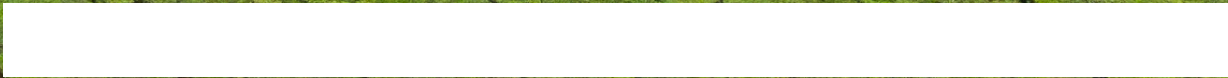




Stanbic Bank Uganda Limited
CIRCULAR TO
SHAREHOLDERS
IN RESPECT OF THE PROPOSED
CORPORATE REORGANIZATION OF
STANBIC BANK UGANDA LIMITED



CIRCULAR TO SHAREHOLDERS

in respect of the proposed corporate reorganization of Stanbic Bank Uganda Limited

Dear Shareholder,

This circular ("Circular") is important and requires your immediate attention. It contains the Board of Directors' recommendation on resolutions to be tabled for consideration in connection with the proposed corporate reorganization of Stanbic Bank Uganda Limited, and in respect of which you are being asked to vote at the annual general meeting of the Company.

A notice of the annual general meeting of the company for the year ended 31st December 2017 which is to be held on Thursday, 31st May 2018 at the Kampala Serena Hotel (Victoria Hall) forms part of this Circular.

If you are unable to attend the AGM, please complete the proxy form under part seven of this circular and return it to the Company's head office marked for the attention of the Company Secretary, or to the share registrars, whose address is indicated on page 4 of this circular.

The proposals and recommendations described in this Circular are subject to the approval of both the South African Reserve Bank and Bank of Uganda, the regulator of all financial institutions in Uganda in accordance with the Bank of Uganda Act, Cap. 51 and the Financial Institutions Act 2004 (as amended).

As a matter of policy neither the CMA or USE are responsible for the correctness of the statements or opinions contained in this circular. If you are in any doubt about the action to be taken, you are advised to obtain personal advice from your stockbroker, bank manager, lawyer or any other professional adviser.

Kampala, 9th May, 2018

Stanbic Bank Uganda Limited

TABLE OF CONTENTS

- Part 1** CORPORATE INFORMATION
- Part 2** DEFINITIONS
- Part 3** PURPOSE AND BACKGROUND TO THE CIRCULAR
- Part 4** DETAILS OF THE PROPOSED Reorganization
- Part 5** PRO-FORMA FINANCIAL INFORMATION AND POST COMPLETION ARRANGEMENTS
- Part 6** SUPPLEMENTARY INFORMATION
- Part 7** PROXY FORM AND AGM NOTICE





CORPORATE INFORMATION

DIRECTORS

Non-executive

Japheth Katto (Chairman), Ruth Emunu, Barbara Mulwana, Eva Kavuma, Sam Zimbe, Patrick Mangheni, Clive Tasker, Greg Brackenridge

Executive

Patrick Mweheire, Kevin Wingfield

COMPANY SECRETARY

Candy Wekesa Okoboi

REGISTERED OFFICE

11th Floor, Crested Towers, Short Tower
17 Hannington Road
P.O Box 7131
Kampala

REGISTRARS AND TRANSFERS OFFICE

Custody & Registrars Services Limited
4th Floor, Diamond Trust Centre
Kampala Road
P.O Box 74895
Kampala

AUDITORS

KPMG

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

ADVISORS

Transaction Advisors

Stanbic Bank Uganda - Corporate Finance
3rd Floor, Crested Towers, Short Tower
17 Hannington Road
P.O Box 7131
Kampala

Legal Advisors

Sebalu and Lule Advocates
S&L Chambers
14, MacKinnon Road, Nakasero
P.O. Box 2255 Kampala, Uganda

Accounting and Tax Advisors

PricewaterhouseCoopers
Communications House,
1 Colville Street,
P.O. Box 8053 Kampala, Uganda



DEFINITIONS

“Articles of Association”	the Articles of Association of the Company.
“Banking Business”	the financial institution business conducted by the Company as a commercial bank under a licence issued by BOU, and includes banking net assets.
“BOU”	Bank of Uganda (established under the Bank of Uganda Act Chapter 51, Laws of Uganda).
“Business Transfer Agreement”	business transfer agreement to be entered into between the Company and the New Banking Subsidiary for the transfer of the Banking Business from the Company to the New Banking Subsidiary as more particularly described in this Circular.
“Capital Markets Act”	the Capital Markets Authority Act, Chapter 84, Laws of Uganda (as amended).
“CMA”	the Capital Markets Authority (established under the Capital Markets Authority Act).
“Companies Act”	the Companies Act 2012.
“Completion Date”	31st December 2018 or such other date as may be specified by Bank of Uganda.
“Conditions”	the conditions precedent under the Business Transfer Agreement.
“Effective Date”	1 st January 2019 or such other date as may be specified by Bank of Uganda
“Excluded assets”	<ol style="list-style-type: none"> Cash and Property as specified later in this Circular Any statutory books and statutory records of SBU; Tax recoverable by SBU.
“Excluded liabilities”	Dividends payable to shareholders for prior years
“FIA”	the Financial Institutions Act, 2004 (as amended).
“Group” or “Stanbic Holdings Group”	the Company and its subsidiaries.
“Memorandum of Association”	the Memorandum of Association of the Company.
“New Banking Subsidiary”	a wholly-owned subsidiary of the Company to be established by the Company as a private limited liability company incorporated in Uganda with an authorised share capital of Ushs 51,188,669,700 divided into 51,188,669,700 ordinary shares of Ushs 1 each and to which the Company intends to transfer its Banking Business.
“Reorganization”	the corporate reorganization of the Company’s corporate structure and operations through the formation of a group with a holding company (the Company), and including the transfer of the Banking Business from the Company to the New Banking Subsidiary.
“Stanbic Bank Uganda Limited”	Stanbic Bank Uganda Limited, a company incorporated in Uganda under the Companies Act (Registration Number P.525)
“SBU” or “the Company”	
“USE”	Uganda Securities Exchange Limited, a public company limited by shares which is licensed by CMA to conduct the business of a stock exchange in Uganda.



