



UGANDA IS
OUR HOME

**WE DRIVE
HER GROWTH**

BUILDING A BETTER TOMORROW STARTS NOW

Stanbic Bank Uganda
FINANCIAL RESULTS
FOR THE YEAR ENDED
31 DECEMBER 2017



Stanbic Bank Uganda FULL YEAR RESULTS 2017



UGANDA IS OUR HOME – WE DRIVE HER GROWTH

2017 was a remarkable year for the bank; with solid performance across our business. Despite the challenging economic environment during the period, the bank saw increased growth in profitability, which is attributed to our relentless focus on client centricity, implementing our diversified revenue model and strong rigor around reducing our cost to serve.

I am pleased to present our 2017 Full Year Results and show case Stanbic's impact in supporting the growth of the economy to create a better tomorrow for Ugandans.



FULL YEAR RESULTS – Q&A PATRICK MWEHEIRE, CHIEF EXECUTIVE

1. In what ways did Stanbic positively impact the real economy in 2017?

The bank played a pivotal role in supporting continued economic recovery and the growth of business activity in a number of ways. First and foremost, we led the way facilitating businesses of all sizes to prosper by making loans a lot more affordable by reducing our Prime Lending Rate ("PLR") consistently in line with reductions of the Central Bank Rate ("CBR") by Bank of Uganda ("BOU"). We have matched the 2.5% reduction in the CBR rate from 12% in January 2017 to 9.5% in December 2017. Currently at just 17.5%, Stanbic Bank ("Stanbic") has one of the lowest PLR of all commercial banks. In fact, of the Ushs 168 Billion in net industry credit growth, Stanbic's growth represented over 80% (Ushs 157 Billion) which meant the bank played a significant role in providing credit to individuals and businesses.

Furthermore, given the relative size of our balance sheet with assets of Ushs 5.4 trillion or \$1.5 billion, the bank proactively supported the development of key sectors such as power and infrastructure by providing key financial instruments necessary to protect the Government of Uganda ("GoU")'s execution of vital and sizeable infrastructure projects. In addition to providing credit to Ugandan SMEs, Stanbic also spent over Ushs 125 billion in supporting local industries through supplier payments.

2. Oil and Gas is expected to play a big part in Uganda's Economic transformation. What role is the Bank playing in the sector?

Oil & Gas has the potential to provide a much needed stimulus to the Ugandan economy in the short term. We estimate that up to \$15 billion of investment will be made in preparation for Uganda to be an oil producing country by 2020. This will have a far reaching positive impact on many sectors across the economy and obviously the more local companies can participate in this windfall investment activity, the

more trickle-down multiplier effect it will have on the economy and ultimately on GDP growth. We expect Uganda's GDP to effectively double by 2025. Due to the significance of local participation in this sector, we have focused our influence on promoting local content and increasing the level of Ugandan participation in this nascent sector. One of our major highlights in 2017 was being selected by the International Oil Companies (IOC)'s and the Governments of Uganda and Tanzania as one of the two financial advisors to raise up to \$2.5 billion financing for the East African crude Pipeline from Hoima to Tanga. Estimated to cost up to \$3.5 billion, this is the largest cross border construction project in Africa and will have a profound impact on trade and economic activity in the region.

TAXES COLLECTED ON BEHALF OF URA
USHS 3.5 TRILLION

SUPPORTED KEY PROJECTS IN POWER & INFRASTRUCTURE
USHS 1.3 TRILLION

INCREASED LENDING TO HOUSEHOLDS & BUSINESSES
USHS 157 BILLION

FOCUSED ON PROMOTING LOCAL CONTENT PARTICIPATION
OIL AND GAS

3. What improvements did the bank make in 2017 and how did it impact your bottom line?

We strongly believe in putting our customer at the center of everything we do. With this objective in mind, over 2017,

we introduced several digital innovations and made improvements to our banking processes that have put our customers in greater control of their overall banking experience. Our digital innovations have allowed us to improve efficiencies while reducing our cost to serve. To illustrate this point, notwithstanding our total income decreasing from Ushs 643 billion in 2016 to Ushs 636 billion in 2017 we still managed to grow our Profit Before Tax from Ushs 254 Billion in 2016 to Ushs 266 Billion.

