group companies	-	354,852	-	-	354,825
Other financial assets and related party receivables.	-	8,882	-	-	8,882
Other non-financial assets and related party receivables	-	-	-	312,282	312,282
	2,515,058	4,921,733	829,725	312,282	8,578,898
Liabilities					
Derivative liabilities	229,734	-	-	-	229,733
Deposits from banks	-	785,477	-	-	785,477
Deposits from customers	-	5,493,480	-	-	5,493,480
Subordinated debt	-	73,023	-	-	73,023
Amounts due to group companies	-	351,607	-	-	351,607
Borrowed funds	-	43,347	-	-	43,347
Other financial liabilities	-	219,751	-	-	219,751
Other non-financial assets	-	-	-	139,040	139,040
	229,734	6,966,685	-	139,040	7,335,459

GROUP	FVTPL UShs' m	Amortised cost UShs' m	FVOCI UShs' m	Other assets/ liabilities UShs' m	Total carrying amount UShs' m
2019					
Assets					
Cash and balances with central banks	805,954	317,988	-	-	1,123,942
Derivative assets	82,499	-	-	-	82,499
Government securities	612,551	-	766,361	-	1,378,912
Pledged assets	-	-	29,455	-	29,455
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	-	89,056	-	-	89,056
Other financial assets and related party receivables.	-	132	-	-	132
Other non-financial assets and related party receivables	-	-	-	268,931	268,931
	1,501,004	4,085,075	795,816	268,931	6,650,826
Liabilities					
Derivative liabilities	125,977	-	-	-	125,977
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	-	31,920	-	-	31,920
Borrowed funds	-	11,082	-	-	11,082
Other financial liabilities	-	169,433	-	-	169,433
Other non-financial assets	-	-	-	198,364	198,364
	125,977	5,209,619	-	198,364	5,533,960

The table below sets out the Company's classification of financial assets and liabilities, and their fair values:

COMPANY	2020 USHs'000	2019 USHs'000
Financial assets at amortised cost		
Amounts due from group companies	154,995,286	35,491,352
Other assets	165,678	100,000
Total assets	155,160,964	35,591,352
Financial liabilities at amortised cost		
Amounts due to group companies	88,295,740	-
Other liabilities	37,377,010	15,190,720
Total liabilities	125,672,750	15,190,720

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 2020 and 31 December 2019 are as follows:

Income statement	Personal and Business Banking USHs' 000	Corporate and Investment Banking USHs' 000	Treasury and Capital management USHs' 000	Other Subsidiaries USHs' 000	Total USHs' 000
Year ended 31 December 2020					
Net Interest income	309,786,155	195,718,620	6,746,300	294,481	512,545,556
Fee and commission income	126,723,984	25,377,553	418	-	152,101,955
Net trading income	-	155,590,871	-	-	155,590,871
Other income	9,312,255	237,933	(146,301)	229,783	9,633,670
Total operating income	445,822,394	376,924,977	6,600,417	524,264	829,872,052
Impairment losses	(64,200,605)	(27,496,077)	(37,423)	-	(91,734,105)
Other operating expenses	(265,676,678)	(145,864,763)	13,905,296	(2,565,704)	(400,201,849)
Profit before tax	115,945,111	203,564,137	20,468,290	(2,041,440)	337,936,098
Income tax expense	(34,094,902)	(52,340,644)	(10,421,409)	607,182	(96,249,773)
Profit after tax	81,850,209	151,223,493	10,046,881	(1,434,258)	241,686,325
Year ended 31 December 2019					
Net Interest income	303,113,598	205,008,315	2,897,465	315,031	511,334,409
Fee and commission income	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	315,031	805,805,385
Impairment losses	(34,509,288)	(9,011,570)	(1,154)	-	(43,522,012)
Other operating expenses	(262,867,734)	(142,339,375)	10,676,521	288,531	(394,242,057)
Profit before tax	151,197,124	202,544,282	13,696,348	603,562	368,041,316
Income tax expense	(44,925,840)	(55,453,061)	(8,385,283)	(183,074)	(108,947,258)
Profit after tax	106,271,284	147,091,221	5,311,065	420,488	259,094,058

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 2020 these transactions had a net interest income of UShs 21.8bn (2019: UShs 62.4bn) and net trading cost of UShs 21.8bn (2019: UShs 62.4bn).

Statement of financial position	Personal and Business Banking USHs' 000	Corporate and Investment Banking USHs' 000	Treasury and Capital management USHs' 000	Other Subsidiaries USHs' 000	Total USHs' 000
As at 31 December 2020					
Total assets	2,311,594,234	5,810,182,131	450,414,120	6,707,641	8,578,898,126
Total liabilities	1,932,790,562	5,155,844,340	296,209,316	(49,385,480)	7,335,458,738
Equity	378,803,672	654,337,791	154,204,804	56,093,121	1,243,439,388
Other segment items included in the income statement					
Depreciation	(20,297,329)	(936,102)	(13,898,039)	1,409,726	(33,721,744)
Amortisation of intangible assets	(3,378,836)	-	(11,323,809)	-	(14,702,645)
As at 31 December 2019					
Total assets	2,187,318,196	3,981,594,377	481,816,642	95,998	6,650,825,213
Total liabilities	1,803,854,008	3,485,519,778	283,016,374	(38,431,382)	5,533,958,778
Equity	383,464,188	496,074,599	198,800,268	38,527,380	1,116,866,435
Other segment items included in the income statement					
Depreciation	(20,705,483)	(1,010,112)	(13,474,363)	1,266,429	(33,923,529)
Amortisation of intangible assets	(1,064,223)	-	(10,638,668)	-	(11,702,891)

5 Interest income

	GROUP	
	2020 USHs' 000	2019 USHs' 000
Financial investments -FVOCI	112,041,710	82,656,894
Loans and advances to customers-amortized cost	417,479,352	397,102,234
Loans and advances to banks- amortized cost	1,994,501	2,797,254
Placements with group companies- amortized cost	723,221	275,338
Interest income on credit impaired financial assets	3,994,802	1,578,581
	536,233,586	484,410,301

All the amounts reported above comprise interest income calculated using the effective interest method.

6 Interest expense

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Current accounts	19,246,878	14,934,326	-	-
Savings and deposit accounts	11,129,706	10,969,124	-	-
Subordinated debt	5,202,256	6,270,865	-	-
Deposits and borrowings from banks	243,807	203,462	-	-
Amounts due to group companies	2,614,580	-	-	-
Interest paid on other money market borrowings	4,002,349	304,450	-	-
Interest expense on leased liabilities	3,001,861	2,787,109	37,816	-
	45,441,437	35,469,336	37,816	-

All interest expense relates to financial liabilities at amortised cost except for interest expense on lease liabilities.

7 Net fee and commission income

a) Disaggregation of fees and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services.

	GROUP	
	2020 USHs' 000	2019 USHs' 000
Fee and commission income		
Transactional and service related	119,700,314	125,612,995
Trade related	21,308,551	25,071,655
Credit related fees	24,722,295	20,081,365
	165,731,160	170,766,015
Fee and commission expense		
Transactional fees and commission expenses	(8,449,791)	(9,795,567)
Net fee and commission income	157,281,369	160,970,448

Net fee and commission income above exclude amounts included in determining the effective interest rate on financial assets measured at amortised cost of UShs 5,305 million (2019: UShs 4,478 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, commit- ment fees which are amortized over the period of the loan using the EIR model.	Revenue from credit related fees is recognised over time as the services are provided.

8 Net trading income

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Foreign exchange trading losses/ gains - Realized	(3,829,695)	11,608,138
Foreign exchange trading gains - Unrealized gains	27,942,768	32,011,457
Trading gains on financial instruments	149,836,365	150,089,726
Unrealised gains/losses on financial instruments	4,131,189	(2,114,067)
Trading income - other	(736,349)	(390,188)
	177,344,278	191,205,066

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 (losses)/gains on financial instruments

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Derecognition gains/losses	-	308,490
Realised fair value (losses)/gains on debt instruments at fair value through other comprehensive income	(132,234)	39,308
	(132,234)	347,798

Realised fair value (losses)/gains on debt instruments are recognised in profit or loss in accordance with the Group's accounting policies.

10 Other operating income

10(a) Dividend income

	COMPANY	
	2020 UShs' 000	2019 UShs' 000
Dividends income	129,000,000	-
	129,000,000	-

10(b) Other operating income

	GROUP		COMPANY	
	2020 UShs' 000	2019 UShs' 000	2020 UShs' 000	2019 UShs' 000
Gain on disposal of property and equipment	204,640	554,828	-	-
Rental income	-	-	583,471	1,526,623
Other income	5,899,954	5,088,746	-	-
	6,104,594	5,643,574	583,471	1,526,623

Other income includes profit share for bancassurance joint venture fees of UShs 4.1bn (2019: UShs 3.5bn).

