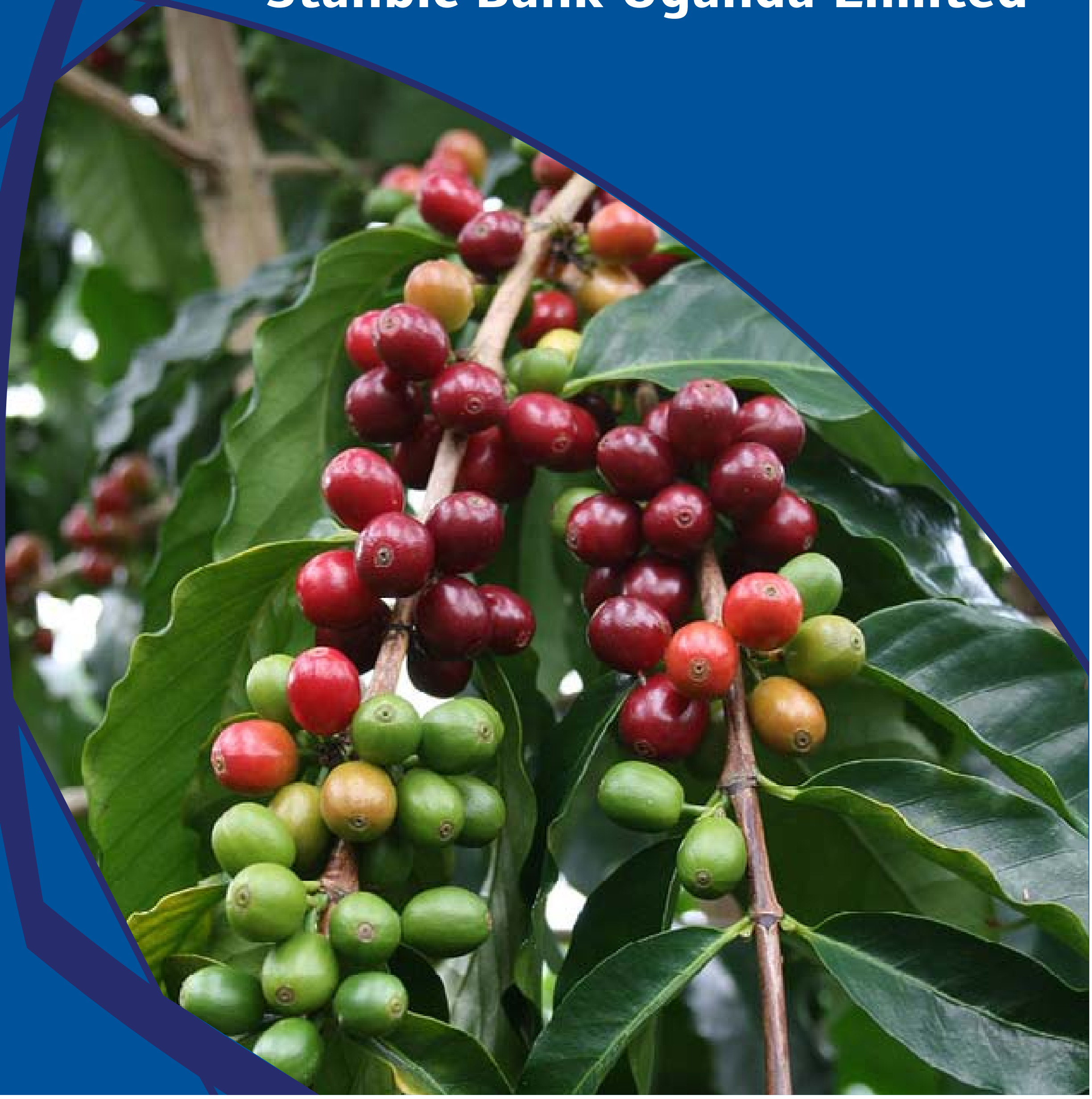
Stanbic Bank Uganda Limited



Annual Report 2013

Stanbic Bank
A member of Standard Bank Group

Stanbic Bank Uganda | Annual report 2013

Stanbic Bank
A member of Standard Bank Group

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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.

