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### About Stanbic Bank Uganda

Stanbic Bank Uganda Limited is incorporated in Uganda and is a licensed commercial bank. The Bank is a public limited liability company and was listed on the Main Investment Market Segment (MIMS) of the Uganda Securities Exchange on 25th January 2007.

Stanbic Bank Uganda Limited is the largest bank in Uganda by assets and market capitalisation. It offers a full range of banking services through two business units: Personal and Business Banking and Corporate and Investment Banking.

The Bank has points of representation throughout Uganda. Through strategic relationships with the Standard Bank Group, the Bank has key connections to emerging markets globally.
### Our values

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving our customers</td>
<td>We do everything in 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.</td>
</tr>
<tr>
<td>Growing our people</td>
<td>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.</td>
</tr>
<tr>
<td>Delivering to our shareholders</td>
<td>We understand that we earn the right to exist by providing appropriate long-term returns to our shareholders. We try extremely hard to meet our various targets and deliver on our commitments.</td>
</tr>
<tr>
<td>Being proactive</td>
<td>We strive to stay ahead by anticipating rather than reacting, but our actions are always carefully considered.</td>
</tr>
<tr>
<td>Working in teams</td>
<td>We, and all aspects of our work, are interdependent. We appreciate that, as teams, we can achieve much greater things than as individuals. We value teams within and across business units, divisions and countries.</td>
</tr>
<tr>
<td>Respecting each other</td>
<td>We have the highest regard for the dignity of all people. We respect each other and what Standard Bank stands for. We recognise that there are corresponding obligations associated with our individual rights.</td>
</tr>
<tr>
<td>Upholding the highest levels of integrity</td>
<td>Our entire business model is based on trust and integrity as perceived by our stakeholders, especially our customers.</td>
</tr>
<tr>
<td>Guarding against arrogance</td>
<td>We have confidence in our ability to achieve ambitious goals and we celebrate success, but we must never allow ourselves to become arrogant.</td>
</tr>
</tbody>
</table>
Overview

Country coverage

World class banking, now in all corners of Uganda.

Central Region: Corporate (Crested Towers), Garden City, IPS, City Branch, Nakidun, Kitikubu, Industrial Area, Kates, William Street, Namugongo Plaza Kiwoko, Shippers Plaza, Nagaba Plaza, Nakawa, Kasangany, Entebbe Mari, Makerere, Wandenjoga, Lugogo Mall, Forum Mall, Nalawa, Kyambogo, Kimika, Middle, Baganda, Kanyanya, Lukenen, Wobulenzi, Masinde, Kibasa, Kimata, Naples, Kyandy, John, Ndeke, Kalangala, Lyantonde, Nakasero, Ntinda and Nakasero.


Northern Region: Pader, Gulu, Kotoko, Nebbi, Dokolo, Adjumani, Koboko, Yumbe, Arua, Katakwi, Mojiti, Pader, Apaa, Kotoko, Moroto and Abim.


Financial highlights

Income statement (UShs’000)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax</td>
<td>134,810,761</td>
<td>177,701,331</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>101,851,527</td>
<td>130,734,072</td>
</tr>
</tbody>
</table>

Financial position (UShs’000)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>3,241,598,040</td>
<td>3,098,593,400</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,415,040,925</td>
<td>1,460,277,630</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>39,790,358</td>
<td>40,945,759</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>405,308,497</td>
<td>401,039,286</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>1,787,577,713</td>
<td>2,099,180,118</td>
</tr>
</tbody>
</table>

Financial performance (%)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on average equity</td>
<td>25.2</td>
<td>37.6</td>
</tr>
<tr>
<td>Return on average assets</td>
<td>3.1</td>
<td>4.5</td>
</tr>
<tr>
<td>Cost to income ratio</td>
<td>57.4</td>
<td>39.8</td>
</tr>
<tr>
<td>Loans to deposit ratio</td>
<td>79.2</td>
<td>69.6</td>
</tr>
</tbody>
</table>

Share statistics per share (UShs)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share – basic and diluted</td>
<td>1.99</td>
<td>2.55</td>
</tr>
<tr>
<td>Proposed divided per share</td>
<td>1.56</td>
<td>1.37</td>
</tr>
</tbody>
</table>

Capital adequacy

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk weighted assets (UShs’000)</td>
<td>1,960,768,303</td>
<td>1,914,950,927</td>
</tr>
<tr>
<td>Tier 1 capital to risk weighted assets (%)</td>
<td>16.7</td>
<td>15.7</td>
</tr>
<tr>
<td>Total capital to risk weighted assets (%)</td>
<td>20.7</td>
<td>20.3</td>
</tr>
</tbody>
</table>

1 Prior years’ earnings per share have been normalized based on shares in issue as at 2013.

2 Includes a special dividend of UShs 0.586 per share paid out during 2013.
Corporate and Investment Banking

TAP INTO OUR AFRICAN EXPERTISE TO DELIVER YOUR OIL AND GAS AMBITIONS

We know that you need more than expertise and financing when dealing with oil and gas. You also need local knowledge of the political and economic conditions of the country. With our on-the-ground presence in other African nations such as Angola, Mozambique, Ghana and Nigeria, we have the necessary expertise to make it happen.

For information visit us on http://www.stanbicbank.co.ug, or contact us on telephone +256 (0) 312 224 358 or wholesaleug@stanbic.com.

Corporate and Investment Banking

IT SEEMS TO US THAT WHEN IT COMES TO BANKING UGANDANS REALLY WANT TO MOVE FORWARD

2013 Deal of the Year: Umeme IPO, African Banker Awards
2013 Best Bank in Uganda, Global Finance World’s Best Banks
2013 Best Investment Bank in Uganda, EMEA Finance
2013 Best Risk Advisor in Africa, Euromoney Awards for Excellence
2013 Best Equity House in Africa, Euromoney Awards for Excellence
2013 Sustainable Bank of the Year, The FT/IFC Sustainable Finance Awards
2013 Best Provider of Money Market Funds in Africa, Global Finance World’s Best Treasury & Cash Management Providers
2013 Best overall research: Economics in Sub-Saharan Africa, Euromoney Annual Africa Research Poll

Helping our customers move forward is a critical part of what we do, which is why we’re delighted to be recognised. This confirms that we’re adding value to our customer’s lives, which is much more important than any trophy on our mantelpiece.
Chairman's review

The decision to retain our strategy and focus on execution and efficiency initiatives is paying dividends. We have delivered sustainable cost savings while allowing incremental investment to be availed and directed towards areas of greater opportunity.