11 Impairment charge for credit losses

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Net impairment (raised)/released		
Loans and advances to customers (note 19)	(100,432,597)	(50,594,524)
Loans and advances to banks (note 18)	124,823	(129,660)
Financial investments (note 17)	(78,193)	(29,242)
Off balance sheet (note 31)	(2,561,564)	(1,270,520)
Recoveries on loans and advances previously written off	9,237,596	7,342,872
Interest in suspense released on cured loans and advances	1,975,830	1,160,777
Modification gains and losses	-	(1,715)
	(91,734,105)	(43,522,012)

12 Employee benefits expense

	GROUP		COMPANY	
	2020 UShs' 000	2019 UShs' 000	2020 UShs' 000	2019
Salaries and wages	123,813,775	117,752,592	1,516,260	-
Contributions to statutory and other defined benefit plans	30,536,870	31,187,550	495,871	-
Other employee benefits	15,161,489	16,059,849	185,407	-
	169,512,134	164,999,991	2,197,538	-

13 Other operating expenses

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Premises costs	9,893,418	10,769,362	75,409	-
Office expenses	3,888,875	5,520,637	-	-
Auditor's remuneration	919,003	989,367	46,456	35,264
Professional fees	9,104,734	6,655,778	356,019	700,719
IT expenses	58,491,809	44,545,378	-	-
Travel and entertainment	4,754,327	8,354,236	69,103	4,730
Marketing and advertising	7,709,026	11,677,779	13,600	-
Insurance	4,312,035	4,097,086	-	-
Deposit Protection Scheme contributions	8,434,209	7,283,370	-	-
Security expenses	10,753,979	13,029,336	300	-
Franchise fees	24,874,501	24,170,769	-	-
Directors fees and expenses	692,098	525,581	95,095	34,000
Training costs	1,774,960	4,476,181	18,890	2,000
Operational losses	2,977,290	2,923,348	734	-
Indirect taxes (VAT)	19,301,130	18,608,627	(22,180)	201,749
Bank charges	1,117,416	1,135,106	29,057	(1,022)
Leased equipment rental	433,962	1,138,603	-	-
Credit Bureau expenses	1,313,465	747,634	-	-
Other operating expenses	32,360,502	36,676,811	296,409	435
	203,106,739	203,324,989	978,892	977,875

Other operating expenses (note 13 above) is comprised of the following items;

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Communication expenses	9,423,392	8,008,479
Commissions paid	8,188,615	6,014,881
Administration and membership fees	1,111,335	1,079,800
Donations: non-tax allowable	3,385,777	2,292,772
Conference expenses (non-training)	321,162	1,519,661
Refreshments	1,022,215	1,177,443
Other operating costs	8,908,006	16,583,775
	32,360,502	36,676,811

Included in the IT costs are additional costs relating to the investment in the Group's systems specifically the upgrade of it's banking subsidiary core banking system (training costs, support costs and annual licence) and other peripheral systems that support in the day to day operations of the Group. In addition the Group incurred extra IT costs to enable it's staff work remotely following disruption by the pandemic. The other operating costs include the digital financial inclusion contribution costs of UShs 10.8bn (2019: UShs 6.8bn) and provisions for unspecified expected losses of UShs 5.5bn (2019: UShs 7.0bn). Included in the operational risk losses is the cost of full provision for the cyber security incident that happened during October 2020.

14 Income tax expense

	GROUP		COMPANY	
	2020	2019	2020	2019
	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Current income tax	88,366,848	109,042,706	(8,548)	157,133
Deferred income tax (see note 20)	(11,440,384)	(18,502,325)	(855,482)	(5,997)
	76,926,464	90,540,381	(864,030)	151,136

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	GROUP		COMPANY	
	2020 UShs' 000	2019 UShs' 000	2020 UShs' 000	2019 UShs' 000
Profit before income tax	318,612,789	349,634,439	126,102,401	497,124
Tax calculated at statutory tax rate of 30% (2019: 30%)	95,583,837	104,890,332	37,830,720	149,137
Tax effects of:				
Income not subject to tax	-	-	(38,700,000)	-
Income subject to tax at 20%	(21,351,119)	(16,391,286)	-	-
Income subject to tax at 10%	(223,995)	(88,566)	-	-
Expenses not deductible for tax purposes	2,639,988	2,332,680	5,250	1,999
Prior year current income tax under / over provision	277,753	(202,779)	-	-
	76,926,464	90,540,381	(864,030)	151,136

The movement in current tax recoverable is as follows:

	GROUP		COMPANY	
	2020 UShs' 000	2019 UShs' 000	2020 UShs' 000	2019 UShs' 000
At start of year	(2,038,942)	(14,655,628)	(15,883,532)	(3,978,881)
Income tax charge	88,366,848	109,042,706	(8,548)	157,133
Tax (paid)/refund	(91,394,617)	(96,426,020)	4,171,663	(12,061,784)
At end of year	(5,066,711)	(2,038,942)	(11,720,417)	(15,883,532)

15 Earnings per share

Earnings per share	GROUP		COMPANY	
	2020	2019	2020	2019
Basic				
Profit attributable to ordinary shareholders (UShs'000)	241,686,325	259,094,058	126,966,431	345,988
Weighted average number of ordinary shares in issue (thousands)	51,188,670	51,188,670	51,188,670	51,188,670
Basic earnings per share (expressed in Shs per share)	4.72	5.06	2.48	0.01
Basic				
Dividends proposed	95,000,000	110,000,000	95,000,000	110,000,000
Weighted average number of ordinary shares in issue (thousands)	51,188,670	51,188,670	51,188,670	51,188,670
DPS	1.86	2.15	1.86	2.15

There were no potentially dilutive shares as at 31 December 2020 or on 31 December 2019. Therefore, diluted earnings per share are the same as basic earnings per share.

16 Cash and balances with Bank of Uganda

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Coins and bank notes	442,626,522	430,593,648	1,000	-
Balances with Bank of Uganda	712,707,085	693,348,495	-	-
	1,155,333,607	1,123,942,143	1,000	-

Banks are required to maintain a prescribed minimum cash balance with Bank of Uganda. The amount is determined by Bank of Uganda on a preset formula on a rolling fortnightly basis; 8.33% in 2020 (2019: 8.33%). The reserve as at 31 December 2020 was UShs 456,990m (2019: UShs 375,360m). The cash reserves available for use in the banking subsidiary's day to day activities and may fall by upto 50% on a given day. However, there are sanctions for non-compliance.

17 Other financial investments

	GROUP	
	2020 UShs' 000	2019 UShs' 000
17.1) Financial investments		
Treasury bills		
At the start of the year	351,397,845	348,363,530
Additions	611,206,499	397,151,919
Disposals	(688,057,262)	(361,965,513)
Fair value adjustments	1,752,534	(2,696,600)
Transfer (to) and from pledged assets	29,455,491	(29,455,491)
At the end of the year	305,755,107	351,397,845
Treasury bonds		
At the start of the year	414,779,871	253,432,034
Additions	290,227,094	115,600,586
Disposals	(172,057,108)	45,401,492
Fair value adjustments	(9,179,646)	345,759
Transfer to pledged assets	(107,951,960)	-
At the end of the year	415,818,251	414,779,871
Total at the end of the year	721,573,358	766,177,716
Other equity investments		
S.W.I.F.T. SCRL	199,424	182,655
Total other equity investments	199,424	182,655
Financial investments	721,772,782	766,360,371
17.2) Trading Assets		
Treasury bills		
At the start of the year	305,270,153	165,016,006
Additions	4,970,864,118	948,870,717
Disposals	(4,617,541,220)	(808,124,406)
Fair value adjustments	1,099,540	(492,164)
Transfer to pledged assets	(86,848,064)	-
At the end of the year	572,844,527	305,270,153
Treasury bonds		
At start of the year	307,280,951	143,408,324
Additions	2,627,976,344	1,340,143,766
Disposals	(2,142,247,345)	(1,172,403,186)
Fair value adjustments	1,821,779	(3,867,953)
Transfer to pledged assets	(265,727,218)	-
At the end of the year	529,104,511	307,280,951
	1,101,949,038	612,551,104
	1,823,721,820	1,378,911,475

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 12.97% (2019: 15.12%).

Other equity investments relate 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.

17.3 Pledged assets

	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets[1]	Fair value of associated liabilities[1]	Net fair value[1]
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
2020					
Securities pledged against the clearing house	168,372,750	-	167,413,294	-	167,413,294
Securities pledged against financial liabilities	292,154,492	300,057,534	290,609,022	300,049,285	(9,430,406)
Pledged assets (as recognised on the statement of financial position)	460,527,242	300,057,534	458,022,316	300,049,285	157,982,888
Total assets pledged	460,527,242	300,057,534	458,022,316	300,049,285	157,982,888
2019					
Securities pledged against the clearing house	29,455,491	-	29,512,208	-	29,512,208
Pledged assets (as recognised on the statement of financial position)	29,455,491	-	29,512,208	-	29,512,208
Total assets pledged	29,455,491	-	29,512,208	-	29,512,208

As at 31 December 2020, the Group had obtained funding from Bank of Uganda amounting to UShs 300 billion as disclosed in Note 29 under repurchase agreements for government securities with a fair value as at that date of Shs 292 billion. In addition, the Group has pledged an additional UShs 168 billion to Bank of Uganda under the automated clearing house rules (2019: UShs 29 billion). Bank of Uganda has the right to transfer or sell these instruments. Accordingly, they have been presented separately on the face of the statement of financial position.