PURPOSE OF THE CIRCULAR

The purpose of this circular (“the Circular”) is to:

- a. provide the shareholders of Stanbic Bank Uganda Limited (“SBU” and “the Company”) with background information in relation to the proposed corporate Reorganization of SBU and to describe the rationale and benefits of the Reorganization;
- b. advise the shareholders of the Board’s recommendation regarding the proposed Reorganization; and
- c. convene the annual general meeting in accordance with the notice of the annual general meeting forming part of this Circular, to consider and, if deemed fit, approve the resolutions proposed thereat.

Introduction

On 19th February 2018, SBU published a public announcement in The New Vision and Daily Monitor in which SBU informed its shareholders that the Board of Directors (“the Board”) resolved, on 14th February 2018, to reorganize the Company’s corporate structure and operations through the formation of a group with a holding company to be called ‘Stanbic Uganda Holdings Limited’ owning several subsidiaries engaged in different lines of business. The Reorganization will allow the Company to continue its current banking business and venture into various new non-banking (financial) opportunities (including, potentially, investments in associated companies, joint ventures and equity instruments) under a holding company / group structure.

Once approved by the shareholders, the South African Reserve Bank and Bank of Uganda, the Reorganization will entail the formation of a new company to which the Banking Business currently being conducted by SBU will be transferred. The Company will cease providing banking services directly and, instead, operate as a holding company initially with one subsidiary (the New Banking Subsidiary) engaged in the provision of banking services. The Board envisages

that, subsequently, the Company will form or acquire further specialist business subsidiaries to operate alongside the New Banking Subsidiary.

In connection with the Reorganization, the shareholders will be requested to approve the following corporate matters at the AGM:

By special resolution:

- a. the initial change of name of the Company from SBU to ‘Stanbic Bank Holdings Limited’ so as to permit the New Banking Subsidiary to reserve and adopt the name ‘Stanbic Bank Uganda Limited’;
- b. following the completion of the transfer of the Banking Business from SBU to the New Banking Subsidiary, the amendment of the Memorandum of Association and Articles of Association of the Company to reflect the fact that following the completion of the Reorganization, SBU will cease to be a commercial bank and will become a general commercial company; and
- c. following the completion of the transfer of the Banking Business from SBU to the New Banking Subsidiary, the subsequent change of name of the Company from “Stanbic Bank Holdings Limited” to “Stanbic Uganda Holdings Limited” so as to reflect the cessation by SBU of conducting the Banking Business and in compliance with the law.

By ordinary resolution:

- d. the incorporation of the New Banking Subsidiary which will assume the Banking Business from SBU, and all matters related to the incorporation of the New Banking Subsidiary (such as the authorized share capital, directors, secretary, auditors and registered business address); and
- e. the transfer of the Banking Business from SBU to the New Banking Subsidiary (following the issue of a commercial banking licence to the New Banking Subsidiary) by way of a sale and purchase agreement to give effect to the provisions of section 112 (2) (c) of the FIA.

Background

The Company began its operations in Uganda as the National Bank of India Limited, registered as a foreign company on 12th July 1923. At the end of December 1957, the National Bank of India amalgamated with Grindlays Bank Limited, which had been established in 1828, and the name of the Company was changed to Grindlays Bank.

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

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

In November 2006, SAHL and GoU offered a combined 20% of their shareholding in SBU for sale to the public. Following the public offer, GoU ceased to be a shareholder of SBU.

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

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

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

Rationale for the reorganization

SBU is currently regulated by Bank of Uganda under the provisions of the FIA. Under the provisions of the FIA, the Company is permitted and restricted to undertaking financial institutions business as defined under the FIA. Commercial banking is one aspect of financial services and in order for SBU to fulfil its vision of being the leading financial services organisation, it is necessary for the Company to be reorganized to allow it conduct other financial services in addition to banking.

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

a) Universal financial services offering:

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

b) Flexibility to engage in financial technology (fin-tech) partnerships:

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

c) Capital optimization (material software systems owned by the group and leased to the banking subsidiary)

The proposed reorganization will enable the Group to acquire, maintain and hold software licences or systems under the holding company, which will allow for more optimal deployment of SBU's capital to support growth of lending, amongst other things.

d) Flexibility to optimize real estate

SBU owns property, which it would like to let out as part of its branch premises rationalization. SBU is further looking to own its head office and would look to finance and hold these premises in a separate subsidiary under the holding company.