Hannington Karuhanga

Despite recording stronger growth in 2013, compared to 2012 the economy remained soft judging from historical standards. Growth in domestic demand remained largely muted with activity mainly driven by public spending. The Chief executive’s business review will cover financial performance and progress on strategy delivery in more detail.

Operating environment

The operating environment during 2013 was challenging leading to the Bank’s revenue and profit after tax falling below 2012 levels.

Consumer demand for the year fell year on year at an estimated 3.5% which led to low economic activity during the first half of the year. This was compounded by an average decline in yields on lending assets by 22%. The Bank continued to experience some instability in the performance of the core banking system which was implemented in October, 2012. The challenges have now been largely resolved.

In spite of these challenges, Stanbic Bank Uganda Limited performed credibly. We continued to strengthen our operating effectiveness, manage costs and simplify the way we operate in the market.

By pursuing our strategy of focusing on the basics of good banking in markets we know well, with clients and customers with whom we have deep, and in many cases long relationships, we remain one of the largest financial institutions in the market.

Political Environment

The country remained stable during the year despite early signs of preparation by the various parties to contest in the 2016 Presidential and Parliamentary elections.

The fortunes of other countries in the East African Community with which we have deep, and in many cases long relationships, we remain one of the largest financial institutions in the market.

Regulatory outlook

In May 2013, the Finance minister signed the policy instrument expected to take effect from 2014 with proposals for increased capital requirements for all banks as well as provisions for additional capital requirements for banks which may be designated as systemically important domestic banks.

Increased capital requirements will mean we have to be more focused on getting the best out of our existing businesses.

We are committed to working constructively with public policy makers and our regulators to give effect to those proposals. We are pleased that a regional approach is being used in implementing these changes so that the competitiveness of the Ugandan market in the region is maintained.

Social contribution

At Stanbic Bank we believe that the economic success that underpins a harmonious society depends upon sustainable financing, confidence and trust in the financial system. Most importantly that trust is founded upon the broader role that banks play in their local communities.

Within Stanbic Bank, many of my colleagues make tremendous personal contributions to their communities and I want to take this opportunity to pay tribute to them.

Some of the initiatives included:
- Solar lighting for 5 health centres spread across the country. These health centres had been using mobile phones and torches to provide light during treatment.
- Provision of Scholastic materials to Aywee Primary School – Abim District;
- A boat Ambulance for Kalangala District;
- A Spring well for Pallisa town;
- The Stanbic Youth Entrepreneurship program which prepares young people for the real world by showing them how to generate wealth and effectively manage it, how to create jobs that make their communities more robust, and how to apply entrepreneurial thinking at the workplace. To-date, 411 schools have been recruited, 593 student mini companies formulated, over 2,000 students and 196 teachers trained in entrepreneurial skills.

Strategic outlook

2016 is an election year and the un-even economic growth patterns that characterise electoral cycles are expected in 2015 and 2016.

We remain cautious on the outlook for the region due to the challenges in South Sudan and the DRC.

However, even with these trends at domestic and at regional level, we do expect growth in the emerging middle class, strong trading ties within the region and capital markets development in the country.

We believe that the nascent Oil and Gas industry will offer significant opportunity and we are positioning Stanbic bank to take advantage of the opportunities that are coming up.

Our focus will be on execution – executing our broad strategy and also the specific priorities we identified.

Appreciation

I wish to extend my thanks to my fellow Board members for their support in the effective management of the Bank. Your able insights have been very helpful in dealing with the many challenges experienced during the year.

I do also wish to congratulate our employees for the resourcefulness demonstrated in dealing with the operational challenges experienced.

Your commitment is fully appreciated.

Our gratitude goes to our customers, shareholders and other stakeholders. We are grateful for your business and continued support.

We commit ourselves to providing you excellent service.

Hannington Karuhanga
Chairman, Board of Directors

Data: 10 March 2014
## Board of Directors

### Hannington R. Karuhanga (55)
**Chairman**
- BA (Makerere), MBA (University of Wales)
- Appointed: 2000
- Directorships: Stanbic Bank Uganda Ltd, Savannah Commodities Ltd, Capital Radio Ltd. (Chairman), Infocom (Chairman), Lion Assurance Co. Ltd., Airtel Uganda Ltd., Credit Reference Bureau (U) Ltd., Pepperoni Pickles (Pty) Ltd.
- Committee Member: None

### Samuel Seggawa (50)
- BCom (Makerere), MSc (Financial Studies) (Strathclyde), PhD (Accounting and Finance) (Makerere)
- Appointed: 2007
- Committee Member: Audit, Compensation

### Barbara Mulwana (49)
- BSc (Electrical Engineering and Computer Science) (Northwestern),
- Appointed: 2009
- Directorships: Stanbic Bank Uganda Ltd., Nice House of Plastics Ltd., Uganda Batteries Ltd., Jesa Farm Dairy
- Committee Member: Credit, Audit

### Patrick Mweheire (43)
- BSc (Economics) (Daemen), MBA (Harvard)
- Appointed: 2012
- Directorships: Stanbic Bank Uganda Ltd.
- Committee Member: Risk Management

### Patrick Masambu (62)
- BSc (Engineering) (Nairobi), MBA (ESAMI), PGD (Telecom Systems) (Essex)
- Appointed: 2009
- Committee Member: None

### Philip Odende (54)
- BA (Economics) (St. Lawrence, NY), MBA (Finance) (Suffolk, Boston)
- Appointed: 2007
- Directorships: Stanbic Bank Uganda Ltd., Stanbic Investment Management Services Ltd., Stanbic Investment (Holdings) Ltd., Stanbic Investment (East Africa) Ltd., Committee Member: Remuneration, Risk Management, Credit

### Philip Odera (54)
- BA (Economics) (St. Lawrence, NY), MBA (Finance) (Suffolk, Boston)
- Appointed: 2007
- Directorships: Stanbic Bank Uganda Ltd., Stanbic Investment Management Services Ltd., Stanbic Investment (Holdings) Ltd., Stanbic Investment (East Africa) Ltd., Committee Member: Asset and Liability Management, Risk Management, Credit

### Ruth Ensanu (52)
- BSc (Engineering) (Ondok), MBA (Eashion), PGD (Telecom Systems) (Swedbank)
- Appointed: 2009
- Directorships: Stanbic Bank Uganda Ltd., Credit Reference Bureau (U) Ltd., Pepperoni Pickles (Pty) Ltd.
- Committee Member: Remuneration, Risk Management, Credit

### Josephine Ayugi Okot (47)
- BCom (Makerere University Business School), Marketing Diploma (Helsinki School of Economics and Business Administration), MBA (Washington International University)
- Appointed: 2011
- Directorships: Stanbic Bank Uganda Ltd., Victoria Seeds Ltd.
- Committee Member: Credit, Risk Management