One vision

"We aspire to be a leading emerging markets financial services organization"

Purpose statement

"Transforming Lives for a Better Uganda"

Our values

1	**Serving our customers**	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.
2	**Growing our people**	We encourage and help our people to develop to their full potential and measure our leaders on how well they grow and challenge the people they lead.
3	**Delivering to our shareholders**	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.
4	**Being proactive**	We strive to stay ahead by anticipating rather than reacting, but our actions are always carefully considered.
5	**Working in teams**	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.
6	**Respecting each other**	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.
7	**Upholding the highest levels of integrity**	Our entire business model is based on trust and integrity as perceived by our stakeholders, especially our customers.
8	**Guarding against arrogance**	We have confidence in our ability to achieve ambitious goals and we celebrate success, but we must never allow ourselves to become arrogant.

World class banking, now in all corners of Uganda.

Central Region: Corporate (Crested Towers), Garden City, IPS, City Branch, Nakivubo, Kikuubo, Industrial Area, Katwe, William Street, Nagatule Plaza-Kikuubo, Shoppers Plaza, Magoba Plaza, Nakasero, Kawempe, Entebbe Main, Makerere, Wandegeya, Lugogo Mall, Forest Mall, Nakawa, Kyambogo, Kireka, Mukono, Kagadi, Kayunga, Luwero, Wobulenzi, Mubende, Kiboga, Mityana, Mpigi, Masaka, Kyotera, Kalangala, Lyantonde, Nakasero, Ntinda and Nateete.
Eastern Region: Lugazi, Kakira, Jinja, Mayuge, Kamuli, Iganga, Pallisa, Busia, Mbale, Sironko, Tororo, Kumi, Kaabong, Soroti and Kapchworwa.
Northern Region: Pader, Gulu, Kitgum, Nebbi, Dokolo, Adjumani, Koboko, Yumbe, Arua, Katakwi, Moyo, Pakwach, Apac, Kotido, Moroto and Abim.
Western Region: Mbarara, Ibanda, Kabwohe, Bushenyi, Ishaka, Ntungamo, Rukungiri, Kabale, Kisoro, Kihihi, Bwera, Bundibugyo, Bwamiramira, Kasese, Fort Portal, Kyenjojo, Masindi, Hoima, Kinyara (Agency), Buliisa and Kigumba.

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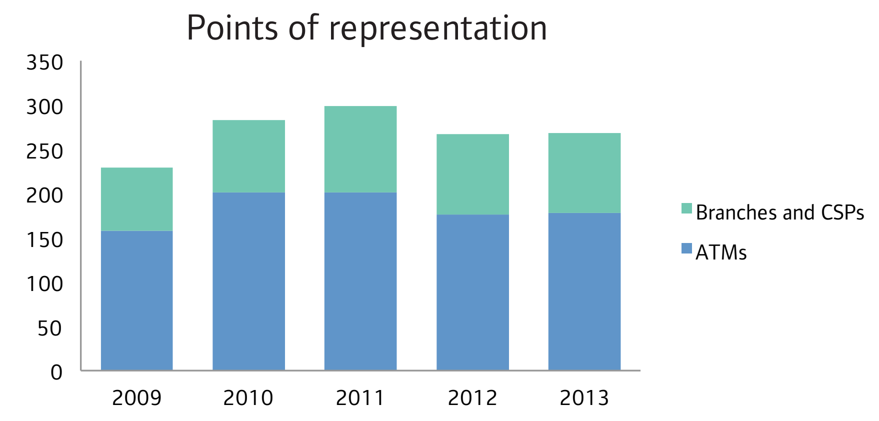
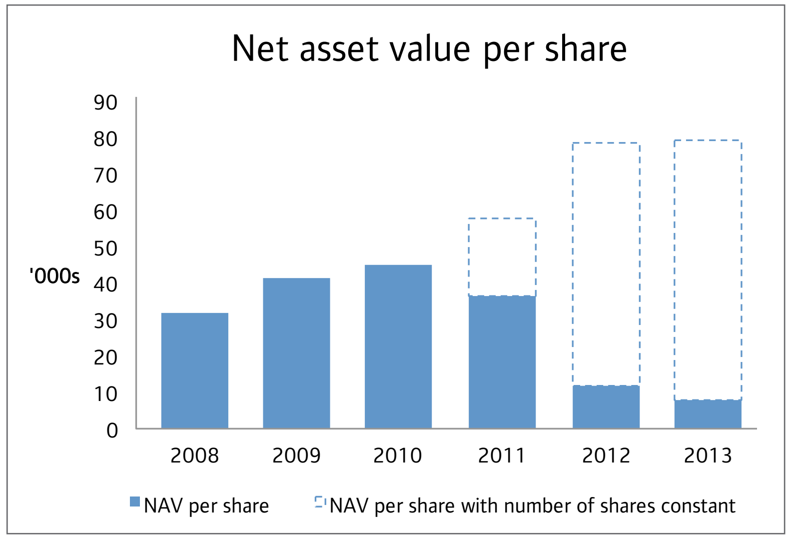