Reconciliation of expected credit losses for debt financial investments measured at FVOCI

2020	Opening ECL 2020/01/01 Shs'000	Total transfers between stages Shs'000	ECL on new exposures raised Shs'000	Change in ECL due to modifications Shs'000	Subsequent changes in ECL Shs'000	Change in ECL due to derecognition Shs'000	Net impairments (raised)/released Shs'000	Closing ECL 2020/12/31 Shs'000
			Income statement movements					
Financial Investments measured at FVOCI								
Stage 1	(110,019)		(188,212)	-	-	110,019	(78,193)	(188,212)
Stage 2	-			-	-	-	-	-
Stage 3	-		-	-	-	-	-	-
Total	(110,019)	-	(188,212)	-	-	110,019	(78,193)	(188,212)

2019	Opening ECL 2019/01/01 Shs'000	Total transfers between stages Shs'000	ECL on new exposures raised Shs'000	Change in ECL due to modifications Shs'000	Subsequent changes in ECL Shs'000	Change in ECL due to derecognition Shs'000	Net impairments (raised)/released Shs'000	Closing ECL 2019/12/31 Shs'000
			Income statement movements					
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)

18 Loans and advances to banks

	GROUP	
Measured at amortised cost	**2020 UShs' 000**	**2019 UShs' 000**
Items in course of collection - foreign banks	17,560,694	12,617,660
Placements with local banks	91,104,336	537,809,285
Placements with foreign banks	575,379,667	274,963,110
Gross loans and advances	**684,044,697**	825,390,055
Less: provision for impairment	(115,209)	(137,563)
	683,929,488	825,252,492

The weighted average effective interest rate on loans and advances to banks was 0.6% (2019: 0.6%)

Reconciliation of expected credit losses for loans and advances to banks measured at amortized cost as at 31 December 2020.

2020	Opening ECL 1 January 2020	Total transfers between stages	Income statement movements: ECL on new exposures raised	Income statement movements: Subsequent changes in ECL	Income statement movements: Change in ECL due to derecognition	Net impairments (raised)/ released	Exchange and other movements	Closing ECL 31 December 2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Stage 1	(137,561)	187	(29,315)	230,840	5,549	207,261	(102,453)	(32,753)
Stage 2	(2)	(187)	(82,041)	(210)	-	(82,438)	(16)	(82,456)
Stage 3	-	-	-	-	-	-	-	-
Total	(137,563)	-	(111,356)	230,630	5,549	124,823	(102,469)	(115,209)

2019	Opening ECL 1 January 2019	Total transfers between stages	Income statement movements: ECL on new exposures raised	Income statement movements: Subsequent changes in ECL	Income statement movements: Change in ECL due to derecognition	Net impairments (raised)/ released	Exchange and other movements	Closing ECL 31 December 2019
	Shs'000	Shs'000	Shs'000	Shs'000	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)

19 Loans and advances to customers

Measured at amortised cost	GROUP 2020 UShs' 000	GROUP 2019 UShs' 000
Personal and Business Banking		
Mortgage lending	**293,360,776**	263,940,563
Vehicle and asset finance	**131,623,678**	115,386,884
Card debtors	**3,722,980**	4,951,117
Other loans and advances	**1,437,883,029**	1,387,400,578
Corporate and Investment Banking		
Corporate lending	**1,924,507,972**	1,203,150,318
Gross loans and advances	**3,791,098,435**	2,974,829,460
Less: Interest In Suspense	**(7,656,032)**	(5,549,607)
Less: Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	**(165,089,082)**	(116,632,408)
	3,618,353,321	2,852,647,445

Included in other loans and advances is the fair value adjustment of loans advanced to staff at off market rates of UShs 15,927m (2019: UShs 18,659m).

Reconciliation of expected credit losses for loans and advances measured at amortised cost as at 31 December 2020

2020	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	Subsequent changes in ECL	Change in ECL due to derecognition				
Personal and Business Banking (PBB)									
Mortgage loans									
Stage 1	(495,944)	(685,201)	(170,081)	(2,338,787)	-	(3,194,069)	-	-	(3,690,013)
Stage 2	(2,994,415)	917,023	(61,253)	(599,293)	-	256,477	-	-	(2,737,938)
Stage 3	(3,037,777)	(231,822)	(293,888)	(3,084,783)	-	(3,610,493)	1,107,729	-	(5,540,541)
Vehicle and asset finance									
Stage 1	(716,839)	(1,844,131)	(88,097)	1,405,935	-	(526,293)	-	-	(1,243,132)
Stage 2	(4,225,845)	2,363,536	(1,063,294)	(166,288)	-	1,133,954	-	-	(3,091,891)
Stage 3	(1,462,140)	(519,405)	(1,198,440)	(799,688)	-	(2,517,533)	-	-	(3,979,673)
Card debtors									
Stage 1	(74,519)	(191,987)	(64,870)	228,801	-	(28,056)	-	-	(102,575)
Stage 2	(467,595)	210,097	(25,308)	(407,669)	-	(222,880)	-	-	(690,475)
Stage 3	(179,433)	(18,110)	-	(791,592)	-	(809,702)	732,438	-	(256,697)
Other Loans and Advances									
Stage 1	(18,837,755)	(2,852,951)	(3,994,164)	4,297,118	-	(2,549,997)	-	-	(21,387,752)
Stage 2	(18,888,230)	4,071,073	(3,073,424)	3,438,959	-	4,436,608	-	-	(14,451,622)
Stage 3	(38,349,299)	(1,218,122)	(16,126,323)	(49,660,821)	-	(67,005,266)	50,199,264	-	(55,155,301)
Total PBB	(89,729,791)	-	(26,159,142)	(48,478,108)	-	(74,637,250)	52,039,431	-	(112,327,610)
Corporate and Investment Banking(CIB)									
Stage 1	(4,679,473)	158,667	(6,612,994)	201,182	1,654,639	(4,598,506)	-	28,117	(9,091,195)
Stage 2	(1,574,519)	(158,667)	(35,479)	1,546,590	64,393	1,416,837	-	(844)	(317,193)
Stage 3	(20,648,625)	-	(30,153,803)	3,258,618	4,281,507	(22,613,678)	-	(90,781)	(43,353,084)
Total CIB	(26,902,617)	-	(36,802,276)	5,006,390	6,000,539	(25,795,347)	-	(63,508)	(52,761,472)
Total	(116,632,408)	-	(62,961,418)	(43,471,718)	6,000,539	(100,432,597)	52,039,431	(63,508)	(165,089,082)

Notes (continued)
19 Loans and advances to customers (continued)

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 and 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)

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The loans and advances to customers include finance lease receivables for both PBB and CIB as follows:

Vehichle and Asset Finance

	2020 UShs' 000	2019 UShs' 000
Gross investment in finance leases		
No later than 1 year	14,524,103	34,609,918
Later than 1 year but no later than 5 years	151,572,373	158,965,138
Later than 5 years	39,106,752	100,761
	205,203,228	193,675,817
Unearned future finance income on finance leases	(31,312,855)	(34,078,345)
Net investment in finance leases	173,890,373	159,597,472
The net investment in finance leases may be analysed as follows:		
No later than 1 year	14,523,480	31,277,151
Later than 1 year but no later than 5 years	130,173,988	128,240,986
Later than 5 years	29,192,905	79,335
	173,890,373	159,597,472

The gross carrying amount for modifications during the reporting year that resulted in no economic gain or loss (i.e. no net modification gain or loss) is UShs 662.9bn (2019: UShs 2.9bn).

20 Deferred tax asset

	GROUP		COMPANY	
	2020	2019	2020	2019
	UShs'000	UShs'000	UShs'000	UShs'000
Balance as at 1 January	30,877,380	11,899,938	(321,587)	(327,584)
Charged to profit or loss	11,678,453	18,502,325	864,029	5,997
Prior year tax (over) / under statement	(238,069)	-	(8,548)	-
Transfer	-	-	316,148	-
Charged to other comprehensive income	2,224,955	475,117	-	-
As at 31 December	44,542,719	30,877,380	850,042	(321,587)
Deferred tax assets				
Provisions for loans and advances	18,051,076	16,640,620	-	-
Financial Investments	1,157,895	(1,067,062)	-	-
Other deductible temporary differences	47,196,971	36,720,039	509,257	-
	66,405,942	52,293,597	509,257	-
Deferred tax liabilities				
Property and equipment	(21,863,223)	(21,416,217)	340,785	(321,587)
Net deferred income tax asset	44,542,719	30,877,380	850,042	(321,587)
Income statement movement				
Property and equipment	(353,961)	(1,297,643)	19,198	5,997
Provisions for loans and advances	1,410,456	3,699,107	-	-
Other deductible temporary differences	10,383,889	16,100,861	(883,227)	-
	11,440,384	18,502,325	(864,029)	5,997

21 Other assets

	GROUP		COMPANY	
	2020	2019	2020	2019
	UShs'000	UShs'000	UShs'000	UShs'000
Clearances in transit	17,835,459	5,422,354	-	-
Prepayments	19,220,990	23,016,966	61,826	153,465
Prepaid lease premium	-	67,646	-	-
Fees receivable	10,760,603	5,813,718	-	-
Other accounts receivable	48,971,678	18,319,668	165,678	100,000
	96,788,730	52,640,352	227,504	253,465

1 Due to the short-tern nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

The fees receivable includes commissions earned but not yet received from joint venture profit share UShs 4.1bn (2019: UShs 3.5bn), custody fees UShs 0.4bn (2019: UShs 0.6bn), structured fees UShs 4.5bn (2019: nil), guarantee fees UShs 0.5bn (2019: UShs 0.6bn), and Bancassurance UShs 1.2bn (2019: UShs 0.3bn).