### Ruth Emunu (65)
- BA (Minnesota), PGD (Public Administration) (Makerere)
- Appointed: 2009
- Directorships: Stanbic Bank Uganda Ltd., Committee Member: Audit, Risk Management, Compensation

### Kitili Mbathi (54)
- BA (Economics and Political Science) (Michigan), Master of Banking and Finance for Development (Institute Financial-Africa)
- Appointed: 2001
- Committee Member: Compensation

### Patrick Makwame (43)
- BS (Economics) (S Uiowa), MBA (Harvard)
- Appointed: 2012
- Directorships: Stanbic Bank Uganda Ltd.
- Committee Member: Risk Management

### Barakam Muhirwa (49)
- BS (Electrical Engineering and Computer Science) (Northwestern),
- Appointed: 2009
- Directorships: Stanbic Bank Uganda Ltd., New House of Plastics Ltd., Uganda Communication Services Ltd., Global Pay
- Committee Member: Credit, Audit

### Philip Odera (54)
- BA (Economics) (St. Lawrence, NY), MBA (Finance) (Suffolk, Boston)
- Appointed: 2007
- Directorships: Stanbic Bank Uganda Ltd., Stanbic Investment Management Services Ltd., Stanbic Investment (Holdings) Ltd., Stanbic Investment (East Africa) Ltd., Committee Member: Asset and Liability Management, Risk Management, Credit

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**Ensuring our sustainability**

**Overview**

Stanbic Bank Uganda Limited

Annual report for the year ended 31 December 2013

Annual financial statements
Overview

2013 was a year of considerable progress in delivering on the priorities which the board tasked management to address in our 2012-2016 strategic plan. With our new core-banking system in place, we proceeded to implement alternative banking channels which greatly enhanced the way clients interact with us and utilise our offerings. This supported by faster product development capability as well as efficient and secure transaction processing in Finacle (our new banking system), boosted our efforts to acquire and retain a profitable customer base as well as leverage the capabilities of our people. These and other developments give me confidence about the prospects of the Bank.

Progress on our priorities

Under our key strategic objective of ‘Transforming lives for a better Uganda’, the Bank during the year continued with the execution of the 2012-2016 strategy.

Focus areas during the year were:

1. Core Banking platform
2. Organizational structure review
3. Service promise

Core Banking platform

During August, 2013, a new version of the core banking platform, Finacle 2.2 was rolled out. This was to address many of the challenges experienced during the earlier rollout. So far, the recent implementation of these changes will improve customer experience and have experienced during the earlier rollout. So far, the recent implementation of these changes will improve customer experience and have

Service promise

During our last service survey, customers expressed their views on our pricing structures and the relevance of some of our fee charges. We took the feedback positively and I am happy to say, we responded to it.

With the additional capability from the Finacle platform, we have simplified our pricing model. We have also reviewed our fee structure and have discontinued certain transactional fees such as cash deposit fees for businesses. Furthermore, we have introduced a number of bundle priced products to enable us tailor our products to the various segments of the market.

Operating environment

GDP growth projections for 2013/2014 are at 6% - 6.5%, up from 5.1% in 2012/2013. Growth prospects remain low at least by historical standards constrained by the twin effects of stagnation in public spending due to donor aid suspension and slow pick up of private sector demand as it recovered from the post election inflation targeting monetary squeeze of 2012. Slower GDP growth was primarily attributed to a weakness in the industrial sector which is estimated to have grown by 4.7% for the year ended June 2013 compared to an average of 8.2% in the period 2005-2011. Other sectors that significantly slowed down growth included agriculture on account of erratic weather patterns.

2013 also saw relative price stability with the annual headline inflation rate closing at 6.7% with a low of 3.4% in May and a high of 8.4% in November. Fluctuations were mainly on account of food prices.

Relative price stability allowed Bank of Uganda to remain in monetary easing mode for most of the year as they sought to stimulate private sector demand and accelerate growth. The CBR opened 2013 at 12% and closed the year at 11.5%, moving marginally during the year to anchor inflation expectations.

Private sector credit however remained subdued during the year with growth on a downward trajectory since February 2013 mainly driven by decline in foreign currency lending (Annual growth: 13.4% in February 2013 vs. 6.4% in November 2013). The only sectors that recorded growth in 2013 were Agriculture and Personal and Household loans.

The Shilling weakened by 6% in 2013, trading at an average of UShs 2,585 against the US Dollar compared to a UShs 2,447 average in 2012. The main driver was lower exports due to instability in Sudan and Congo as well as lower foreign investment in government paper off the back of lower yields on these securities.

Financial results

While 2013 was a good year for us, our results fell short of expectations due to the challenges in the operating environment noted above. Stanbic Bank Uganda Limited registered an after-tax profit of UShs 101.8 bn, a decline of UShs 28.9 bn from the results of the preceding year of UShs 130.7 bn. The key performance drivers compared to 2012 were as follows:

1. A 16.5% drop in Net Interest Income equivalent to UShs 48.9 bn on account of slower loan growth and lower interest rates.
2. A 14.4% drop in fees and commissions equivalent to UShs 16.5 bn reflecting the impact of one-off advisory transactions in investment banking in 2012 as well as lower transaction volumes in 2013.
3. A 24% drop in operating costs equivalent to UShs 52.5 bn due to the impact of core banking costs and staff cost increases.
4. Loan impairment provisions recorded a positive trend of 61% decline equivalent to UShs 71 bn – The decline includes a boost from recoveries on some of the previously written down facilities.
5. Our cost efficiency ratio deteriorated from 39.8% to 57.3% as a result of higher notable cost items as described above and a reduction across the key income lines.
6. Return on equity was 25.2%, down from 37.6% in 2012, reflecting the adverse effect of adverse revenue and cost trends as described above.

The above results were achieved under difficult economic circumstances with low activity and private sector exposures as described above.

Management has put in place a number of efficiency initiatives to reduce the long term operating costs of the bank and we expect to begin to see the benefits in 2014.

Chief Executive’s review

“I am pleased to report to our stakeholders that the bank withstood the challenges of another difficult year and recorded a performance that confirms the inherent soundness of our financial position.”