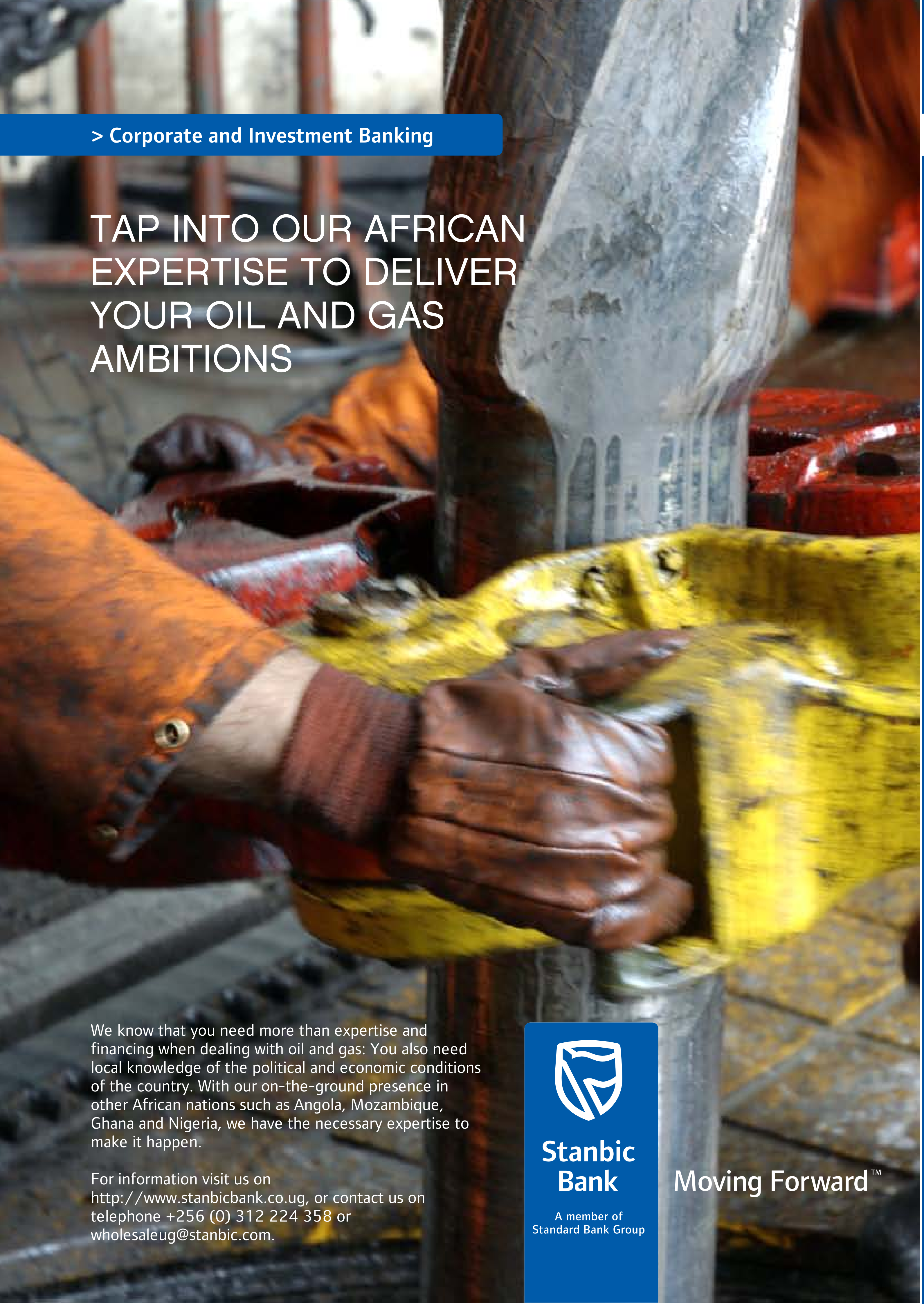
CSP's refers to customer service points

Financial highlights

	2013	2012
Income statement (UShs'000)		
Profit before income tax	**134,810,761**	177,701,331
Profit after tax	**101,851,527**	130,734,072
Financial position (UShs'000)		
Total assets	**3,241,598,040**	3,098,593,400
Loans and advances to customers	**1,415,040,925**	1,460,277,630
Property and equipment	**39,790,358**	40,945,759
Shareholders' equity	**405,308,497**	401,039,286
Customer deposits	**1,787,577,713**	2,099,180,118
Financial performance (%)		
Return on average equity	**25.2**	37.6
Return on average assets	**3.1**	4.5
Cost to income ratio	**57.4**	39.8
Loans to deposit ratio	**79.2**	69.6
Share statistics per share (UShs)		
Earnings per share - basic and diluted[1]	**1.99**	2.55
Proposed divided per share[2]	**1.56**	1.37
Capital adequacy		
Risk weighted assets (UShs'000)	**1,960,768,303**	1,914,950,927
Tier 1 capital to risk weighted assets (%)	**16.7**	15.7
Total capital to risk weighted assets (%)	**20.7**	20.3

[1] Prior years' earnings per share have been normalized based on shares in issue as at 2013.
[2] Includes a special divdend 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.

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Moving Forward™

> 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 Overall Bank for Cash Management in Africa, Global Finance World's Best Treasury & Cash Management Providers
2013 Best Provider of Money Market Funds in Africa, Global Finance World's Best Treasury & Cash Management Providers
2013 Best Bank for Payments & Collections 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.

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Moving Forward™

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 by 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 respect to peace were mixed. The Democratic Republic of Congo (DRC) took a major step towards peace when the M23 rebels at peace talks agreed to disband.

Rather unfortunately, South Sudan, which hitherto had shown relative stability ignited into conflict at the end of 2013. We do hope that all conflicts in the community would be settled in the shortest possible time to help foster regional growth and development.

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 mantained.

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.

Stanbic's outreach in terms of community investment is primarily in the areas of education, entrepreneurial skills development, health and environment and our approach is usually to work with community organisations.

We have increasingly involved our staff in social interventions to reinforce our links with in the communities we serve.

In 2013, we invested UShs 0.5 bn, through 12 local initiatives which transformed the lives of over 18,000 underprivileged people across the country.

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 Paliisa 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 upcoming.

Our strategy in a nut-shell is to position our bank to seize these trends, remain committed to responsible finance and live by the basics of good banking.

Our focus will all 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.