4. What impact will the implementation of IFRS-9 will have on the sector?

We believe IFRS-9 is a positive development that will create a more stable and robust banking industry because it allows for a more scientific and early identification of risk. We expect that its implementation will lead to more resilient local banks and a more effective credit risk management which bodes well for the Ugandan Bank customer. We have been preparing for the new and more versatile IFRS-9 reporting standard for a while and have enhanced our risk management processes while gradually increasing our core capital to cater for the new provisions. We expect to take an additional provision of approximately Ushs 26 billion to meet the new requirements but with a capital adequacy ratio already in excess of 20% and a credit loss ratio of less than 1.5%, we are well positioned for this.

5. Key sections of the FIA 2015 amendment bill were passed and promulgated into law. What impact have they had on the bank?

In October 2017, Stanbic proudly became the first bank to receive a Bancassurance license from the Insurance regulator. We had already invested in the technological infrastructure needed and as a result, our customers are able to access Bancassurance in most of our branches. We are similarly excited about Agent banking and are actively training and signing up agents who will represent us across the country once the common

platform is launched. We are optimistic about both new regulations of the FIA since they grant us a unique opportunity to broaden our products and services, reduce our cost to serve while increasing financial penetration.

6. What major innovations can Stanbic customers and Shareholders look forward to in 2018?

There is a lot all our stakeholders can look forward to in 2018, however perhaps the most notable change will be the creation of a Stanbic Holding Company. This new structure will allow us to venture into non-banking activities without encumbering on our core banking business. The holding company structure will enable the bank to further enhance our customer value proposition and provide an opportunity to increase returns to our shareholders. It's also worth emphasizing that the proposed re-organization will not in any way negatively impact Stanbic's shareholders, customers or employees.

7. Any last words?

On behalf of the board and executive management team I would like to thank everyone especially our customers and employees for the incredible commitment, loyalty and support they showed in 2017. As a result of these efforts, the bank was able to post record results despite a challenging operating and business environment. We are also proud to have contributed Ushs 118.5 billion to the government treasury in 2017. I remain optimistic that we will see stronger economic recovery in 2018 supported by improving aggregate demand with moderate inflation and a benign low interest rate environment. The expected developments in the Oil and Gas sector I touched on earlier will be a great impetus for further economic growth across varied sectors and we are uniquely positioned to harness these opportunities.

We will continue to support our customers by in their growth ambitions and continue to provide affordable financing and customer-centric innovations across all our business offerings.

BUILDING A BETTER TOMORROW



BEGINS WITH INVESTING IN EDUCATION

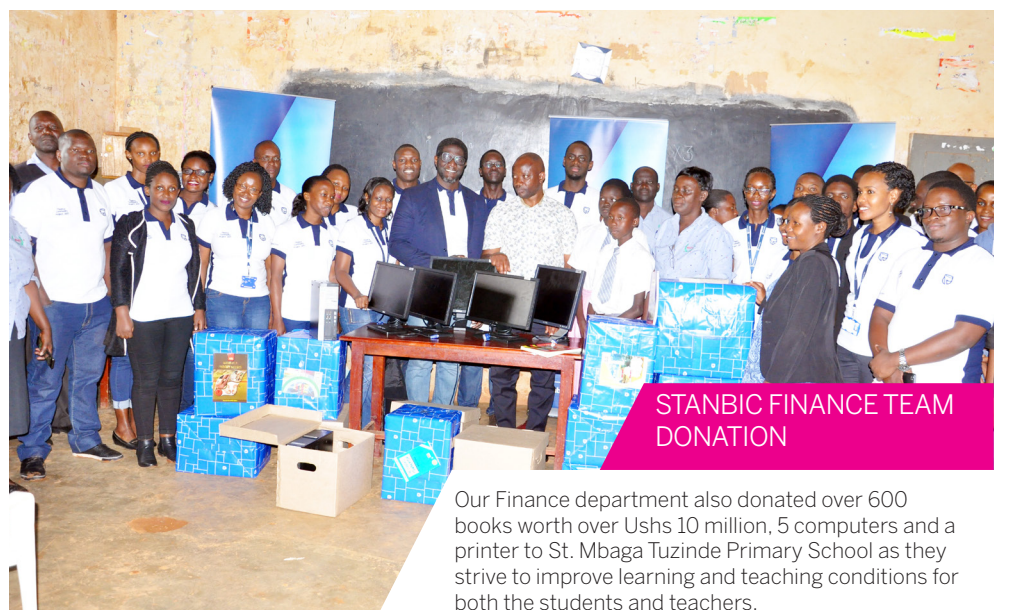
We believe in transforming lives through our Corporate Social Investments. At the heart of our strategy, we focus on promoting education through sustainable interventions at different levels including; Early Childhood Development, Primary, Secondary, Tertiary and through financial literacy and entrepreneurship programmes.