Philip Odera
Ensuring our sustainability

Executive Committee (EXCO)

Philip Odera (54)
Chief Executive
BA (Economics) (St. Lawrence, NY),
MBA (Finance) (Suffolk, Boston)
Joined the bank: 2007
Appointed to EXCO: 2007

Patrick Abhishek (43)
Head: Corporate & Investment Banking
BS (Economics) (Daemen)
MBA (Harvard)
Joined the bank: 2012
Appointed to EXCO: 2012

Victor Yebasa Alamu (44)
Chief Financial Officer
BS (Electrical Engineering) (Kumasi)
MBA (Oxford Brookes)
ACCA
Joined the bank: 2013
Appointed to EXCO: 2013

Elias Kagumya (39)
Head: Risk
BBA (Accounting) (Makerere),
MSc (Finance and Accounting) (Makerere),
CIMA, CFP
Joined the bank: 2006
Appointed to EXCO: 2007

Patrick Mweheire (43)
Head: Corporate & Investment Banking
BS (Economics) (Daemen)
MBA (Harvard)
Joined the bank: 2012
Appointed to EXCO: 2012

Sylvia Namusoke (41)
Head: Information Technology
BSc Mathematics (Makerere)
MSC Mathematics (Makerere)
Joined the bank: 2002
Appointed to EXCO: 2011

Victor Yeboah Manu (44)
Chief Financial Officer
BS (Electrical Engineering) (Kumasi)
MBA (Oxford Brookes)
ACCA
Joined the bank: 2013
Appointed to EXCO: 2013

Douglas Kamwendo (40)
Head: Personal & Business Banking
B Accountancy (Blantyre)
MBA (Manchester)
FCCA
Joined the bank: 2012
Appointed to EXCO: 2013

Moses Mbuki Witta (36)
Head: Human Resource
B.A. (BBIA) (Makerere)
MBA (ESMA) (Arusha)
Joined the bank: 2013
Appointed to EXCO: 2013

Brendah Nabatanzi Mpinga (39)
Head: Legal / Company Secretary
LLB (Hons) (Makerere), Dip. L.P.
MBA ESAMI (Arusha)
ICSA UK
Joined the bank: 2008
Appointed to EXCO: 2014

Ensuring our sustainability

Overview

Stanbic Bank Uganda Limited Annual report for the year ended 31 December 2013

Annual financial statements
Corporate governance statement

Introduction

Corporate governance statement sets out the governance framework adopted by the Board of Stanbic Bank Uganda Limited (the “Company”) and highlights the key activities during the year.

In its approach to governance, the Board embraces best practice principles based on the understanding that sound governance practices are fundamental to ensuring the trust of the Company’s stakeholders. This is critical to sustaining the Company’s performance and preserving shareholder value. The Company and its corporate governance approach is detailed in a policy for that purpose.

The Board strives to embrace relevant local and international best practice and is committed to upholding the fundamental tenets of governance which include independence, social responsibility, discipline, transparency, accountability and fairness to all stakeholders. Owing to the Company’s relationship with the Standard Bank Group and where appropriate, the principles of the King Code inform a significant portion of the governance framework and practices of the Company.

In the year under review, the Company complied with all applicable laws, rules, regulations and guidelines on corporate governance.

The Company’s governance framework enables the Board to fulfill its role of providing oversight and strategic counsel in balance with its responsibility to ensure conformance with regulatory requirements and risk tolerance. It also provides the parameters for delegating its authority.

Codes and regulations

As a licensed commercial bank and listed company, the Company operates in a highly regulated environment and is committed to complying with legislation, regulations, and codes of best practice.

Complying with all applicable legislation, regulations, standards and codes is integral to the Company’s culture. The Board delegates responsibility for compliance to management and monitors this through the compliance function. Oversight of compliance risk management is delegated to the Compliance function and approved by the Audit Committee. The Company is committed to continually reviewing and approving the compliance plan. On a quarterly basis, the Audit Committee receives reports from the Compliance function on, among other things, the status of compliance risk management in the Company and significant areas of non-compliance. On a quarterly basis, the Audit Committee also reviews the significant interactions and correspondence with the Regulator. The compliance function and governance standards are subject to review by internal audit.

The impact of new and proposed legislation and regulations is assessed by management and material regulatory issues and legislative developments are escalated to the Risk Management and Audit Committees. Following the passing of the Ugandan Companies Act, the Board implemented the rules of Companies Act, 2011.

The Chairman is an independent non-executive director, as the majority of directors on the Board. The balance of executive, non-executive and independent directors ensures a balance of power on the Board, so that no individual or group can dominate board processes or decision making and ensures the appropriate level of challenge. The number and calibre of independent non-executive directors on the Board ensure that board decision-making is sufficiently informed by independent perspectives.

Succession planning

Succession planning is a key focus of the Board which, on an ongoing basis, considers the composition of the Board and its committees to ensure continued effectiveness. The retention of board members with considerable experience is sought to ensure that appropriate levels of management are maintained.

As part of the Board’s responsibility to ensure that effective management is in place to implement Company strategy, management succession planning is an ongoing consideration. There were a number of changes in the executive management team including the appointment of Moses Wairimu (Head: Human Resources) and the resignation of Gertrude Wamala Karujjaba (Head, Legal/Company Secretary). Following the issuance of the Bank of Uganda Risk Management Guidelines for Supervised Financial Institutions, 2010, where the Compliance function was re-profiled, the process of streamlining the Compliance function to appropriately reflect the deepened compliance function will be appointed directly to the Chief Executive. A successor has been identified for the vacant position and appointment will be made once regulatory approvals are obtained. The Board is satisfied that the current pool of talent available within the Company and the work being done to strengthen this talent pool provides adequate succession depth for both the short and long term.

Skills, knowledge, experience and attributes of directors

The Board ensures that directors possess the skills, knowledge and experience necessary to fulfill their duties. The directors bring a balanced mix of attributes to the Board, including:

- Domestic and international experience;
- Operational experience;
- Knowledge and understanding of both macroeconomic and microeconomic factors affecting the Company;
- Regulatory experience;
- Expertise in risk management and internal financial control; and
- Financial, entrepreneurial and banking skills.

The directors’ qualifications and brief curricula vitae are provided on pages 14 and 15.

Access to information and resources

Executive management and the Board interact regularly. This is encouraged and 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 company information, all sources resources required to carry out their roles and responsibilities. This includes external legal and other professional advice at the Company’s expense where necessary. A policy to regulate this process was adopted by the Board in 2012. It also includes unlimited access to the advice and services of the Company Secretary, who assists in providing any information or documentation they may require to facilitate the discharge of their duties and responsibilities.

Appointments

The appointment of directors is governed by the Company’s articles of association and is subject to regulatory approval in line with the applicable legislation. Non-executive directors are appointed by shareholders at the AGM and interim board appointments are allowed between AGMs. These appointments are then confirmed at the AGM.

There is a formal process for the appointment of directors. Information is provided to shareholders of the director’s education, qualifications, experience and other directorships.