OTHER BENEFITS

e) To the Ugandan economy

- i. Increased tax contribution. SBU alone contributed over Ushs 104 billion to the government coffers in 2017.
- ii. New capital inflows through attraction of new investors in the expanded business lines.
- iii. New employment opportunities over and above SBU's current 1,751 staff complement.

f) To the financial sector

- i. Stronger partnerships with existing and emerging stakeholders paving way for innovative products to help boost financial inclusion.
- ii. Increased competition hence improved quality of services and products to consumers of financial services and products.

g) To the shareholders and customers

- i. Enhanced return on equity to shareholders.
- ii. Enhanced customer experience as a one-stop shop for multiple financial products and services.
- iii. Ability to compete more effectively with incumbents and new entrants.
- iv. More assured sustainability of the business given the diversification.



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



DETAILS OF THE PROPOSED REORGANIZATION

The ultimate objective of the Reorganization is to move from the current legal and operating structure where SBU is a public company listed on the USE that provides banking services directly to customers to a group structure that will comprise a non-operating holding company listed on USE (the current listed company) and several subsidiaries, including the New Banking Subsidiary. The Board wishes to embark on a series of transactions to incorporate the New Banking Subsidiary and to transfer SBU's Banking Business to it on or about 1 January 2019. The Board envisages that, subsequently, the Company will form or acquire other (non-banking) subsidiaries.

The Board anticipates that the Reorganization will enhance SBU's customer value proposition while increasing the returns to SBU's shareholders. The immediate impact of the proposed Reorganization on SBU's shareholders, customers and employees is expected to be minimal.

The first step in the Reorganization is for the Company to incorporate the New Banking Subsidiary. The primary objective of creating the New Banking Subsidiary is for the Company to be able to transfer the Company's current Banking Business to a licensed financial institution.

The transfer of the Banking Business to the New Banking Subsidiary is subject to approvals by the shareholders, the South African Reserve Bank, BOU, CMA and USE, which regulate the Company by virtue of its status as a listed company, issued no-objections to the Reorganization on 24 October 2017 and 17 November 2017, respectively.

The USE no-objection was issued with certain conditions most of which will be fulfilled upon approval of the Reorganization by the shareholders, BoU and the South African Reserve Bank. The applicable disclosure requirements under the USE Listing Rules, 2003 have been complied with and the involvement of shareholders in the Reorganization process will be by the resolutions proposed to be passed at the AGM.

Following completion of the transfer of the Banking Business to the New banking Subsidiary, the Company will cease providing banking services to customers directly and, instead, operate as a holding company (initially with only one subsidiary engaged in the provision of banking services). The New Banking Subsidiary will continue to provide banking services to the Company's current (and new) customers going forward.

The details of the New Banking Subsidiary to be incorporated will be as follows:

Name:	Stanbic Bank Uganda Limited or such similar name as will be acceptable to the Registrar of Companies.
Principal objects:	a. To acquire the banking business and undertaking of the Company; and b. To conduct financial institutions business as a commercial bank.
Authorised share capital:	Ushs 51,188,669,700 divided into 51,188,669,700 ordinary shares of Ushs 1 each.
Shareholders – (after transfer of Banking Business)	Stanbic Bank Uganda Limited (51,188,669,700 shares)
Directors:	1. Japheth Katto 2. Patrick Mweheire 3. Kevin Wingfield 4. Clive Tasker 5. Greg Brackenridge 6. Eva Kavuma 7. Patrick Mangheni 8. Barbara Mulwana 9. Samuel Zimbe
Secretary:	Candy Wekesa Okoboi
Auditors:	KPMG Uganda
Registered address	Crested Towers (Short Tower), Plot 17 Hannington Road, P.O. Box 7131, Kampala, Uganda

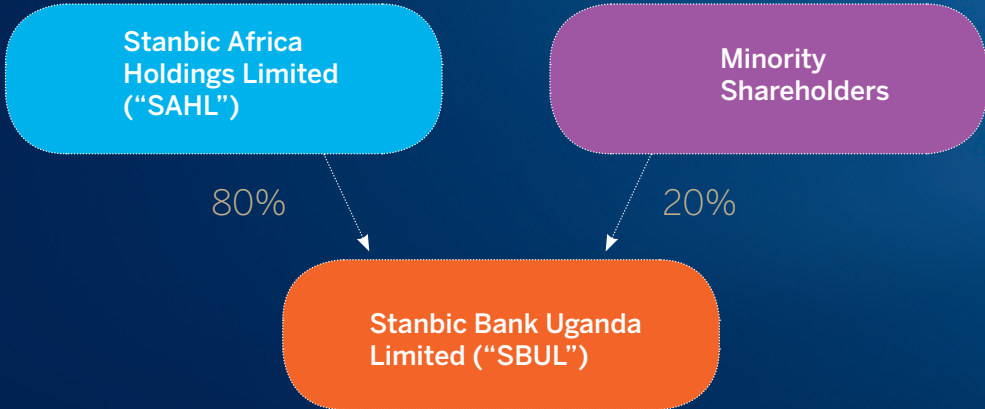
Transfer of business

The transfer of the banking business and undertaking of SBU to the New Banking Subsidiary will be achieved through a business transfer agreement to be entered into by SBU and the New Banking Subsidiary (when incorporated). This is in terms of section 112 of the FIA. The key terms and conditions of the transfer as provided in the business transfer agreement are as follows:

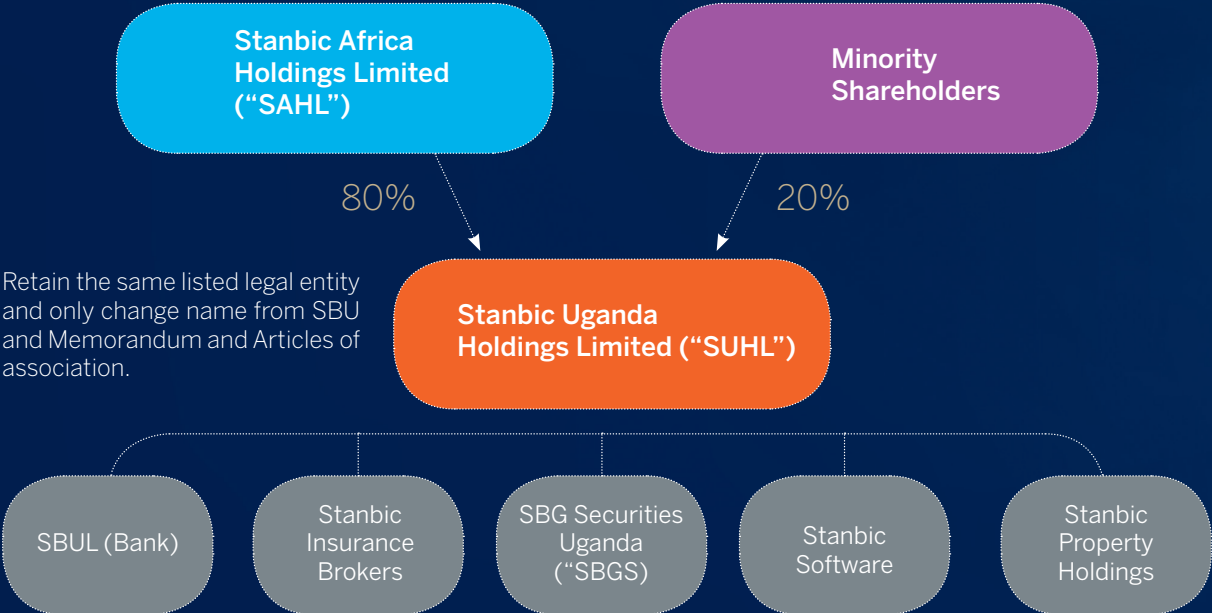
Term	Detail
Undertaking to be transferred	All banking business assets, liabilities, contracts of SBU as a going concern other than specified excluded assets (primarily some cash and tax receivable) and excluded liabilities (primarily taxes) to be retained by the Company
Consideration for transfer	Issue of 51,188,669,700 fully paid shares in the share capital of the New Banking Subsidiary to SBU.
Employees	All employees will transfer to the New Banking Subsidiary on the same terms and conditions of employment, with the exception of a few select employees who will remain with the Company.
Conditions precedent	1. SBU shareholder approval 2. South African Reserve Bank approval 3. Bank of Uganda approval 4. Approval of shareholders of New Banking Subsidiary; and 5. Necessary lender and counterparty consents
Effective Date	1 st January 2019 or such other date as may be specified by Bank of Uganda

GRAPHICAL REPRESENTATION OF THE PROPOSED STRUCTURAL CHANGES

CURRENT STRUCTURE



PROPOSED STRUCTURE



Retain the same listed legal entity and only change name from SBU and Memorandum and Articles of association.



PRO-FORMA IMPACT ON STANBIC HOLDINGS GROUP'S FINANCIAL POSITION

The reorganization does not have any significant impact on the reported financial position of the Group. The reorganization involves transferring the current banking net assets to a New Banking Subsidiary (The Bank) and, hence, the assets and liabilities of the Group as well as its earnings potential remain the same before and after the reorganization.

To help illustrate the expected impact, the table below sets out a pro-forma group consolidated balance sheet of the Company and its subsidiaries assuming that the reorganization had been completed as at 31 December 2017.