In 2017, our programmes touched over 25,000 lives through our various initiatives in primary and secondary schools and the support from our staff through the employee community initiatives.



INTERNATIONAL DAY OF THE GIRL CHILD

Ten year old Stacia Nampijja was given the opportunity to lead the 1,700 employees of the bank when she was acting Chief Executive for the day.



STANBIC FINANCE TEAM DONATION

Our Finance department also donated over 600 books worth over Ushs 10 million, 5 computers and a printer to St. Mbagu Tuzinde Primary School as they strive to improve learning and teaching conditions for both the students and teachers.



STANBIC OPERATIONS TEAM DONATION

Stanbic's Operations team gave back to community with a Ushs 10 million donation to Bbira Primary



STANBIC NATIONAL SCHOOLS COMPETITION

The fantastic duo, Evelyn Mugisha and Tracy Arinda from Mary Hill high school were the winners of the 2017 National Schools Championship. They had an all-expenses paid trip to South Africa and the school won a Ushs 20 million solar system.



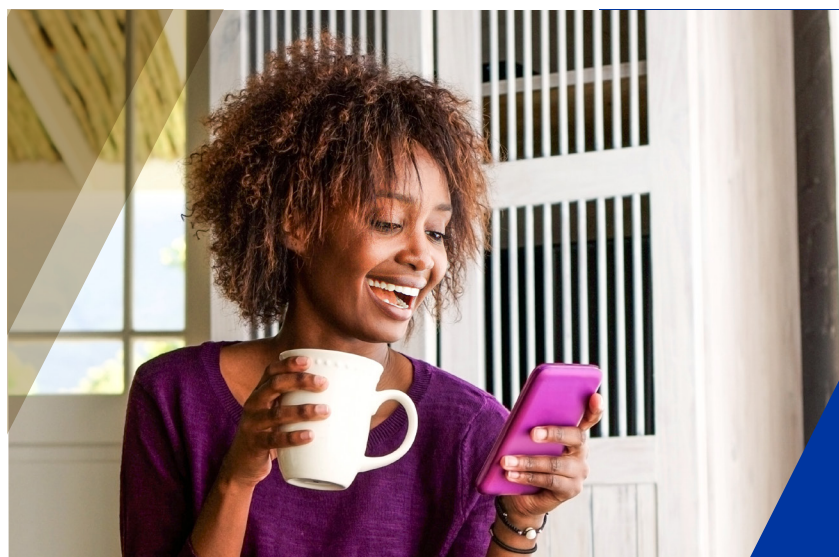
LEO AFRICA – YOUNG AND EMERGING LEADERS PROJECT

We supported the Young and Emerging Leaders Project, an initiative Leo Africa Institute in a fellowship program designed to train and orient values of self-advancement, integrity, social responsibility, and socioeconomic transformation.