22 Goodwill and other intangible assets

	GROUP			
	Computer software UShs' 000	Goodwill UShs' 000	Work in progress UShs' 000	Total UShs' 000
Cost				
At 1 January 2020	134,732,779	1,901,592	-	136,634,371
Additions	10,988,428	-	93,540	11.081.968
At 31 December 2020	145,721,207	1,901,592	93,540	147,716,339
Amortisation				
At 1 January 2020	39,566,117	-	-	39,566,117
Charge for the year	13,194,769	-	-	13,194,769
Impairment	1,507,877			1,507,877
At 31 December 2020	54,268,763	-	-	54,268,763
Net book value as at 31 December 2020	91,452,444	1,901,592	93,540	93,447,576

	GROUP		
	Computer software UShs' 000	Goodwill UShs' 000	Total UShs' 000
Cost			
At 1 January 2019	135,460,891	1,901,592	137,362,483
Transfer	(478,112)	-	(478,112)
Write off	(250,000)	-	(250,000)
At 31 December 2019	134,732,779	1,901,592	136,634,371
Amortisation			
At 1 January 2019	27,863,226	-	27,863,226
Charge for the year	11,702,891	-	11,702,891
At 31 December 2019	39,566,117	-	39,566,117
Net book value as at 31 December 2019	95,166,662	1,901,592	97,068,254

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 2020 (2019: nil). Intangible assets relate to Finacle-core banking system, New Business Online (BoI) and records management software developed to digitize the customer (KYC) records for the Group's banking entity.

23. Property, equipment and right of use assets

GROUP	Property	Equipment				Right of use asset			
	Land and buildings	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Work in progress	Building	Branches	ATM Spacing	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Cost									
At 1 January 2020	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
Additions	-	2,316,242	5,012,893	307,835	19,654,784	1,928,908	5,936,653	3,525,753	38,683,068
Transfers	-	1,105,423	15,694,905	-	(26,331,065)				(9,530,737)
Disposals	-	(1,022,508)	(2,783,789)	(851,823)	-	(141,402)	(153,854)	(30,682)	(4,984,058)
Written off					-				-
At 31 December 2020	3,402,996	83,166,208	103,977,905	9,055,938	-	21,197,919	24,564,827	10,177,224	255,543,017
Depreciation									
At 1 January 2020	1,222,231	62,097,059	61,871,451	5,337,124	-	6,118,801	4,994,260	3,295,453	144,936,379
Charge for the year	64,441	6,524,886	12,525,950	1,389,788	-	5,667,450	5,079,397	2,469,832	33,721,744
On disposals	-	(957,497)	(2,753,224)	(775,181)	-	(47,134)	-	-	(4,533,036)
At 31 December 2020	1,286,672	67,664,448	71,644,177	5,951,731	-	11,739,117	10,073,657	5,765,285	174,125,087
Net book value as at 31 December 2020	2,116,324	15,501,760	32,333,728	3,104,207	-	9,458,802	14,491,170	4,411,939	81,417,930
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
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
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
Depreciation									
At 1 January 2019	1,153,400	56,624,728	56,283,376	4,856,194	-				118,917,698
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
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
Net book value as 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

As at 31 December 2020 Property, equipment and right of use asset includes right of use assets of UShs 30.1 bn (2019: UShs 34 bn) relating to leased branches, ATMs and buildings.

COMPANY	Property	Equipment		Right of use asset			Total
	Land and buildings	Furniture, fittings and equipment	Computer equipment	Building	Branches	ATM Spacing	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Cost							
At 1 January 2020	3,402,996	156,050	-	-	-	-	3,559,046
Additions	-	483,431	38,584	421,930	-	-	943,945
Transfers	-	-	-	-	-	-	-
Disposals	(3,402,996)	-	-	-	-	-	(3,402,996)
Written off	-	-	-	-	-	-	-
At 31 December 2020	-	639,481	38,584	421,930	-	-	1,099,995
Depreciation							
At 1 January 2020	1,222,231	-	-	-	-	-	1,222,231
Charge for the year	28,680	86,281	3,617	148,246	-	-	266,824
On disposals	(1,250,911)	-	-	-	-	-	(1,250,911)
At 31 December 2020	-	86,281	3,617	148,246	-	-	238,144
Net book value as at 31 December 2020	-	553,200	34,967	273,684	-	-	861,851
Cost							
IFRS 16 Transition 1 January 2019	-	-	-	-	-	-	-
At 1 January 2019	3,402,996	-	-	-	-	-	3,402,996
Additions	-	156,050	-	-	-	-	156,050
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Written off	-	-	-	-	-	-	-
At 31 December 2019	3,402,996	156,050	-	-	-	-	3,559,046
Depreciation							
At 1 January 2019	1,170,607	-	-	-	-	-	1,170,607
Charge for the year	51,624	-	-	-	-	-	51,624
On disposals	-	-	-	-	-	-	-
At 31 December 2019	1,222,231	-	-	-	-	-	1,222,231
Net book value as at 31 December 2019	2,180,765	156,050	-	-	-	-	2,336,815

24. Ordinary share capital

Group and Company ordinary share capital	Number of ordinary shares (thousands)	Ordinary share capital UShs' 000	Total UShs' 000
Issued and fully paid			
At 31 December 2020	51,188,670	51,188,670	51,188,670
At 31 December 2019	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

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Balance as at 1 January	2,599,829	3,679,191
Net gains/(losses) from changes in fair value	(7,416,522)	(1,583,721)
Deferred tax on fair value change	2,224,957	475,117
Net change in expected credit losses	78,193	29,242
Net movement for the year	(5,113,372)	(1,079,362)
Balance as at 31 December	(2,513,543)	2,599,829

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 2004, as amended exceed those determined in accordance with International Financial Reporting Standards.

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Specific provisions (regulatory)	72,229,055	68,318,787
General provisions (regulatory)	55,715,739	46,212,202
	127,944,794	114,530,989
Less		
Identified impairment (in accordance with IFRS)	109,959,015	63,684,505
Unidentified impairment (in accordance with IFRS)	47,159,664	42,379,951
Difference	(29,173,885)	8,466,533
Statutory Credit risk reserve	-	8,466,533

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.

	GROUP					
	Fair value of assets		Fair value of liabilities		Notional	
	2020	2019	2020	2019	2020	2019
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Interest rate swaps	132,686,758	53,227,830	(135,971,236)	(54,351,361)	3,482,014,020	3,273,557,564
Currency options	10,590,691	25,920,668	(10,590,685)	(25,920,661)	779,637,087	1,270,631,848
Currency forwards	7,066,019	2,437,777	(16,032,108)	(24,376,907)	468,845,950	919,935,015
Currency swaps	10,573,658	911,034	(67,139,382)	(21,327,203)	2,059,943,620	831,736,364
	160,917,126	82,497,309	(229,733,411)	(125,976,132)	6,790,440,677	6,295,860,791

As at 31 December 2020	Less than 1 year UShs' 000	1-5 years UShs' 000	Over 5 years UShs' 000	Total UShs' 000
Assets				
Interest rate swaps	2,028	650,224	132,034,506	132,686,758
Currency options	1,266,679	9,324,012	-	10,590,691
Currency forwards	3,661,533	3,404,486	-	7,066,019
Currency swaps	4,645,237	5,928,421	-	10,573,658
Fair value of assets	9,575,477	19,307,143	132,034,506	160,917,126
Liabilities				
Interest rate swaps	(12,773)	(3,923,957)	(132,034,506)	(135,971,236)
Currency options	(1,266,680)	(9,324,005)	-	(10,590,685)
Currency forwards	(4,653,208)	(11,378,900)	-	(16,032,108)
Currency swaps	(7,136,991)	(60,002,391)	-	(67,139,382)
Fair value of liabilities	(13,069,652)	(84,629,253)	(132,034,506)	(229,733,411)
Net fair value	(3,494,175)	(65,322,110)	-	(68,816,285)

As at 31 December 2019	Less than 1 year UShs' 000	1-5 years UShs' 000	Over 5 years UShs' 000	Total UShs' 000
Assets				
Interest rate swaps	17,859	302,921	52,907,050	53,227,830
Currency options	5,247,222	20,673,446	-	25,920,668
Currency forwards	1,642,937	794,840	-	2,437,777
Currency swaps	871,689	39,345	-	911,034
Fair value of assets	7,779,707	21,810,552	52,907,050	82,497,309
Liabilities				
Interest rate swaps	(53,852)	(1,390,459)	(52,907,050)	(54,351,361)
Currency options	(5,247,223)	(20,673,438)	-	(25,920,661)
Currency forwards	(12,404,323)	(11,972,584)	-	(24,376,907)
Currency swaps	(3,190,758)	(18,136,445)	-	(21,327,203)
Fair value of liabilities	(20,896,156)	(52,172,926)	(52,907,050)	(125,976,132)
Net fair value	(13,116,449)	(30,362,374)	-	(43,478,823)

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28. Deposits with customers

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Current and demand deposits	4,770,787,497	4,142,293,221
Savings accounts	471,362,052	376,686,134
Fixed and call deposit accounts	251,329,985	203,224,215
	5,493,479,534	4,722,203,570

The weighted average effective interest rate on customer deposits was 0.63% (2019: 0.63%)

29. Deposits with banks

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Balances due to other banks - local currency	254,990,766	114,793,848
Balances due to other banks - foreign currency	230,437,392	86,905,950
Repurchase and other collateralised agreements	300,049,285	-
	785,477,443	201,699,798

30. Borrowed funds

	GROUP	
	2020	2019
	UShs' 000	UShs' 000
Bank of Uganda : Agricultural Credit Facility	43,346,567	11,081,783
	43,346,567	11,081,783
Movement Analysis		
As at 1 January	11,081,783	13,788,121
New disbursements	34,556,454	9,704,729
Payments to Bank Of Uganda	(2,291,670)	(12,411,067)
Net movement	32,264,784	(2,706,338)
As at 31 December	43,346,567	11,081,783

The Government of Uganda, through Bank of Uganda, set up an Agricultural Credit Facility scheme for the purpose of supporting agricultural expansion and modernization in partnership with commercial banks. All eligible Stanbic Bank Uganda Limited ("the Bank") customers receive 50% financing from the Government of Uganda through the Bank of Uganda administered credit facility while the remaining 50% is provided by the Bank. The outstanding balance as at 31 December was UShs 43,347 million (2019: UShs 11,082 million). The Bank does not pay any interest to the Government of Uganda. Refunds to the government are made half yearly and as at 31 December 2020; the last payable instalment is due on 17 March 2025. The Bank complied with all the terms and conditions of the agreements during the year.