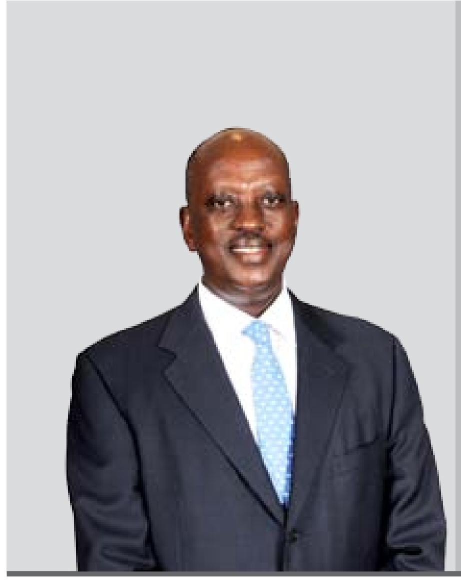
I do also wish to congratulate our employees for the resourcefulness demonstrated in dealing with the operational challenges experienced. Your commitment is fully appreciated.

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

Date: 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

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

Kitili Mbathi (54)
BA (Economics and Political Science) (Michigan),
Master of Banking and Finance for Development (Instituto Finafrica-Milan)
Appointed: 2001
Directorships: CfC Stanbic Bank Ltd., CfC Stanbic Holdings Ltd., CfC Insurance Holdings Ltd., CfC Stanbic Financial Services Ltd., Stanbic Investment Management Services (EA) Ltd., CfC Life Assurance Ltd.,
The Heritage Insurance Co. Ltd., Stanbic Bank Uganda Ltd., Stanbic Bank Tanzania Ltd., Standard Bank Malawi Ltd., Stanbic bank Zambia Ltd.,Standard Bank Mauritius Ltd.
Committee Member: 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

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

Patrick Masambu (62)
BSc (Engineering) (Nairobi),
MBA (ESAMI),
PGD (Telecom Systems) (Essex)
Appointed: 2009
Directorships: Stanbic Bank Uganda Ltd., LaFontaine Bookstore, International Telecommunications Satellite Organisation
Committee Member: None

Samuel Sejjaaka (50)
BCom (Makerere),
MSc (Financial Studies) (Strathclyde),
PhD (Accounting and Finance) (Makerere)
Appointed: 2007
Directorships: Stanbic Bank Uganda Ltd., Rexba Ltd., A&G Ltd., Sejjaaka, Kawaase & Co., Makerere University Business School, Summit Consulting Limited, Hillhouse Academy Ltd.
Committee Member: Audit, Compensation

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

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

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

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 has been more successful in stabilizing the processing environment of the bank.

Organizational structure review

The Board during the year reviewed and approved a new operating model for Personal and Business Banking and the Operations department of the bank. This was to enhance operating efficiencies and have branches focused on sales and service. We do expect that the implementation of these changes will improve customer experience and enhance efficiencies in the network.

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. Further still, 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 growth13.4% 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:

- A 16.5% drop in Net Interest Income equivalent to UShs 48.9 bn on account of slower loan growth and lower interest rates
- A 14.4% drop in fees and commissions equivalent to UShs 16.5 bn a reflection of the impact of one-off advisory transactions in investment banking in 2012 as well as lower transaction volumes in 2013
- A 24% growth in operating costs equivalent to UShs 52.5 bn due to the impact of core banking costs and staff cost increases
- 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
- 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.
- 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.

Capital

As at 31 December 2013, the bank's total capital was 20.7% (2012: 20.3%) of risk-weighted assets, with primary capital at 16.7% (2012: 15.7%). The capital adequacy remains above the stipulated regulatory minimum of 12% and 8% for total capital and primary capital respectively.

As mentioned above, the Board and management took the decision to hold higher capital buffer levels due to the adverse economic and uncertain regulatory environments. The levels of these buffers will be reviewed as the economy continues to improve and as the final changes in the newly proposed capital requirements are communicated by the regulator.

Looking ahead

In 2014, the Bank will continue executing its 2012 - 2016 strategic plan with special emphasis on human development and improving competitiveness in the market

While our core strategy will not change in 2014, the intensity with which we focus on execution and operational efficiency will increase.