USE UNIVERSITY CHALLENGE

Stanbic Bank sponsored the inaugural Uganda Securities Exchange – University Challenge. The competition provides an online practical and fun way for students to understand how to manage a virtual portfolio of funds through trading in virtual shares and bonds listed on the USE as well as loans and fixed deposits.



Stanbic Bank Uganda

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017



We measure our progress by means of
OUR STRATEGIC VALUE DRIVERS:



INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	Ushs' 000	Ushs' 000
Interest income	403 527 401	423 855 935
Interest expense	(50 780 273)	(47 500 475)
Net interest income	352 747 128	376 355 460
Fee and commission income	135 830 032	116 447 582
Fee and commission expenses	(4 583 746)	(1 814 906)
Net fees and commission income	131 246 286	114 632 676
Net trading income	144 964 170	151 834 914
Other operating income	7 047 223	623 578
Total income before credit impairment charge	636 004 807	643 446 628
Impairment charge for credit losses	(28 922 014)	(36 640 522)
Total income after credit impairment charge	607 082 793	606 806 106
Employee benefit expenses	(141 491 545)	(136 769 846)
Depreciation and amortisation	(26 311 737)	(22 714 254)
Other operating expenses	(173 613 553)	(193 373 385)
Profit before income tax	265 665 958	253 948 621
Income tax expense	(65 198 169)	(62 796 786)
Profit for the year	200 467 789	191 151 835
Earnings per share for profit attributable to the equity holders of the Bank during the year (expressed in UShs per share):		
Basic & diluted	3.92	3.73

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	2017	2016
	Ushs' 000	Ushs' 000
Assets		
Cash & balances with Bank of Uganda	856 532 804	709 350 387
Derivative assets	12 117 502	10 066 617
Government securities - held for trading	392 911 207	250 484 271
Government securities - available for sale	516 269 586	640 941 821
Other investment	71 906	62 930
Current income tax recoverable	23 748 226	12 496 197
Loans and advances to banks	1 100 636 288	758 656 662
Amounts due from group companies	177 449 478	36 147 113
Loans and advances to customers	2 133 986 423	1 976 748 072
Other assets	47 493 184	49 330 012
Property and equipment	69 292 586	63 318 002
Goodwill and other intangible assets	71 909 841	79 601 588
Prepaid operating leases	88 322	98 660
Deferred tax asset	1 651 991	1 307 349
Total assets	5 404 159 344	4 588 609 681
Shareholders' equity and liabilities		
Shareholders' equity		
Ordinary share capital	51 188 670	51 188 670
Available for sale revaluation reserve	19 788 336	3 071 123
Statutory credit risk reserve	19 171 113	22 893 968
Retained earnings	692 131 502	577 788 232
Proposed dividend	90 000 000	60 000 000
	872 279 621	714 941 993
Liabilities		
Derivative liabilities	4 211 626	592 135
Deposits from customers	3 620 945 573	3 058 504 763
Deposits from banks	342 769 174	293 726 727
Amounts due to group companies	266 614 006	242 805 246
Borrowed funds	16 364 653	11 579 364
Subordinated debt	72 801 196	72 137 386
Other liabilities	208 173 495	194 322 067
Total liabilities	4 531 879 723	3 873 667 688
Total equity and liabilities	5 404 159 344	4 588 609 681

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	Ushs' 000	Ushs' 000
Profit for the year	200 467 789	191 151 835
Other comprehensive income for the year after tax:		
Net gains on available for sale financial assets	16 717 213	19 009 663
Total comprehensive income for the year	217 185 002	210 161 498

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Available for sale revaluation reserve	Statutory Credit Risk Reserve	Proposed dividends	Retained earnings	Total
	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000	Ushs' 000
At 1 January 2017	51 188 670	3 071 123	22 893 968	60 000 000	577 788 232	714 941 993
Profit for the year	-	-	-	-	200 467 789	200 467 789
Net change in available for sale investments	-	16 717 213	-	-	-	16 717 213
Total comprehensive income for the period	-	16 717 213	-	-	200 467 789	217 185 002
Transactions with owners recorded directly in equity						
Dividend paid	-	-	-	(60 000 000)	-	(60 000 000)
Statutory credit risk reserve	-	-	(3 722 855)	-	3 722 855	-
Equity-settled share-based payment transactions	-	-	-	-	152 626	152 626
Proposed dividend	-	-	-	90 000 000	(90 000 000)	-
Balance at 31 December 2017	51 188 670	19 788 336	19 171 113	90 000 000	692 131 502	872 279 621