31. Other liabilities

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Uganda Revenue Authority - Tax revenue collections	16,520,806	8,034,209	125,842	-
Bills payable	115,596,385	104,148,210	549,599	697,721
Unclaimed balances	38,149,026	31,328,240	-	-
Sundry creditors	45,814,253	52,065,518	82,099	-
Unearned fees & commission income	3,923,433	935,814	-	-
Dividends payable	35,753,618	14,493,951	35,704,364	14,492,999
Expected credit loss for off-balance sheet exposures (Note 31.1)	4,924,978	2,383,268	-	-
Lease liabilities (Note 31.2)	27,344,438	28,399,391	326,053	-
Other liabilities	70,764,842	126,008,078	589,053	-
	358,791,779	367,796,679	37,377,010	15,190,720

Included in other liabilities for 2020 is UShs 31.0bn relating to accepted letters of credit payable to third parties at a determined future date. (2019: UShs 91.0bn) and staff cost provisions of UShs 34.1bn (2019: UShs 33.4bn). Bills payable include: country driven Change the Bank projects of UShs 35.0bn (2019: UShs 6.8bn), and UShs 10.8bn digital financial inclusion contribution costs (2019: UShs 9.4bn).

31.1 Reconciliation of expected credit losses for off-balance sheet exposures

2020	Opening ECL	Total transfers between stages	Total transfers between stages			Net impairments (raised)/released	Exchange and other move-ments	Closing ECL
			ECL on new expo-sures raised	Subsequent changes in ECL	Changein ECL due to derecognition			
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Off balance sheet committed facilities								
Stage 1	-	-	-	-	-	-	-	-
Letters of credit and bank acceptances								
Stage 1	(116,576)	(8,905)	(1,952)	(17,937)	1,168	(27,626)	-	(144,202)
Stage2	(67,024)	68,535	(486)	-	119	68,168	(1,629)	(485)
Stage3	-	(59,630)	-	(296,024)	-	(355,654)	3,280	(352,374)
Guarantees								
Stage 1	(1,234,271)	(456,453)	(13,348)	(924,828)	3,065	(1,391,564)	(135)	(2,625,970)
Stage2	(958,168)	672,349	-	(357,182)	155,847	471,014	6,551	(480,603)
Stage3	(7,229)	(215,896)	-	(1,115,821)	5,815	(1,325,902)	11,787	(1,321,344)
Total	(2,383,268)	-	(15,786)	(2,711,792)	166,014	(2,561,564)	19,854	(4,924,978)

2019	Opening ECL	Total transfers between stages	Income statement movements			Net impairments (raised)/released	Exchange and other move-ments	Closing ECL
			ECL on new expo-sures 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 balance sheet 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)

31.2 Reconciliation of lease liabilities

	Balance at 01 Jan 2020	Additions/ modification	Terminations/ modifications and or Cancellations	Interest Expense	Payments	Balance at31 Dec 2020
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Buildings	(10,968,144)	(1,928,908)	128,134	(1,094,377)	7,218,864	(6,644,431)
Branches	(13,097,264)	(5,936,654)	164,055	(1,467,036)	5,341,472	(14,995,427)
ATM spaces and other	(4,333,983)	(3,525,751)	31,975	(440,448)	2,563,627	(5,704,580)
Total	(28,399,391)	(11,391,313)	324,164	(3,001,861)	15,123,963	(27,344,438)

	Balance at 01 Jan 2019	Additions/ modification	Terminations/ modifications and or Cancellations	Interest Expense	Payments	Balance at 31 Dec 2019
	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 and others	(3,054,722)	(6,024,305)	2,508,815	(742,164)	2,978,393	(4,333,983)
Total	(33,021,059)	(18,657,728)	10,476,239	(2,787,109)	15,590,266	(28,399,391)

Staff cost provision

	2020 UShs' 000	2019 UShs' 000
Opening Balance	33,392,259	27,189,594
Less provision utilisation	(35,164,844)	(34,545,119)
Add: New provision made in the year	35,854,821	40,747,784
Closing Balance	34,082,236	33,392,259

32. Subordinated debt

		GROUP	
		Carrying value	Notional value
As at 31 December 2020	Date of issue	UShs' 000	UShs' 000
Subordinated loan facility - Standard Bank of South Africa	31 March 2016	73,022,525	73,022,525
		73,022,525	73,022,525
As at 31 December 2019			
Subordinated loan facility - Standard Bank of South Africa	31 March 2016	73,280,466	73,280,466
		73,280,466	73,280,466

Movement analysis

	2020 UShs' 000	2019 UShs' 000
As at 1 January	73,280,466	74,176,983
Interest expense	5,202,256	6,270,865
Interest paid	(5,205,736)	(6,272,827)
Foreign exchange differences	(254,461)	(894,555)
Net movement	(257,941)	(896,517)
As at 31 December	73,022,525	73,280,466

In 2016, the Group 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

The Directors resolved to recommend a dividend of UShs 1.86 per share (2019: UShs 2.15) totalling UShs 95.0bn (2019: UShs 110.0bn) at the Company's next annual general meeting. This resolution was based on the expectation of dividends to be paid to the Company by its main subsidiary, Stanbic Bank Uganda Limited (SBU).

The Bank sought BOU approval to pay the 2020 final dividend however this was declined. The Bank was advised to defer the dividend pay-out until 31 December 2021 subject to a re-assessment. The Bank dividend forms the pool of dividends to SUHL shareholders, therefore the SUHL Board of directors will not recommend payment of the final dividend for the year ended 31 December 2020 to the shareholders at the 2021 AGM which will be paid upon receipt of regulatory approval.

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.

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Contingent liabilities		
Acceptances and letters of credit	237,768,709	140,655,170
Guarantees and performance bonds	1,623,737,529	1,567,358,047
	1,861,506,238	1,708,013,217
Commitments		
Commitments to extend credit	1,433,445,628	1,041,694,219
Currency forwards	(169,968,833)	(415,780,582)
Operating lease commitments	1,263,476,795	625,913,637
	3,124,983,033	2,333,926,854

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 2020 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 12.4bn (2019: UShs 10.2bn) and are reported within other liabilities (Note 31).

Litigation	GROUP 2020 UShs' 000	2019 UShs' 000
Opening balance 1 January	10,244,081	9,406,838
Add: New provisions made in the year	5,776,074	8,915,375
Less: Cases settled	(1,891,842)	(4,734,895)
Less: Adjustments in provisions	(1,691,981)	(3,343,237)
Closing Balance 31 December	12,436,332	10,244,081

Other Matters

In August 2017, the Uganda Revenue Authority (URA) wrote 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 Stanbic Bank Uganda Limited ("The Bank" or "SBU") that the bank through the UBA legal committee has challenged in a matter that is still pending 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, the Bank restrained URA's enforcement of the tax liability and objected to the demand letter. URA in response maintained its objection decision, to which the Bank 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 based on the independent professional advice, expects that the ruling will be in it's favour.

35. Analysis of cash and cash equivalents as shown in the cash flow statement

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Cash and balances with Bank of Uganda	1,155,333,607	1,123,942,143
Cash reserve requirement	(456,990,000)	(375,360,000)
Government securities maturing within 90 days	713,304,636	394,957,656
Placements with other banks	684,044,697	825,390,055
Amounts due from group companies	354,851,853	89,059,083
	2,450,544,793	2,057,988,937

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).

36. Related party transactions

Stanbic Uganda Holdings Limited (the Group) is 80% owned by Stanbic Africa Holdings Limited incorporated in United Kingdom. The ultimate parent and controlling party of the Group is Standard Bank Group Ltd, 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, Stanbic International Insurance Limited, Liberty Life Assurance Uganda Limited and Liberty General Insurance 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.

Key management personnel has been defined as Stanbic Uganda Holdings Limited's board of directors and prescribed officers in the Group effective for 2020 and 2019. Non-executive directors are included in the definition of key management personnel as required by IFRS. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with Stanbic Uganda Holdings Limited.