In addition to increasing market share, we will continue to focus on risk management while using our balance sheet strength to increase the financing support to our clients and customers.

We will continue to take a conservative approach to managing the balance sheet, Maintaining a strong liquidity position and keeping a watchful eye on asset quality given the uncertainties that remain in the external environment.

Appreciation

It has been inspiring to see how everyone has pulled together in 2013, remained focused on the future and committed to do all that is necessary to transform lives. I want to thank all our employees for that commitment and their loyal support.

I also want to thank our clients and customers, our regulators and those in government for their support and business during the year. We would continue to strive to deliver an excellent banking experience to you.

Philip Odera

Philip Odera
Chief Executive
Date: 10 March 2014

Executive Committee (EXCO)

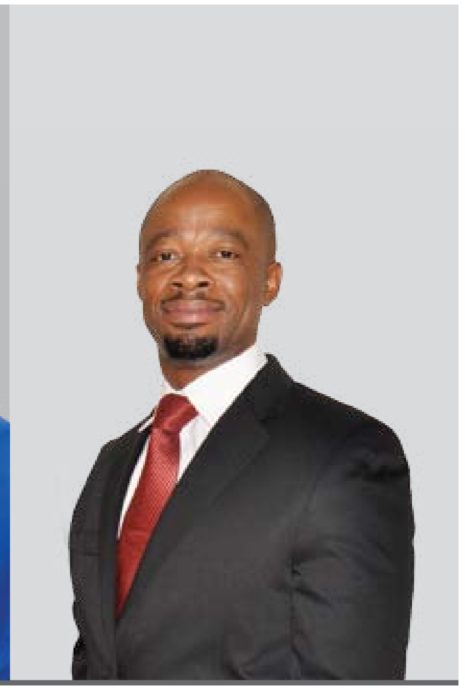
Philip Odera (54)
Chief Executive
BA (Economics) (St. Lawrence, NY),
MBA (Finance) (Suffolk, Boston)
Joined the bank : 2007
Appointed to EXCO: 2007

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

Victor Yeboah-Manu (44)
Chief Financial Officer
BSc (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),
CRA, CFE
Joined the bank : 2006
Appointed to EXCO: 2007

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



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

Moses Mbubi Witta (36)
Head: Human Resource
B.A. SWSA (Makerere)
MBA (EBS-Herriot Watt)
Joined the bank : 2013
Appointed to EXCO: 2013

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

Corporate governance statement

Introduction

This 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 earning the trust of the Company's stakeholders. This is critical to sustaining the Company's performance and preserving shareholder value. The Company's broad 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 fulfil 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 Audit Committee, which annually reviews and approves 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 correspondences 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 most of the changes in the course of 2013.

Whilst the Company continues to nurture a strong culture of governance and responsible risk management in line with Standard Bank Group's risk appetite and governance framework, it is constantly monitoring its practices to ensure that they are best fit for it and serve to enhance business and community objectives.

The Company is committed to social responsibility and sound environmental management in its lending and other activities.

Board of directors

Board structure and composition, including independence classification

The Board of Directors is the Company's highest decision-making body and is ultimately responsible for governance. Directors are elected by the shareholders. The Company has a unitary board structure and the roles of Chairman and Chief Executive are separate and distinct.

The Chairman is an independent non-executive director, as are 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 ensures 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 Mbubi Wita (Head: Human Resources) and the resignation of Gertrude Wamala Karugaba (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 has ensued and a new Head: Compliance will be appointed, reporting 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 the 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 fulfil 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, as well as the resources required to carry out their roles and responsibilities. This includes external legal and other professional advice at the Company's expense where necessary. 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 and regulations. 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 cognisance 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:

- Agree the Company's objectives, strategies and plans for achieving those objectives;
- Review annually the corporate governance and risk management process and assess achievement against objectives;
- Review its mandate at least annually and approve recommended changes;
- Delegate to the Chief Executive or any director holding any executive office or any senior executive any of the powers, authorities and discretion vested in the directors, including the power of sub-delegation;
- Delegate similarly such powers, authorities and discretions to any committee and subsidiary company boards as may exist or may be created from time to time;
- Determine the terms of reference and procedures of all board committees and review their reports and minutes;
- Consider and evaluate reports, submitted by members of the executive;
- Ensure that an effective risk management process exists and is maintained throughout the Company ;
- Review and monitor the performance of the Chief Executive and executive management;
- Ensure consideration is given to succession planning for the executive management;
- Establish and review annually and approve major changes to relevant policies;
- Approve the remuneration of non-executive directors on the board committees and make recommendations to shareholders for approval;
- Ensure that an adequate budget and planning process exists, measure performance against budgets and plans and approve annual budgets for the Company;
- Consider and approve the annual financial statements, interim results and dividend and distribution announcements and notices to shareholders;
- Assume ultimate responsibility for financial, operational and internal systems of control and ensure adequate reporting of these by respective committees; and
- Take ultimate responsibility for regulatory compliance and ensure that reporting to the Board is comprehensive.

Strategy

The Board is responsible for the Company's strategic direction. The Company strategic plan is reviewed and any updates presented by management annually and discussed and agreed with the Board. The Board ensures that the strategy takes account of any associated risks 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.

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 meetings are held when necessary. Directors are 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:

Name of Director	19-Feb	21-May	20-Aug	10-Dec
H Karuhanga	√	√	√	√
P Odera	√	√	√	√
P Mweheire	√	√	√	√
K Mbathi	√	√	√	√
S Sejjaaka	√	√	√	√
J Okot	√	√	√	√
B Mulwana	√	A	√	√
P Masambu	√	√	√	√
R Emunu	√	√	√	√

√ = Attendance; A = Apology;

Board effectiveness and evaluation

The Board is committed to continued improvements to its effectiveness and performance. The Board's performance and that of its committees is assessed annually against their respective mandates. The objective of these evaluations is to assist the Board and committees to constantly 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 and risk landscape. In 2013, 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, scope of authority, composition and procedures to be followed. All board committee mandates are annually reviewed 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 which requires the Board to appoint at least two non-executive directors to the committee.

In accordance with the Financial Institutions Act, the Board has appointed the members of the committee which is comprised solely of independent non-executive directors. Details of the committee members including their professional qualifications are set out on pages 14 and 15.

The role of this committee is to review the Company's financial position and make recommendations to the Board on all financial matters, risks, internal financial controls, fraud and IT risks relevant to financial reporting. This includes assessing the integrity and effectiveness of accounting, financial compliance and other control systems. The committee has a constructive relationship with the Head: Internal Audit, who has access to committee members as required. The committee also ensures effective communication between the internal auditors, external auditors, the Board, management and regulators.

The committee is responsible for, amongst other things, the internal control framework, which combines the Bank's three lines of defence model with the Bank's corporate governance framework. The three lines of defence model seeks to separate the relevant duties and ensure independent reporting lines to underpin effective internal control and risk management. More detail on the approach to risk management is provided in the risk and capital management section which starts on page 33.

Internal financial controls are in place to ensure the integrity of the Bank's qualitative and quantitative financial information, which is used by a variety of stakeholders. The Chief Financial Officer is ultimately responsible for implementing and maintaining internal financial controls.

Assurance of the effectiveness of internal financial controls is achieved through management confirmation that the financial governance controls and internal financial controls supporting the assertions in 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 complied with its mandate in the year under review, as well as its legal and regulatory responsibilities. Four scheduled meetings were held.

Name of Director	04-Feb	06-May	26-Aug	04-Nov
S Sejjaaka	√	√	√	√
R Emunu	√	√	√	√
B Mulwana	√	√	√	√

√ = Attendance

Board risk management committee

The Board is ultimately responsible for risk management. The main purpose of the committee is to provide independent and objective oversight of risk management within the Company. A number of management committees help the committee to fulfil 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.