Year ended 31 December 2016

At 1 January 2016	51 188 670	(15 938 540)	19 901 192	40 000 000	449 606 422	544 757 744
Profit for the year	-	-	-	-	191 151 835	191 151 835
Net change in available for sale investments	-	19 009 663	-	-	-	19 009 663
Total comprehensive income for the period	-	19 009 663	-	-	191 151 835	210 161 498
Transactions with owners recorded directly in equity						
Dividend paid	-	-	-	(40 000 000)	-	(40 000 000)
Statutory credit risk reserve	-	-	2 992 776	-	(2 992 776)	-
Equity-settled share-based payment transactions	-	-	-	-	22 751	22 751
Proposed dividend	-	-	-	60 000 000	(60 000 000)	-
Balance at 31 December 2016	51 188 670	3 071 123	22 893 968	60 000 000	577 788 232	714 941 993



Stanbic Bank Uganda
ANNUAL RESULTS FOR THE
YEAR ENDED 31 DECEMBER 2017
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STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	Ushs' 000	Ushs' 000
Cash flows from operating activities		
Interest received	397 013 080	458 139 781
Interest paid	(50 366 037)	(48 273 398)
Net fees and commissions received	137 555 397	114 918 322
Net trading and other Income/recoveries	161 244 419	162 552 205
Cash payment to employees & suppliers	(345 757 785)	(351 673 270)
Cash flows from operating activities before changes in operating assets & Liabilities	299 689 074	335 663 640
Changes in operating assets & liabilities		
Income tax paid	(83 959 360)	(55 721 957)
Increase in derivative assets	(2 050 885)	(7 428 544)
Decrease in government securities - available for sale	81 767 514	87 705 289
Increase in government securities - trading	(142 426 936)	(72 674 554)
Increase in cash reserve requirement	(42 540 000)	(48 980 000)
Increase in loans and advances to customers	(188 677 753)	(140 476 308)
(Increase)/decrease in other assets	(4 481 259)	29 103 910
Increase in customer deposits	562 026 574	620 856 821
Increase/(decrease) in deposits and balances due to other banks	49 042 447	(71 483 187)
Increase in deposits from group companies	23 808 760	52 397 366
Increase/(decrease) in derivative liabilities	3 619 491	(1 527 387)
Increase in other liabilities	44 667 079	62 510 735
Net cash from operating activities	600 484 746	789 945 824
Cash flows from investing activities		
Purchase of property & equipment	(25 130 425)	(30 390 727)
Purchase of computer software	-	(83 405 154)
Proceeds from sale of property & equipment	334 534	136 571
Net cash used in investing activities	(24 795 891)	(113 659 310)
Cash flows from financing activities		
Dividends paid to shareholders	(60 000 000)	(40 000 000)
Increase in borrowed funds	4 785 289	468 824
Increase in subordinated debt	663 810	48 397 300
Net cash (used in)/from financing activities	(54 550 901)	8 866 124
Net increase in cash and cash equivalents	521 137 954	685 152 638
Cash and cash equivalents at beginning of the year	1 619 578 977	934 426 339
Cash and cash equivalents at end of the year	2 140 716 931	1 619 578 977

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

Opinion

The summary financial statements, which comprise the summary statement of financial position at 31 December 2017, the summary income statement, summary statement of changes in equity and summary statement of cash flows for the year then ended and other disclosures, are derived from the audited financial statements of Stanbic Bank Uganda Limited for the year ended 31 December 2017.

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

Summary Financial Statements

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

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 27 March 2018. The report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the current year.