Related party transactions further breakdown

						GROUP		COMPANY
			2020 UShs' 000			2019 UShs' 000	2020 UShs' 000	2019 UShs' 000
	Parent	Other	Total	Parent	Other	Total	Other	Other
Amounts due from group companies								
Placements and borrowings	13,026,311	340,142,944	353,169,255	82,590,405	4,111,824	86,702,229	154,995,286	35,491,352
Other assets	1,525,619	156,982	1,682,601	1,823,837	529,497	2,353,334	-	-
	14,551,930	340,299,926	354,851,856	84,414,242	4,641,321	89,055,563	154,995,286	35,491,352
Amounts due to group companies								
Deposits and current accounts	4,194,388	225,407,584	229,601,972	913,947	-	913,947	-	-
Divedends payable	-	79,200,000	79,200,000	-	-	-	-	-
Other liabilities	42,754,782	50,725	42,805,507	30,892,709	113,694	31,006,403	-	-
	46,949,170	304,658,310	351,607,479	31,806,656	113,694	31,920,350	-	-
Subordinated debt due to group companies (see note 32)	73,022,525	-	73,022,525	73,280,466	-	73,280,466	-	-
Derivative asset due from group companies (see note 27)	20,767,349	-	20,767,349	13,219,062	18	13,219,080	-	-
Derivative liabilities due to group companies (see note 27)	181,392,214	47,864	181,440,078	101,806,078	1	101,806,079	-	-
Income and expenses							-	-
Interest income earned	-	723,221	723,221	-	275,338	275,338	-	-
Interest expense paid	5,202,256	2,614,580	7,816,836	6,270,865	-	6,270,865	-	-
Trading Revenue	82,644,519	47,881	82,692,400	85,907,289	(277,261)	85,630,028	-	-
Commission	-	4,089,554	4,089,554	-	3,535,493	3,535,493	-	-
Operating expenses incurred	44,743,384	37,508	44,780,892	38,737,742	153,860	38,891,602	-	-

- Stanbic Uganda Holdings Limited has a joint venture agreement with Liberty Life Assurance Uganda Limited, Stanlib Uganda Limited and Liberty General Insurance Uganda Limited 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 4.1bn (2019: UShs 3.5bn).

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 for the year ended 31 December 2020

	2020 Aggregate amount outstanding UShs '000	Interest Rate	Status Performing or Non performing	Facility
Directors	1,363,376	7.5%-38%	Performing	Loans and advances
Non-Executive Directors	2,693,325	7.5%-38%	Performing	Loans and advances
Executive Officers	1,806,259	7.5%-38%	Performing	Loans and advances
	5,862,960			
Credit extensions to related companies				
Uganda Breweries Ltd	1,825,251	7.30%	Performing	Loans and advances
Credit extensions to individual affiliates	523,404	18%-19.5%	Performing	Loans and advances
Total	8,211,615			

No specific impairment has been recognised in respect of loans advanced to related parties (2019: nil).

Deposits with key management and related parties for the year ended 31 December 2020

Names of related Party	2020 Aggregate amount outstanding UShs '000	Facility
Directors	4,984,037	Deposit
Executive Officers	6,432,943	Deposit
Credit extensions to related companies		
Uganda Breweries Ltd	6,422,080	Deposit
Total	17,839,060	

Loans to key management and related parties for the year ended 31 December 2019

Names of Insider borrowers including related interests	2019 Aggregate amount outstanding UShs '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
	5,480,142			
Credit extensions to related companies				
Uganda Breweries Ltd	5,494,837	7.30%	Performing	Loans and advances
Credit extensions to individual affiliates	17,779	18%-19.5%	Performing	Loans and advances
Total	10,992,758			

No specific impairment has been recognised in respect of loans advanced to related parties (2019: nil).

Deposits with key management and related parties for the year ended 31 December 2019

Names of related Party	2019 Aggregate amount outstanding UShs '000	Facility
Directors	388,657	Deposit
Executive Officers	333,263	Deposit
Credit extensions to related companies		
Uganda Breweries Ltd	6,963,537	Deposit
Total	7,685,457	

Companies affiliated to directors and key management are Uganda Breweries Ltd (2019; Uganda Breweries 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	2020 UShs' 000	2019 UShs' 000
Interest income from loans with key management	234,304	230,095

	2020 UShs' 000	2019 UShs' 000
Key management compensation		
Salaries and other short term employment benefits	11,165,537	12,059,090
Post employment benefits	1,666,953	2,342,803
	12,832,490	14,401,893
Directors' remuneration		
Directors' fees	927,174	470,895
Other emoluments included in key management compensation	5,133,769	7,942,616
	6,060,943	8,413,511

37. Equity linked transactions

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:

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:

Group Share Incentive Scheme	Option price range (ZAR) 31-Dec-19	31-Dec-20	Number of options 31-Dec-19
Options outstanding at beginning of the period		5,250	24,000
Transfers			
Lapsed			
Exercised	111.94	(875)	(18,750)
Options outstanding at end of the period		4,375	5,250

Share options were exercised regularly throughout the year. The weighted average share price for the year was ZAR 116.16 (December 2019: ZAR 183.51).

The following options granted to employees had not been exercised at 31 December 2020:

Number of ordinary shares	Option price range range (ZAR)	Weighted average price (ZAR)	Option expiry period
4,375	98.8	98.8	Year to 31 December 2021
4,375			

The following options granted to employees had not been exercised at 31 December 2019:

Number of ordinary shares	Option price range range (ZAR)	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			

Equity Growth Scheme	Appreciation right price range (ZAR) 31-Dec-20	31-Dec-20	Number of rights 31-Dec-19
Rights outstanding at the beginning of the year		49 501	64,099
Transfers			11,500
Granted			
Exercised	111.94	(5,000)	(26,098)
Rights outstanding at the end of the year		44,501	49,501

At 31 December 2020 the group would need to issue 1,654 (2019: 8,264). SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees had not been exercised at 31 December 2020:

Number of rights	Price range (ZAR)	Weighted average price (ZAR)	Expiry period
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
44,501			

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			

38. Investment in subsidiaries

COMPANY	Beneficial ownership	Country of Incorporation	2020 UShs'000	2019 UShs'000
Stanbic Bank Uganda Limited	100%	Uganda	881,068,551	881,068,551
FLYHUB Uganda Limited	100%	Uganda	10,000,000	-
Stanbic Properties Limited	100%	Uganda	2,335,938	-
Stanbic Business Incubator Limited	100%	Uganda	100,000	-
			893,504,489	881,068,551

FLYHUB Uganda Limited

FLYHUB Uganda Limited ("FLYHUB") was incorporated on 8th October 2020. FLYHUB is a Fintech company that provides financial technology and innovative services as part of the group's digital transformation journey. The principal place of business for FLYHUB is Plot 5, Lower Kololo Terrace, Kampala, Uganda. PO Box 7131

Stanbic Business Incubator Limited

Stanbic Business Incubator Limited ("SBIL") is a company limited by guarantee, incorporated on 18th May 2020 and commenced its activities as a separate entity on 1st June 2020. SBIL was set up as part of the reorganisation process to continue training SME's in Uganda by equipping them with best business practices in management, record keeping, marketing and finance to address the challenge of short life spans of SME's in the economy. Stanbic Bank Uganda Limited started this initiative in 2018 before the reorganisation with the Business incubator operating as a unit under Business Banking. The principal place of business for SBIL is Plot 5, Lower Kololo Terrace, Kampala, Uganda. PO Box 7131.

Stanbic Bank Uganda Limited

Stanbic Bank Uganda Limited (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. The principal place of business for SBU is Plot 17 Hannington Road, Short Tower - Crested Towers, Kampala, Uganda. PO Box 7131

Stanbic Properties Limited

Stanbic Properties Limited ("SPL") was incorporated on 5th February 2020 and started business operations on 1st May 2020. SPL holds and manages the real estate portfolio of the Group. Other Services offered to clients include; Valuation services, site acquisition, property consultancy and execution of real estate projects. The principal place of business for SPL is Plot 17 Hannington Road, Tall Tower - Crested Towers, Mezzanine Floor, Kampala, Uganda. PO Box 7131.

SBG Securities Uganda Limited

SBG Securities Uganda Limited was incorporated and registered by the registrar of Companies in Uganda as a private limited liability company on 6 November 2020. SBG Securities Uganda Limited was established to acquire the business of SBG Securities Limited (Uganda Branch) and carry out other securities business in Uganda.

39. Retained earnings

This comprises prior period retained profits, plus profit for the year (less)/plus appropriation of statutory risk reserve less proposed dividends.

40. Subsequent events

There were no significant subsequent events to report.

Stanbic Uganda Holdings Limited
Annual report and financial statements
year ended 31 December 2020

Stanbic Uganda Holdings Limited
Annual report and financial statements year ended 31 December 2020

Shareholder Analysis

Top ten Shareholders as at 31st December 2020

	Name	Number of Shares	% Shareholding
1	STANBIC AFRICA HOLDINGS LIMITED	40 950 935 760	80.0%
2	NATIONAL SOCIAL SECURITY FUNDS	2 056 441 546	4.0%
3	DUET AFRICA OPPORTUNITIES MASTER FUND	556 592 615	1.1%
4	KIMBERLITE FRONTIER AFRICA MASTER FUND,L.P.-RCKM KIMBERLITE FRONTIER AFRICA MASTER FUND,L.P.-RCKM	387 978 256	0.8%
5	SUDHIR RUPARELIA	330 723 247	0.6%
6	BANK OF UGANDA DEFINED BENEFITS SCHEME- GENEAFRICA	313 044 994	0.6%
7	SSBT-CHANGE GLOBAL FRONTIER MARKETS, LP-CGPA	280 210 513	0.5%
8	FRONTAURA GLOBAL FRONTIER FUND LLC	247 200 000	0.5%
9	IBULAIMU KIRONDE KABANDA	212 610 920	0.4%
10	NATIONAL SOCIAL SECURITY FUND NATIONAL SOCIAL SECURITY FUND-PINEBRIDGE	168 424 430	0.3%

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). Standard Bank Group as at 31 December 2020 had total assets of ZAR 2.5trillion (US$154 billion) the market capitalisation is ZAR 230billion (US$14 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.