The Board takes cognizance of the knowledge, skills and experience of prospective directors, as well as other attributes considered necessary for the role. The Board also considers the need for demographic and gender representation. Furthermore, candidates are subject to a “fit and proper” test, as required by the Financial Institutions Act.

Board responsibilities

The key terms of reference in the Board’s mandate, which define its responsibilities, include the following:

- Review annually the corporate governance and risk management processes and strategy and ensure the alignment of the Company’s strategy with the Company’s risk appetite and governance framework.
- Approve the remuneration of non-executive directors on the Board.
- Delegate to the Chief Executive or any director holding any executive office or any senior executive any of the powers, authorities and duties conferred on directors, including the power of sub-delegation.
- Delegate similarly such powers, authorities and duties to any committee and subsidiary company boards as may exist or may be created from time to time.
- Ensure that the terms of reference and procedures of all board committees and review their reports and minutes.
- Consider and approve reports, submitted by members of the executive.
- Review and monitor the performance of the executive management; and
- Approve and monitor the performance of executive directors on the Board.

The Board ensures that the roles of Chairman and Chief Executive are separate and distinct.

The Board ensures that board decision-making is sufficiently informed by independent perspectives. The retention of board members with considerable experience is sought to ensure that appropriate levels of management are maintained.

Strategy

The Board is responsible for the Company’s strategic direction. The Company’s strategic plan is reviewed and any updates presented by management annually and discussed and agreed with the Board. The Board ensures that the strategy aligns to the Company’s risk appetite and is aligned with the Company and vision, values, performance and sustainability objectives.

Once the financial, governance and risk objectives for the following year have been agreed, the Board monitors performance against these objectives on an ongoing basis. Financial performance is monitored through quarterly reports from management, and governance and risk are monitored by the relevant risk committees, and reviewed by the Board.

Delegation of authority

The Board retains effective control through a well-developed governance structure that provides the framework for delegation. Board committees facilitate the discharge of the Board’s responsibilities by providing in-depth focus on specific areas of board responsibility. The committees each have a mandate that is annually reviewed and approved by the Board. Details of how these committees operate follow.

The Board delegates authority to the Chief Executive and Executive Committee to manage the business and affairs of the Company. The executive committee assists the Chief Executive in the execution of his mandate. The Chief Executive is tasked with the implementation of board decisions and there is a clear flow of information between management and the Board, which facilitates both the qualitative and quantitative evaluation of the Company’s performance.

The Company Secretary’s office monitors board-delegated authorities and the executive committee is set out on pages 18 and 19.

Board meetings

The Board meets once a quarter with an additional meeting annually to consider strategy. Ad hoc Directors’ meetings are held where provided with comprehensive documentation at least four days prior to each of the scheduled meetings.

The attendance of board meetings in 2013 is set out in the following table:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>19-Feb</th>
<th>21-May</th>
<th>20-Aug</th>
<th>10-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>H Kazuranga</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P Odera</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P Mweheire</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>K Mbathi</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S Sejaika</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>J Okot</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>B Mukasa</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P Masembe</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>R Emungu</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

✓ = Attendance; A = Apology;

Board effectiveness and evaluation

The Board is committed to continued improvements to its effectiveness and performance. The Board monitors this and is assessed annually against their respective mandates. The objective of these evaluations is to assist the Board and committees to constantly monitor and improve the Board’s performance and effectiveness.
improve their effectiveness by addressing areas needing improvement and providing directors with the necessary training. The results of this assessment are then considered by the Board.

The Board assessed its performance and that of its committees in 2013. The evaluations assessed performance in terms of structure, process and effectiveness. Individual questionnaires were completed, the results collated, and feedback discussed by the Board.

The relevant action points from the assessments were noted for implementation. No major areas of concern were highlighted other than the Board’s increasing information needs due to the changing regulatory environment in 2013. In focus was given to meeting this need through an ongoing board education program which we will continue into 2014.

The performance of the Chairman and Chief Executive is assessed annually. In 2013, the performance of individual directors was evaluated by the Chairman who discussed the results with the relevant directors.

Education and induction
Ongoing board education remains a focus. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments, which could potentially impact the Company and its operations. Additional time is scheduled outside of board meetings to run dedicated sessions highlighting key issues for the Board. This program is supplemented by external courses and on-site visits where relevant.

On appointment, each new director receives an induction pack that includes all relevant governance information such as mandates, management structures, significant reports, important legislation and policies. In addition, one-on-one meetings are scheduled with management to introduce new directors to the Company and its operations. The Company Secretary is responsible for the induction and ongoing education of directors.

Board committees
Board committees operate in terms of mandates reviewed and approved by the Board on an annual basis. Each committee’s mandate sets out the role, responsibilities and scope of authority, composition and procedures to be followed. All board committee mandates are annually reviewed and updated to take into account amendments to relevant legislation and other pertinent changes in the operating environment.

Board audit committee
The committee is constituted in terms of the Financial Institutions Act and the Companies Act (Uganda). The committee’s role is to provide oversight of risk management and ensure that the Company has effective internal auditing of the financial statements operated effectively during the year and coordinated audit work by the internal and external auditors as part of their annual risk based audit plans.

The committee considers reports from internal audit on any weaknesses in controls that have been identified, including financial controls, and considers corrective actions to be implemented by management to prevent such incidences recurring. This takes place on an ongoing basis.

The audit committee has completed its mandate for the year under review, as well as its legal and regulatory responsibilities. Four scheduled meetings were held:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>04-Feb</th>
<th>06-May</th>
<th>26-Aug</th>
<th>04-Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>S. Segiaka</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>R. Emunu</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>B. Mulwana</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

✓ = Attendance

Board risk management committee
The committee is responsible for risk management. The main purpose of the committee is to provide independent and objective oversight of risk management. A number of management committees help the committee to fulfill its mandate, the main one of these being the risk management committee.

To achieve oversight, the committee reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are managed effectively and contribute to a culture of discipline and control that reduces the opportunity for fraud. Assurance on the effectiveness of the risk management processes is provided to the committee through management reporting.

The committee’s composition includes executive and non-executive directors. The committee complied with its mandate for the year under review. Four scheduled meetings were held:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>05-Feb</th>
<th>07-May</th>
<th>05-Aug</th>
<th>05-Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Emunu</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P. Odera</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>J. Olaka</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P. Muhavire</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

✓ = Attendance; A = Apology; – no longer committee member

A comprehensive risk management report is provided starting on page 33. The report outlines the framework for risk and capital management in the Company.

Board credit committee
The role of this committee is to ensure that effective frameworks for credit governance are in place in the Company. This involves ensuring that the credit management committee and the credit function operate according to clearly defined mandates and delegated authority, and providing for the adequate management, measurement, monitoring and control of credit risk, including country risk.