Pro-forma impact on Stanbic Holdings Group's statement of financial position

	Before	After
	Ushs'000	Ushs'000
Balance Sheet		
Cash & balances with Bank of Uganda	856,532,804	856,532,804
Derivative assets	12,117,502	12,117,502
Government securities - held for trading	392,911,207	392,911,207
Government securities - available for sale	516,269,586	516,269,586
Other investments	71,906	71,906
Current income tax recoverable	23,748,226	15,532,035
Loans and advances to banks	1,100,636,288	1,100,636,288
Amounts due from group companies	177,449,478	177,449,478
Loans and advances to customers	2,133,986,423	2,133,986,423
Other assets	47,493,184	47,493,184
Property and equipment	69,292,586	69,292,586
Goodwill and other intangible assets	71,909,841	71,909,841
Prepaid operating leases	88,322	88,322
Deferred tax asset	1,651,991	9,868,182
Total assets	5,404,159,344	5,404,159,344
Shareholders' equity and liabilities		
Shareholders' equity		
Ordinary share capital	51,188,670	51,188,670
Statutory risk reserve	19,788,336	19,788,336
Available for sale revaluation reserve	19,171,113	-
Retained earnings	692,131,502	711,302,615
Proposed Dividend	90,000,000	90,000,000
Total shareholders equity	872,279,621	872,279,621
Liabilities		
Derivative liabilities	4,211,626	4,211,626
Deposits from customers	3,620,945,573	3,620,945,573
Deposits from banks	342,769,174	342,769,174
Amounts due to group companies	266,614,006	266,614,006
Borrowed Funds	16,364,653	16,364,653
Other liabilities	208,173,495	208,173,495
Subordinated debt	72,801,196	72,801,196
Total liabilities	4,531,879,723	4,531,879,723
Total equity and liabilities	5,404,159,344	5,404,159,344

Key Assumptions

1. Transfer of banking net assets of New Banking Subsidiary had occurred on 31 December 2017 and that the transaction is recorded at the book carrying value at which those assets and liabilities had been reported in the Company's separate financial statements as at that date.
2. The results and financial position of Stanbic Uganda Holdings Limited and New Banking Subsidiary (to be named Stanbic Bank Uganda Limited) are consolidated in the Group financial statements as per the Group's accounting policies with respect to subsidiary companies.

Proforma impact on Stanbic Holdings Group's income statement

The implementation of the proposed reorganization should have only a minor impact on the group consolidated profits that the Group will report. This minor impact arises primarily through the incremental taxes that the Group is likely to incur following the Reorganization in respect of the inter-group recharges that the Company will charge its subsidiaries to recover the expenses it incurs in fulfilling its holding company functions.

To help illustrate the potential impact on Stanbic Holdings Group consolidated earnings in the short-term, the table below sets out the hypothetical proforma consolidated statement of Comprehensive Income for the Group for the period ended 31 December 2017 assuming that the Reorganization had been completed on 1 January 2017. As the table shows Stanbic Holdings Group will incur some incremental taxes.

Pro-forma impact on Stanbic Holdings Group's income statement

	Before Ushs'000	After Ushs'000
Interest income	403,527,401	403,527,401
Interest expense	(50,780,273)	(50,780,273)
Net interest income	352,747,128	352,747,128
Fee and commission income	135,830,032	135,830,032
Fee and commission expenses	(4,583,746)	(4,583,746)
Net fees and commission income	131,246,286	131,246,286
Net trading income	144,964,170	144,964,170
Other operating income	7,047,223	7,047,223
Total income before credit impairment charge	636,004,807	636,004,807
Impairment charge for credit losses	(28,922,014)	(28,922,014)
Total income after credit impairment charge	607,082,793	607,082,793
Employee benefit expenses	(141,491,545)	(141,785,066)
Depreciation and amortisation	(26,311,737)	(26,311,737)
Other operating expenses	(173,613,553)	(173,977,976)
Operating profit	265,665,958	265,008,014
Profit before income tax	265,665,958	265,008,014
Income tax expense	(65,198,169)	(65,000,786)
Profit for the year	200,467,789	200,007,228
Other Comprehensive Income for the period net of tax	16,717,213	16,717,213
Total comprehensive income for the period	217,185,002	216,724,441

Assumptions

- Transfer of Banking Net Assets to New Banking Subsidiary had occurred on 1 January 2017.
- Expenses incurred by the Company in the year 31 December 2017 would have amounted to Ushs 658 million and that the Company would have recharged these expenses at cost plus a 5% uplift and Value Added Tax (VAT) at 18% to its subsidiaries.
- As a result of recharges, Group entities would incur incremental irrecoverable VAT expenses of Ushs 92 million.
- The Bank is exempt from withholding tax (WHT) therefore there will not be an extra cost from WHT.

Pro-forma impact on the Company's reported separate financial statements

The Companies Act requires Stanbic Uganda Holdings Limited to publish separate financial statements for the Company on an unconsolidated basis in addition to the consolidated financial statements for the Group (once the Company has formed / acquired subsidiaries).

The Reorganization will mean that the Company will transfer all its assets and liabilities other than

- (i) The investments the Company holds in subsidiaries;
- (ii) Current tax assets (or liabilities)
- (iii) Real estate property; and
- (iv) Liabilities in respect of prior year dividends.
- (v) Some cash and cash equivalents

As consideration for the transfer of the Banking Business, the Company will receive an allotment of shares in the New Banking Subsidiary that will be reflected in its balance sheet as an increase in its investment in subsidiaries.