ANALYSIS BY SIZE OF HOLDING			
VOLUME	NO. OF SHARES	%	HOLDERS
1 - 1,000	171 093	0.00%	351
1,001 - 5,000	2 272 452	0.00%	788
5,001- 10,000	40 199 953	0.08%	4124
10,001 - 100,000	619 427 105	1.21%	11741
100,001 - 500,000	1 021 950 413	2.00%	4022
500,001 - 1,000,000	619 046 009	1.21%	757
1,000,001 - 5,000,000	984 732 127	1.92%	629
> 5,000,001	47 900 870 548	93.58%	105
REGISTER TOTALS	**51 188 669 700**	**100.00%**	**22 517**

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, 2020 will be held by electronic means on **Wednesday June 02nd, 2021** 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, 2020, including the reports of the Directors and External Auditors.
2. To consider and, if deemed fit, pass an ordinary resolution to elect 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 re-appointment of PricewaterhouseCoopers (PwC) as the External Auditors of the Company for the year 2021.
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 2021.
5. To consider, and if deemed fit, pass an ordinary resolution to ratify the payment of the final dividend of UShs 2.15 per share for the year ended December 31st , 2019 which was by April 2nd, 2021 paid to shareholders on the register at the close of business on January 21st, 2021.
6. To consider and, if deemed fit, pass an ordinary resolution to authorise the Board to take the necessary steps required to effect the payment of the final dividend for the year ended December 31st 2020 upon receipt of regulatory approval*.

Dated: May 11th, 2021

By Order of the Board

Rita Kabatunzi
COMPANY SECRETARY

NOTES:

1. Due to the existing government restrictions on public gatherings as a result of the COVID-19 pandemic, the Company shall conduct the Annual General Meeting (AGM) via electronic means in accordance with Article 50 (a) of the Articles of Association.
2. To participate in the virtual AGM, shareholders are advised to register by either dialling *284*32# (Uganda mobile networks) or *483*250# (Kenya mobile networks) and follow the prompts or send an email request to **suhlagm@image.co.ke.**
3. Registration commences on **Wednesday, May 11th, 2021, at 8:00 am** and will close on **Tuesday 1st June 2021 at 5:00pm**. For registration support, please call **+256 312 226 723 or +254 709 170 000.**
4. ***In 2020, Bank of Uganda (BOU) instructed all Supervised Financial Institutions including Stanbic Bank Uganda (the bank) the bank subsidiary of Stanbic Uganda Holdings Limited (SUHL), to defer all discretionary distributions including dividends unless explicitly authorised for purposes of capital preservation. The Bank sought BOU approval to pay the 2020 final dividend however this was declined. The bank was advised to defer the dividend pay-out until December 2021 subject to a re-assessment. The Bank dividend forms the pool of dividends to SUHL shareholders, therefore the SUHL Board of directors will not recommend payment of the final dividend for the year ended December 31st, 2020 to the shareholders at the 2021 AGM which will be paid upon receipt of regulatory approval.**
5. The Board in recognition of the importance of the dividends to its shareholders resolved to approve the payment of the final dividend for the year ended December 31st, 2019 following receipt of the required regulatory approval by the Bank subsidiary. The Board approval was however subject to shareholder ratification at the next AGM. The Board will therefore recommend to the shareholders for ratification at the 2021 AGM the final dividend of UShs 2.15 per share for the year ended December 31st, 2019 paid to shareholders on the register at the close of business on January 21st, 2021.
6. Shareholders are 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 **www.stanbic.co.ug**
7. 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.
8. The AGM will be streamed live via a link that shall be provided to all shareholders who will have successfully registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers 24 hours prior to the AGM, acting as a reminder of the AGM and providing a link to the live stream. A second SMS/USSD prompt shall be sent one hour ahead of the AGM. In registering to attend the AGM, a shareholder opts to receive these messages.
9. Shareholders and proxies who have successfully registered to attend the AGM will be able to follow the AGM proceedings and ask questions using the live stream platform. Duly registered shareholders and proxies may vote (when prompted) using the live stream link or using the USSD prompts.
10. Voting shall be done electronically using the VOTE tab on the live stream link or via USSD
11. Shareholders are advised to submit questions by Friday May 28th, 2021 via phone, weblink or email.
12. The audited financial statements, annual report, notice of the AGM and proxy form will be uploaded onto the Company website www.stanbic.co.ug
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 immobilise their shares. Therefore, shareholders are 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 Wednesday June 02nd 2021 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, 2020, including the reports of the Directors and External Auditors.			
2.	Approve the appointment of **Mr. Patrick. Mweheire** as a Non-Executive Director			
3.	Approve the re-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 2021.			
5.	Ratify the payment of the final dividend of UShs 2.15 per share for the year ended December 31st, 2019 which was by April 2nd, 2021 paid to shareholders on the register at the close of business on January 21st, 2021			
6.	Authorise the Board to take the necessary steps required to effect the payment of the final dividend for the year ended December 31st 2020 upon receipt of 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 ...., 2021

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 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.
4. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.

Our Products and Services

CORPORATE AND INVESTMENT BANKING

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

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

INVESTOR SERVICES
- Custody
- Fiscal Agency
- Facility Agency

INVESTMENT BANKING
- Equity Capital Markets
- Debt Capital Markets
- Advisory
- Asset Finance
- Syndication

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

STANBIC PROPERTIES LIMITED

FACILITY MANAGEMENT
- Project Evaluation:
- Life Cycle Analysis:
- HSE Monitoring
- Premises Maintenance:

ADVISORY & CONSULTANCY SERVICES
- Market Research:
- Feasibility Studies:
- Project Viability:

VALUATION
- Conduct valuation of land, buildings, plant, machinery & equipment for several purposes. And provide quick professional opinion/advise on company properties
- Conduct research and release real estate market update reports quarterly or bi-annual.

PROJECT MANAGEMENT
- Project Formulation
- Contract Management
- Compliance Monitoring

PROPERTY SERVICES
- Leasing and Letting:
- Building and maintaining a leasing and letting portfolio
- Engaging prospective clients
- Superior client experiences for existing clients

SBG SECURITIES UGANDA LIMITED
- Securities trading
- Investment Advisory
- Share certificate immobilization
- Shares account opening
- Settlement of shares bought and sold
- Immobilization of shares held in certificate form into the Securities Central Depository
- Pledge of shares in favour of banks and financial institutions
- Private transfer of listed shares (subject to approval by Uganda Securities Exchange, Capital Markets Authority, and Securities Depository)
- Transmission of shares in case of death/succession

Our branches Country-wide

BRANCH	PLOT DETAILS	
EASTERN		
Busia Branch	Plot 1, Tororo Road, Busia Town	Tororo Road
Iganga Branch	Plot 1 & 3, Magumba Road, Iganga Town	Magumba Road
Jinja Branch	Plot 2, Martin Rd.Jinja Town	Martin Road
Kamuli Branch	Plot 2, Gabula Rd.	Gabula Road
Kapchorwa Branch	Plot 20, Kitale Road, Kapchorwa	Kitale Road
Kotido Branch	Plot 3A, Moroto Road Kotido	Moroto Road
Lugazi Branch	Plot 29, Ntenge Rd. Lugazi	Ntenge Road
Mbale Branch	Plot 50/52, Republic Av. Mbale Town	Republic Avenue
Moroto Branch	Plot 27, Lia Road Moroto"	Lia Road
Soroti Branch	Plot 42,Gweri Rd. Soroti Town	Gweri Road
Tororo Branch	Plot 1, Block 5 Uhuru Drive, Tororo Town	Nagogera Road
Aponye Mall Branch	Plot 8, Burton street	Burton street
Kawempe Branch	Plot 161, Volume 77 Folio 19	Bombo Road
Kiboga Branch	Plot 100, Block 634Kilulumba Mubende Kiboga Town	Hoima Road
GREATER KAMPALA		
Kireka	Plot 319, Block 232 Kyadondo	Jinja Road
Kyambogo Branch	Kyambogo University Campus	Kyambogo University Campus
Luwero Branch	Plot 440, Block 652 Luwero Town	Kampala/Gulu High Way
Mityana Branch	Plot 54, Block 425, Mityana Road, Mityana	
Township"	Mityana Road	
Mpigi Branch	Mpigi Town	
Mukono Branch	Plot 37/39, Kampala Road, Mukono Town	Kampala/Jinja Road
Mulago Branch	Mulago Hospital Floor No.2	Mulago Hospital
Nakivubo Branch	Plot 58, William street	William Street
Nateete Branch	Plot 643, Block 18 Mengo Kibuga, Natete	Masaka Road
Wandegeya Branch	Plot 220, Kagugube Rd. Wandegeya	Kagugube Road
William Street Branch	Plot 6, William Street, Kampala	William Street
METRO		
Acacia Branch	Kisementi, Plot 8A-12A Cooper Road	Kololo, Kampala
Aponye Branch	Plot 8 Burton street	Burton Street
Bugolobi Branch	Plot 47A Spring Road, 9 Luthuli Av.and 9 Bandari Rise	47A Spring Road, 9 Luthuli Av.and 9 Bandari Rise
Entebbe Main Branch	Plot 15,Kla.Rd. Entebbe Town	Entebbe/Kampala Road
Forest Mall Branch	Plot 3A2 & 3A3 Sports Lane, Lugogo By -Pass, Kampala	Sports Lane, Lugogo By -Pass Road
Freedom City Branch	Freedom City Mall, Plot 4010 Entebbe Road, Namasuba.	Entebbe Road
Garden City Branch	Plot 64-86 Kitante Road, Kampala	Kitante Road
Kabalagala Branch	Embassy Plaza, plot 1188,1189,1190	Kibuga, Nsambya
Kampala Branch (Corporate)	Plot 18, Hannington Road	Hannington Road
Lugogo Branch	Plot 2-8 Lugogo By-Pass Rd.Lugogo Kampala. Shop No.5"	Lugogo By-Pass Road
Makerere Branch	Senate Building Makerere University Campus	Senate Building
Metro Branch	Plot 4, Jinja Rd. Social Security House	Jinja Road
Nakasero Branch	Umoja Building, Plot 20 Nakasero Road, Opposite World Vision	Nakasero Road