The committee reports to the Board on credit portfolios, adequacy of provisions and status of non-performing loans. It does not approve individual credit applications which remain within the ambit of the credit risk management committee, credit function and the Board, for significant facilities. Further detail on the management of credit risk is set out in the comprehensive risk management report provided starting on page 33.

The committee’s composition includes an executive and non-executive directors.

The credit committee complied with its mandate for the year under review. Four scheduled meetings were held:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>04-Feb</th>
<th>06-May</th>
<th>05-Aug</th>
<th>04-Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Mulwana</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P. Odera</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>J. Olaka</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

✓ = Attendance; A = Apology

Board compensation committee
The role of the compensation committee is to:
- Provide oversight on the compensation of directors, executive and senior management and other key personnel and ensure that the compensation is consistent with the Company’s culture, objectives, strategy and control environment;
- Perform other duties related to the Company’s compensation structure in accordance with applicable law, rules, policies and regulations.

The goal of the committee is to maintain compensation policies which will attract and retain the highest quality executive and senior management and which will reward the executives and senior managers of the Company for the Company’s progress and enhancement of the shareholder value. In fulfilling its mandate, the committee is guided by group philosophy and policy as well as by the specific social, legal, economic content of Uganda.

The committee comprises solely non-executive directors. The Chief Executive attends the meetings by invitation. Other members of executive management can be invited to attend when appropriate to assist the committee in fulfilling its mandate.

No individual, irrespective of position, is present when his or her remuneration is discussed.

Company Secretary
The Company Secretary is to ensure the Board remains cognisant of its duties and responsibilities. In addition to guiding the Board on discharging its responsibilities, the Company Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Company Secretary also oversees the induction of new directors and all board education of directors. To enable the Board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments which may affect the bank and its operations. All directors have access to the services of the secretary.

Going concern
The directors have sufficient reason to believe that the Company has adequate resources to continue operating as a going concern.

Relationship with shareholders
Regular, pertinent communication with shareholders is part of the Company’s fundamental responsibility to create shareholder value and improve stakeholder relationships. In addition to the ongoing engagement facilitated by the investor relations officer, the Chairman encourages shareholders to attend the annual general meeting where interaction is welcomed. The other directors are available at the meeting to respond to questions from shareholders. Voting at general meetings is conducted by show of hands. The Board proposes separate resolutions on each issue put forward to shareholders.

In line with cost reduction initiatives, shareholders who still hold shares in certificated form were encouraged to receive annual and interim reports through email or electronic announcements in electronic format.

The articles of association of the Company require every shareholder to register his or her address in Uganda with the Company. Shareholders who still hold shares in certificated form are advised to notify the Company’s share registrar in writing of any change in their postal or email addresses or bank account details.

Connecting with stakeholders
The Company’s relevance to the markets and societies in which we operate depends on continued and meaningful engagement with all stakeholders.

Stakeholder management at the Company involves the optimal employment of the organization’s resources to build and maintain good relationships with stakeholders. This helps the Company to manage the expectations of society, minimize reputational risk and form strong partnerships, which all underpin business sustainability.

Stakeholder relationships and related issues are discussed at board meetings.

Several stakeholder engagement initiatives took place during the year. More information on these initiatives can be found in the Sustainability Report starting on pages 27 to 32.

Overview Ensuring our sustainability Annual financial statements

Ensuring our sustainability

Corporate governance statement

Overview

Annual financial statements

Annual report for the year ended 31 December 2013

stanbic Bank Uganda Limited Annual report for the year ended 31 December 2013

Ensuring our sustainability

Corporate governance statement

Overview

Annual financial statements

Annual report for the year ended 31 December 2013
Dealing in securities
In line with its commitment to conducting business professionally and ethically, the Company has a policy that restricts dealing in securities by directors and employees. A personal account trading policy and an insider trading policy are in place to prohibit employees and directors from trading in securities during closed periods, which are in effect from 1 June to the publication of the interim results, and from 1 February to the publication of final 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.

Sustainability
The sustainability report on pages 27 to 32 aims to provide a balanced analysis of the Company’s sustainability performance in relation to issues that are relevant and material to the Company and to its stakeholders. The report provides:
- An overview of the Company’s sustainability performance in 2013;
- An overview of stakeholder interaction during the year; and
- Material issues affecting the Company.

Ethics and organizational integrity
The code of ethics is designed to empower employees and enable effective decision-making at all levels of our business according to defined ethical principles. It also aims to ensure that, as a significant organisation in the financial services industry, we adhere to the highest standards of responsible business practice. The code interprets and defines Standard Bank Group (“Group”) and the Company’s values in greater detail and provides value-based decision-making principles to guide our conduct. It is aligned with other Company policies and procedures, and supports the relevant industry regulations and laws.

Remuneration report
Overview
The Group Remuneration Committee (Remco), which takes overall responsibility for remuneration policies and structures within the Group, invests substantial effort in evaluating and testing the Group’s remuneration philosophies and structures, and their implementation, in response to regulatory and governance requirements. All Compensation Committee decisions are guided by the Company and Group philosophy and policy, as well as by the specific social, legal and economic context of the country.

Where considered appropriate, Remco and the Compensation Committee of the Company initiate modifications to remuneration designs to ensure that regulatory requirements are met and our remuneration policies are consistent with, and promote effective risk management.

Remuneration philosophy and policy
The Company is committed to building a leading emerging markets bank that attracts and retains world-class people. Consequently, we work to develop a depth and calibre of human resource that is capable of delivering sustainable growth across multiple geographies, products and regulatory regimes, and always within our agreed risk tolerance.

At the heart of this commitment lies the value we place on our people. Therefore, effective management and remuneration of our talent must be a core competency in our Company.

As an integral part of growing and fortifying our resource of human skills, the Compensation Committee continually reviews the Company’s remuneration philosophies, structures and practices.

To determine the remuneration of employees of the Company, the Compensation Committee reviews market and competitive data, and considers the Company’s performance against financial objectives and individual performance. In 2011, Remco and management sought benchmarking guidance from Hay Group and Global Remuneration Services (GRS).

Certain specialist departments, for example, human resources and finance, provide supporting information and documentation relating to matters considered by the Compensation Committee.

Structure of remuneration for managerial and general employees
Terms of service
The terms and conditions of employment of all managers and general employees are guided by local legislation and are aligned to Group practice. Notice periods are stipulated by legislation and can go up to three months.

Structure of remuneration
Fixed pay
Fixed pay is intended to attract and retain employees by ensuring competitive positioning in the local market and in certain cases, globally.