Directors' Responsibility for the Summary Financial Statements

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

Auditors' Responsibility

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

KPMG
 Certified Public Accountants
 3rd Floor, Rwenzori courts
 Plot 2 & 4A, Nakasero Road
 P O Box 3509
 Kampala, Uganda
 27 March 2018

Mr. Japheth Katto
 Chairman

Dr. Samuel Zimbe
 Director

Mr. Patrick Mweheire
 Chief Executive

Mrs. Candy Okoboi
 Company Secretary

Message from the Directors

The above summarised financial statements were audited by KPMG Certified Public Accountants and received an unmodified audit opinion. The financial statements were approved by the Board of Directors and Bank of Uganda on 26 March 2018.

A copy of the full financial statements will be found on our website, www.stanbicbank.co.ug by the 30 April 2018.

Dividend

The Directors have resolved to recommend to shareholders at the forthcoming annual general meeting, a final dividend for the year ended 31 December 2017 of Ushs 1.76 per share. The annual general meeting will be held on 31 May 2018. The book closure date will be on 31 May 2018 with respect to entitlement to this dividend which will be paid by 01 July 2018.



Stanbic Bank Uganda KEY PERFORMANCE INDICATORS 2017



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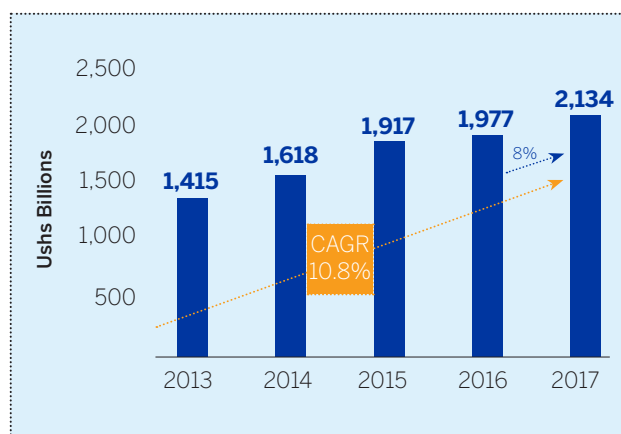
▲ 5%
3.92
EARNINGS
PER SHARE (EPS)
2016: 3.73

▲ 50%
1.76
DIVIDEND PER
SHARE (DPS)
2016: 1.17

▼ 0.5%
1.3%
CREDIT LOSS
RATIO (CLR)
2016: 1.8%

▼ 1.6%
50.5%
COST TO INCOME
RATIO (CTI)
2016: 52.1%

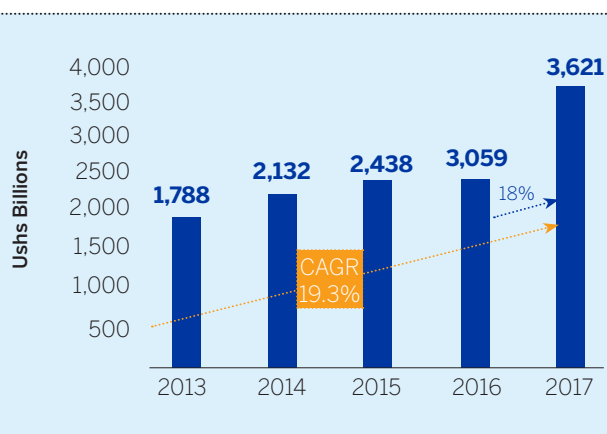
1. NET LOANS AND ADVANCES



Commentary

Loans and advances grew by 8% in 2017 and resulted in a market share gain for the bank to 19% from 17.8% at the start of the year.