Pro-forma impact on the Company's statement of financial position

Stanbic Uganda Holdings Ltd	Before Ushs'000	After Ushs'000
Balance Sheet		
Cash & balances with Bank of Uganda	856,532,804	
Cash at Bank		100,463,412
Derivative assets	12,117,502	-
Government securities - held for trading	392,911,207	-
Government securities - available for sale	516,269,586	-
Loans and advances to banks	1,100,636,288	-
Amounts due from group companies	177,449,478	-
Loans and advances to customers	2,133,986,423	-
Other investments	71,906	-
Current income tax recoverable	23,748,226	15,532,035
Deferred tax asset	1,651,991	-
Prepaid operating leases	88,322	-
Other assets	47,493,184	-
Goodwill and other intangible assets	71,909,841	-
Property and equipment	69,292,586	2,326,928
Investment in Subsidiary		763,731,313
Total assets	5,404,159,344	882,053,688
Shareholders' equity and liabilities		
Shareholders' equity		
Ordinary share capital	51,188,670	51,188,670
Statutory risk reserve	19,788,336	-
Available for sale revaluation reserve	19,171,113	-
Retained earnings	692,131,502	731,090,951
Proposed Dividend	90,000,000	90,000,000
Total shareholders' equity	872,279,621	872,279,621
Liabilities		
Derivative liabilities	4,211,626	-
Deposits from customers	3,620,945,573	-
Deposits from banks	342,769,174	-
Amounts due to group companies	266,614,006	-
Borrowed Funds	16,364,653	-
Other liabilities	208,173,495	9,774,067
Subordinated debt	72,801,196	-
Total liabilities	4,531,879,723	9,774,067
Total equity and liabilities	5,404,159,344	882,053,688

Key Assumptions

1. The Company transfers Banking Net Assets on 31 December 2017 at book carrying value in its separate financial statements of Ushs 764 bn. Banking Net Assets are all the Company's assets and liabilities other than investment in and subsidiaries, dividend payable, tax recoverable, some cash and cash equivalents and deferred tax asset.
2. Stanbic Holdings Group recognises incremental investment in the New Banking Subsidiary upon allotment of new shares it receives from New Banking Subsidiary as consideration for the net asset value of the Banking Net Assets it transfers to the New Banking Subsidiary.

The Companies Act and the Financial Institutions Act require the New Stanbic Bank Uganda Ltd to publish separate financial statements for the Bank on an unconsolidated basis.

Pro-forma impact on New Banking Subsidiary's statement of financial position

Stanbic Bank Uganda Ltd	Before	After
	Ushs'000	Ushs'000
Balance Sheet		
Cash & balances with Bank of Uganda	-	856,532,804
Derivative assets	-	12,117,502
Government securities - held for trading	-	392,911,207
Government securities - available for sale	-	516,269,586
Loans and advances to banks	-	1,100,636,288
Amounts due from group companies	-	177,449,478
Loans and advances to customers	-	2,133,986,423
Other investments	-	71,906
Deferred tax asset	-	9,868,182
Prepaid operating leases	-	88,322
Other assets	-	47,493,184
Goodwill and other intangible assets	-	71,909,841
Property and equipment	-	66,965,658
Receivable from Holdco	-	-
Total assets	-	5,386,300,381
Shareholders' equity and liabilities		
Shareholders' equity		
Ordinary share capital	-	51,188,670
Share Premium	-	712,542,643
Statutory risk reserve	-	19,788,336
Available for sale revaluation reserve	-	-
Retained earnings	-	-19,788,336
Proposed Dividend	-	-
Total shareholders' equity	-	763,731,313
Liabilities		
Derivative liabilities	-	4,211,626
Deposits from customers	-	3,620,945,573
Intercompany Balance - Holdco	-	100,463,412
Deposits from banks	-	342,769,174
Amounts due to group companies	-	266,614,006
Borrowed Funds	-	16,364,653
Other liabilities	-	198,399,428
Subordinated debt	-	72,801,196
Total liabilities	-	4,622,569,068
Total equity and liabilities	-	5,386,300,381

Assumption

The Company transfers Banking Net Assets on 31 Dec 2017 at book carrying value in its separate financial statements of Ushs 764 Billion. Banking Net Assets are all the Company's assets and liabilities other than cash and cash equivalents, investment in subsidiary, dividend payable, tax recoverable, investment property and deferred tax asset.

Important note

The Board cautions shareholders that, because of its nature, the pro-forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's or Group's actual financial position or results as at Completion Date. In particular, the Board cautions shareholders that the actual impact on earnings per ordinary share in future financial periods will depend on the actual costs that the Company incurs, management's decisions as to the level of recharges and the associated taxes that crystallise on expenses and fees that the Company charges its subsidiaries. Thus, the actual results will differ from those anticipated in the pro-forma statements above.

Impact of reorganization

Following a detailed risk analysis, the Board anticipates that the immediate impact of the proposed reorganization on SBU's shareholders, customers and employees will be minimal.

- a. Shareholders will continue to own the same shares that they own before the Reorganization and these shares will remain listed on USE. Whilst the company in which you own shares will change its name from Stanbic Bank Uganda Limited, to, firstly, Stanbic Bank Holdings Limited and, subsequently, to Stanbic Uganda Holdings Limited and this company will concentrate on its holding company functions – the assets, business activities and earnings potential of the Group as a whole will remain the same before and after the Reorganization. In particular, as shareholders, you will continue to be entitled to a share in the entire earnings of the Group's banking activities (as well as earnings of all the other subsidiaries that may be created in the future) as, after the Reorganization, these banking activities will be conducted through the New Banking Subsidiary of the Company rather than directly by the Company.
- b. Customers of the Company should see little practical impact on implementation of the Reorganization. Whilst their account balances, loan contracts, collateral and other obligations and rights will be transferred to the New Banking Subsidiary, this process will happen automatically by operation of law and customers are not required to take any

action. After the Reorganization, banking customers will continue to be served by the same staff members using the same systems and processes and enjoy the same products and services as before the Reorganization.