Fixed pay is normally reviewed annually, typically in March and market data is used for benchmarking.

The longer term aim of Remco is 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 practise and regulatory requirements. The bank provides medical cover and death benefits for staff and dependents. In addition, retirement benefits are provided on a deferred contribution basis linked to fixed pay.
Terms of employment

Retention agreements

Retention agreements are only entered into in exceptional circumstances and retention payments have to be paid should the individual concerned leave within a stipulated period.

Severance payments

Severance payments are determined by legislation, market practise and where applicable, agreement with recognised trade unions or employee forums. It is not the practise of Stanbic Bank Uganda to make substantial severance awards.

Restrictive covenants

Some executive employment contracts include restrictive covenants on poaching of employees or customers. No other restraints are included in contracts at present.

Sign on payments

In attracting key employees it may be necessary to compensate for the loss of unvested awards with their prior employer. In such cases we would consider compensating such new employees in the appropriate share incentive scheme or in certain situations a cash sign on payment may be made on joining, subject to repayment should the employee leave the bank within a certain period.

Directors' remuneration

Remuneration of executive directors

The remuneration packages and long-term incentives for the two executive directors are determined on the same basis and using the same qualifying criteria as for other employees.

The remuneration 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 the 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.

In terms of the Companies Act, directors are required to retire at 70. The shareholders can, by special resolution, extend the term of service.

Directors are appointed by shareholders at the AGM. Between AGMs interim appointments may be made by the Board. These interim appointments 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 Compensation Committee reviews the fees paid to non-executive directors annually and makes recommendations to the Board for consideration.

In determining the remuneration of non-executive directors, the Board considers the extent and nature of their responsibilities, and reviews of compensation remuneration offered by other major Ugandan and international banks.

A fee increase has been proposed for approval at the annual general meeting for the year 2013.

Performance related pay

Performance related pay is aligned to the financial year. Performance is assessed at the end of the year and paid in the following year. The amounts herein are performance awards paid in the current year but relate to performance in the prior year.
**Sustainability report**

**Overview**

**Ensuring our sustainability**

**Annual financial statements**

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**Stanbic Bank Uganda: Products and Services**

**Corporate and Investment Banking (CIB): Transactional Products and Services**

<table>
<thead>
<tr>
<th>Trade Finance</th>
<th>Cash Management</th>
<th>Investor Services</th>
<th>Investment Banking (IB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Letters of Credit</td>
<td>- Cash in Transit</td>
<td>- Custody</td>
<td>- Debt Capital Markets</td>
</tr>
<tr>
<td>- Bill Guarantees</td>
<td>- Collect Plus (Courier)</td>
<td>- Fiscal Agency</td>
<td>- Equity Capital Markets</td>
</tr>
<tr>
<td>- Performance Guarantees</td>
<td>- Electronic Banking</td>
<td>- Facility Agency</td>
<td>- Advisory</td>
</tr>
<tr>
<td>- Advance Payment Guarantees</td>
<td>- BIL Payments</td>
<td>- Advice</td>
<td>- Asset Finance</td>
</tr>
<tr>
<td>- Avaluation</td>
<td>- Liquidity Management</td>
<td>- Syndications</td>
<td>-</td>
</tr>
<tr>
<td>- Import/Export Loans</td>
<td>- Payments and Receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Invoice Discounting</td>
<td>- Solutions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Bills for Collection</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**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
- Fixed Deposits and Treasury Bills
- Fixed Income
- Treasury Bonds

**Project Finance**

---

**Personal Business Banking (PBB): Transactional Products and Services**

<table>
<thead>
<tr>
<th>Personal and Business</th>
<th>Savings and Investments</th>
<th>Lending (Personal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- TransActPlus (local and foreign currency)</td>
<td>- Personal and Business (local and foreign currency)</td>
<td>- Salary Loan</td>
</tr>
<tr>
<td>- Personal and Business Current accounts (local and foreign currency)</td>
<td>- Contract Save</td>
<td>- Fixed Term Loan</td>
</tr>
<tr>
<td>- Bonus Investment</td>
<td>- Personal and Business</td>
<td>- Revolving Term Loan</td>
</tr>
<tr>
<td>- Executive Banking</td>
<td>- Fixed Deposit account</td>
<td>- Revolving Line of Credit</td>
</tr>
<tr>
<td>- Private Banking</td>
<td></td>
<td>- Re-Finance Home Loans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Building Loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Equity Release Loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Vehicle and Asset Finance</td>
</tr>
</tbody>
</table>

**Trade Finance**

<table>
<thead>
<tr>
<th>Lending (Business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Letters of Credit</td>
</tr>
<tr>
<td>- Bill Guarantees</td>
</tr>
<tr>
<td>- Performance Guarantees</td>
</tr>
<tr>
<td>- Advance Payment Guarantees</td>
</tr>
<tr>
<td>- Import/Export Loans</td>
</tr>
<tr>
<td>- Invoice Discounting</td>
</tr>
</tbody>
</table>

**Services:**

- Internet Banking
- Mobile Banking
- Business Online (nBOL)
- Point Of Sale (POS)
- Auto Bank (ATM)
- Debit and Credit cards (VISA enabled)
- PayPlus - payment services solution (water, electricity, pay TV, pension enabled)

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**Managing our material issues**