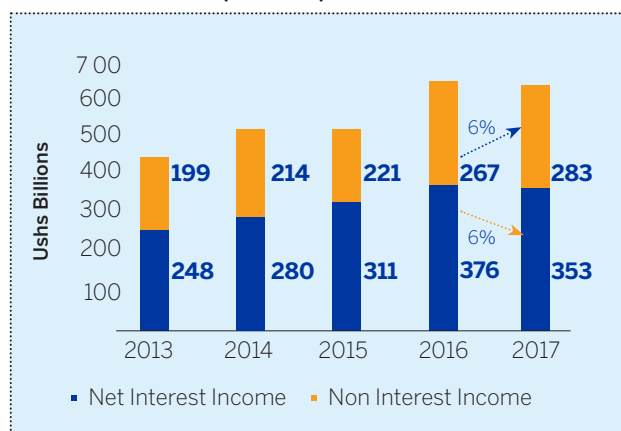
2. DEPOSITS FROM CUSTOMERS



Commentary

Customer deposits maintained a strong growth of 18% and a further gain on market share to approximately 20% from 18.7% at the close of 2016.

3. TOTAL INCOME (NIR/NII)

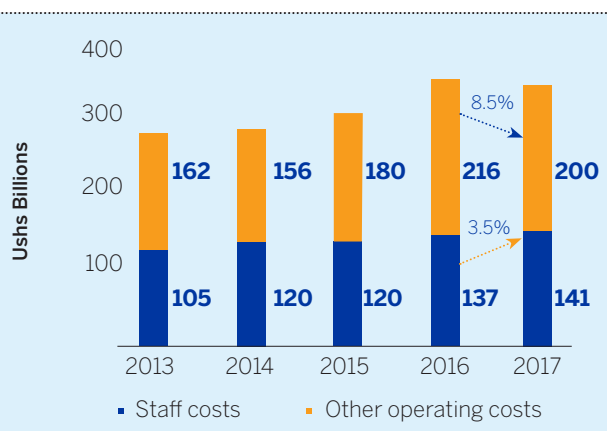


Commentary

The net interest income for the year decreased by 6.3% largely due to the continued drop in the interest rates.

Non-interest revenue increased by 6.1% with the growth from net fees and commissions and other revenues.

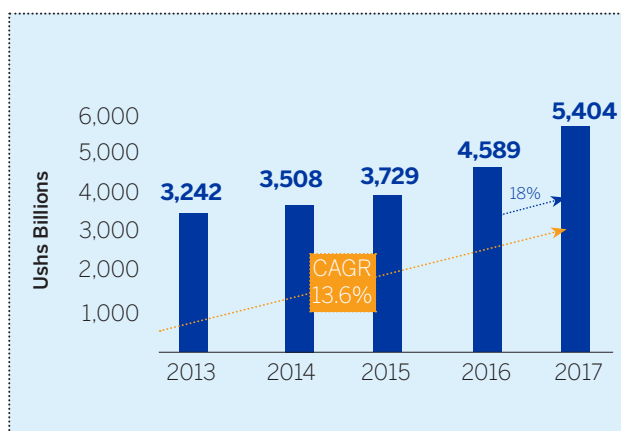
4. TOTAL COSTS



Commentary

Total operating costs reduced by 3.2%, with staff costs growing by 3.5% but operating costs closing 17Bn below 2016 resulting from efficiencies across the bank operations.

5. TOTAL ASSETS



Commentary

Total assets grew by 17.6% with this growth enabled by continued strong customer deposit growth (18%).

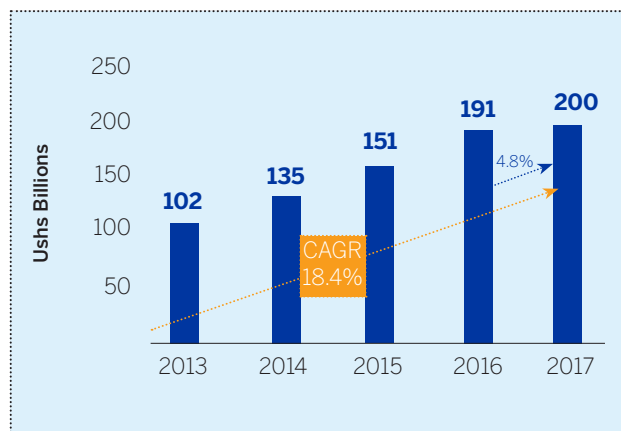
6. SHARE HOLDERS EQUITY



Commentary

Shareholders equity grew by Ushs 157Billion (22%) to Ushs 872.2 billion in line with growth in profits.