- c. Employees of the Company will see minimal changes. On implementation of the Reorganization, employees who currently have contracts with the Company will be transferred to the New Banking Subsidiary on the same terms and conditions that they currently enjoy. The accrued employment benefits that the employees have built up through their years of employment with the Company will be preserved and employees will continue to be members of the same pension scheme as before the Reorganization. Only staff members (primarily executive board directors and senior management with group-wide roles) will remain employees of the Company.
- d. Regulators of the Company should see minimal changes. After the Reorganization, the New Banking Subsidiary will report to BOU and be subject to supervision as a licensed bank whereas the Company will cease to operate as a licensed commercial bank. However, BOU will approve the Company as being fit-and-proper to be a substantial shareholder in the New Banking Subsidiary as required by section 18 of the FIA and regulation 6 of the Financial Institutions (Ownership and Control) Regulations 2005. Further, as provided by section 81 of the FIA and regulation of the Financial Institutions (Consolidated Supervision) Regulations 2010, BOU may require the Company to provide information to enable BOU to conduct consolidated supervision. The Company will continue to be subject to regulations of the CMA and the listing rules of USE after the Reorganization.

Regulatory and other approvals in respect of the proposed transaction

The proposed reorganization is subject to regulatory approvals from Bank of Uganda and the South African Reserve Bank. The transfer of the banking business will also require the approval of the members (i.e. the Company in its capacity as controlling shareholder) of the New Banking Subsidiary (when incorporated).

Material changes

Once shareholder, the Bank of Uganda and South African Reserve Bank approvals have been granted, the proposed reorganization will result in the following key material changes to the company:

Group Structure

The Company shall remain listed on the USE and will evolve into a Group structure with a non-operating holding company, the New Banking Subsidiary and,

in time, other non-banking subsidiaries such as stock brokerage, insurance brokerage and fund management subsidiaries.

Change of Name

The Company will initially change its name to 'Stanbic Bank Holdings Limited' and subsequently to 'Stanbic Uganda Holdings Limited'. This is due to legal requirements which mandate that a company operating financial institution business must have the word 'Bank' or its derivative within its name.

Cognisant of that, the Company shall continue to transact financial institution business until the 31st of December 2018, following both shareholder and regulatory approvals, SBU will be required to have the word "bank" or its derivative as part of its name, until the transfer of business is effected and concluded.

The current name shall be reserved for and later adopted and used by the banking subsidiary.

Business undertaking of the Company

After the transfer of the Banking Business to the New Banking Subsidiary, the Company will change its main business undertaking from carrying on financial institution business to being, principally, a holding and investment business. This change will be reflected in the amended Memorandum of Association and Articles of Association of the Company.

Following the conclusion of the transfer of the business undertaking from the Company to the New Banking Subsidiary, BOU will cancel the banking licence held by SBU. As a result, the Company (now the holding company), will no longer be authorized to conduct financial institution business.

Changes to the Company's constitutional documents

There will be changes to the Memorandum of Association and Articles of Association of the Company to reflect the change from commercial banking business to general commercial business.

Memorandum of association.

Revisions shall be made to the objects of the Company so as to delete the objects relating to the conduct of financial institution business and replace these objects with objects that reflect the company's transition to a commercial holding company, as set out below:

The objects for which the Company is established are:

- i) "To carry on any trade or business whatsoever, and to do all such things as are incidental or conducive to the carrying on of any trade or business by it";
- ii) "To carry on the business or businesses of a holding and investment company, and to buy, underwrite and to invest in and acquire and hold shares, stock, bonds, obligations or securities of companies or any other entities whether in Uganda or elsewhere either singly or jointly with any other person(s), body corporate or any other entity carrying out or proposing to carry out any activity whether in Uganda or elsewhere;"
- iii) "To do anything that is necessary and incidental for the attainment of the aims and objectives stated above and perform all acts that are expected of a commercial company".

Articles of Association:

The Articles of Association shall remain largely intact and continue to reflect that SBU is a public company listed on the USE. The key amendments are the removal of any references to financial institution business, BOU and the FIA. For example, the following aspects are proposed to be deleted:

- a. the directors' discretion to refuse to register a transfer of a share if doing so would contravene any provision of the FIA (Article 26);
- b. the right of BOU to veto the appointment of directors in accordance with BOU's mandate under the FIA, including the right of BOU to remove a director (Articles 92, 102, 106, 107, 112 and 116); and
- c. the winding-up of the company only in accordance with the provisions of the FIA (Article 145) .





SUPPLEMENTARY INFORMATION

Statement and recommendation of the Board

The Board has extensively discussed and evaluated the proposed Reorganization with senior management. The Board believes that the Reorganization is in the best long-term interests of the Company and the shareholders as a whole.

Accordingly, the Board unanimously recommends all shareholders to vote in favour of the resolutions relating to the Reorganization to be proposed at the annual general meeting.