<table>
<thead>
<tr>
<th>Material issues</th>
<th>Key sub categories</th>
<th>Performance indicators (How we fared in 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable long term financial performance</td>
<td>Maintaining and enhancing our balance sheet strength</td>
<td>In view of the harmful effects the Ugandan economy suffered about two years ago and the resultant high interest rate enviroment of 2012 that sapped a lot of energy out of the economy and also reflected in our customers’ business in the first half of 2013, we suffered the negative effects of these conditions on revenue we generate from balance sheet lending. Our loan portfolio and Net interest income dropped by 3.1% and 16.5% respectively in 2013.</td>
</tr>
<tr>
<td>Management of credit impairment issues</td>
<td>Driving operational excellence by balancing investments in business growth and IT with cost management</td>
<td>Cost to income ratio: 47.4% in 2013. 39.8% in 2012. Key highlight was the continued upgrade of our core banking system and the drop in balance sheet driven revenue as indicated above.</td>
</tr>
<tr>
<td>Governance, regulation and stakeholder engagement</td>
<td>Ensuring good governance practices and strong productive relationship with the central bank as regulator</td>
<td>Full adoption of the Financial consumer protection guidelines and transparency of our progress reported biannually to Bank of Uganda. We fully support the Anti Money Laundering legislation in Uganda for this protects the integrity of the financial services industry in Uganda and the region.</td>
</tr>
<tr>
<td>Sustainable and responsible financial services</td>
<td>Ensuring an excellent customer experience</td>
<td>We aligned and improved our complaints and query management procedures and actions in response to internal and external customer feedback.</td>
</tr>
<tr>
<td>Socioeconomic development</td>
<td>Treating customers in a fair manner</td>
<td>We have fully adopted the Central Bank instituted financial consumer protection guidelines and cascaded all the relevant information to our staff. In addition we dropped our lending rates in line with Bank of Uganda indicative benchmarks for the industry and some fee charges for our Business Banking customers.</td>
</tr>
<tr>
<td></td>
<td>Secure financial services</td>
<td>We prioritised Know Your Customer (KYC) and Anti Money Laundering efforts in all that we do as a bank.</td>
</tr>
</tbody>
</table>
| | Creating wealth for the communities in which we operate | Wealth created in 2013: US$1.8bn (2012: US$2.94bn)
| | Providing inclusive financial services and supporting SMEs | Grew unsecured lending by 6% despite the lag effect of a high interest rate enviroment that started in late 2011 and prevailed through 2012. Unsecured lending as a percentage of the total loan book was 28% in 2013. (22% in 2012). Banked over 46,773 SME customers in 2013. |
| Supporting Uganda government National development plan: primary growth sectors | Lending to primary growth sectors constitutes nearly half of our loan book for the second year running (47% in 2013, 51% in 2012). |
| |至 a significant extent to our customers’ business, the lag effect of a high interest rate enviroment that started in late 2011 and prevailed through 2012. |

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**Sustainability report**

**Material issues**

**Key sub categories**

**Performance indicators (How we fared in 2013)**

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**Notes:**

Stanbic Bank is licensed under the Financial Institutions Act, 2004 and is listed on the Uganda Securities Exchange Limited.

Head office location: Crested Towers, plot 17 Hannington Road, Kampala, Uganda.

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For further information, visit our website – www.stanbic.ug

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**Annual financial report for the year ended 31 December 2013**

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**Ensuring our sustainability**

**Annual financial statements**
**Key issues raised by various stakeholders in 2013**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Issue raised</th>
<th>Our response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>Clarity on bidding and payment procedures for suppliers</td>
<td>Held supplier workshops that focused on bid preparation, invoicing, taxes involved, opportunities within the bank, quality expectations, procedures and contact persons.</td>
</tr>
<tr>
<td>Media</td>
<td>Knowledge of our business locally and our parent company - the Standard bank group and capacity building opportunities.</td>
<td>We sponsored one member of the media to the media forum in Johannesberg.</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>One occurrence per year (AGM) not adequate for shareholders to keep abreast of company performance</td>
<td>We intend to hold investor awareness meetings going forward.</td>
</tr>
<tr>
<td>Regulators and Supervisors</td>
<td>Consumer protection and financial literacy.</td>
<td>We co-authored the Financial literacy handbook in conjunction with the Uganda Bankers Association (UBA) and have committed to have this displayed in our banking halls and premises together with the consumer protection guidelines in order to encourage transparency in our dealings with clients.</td>
</tr>
<tr>
<td>Financial Analysts</td>
<td>Clarity on our financial performance as a bank.</td>
<td>We participated in investor meetings to review opportunities in the market and other business issues.</td>
</tr>
<tr>
<td>Customers</td>
<td>Long queues, expensive and poor service.</td>
<td>We will install point of sale machines (POS) in schools in the marketplace to be more convenient. Our unsecured lending loan offering is competitive in the marketplace.</td>
</tr>
<tr>
<td>Community</td>
<td>Survival in challenging times.</td>
<td>Executed financial literacy programs.</td>
</tr>
</tbody>
</table>

**Value added statement for year ended 31st December 2013**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>% of wealth</th>
<th>2012</th>
<th>% of wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value added</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>284,985,795</td>
<td>348,918,145</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission fees income</td>
<td>98,618,049</td>
<td>115,157,313</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td>100,785,323</td>
<td>96,677,243</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid to depositors</td>
<td>(37,228,207)</td>
<td>(52,225,935)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(267,417,922)</td>
<td>(214,892,549)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wealth Created</strong></td>
<td>175,743,038</td>
<td>293,634,217</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Value added 2013 vs. 2012**

- **Value added** increased by shs 106,421,383 (30% growth) over the period.
- **Wealth Created** increased by shs 187,891,180 (30% growth) over the period.

**Our economic impact:**

SBUL, recognizes that the private sector plays a pivotal role in the development of countries. Businesses are able to contribute to the investments required to stimulate economic development and mitigate risk posed by global challenges. The value added statement below shows the economic foot print of our operations in Uganda in 2013. It shows our impact on the economic conditions of our stakeholders and throughout society.

The most fundamental contribution SBUL makes to the societies in which we operate is by maintaining a robust business. This allows us to pay dividends to our shareholders, salaries to our employees and tax to the Ugandan government. As a layer of good and services we play an important role in supporting local businesses, which provides employment and drives socioeconomic development in local communities. In addition, our CSI makes a measurable difference to recipients and communities that SBUL depends on to remain sustainable.

Value added is calculated as the company’s revenue performance minus payments such as cost of materials, depreciation and amortization. The resulting amount is distributed to the stakeholders who include employees, shareholders, community investments and government. The total wealth created by the bank in 2013 is shs 180 bn as shown in the value added statement below.

The Value Added Statement shows SBUL is a positive contributor to the society in Uganda. Of the total wealth created in 2013 the following is the total flow of capital among some key stakeholders:

- Ushs 104 bn was distributed to employees as remuneration and benefits (Ushs 88 bn in 2012).
- Ushs 50 bn was distributed to the Ugandan government in form of taxes (Ushs 52 bn in 2012).
- Ushs 100 bn was paid in dividends to shareholders both ordinary and non controlling interests, up from Ushs 70 bn in 2012.

Therefore as part of our economic impact on society in 2013, we spent shs 27.8 bn buying goods and services from suppliers. Of this, Ushs 3.8 bn (or 13% of our procurement spend) went to local suppliers and Ushs 4.46 bn (or 16% spent) on foreign suppliers. This demonstrates our commitment to supporting local businesses in Uganda.

**Investing in our communities**

Through Corporate Social Investment (CSI) we apply our resources to address social issues that can be barriers to doing business. Using a research-based approach to understand the socioeconomic needs of communities, we collaborates with government, other businesses and community organizations when making investment decisions.

Stanbic Uganda believes that a good business must also transform the lives of the people in the communities which it serves. Such needs vary from the most basic to higher level needs; however, the core needs include food, shelter, education, transport and work.