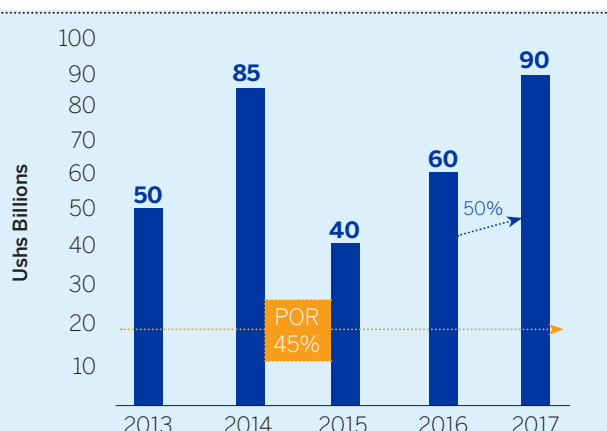
7. PROFIT AFTER TAX (PAT)



Commentary

Profits were up by 5% to close at Ushs 200.4bn largely driven by efficiencies under cost control and credit risk that compensated for lower operating income.

8. DIVIDENDS/PAT



Commentary

Proposed dividend increased by 50% to Ushs 90billion with the dividend pay-out ratio increasing to 45% supported by strong profitability and capital position.



Stanbic Bank Uganda
KEY RATIOS 2017
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Key Ratios	2013	2014	2015	2016	2017
1 PROFITABILITY					
Return on Average Equity	25.2%	30.3%	29.2%	30.3%	25.3%
Return on Average Assets	3.1%	4.0%	4.2%	4.6%	4.0%
Net Interest Margin	7.8%	8.3%	8.6%	9.0%	7.1%
2 EFFICIENCY					
Cost/Income Ratio	57.4%	53.2%	53.6%	52.1%	50.5%
Costs/Average Assets, %	8.4%	8.2%	8.3%	8.5%	6.5%
Personnel Costs/Total Operating Income	23.5%	24.2%	22.6%	21.3%	22.2%
PAT / Total Operating Income	22.8%	27.3%	28.3%	29.7%	31.5%
3 LIQUIDITY					
Total Deposits /Total Liabilities	63.0%	70.6%	76.6%	79.0%	79.9%
Gross Loans /Total Deposits	82.7%	78.2%	80.5%	66.5%	60.7%
Interest Earnings Assets/Total Assets	83.4%	76.8%	79.8%	79.8%	80.0%
4 ASSET QUALITY					
Credit loss ratio	3.1%	2.3%	1.5%	1.8%	1.3%
NPLs/Total Gross Loans, %	5.0%	3.9%	1.5%	3.2%	6.8%
5 CAPITAL					
Capital Adequacy Ratio					
Core Capital (Tier I)	16.7%	17.5%	16.4%	17.7%	18.1%
Total Capital (Tier I + Tier II)	20.7%	19.3%	18.1%	21.1%	21.0%
6 FOREX SENSITIVITY					
Forex Loans / Forex Deposits	58%	61%	73%	68%	54%
Forex Loans / Gross Loans	47%	52%	52%	52%	41%
Forex Deposits / Total Deposits	45%	44%	47%	44%	41%
7 SELECTED OPERATING DATA					
Number of Active Branches & Service points	91	91	90	82	79
Number of ATMs	172	175	173	173	173
Number of POS Terminals	291	398	438	529	645



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



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



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



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



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



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





A BETTER TOMORROW

BEGINS WITH SUPPORTING GREAT UGANDAN FOOTBALL



We're proud to sponsor Uganda's football stars as they battle it out for the biggest prize in the land:
The Stanbic Uganda Cup.



For more information
visit our official social media pages.
#StanbicUgandaCup

Stanbic Bank Moving Forward™

Terms and Conditions apply.