Directors' responsibility statement

The Board collectively and individually accepts responsibility for the accuracy of the information given and certifies that to the best of its knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Uganda Securities Exchange Listing Rules 2003 (as amended).

Signed by:

Japheth Katto

Chairman of the Board



PROXY FORM AND AGM NOTICE

Proxy Form

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) of _____ ordinary shares of Ushs. 1 each and entitled to vote hereby appoint:

1. _____ or, failing him/her

1. _____ or, failing him/her the Chairman of the annual general meeting, as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of shareholders to be held at Victoria Hall, Kampala Serena Hotel, in the morning, and at any adjournment thereof as follows:

Ordinary resolution to:

1. Receive the annual financial statements.
2. Declare a dividend.
3. Elect directors

3.1 Mr. Sam Zimbe

3.2 Prof. Patrick Mangheni

3.3 Mr. Japheth Katto

4. Approve the appointment of Klynveld Peat Marwick Gourdeler (KPMG) as 2018 auditors of the Company.
5. Approve non-executive directors' remuneration.

Special Resolution to

6. Approve the reorganization of the Company and the transactions thereunder subject to regulatory approval and in line with legal requirements.

* Insert a cross, or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.

Signed at _____ on _____ 2018

Assisted by (where applicable)

_____ (state capacity and full name)

Please provide contact details:

Tel: _____

Fax: _____

e-mail: _____

NOTICE OF ANNUAL GENERAL MEETING

31ST MAY 2018



NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING (AGM) OF STANBIC BANK UGANDA LIMITED ("THE COMPANY") FOR THE YEAR ENDED DECEMBER 31ST 2017 WILL BE HELD AT THE KAMPALA SERENA HOTEL, VICTORIA HALL AT 11:00A.M ON THURSDAY MAY 31ST 2018 FOR THE FOLLOWING BUSINESS:

AGENDA

ORDINARY RESOLUTIONS

1. To consider, and if deemed fit, pass an ordinary resolution to receive and adopt the annual audited financial statements for the year ended December 31st 2017, including the reports of the Directors and Auditors.
2. To consider, and if deemed fit, pass an ordinary resolution to receive and adopt the recommendation of the Directors on the declaration of a dividend for the year 2017.
3. To consider, and if deemed fit, pass an ordinary resolution to confirm the appointment and re-election of Directors in accordance with the provisions of the Company's Articles of Association.
4. To consider, and if deemed fit, pass an ordinary resolution to approve the re-appointment of KPMG as the external auditors of the Company for the year 2018.
5. To consider, and if deemed fit, pass an ordinary resolution to receive and approve an adjustment of fees payable to the Non-Executive Directors for the year 2018.

SPECIAL RESOLUTION

6. To consider, and if deemed fit, pass a special resolution approving the reorganization of the Company and the transactions thereunder subject to regulatory approval and in line with legal requirements. A detailed circular on the

SHAREHOLDERS ARE THEREFORE URGED TO NOTE THE FOLLOWING IMPORTANT INFORMATION REGARDING THE AGM:

proposed reorganization will be available on the company's website (www.stanbicbank.co.ug) with effect from 9th of May 2018 or at the nearest Branch.

ANNUAL FINANCIAL STATEMENTS

Shareholders can also access a detailed version of the audited financial statements on the Company's website (www.stanbicbank.co.ug) and at the Company's registered office (11th Floor Crested Towers Building).

The Audited Financial Statements will also be sent by email to the shareholders whose email addresses are available to the Company.

ATTENDANCE OF THE AGM

The attendance registration will open at 9:00 a.m. on the day of the AGM.

Shareholders may attend, speak and vote at the AGM or may appoint one or more proxies (who need not be shareholders of the Company) to attend, speak and vote on their behalf. In the latter case, a Proxy Form can be found on our website or at the nearest branch, and must be duly completed and returned to the Share Registrar (C&R Uganda) not later than 5:00 p.m. on May 29th, 2018 at the physical address indicated.

DIVIDEND PAYMENT

The dividend, if approved at the AGM, will be paid on or about July 1st 2018 to members on the register as at the close of business on May 31st, 2018. Only shareholders whose names appear on the share register as at close of business on May 31st, 2018 will be eligible for the proposed dividend. Dividends will be paid via bank accounts, mobile money and according to the mandate held in each case.

Shareholders are urged to update their payment and contact details especially their emails and registered mobile numbers as all dividend warrants shall be sent to the shareholders electronically.

To facilitate the efficient payment of dividends, shareholders are encouraged to visit the Company's registered offices, the Company's Share Registrar or any of the Company's branches countrywide, to sign a dividend mandate form to enable the payment of dividends directly into stated bank accounts or through mobile money.

UNCLAIMED DIVIDENDS

Shareholders who have not received their dividends over the years should do the following to obtain assistance:

1. **Visit or contact the Registered Offices**
11th Floor Crested Towers Building
Legal Department
17 Hannington Road,
0312 224 600
2. **Visit or contact our Share Registrar**
C&R (Uganda) Limited
4th Floor Diamond Trust Center
shareholder@candrgroup.co.ug
3. **Visit or contact any of our branches countrywide.**

Dated this 28th day of March 2018

By Order of the Board

Candy Wekesa Okoboi
Company Secretary



stanbicbank.co.ug