Nakawa Branch	Plot M193/194 Nakawa, Industrial Area	Nakawa Industrial Area Road
Ntinda Branch	Plot 3798, Block 216 Kyadondo, Ntinda Trading Centre	
NORTHERN		
Adjumani Branch	Plot 9, Mangi Road, Adjumani	Mangi Road
Apac Branch	Plot 18, Akokoro Rd.Apac Town	Akokoro Road
Arua Branch	Plot 25,Avenue Rd.Arua Town	Avenue Road
Gulu Branch	Plot 2 & 4,Acholi Rd.Gulu Town	Acholi Road
Kigumba Branch	Plot 18, Kampala Gulu High Way	Kampala Gulu High Way
Kitgum branch	Plot 4/6, Philip Adonga Rd,	Philip Adonga Road Kitgum
Lira Branch	Plot 2,Soroti Rd. Lira	Soroti Road
Moyo Branch	Plot 1,Kerere Crescent Rd. Moyo	Kerere Crescent Road
Nebbi Branch	Nebbi Trading Centre Volume 1274 Folio 22"	Arua Road
WESTERN		
Buliisa Branch	Buliisa - Paara Road, Buliisa Town	Paara Road
Bundibugyo Branch	Plot 4 Block A, Bundibugyo T/ship	Bundibugyo Road
Bwamiramira Branch	Plot 18,Karuguza T/Centre,Kibale Dist.	Karuguza Road
FortPortal Branch	Plot 21,Lugard Rd.F/Portal Town	Lugard Road
Hoima Branch	Plot 8A Old Toro Road Hoima	Old Toro Road
Ibanda Branch	Plot 10 - 12 Kamwege Road Ibanda	Kamwege Road
Ishaka Branch	Plot 44 Rukungiri Road, Ishaka Town	Rukungiri Road
Kabale Branch	Plots 150/152,Kabale Rd. Kabale Town	Kabale Road
Kabwohe Branch	Plot 19B, Kabwohe	Kabwohe Road
Kalangala Branch	Kalangala Main Rd.Kalangala Town	Kalangala Main Road
Kasese Branch	Plot 27/31 Stanley Street,Kasese	Stanley Street
Kihihi Branch	Plot 63 Block 74 Kinkizi	
Kisoro Branch	Plot M5, Block 29 Kisoro/Kabale Rd. Kisolo Town	Kisoro/Kabale Road
Kyotera Branch	Plot 32, Masaka Rd.Kyotera Town	Masaka Road
Lyantonde Branch	Plot 200,Block 76 Lyantonde Town	Kampala/Mbarara Raod
Masaka Branch	Plot 4 ,Birch Av. Masaka Town	Birch Avenue
Masindi Branch	Plot29/33,Tongue Street Masindi	Tongue Street
Mbarara Branch	Plot 1/3 Ntare Rd.Mbarara Town	Ntare Road
Mubende Branch	Plot 2, Block 13 Main street Mubende	Main street
Ntungamo Branch	Plot 33, Ntungamo Township	Mbarara Kabale Road
Rukungiri Branch	Plot 123,Block 5 Kagunga	Rukungiri Town

CUSTOMER SERVICE POINTS	PLOT DETAIL	STREET/ROAD
Bwera CSP	Saad Village, Mpondwe- Lubiriha, Bwera Town	Mpondwe-Lubiriha Road
Jinja CSP	Plot 3, Lady Alice Mukoli Road	,Lady Alice Mukoli 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

List of acronyms

ABC	Agent Banking Corporation
ACCA	
AGM	Annual General Meeting
ADF	Africa Development Fund
AFS	Annual Financial Statements
ALCO	Asset and Liability Committee
AML/CFT	Anti Money Laundering /Combatting the Financing of Terrorism
ATM	Automated Teller Machines
BCP	Business Continuity Plan
BAC	Board Audit Committee
BALCO	Board Asset and Liability Committee
BCC	Board Credit Committee
BCM	Business Continuity Management
BN	billion
BNA	Bulk Note Acceptor
BOD	Board of Directors
BOU	Bank of Uganda
BRMC	Board Risk Management Committee
BUBU	Buy Uganda Build Uganda
CAR	Capital Adequacy Ratio
CBR	Central Bank Rate
CCAEA	Climate Change Climate East Africa
CBS	Core Banking System
CCC	Customer Care Centre
CDE	Customer Decisioning Engine
CDM	Cash Deposit Machine
CIB	Corporate and Investment Banking
CLR	Credit Loss Ratio
CMA	Capital Markets Authority
CRMC	Credit Risk Management Committee
CSP	Customer Service Point
CSI	Corporate Social Investment
CTI	Cost to Income Ratio
CSR	Corporate Social Responsibility
C&R	Custody and Registry
DBS	Deferred Bonus Scheme
EAD	Exposure at Default
EACOP	East Africa Crude Oil Pipeline
EAR	Earnings at Risk
ECI	Employee Community Involvement
ECL	Expected Credit Loss
EERF	Economic Enterprise Restart Fund
EIR	Effective Interest Rate
ESG	Environment Social and Governance
EPS	Earnings per Share
ETR	Employee Turnover Rate
ERM	Enterprise Risk Management
FDI	Foreign Direct Investments
FIA	Financial Institutions Act
FID	Final Investment Decision
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
GRI	Global Reporting Initiatives
GDP	Gross Domestic Product
GSIS	Group Share Incentive Scheme
GoU	Government of Uganda
GRS	Global Remuneration Services
HC	Human Capital
AS	International Accounting Standards
IA	Internal Audit
IASB	International Accounting Standards Board
IC	Intellectual Capital
ICAAP	Internal Capital Adequacy Assessment Process
ICPAU	Institute of Certified Public Accountants of Uganda
ICT	Information and Communication Technology
IDG	International Development Groups
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
IIS	Interest in Suspense
IMF	International Monetary Fund
IRB	Internal Ratings-Based approach
ISAs	International Standards on Auditing
JSE	Johannesburg Stock Exchange
KPMG	Klynveld Peat Marwick Goerdeler
KYC	Know Your Customer
L&D	Learning and Development
LGD	Loss Given Default
LPO	Local Purchase Order
MFC	Manufactured Capital
MDI	Microfinance Deposit Accepting Institution
MFID	Markets in Financial Instruments Directive
MPC	Monitory Policy Committee
MSME	Micro, Small and Medium Enterprises
NBI	National Bank of India
NC	Natural Capital
NED	Non-Executive Director
NIM	Net Interest Margin
NIRA	National Identification and Registration Authority
NPS	Net Promoter Score
OCI	Other Comprehensive Income
OHS	Occupational Health and Safety
PAT	Profit After Tax
PAYE	Pay as You Earn
PBB	Personal and Business Banking
PBT	Profit Before Income Tax
PD	Probability of Default
PFIs	Participating Financial Institutions
PSC	Private Sector Credit
PMI	Purchase Manager's Index
PPE	Personal Protective Equipment
PWC	PricewaterhouseCoopers
RAS	Risk Appetite Statement
REPO	Repurchase Loan Agreement
RET	Regrettable Employee Turnover rate
ROA	Return on Assets
ROE	Return on Equity
RSL	Interest Rate Sensitive Liabilities
SACCOs	Savings and Credit Cooperatives
SAHL	Stanbic Africa Holdings Limited
SBUL	Stanbic Bank Uganda Limited
SEE	Social Economic and Environment
SFIs	Supervised Financial Institutions
SME	Small and Medium Enterprises
SOFP	Statement of Financial Position
SBGS	Standard Bank Group Securities
SPL	Stanbic Properties Limited
SBIL	Stanbic Business Incubator Limited
SUHL	Stanbic Uganda Holdings Limited
SRC	Social and Relational Capital
SEE	Social Economic Environmental
TED	Technology Entertainment and Design
UCBL	Uganda Commercial Bank Limited
URA	Uganda Revenue Authority
USE	Uganda Securities Exchange
UNBS	Uganda National Bureau of Standards
UNDP	United Nations Development Programme
VAF	Vehicle and Asset Finance
VSLA	Village Savings and Credit Associations
WEF	With Effect From
WFH	Working from Home
WFO	Work from Office
YELP	Young and Emerging Leaders Project

Financial definitions

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

Company information

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For copies of our Annual reports, please refer to:
www.stanbicbank.co.ug/Uganda/About-Us/Investor--Relations

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Stanbic Uganda Holdings Limited
Annual report and financial statements
year ended 31 December 2020

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