Name of Director	05-Feb	07-May	05-Aug	05-Nov
R Emunu	√	√	√	√
P Odera	√	√	A	√
J Okot	A	√	A	√
P Mweheire	√	√	√	√

√ = Attendance; A = Apology; - = no longer committee member

A comprehensive risk management report is provided starting on page 33 which sets out 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 management credit risk 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.

Name of Director	04-Feb	06-May	05-Aug	04-Nov
B Mulwana	√	√	√	√
P Odera	√	√	A	√
J Okot	√	√	√	√

√ = 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; and
- 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 managers 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 context 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.

Name of Director	18-Feb
B Mulwana	√
K Mbathi	√
S Sejjaaka	√

√ = Attendance; A = Apology;

Company Secretary

The role of 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 as well as the ongoing 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 and dividend 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 registrars 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.

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.

The code specifies acceptable and unacceptable practices and assists in making ethical infringement easy to identify. It also promotes awareness of, and sensitivity to, ethical issues.

The Chief Executive is the formal custodian of the code of ethics and is ultimately responsible for its implementation.

Ethics incidents are reported via the ethics and fraud hotline, human resources department, risk department and business unit ethics officers. Reported incidents include fraud and human resources-related issues

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.

Variable pay

Annual incentive

Annual incentives are provided to ensure appropriate reward for performance. Incentive pools are allocated to teams shaped by a combination of overall bank and team performance within the set risk tolerance levels.

Individual awards are based on personal performance, both financial and non-financial. In some cases, a portion of the annual incentive above a certain threshold is deferred.

Deferral schemes

Deferred bonus scheme (DBS)

The bank has implemented a DBS to compulsorily defer a portion of incentives over a minimum threshold for some senior managers and executives. This improves alignment of shareholder and management interests and enables claw back under certain conditions, supporting risk management. All employees who are awarded an incentive over a certain threshold are subject to a mandatory deferral of a certain percentage of their bonus into the DBS for up to 42 months.

To enhance the retention component of the scheme, additional increments of the deferred bonus become payable at vesting and one year thereafter.

Claw back provision

A claw back provision was introduced on the deferred remuneration plan. A key provision in the plans is that unvested awards may be reduced or forfeited, in full or in part, at Remco's discretion subject to certain conditions and support by the Compensation Committee in Uganda.

Long term incentives

Share incentive schemes

The Standard Bank Group runs a Standard Bank equity growth scheme (EGS) and group share incentive scheme (GSIS) to which certain employees of Stanbic Bank Uganda are eligible to participate in. Participation rights under the EGS and share options under the GSIS are granted to qualifying employees. Grants of rights or options are typically made annually as part of the annual reward review; however grants are also made to new employees on appointment or as ad hoc awards for retention purposes. EGS and GSIS long term incentives are awarded to key talent and are motivated by an individual's current performance and future potential. No awards are made to non-executive directors.

No participation rights or options are issued at a pricing discount, nor can they be re-priced, except as provided for in terms of the scheme in relation to a reduction or re-organisation of the issued share capital of Standard Bank Group.

The table below sets out the general vesting conditions of the various options or participating rights issued. The Standard Bank Group directors have the discretion to vary the vesting categories but not the expiry periods.

Vesting category	Year	Cumulative vesting %	Expiry
A	3, 4, 5	50, 75, 100	10 years
B	5, 6, 7	50, 75, 100	10 years
C	2, 3, 4	50, 75, 100	10 years

Terms of employment

Retention agreements

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

Severance payments

Severance payments are determined by legislation, market 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 compensation of the Chief Executive is subject to an annual review process that includes the Board.

The disclosure of the remuneration of the highest paid employees who are not directors is considered competitor sensitive and after due consideration, the Board has resolved not to publish 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 appointees are required to retire at the following AGM where they then offer themselves for re-election by shareholders. In addition, one-third of non-executive directors are required to retire at each AGM and may offer themselves for re-election.

If supported by the Board, the Board then proposes their re-election to shareholders. There is no limitation on the number of times a non-executive director may stand for re-election. Proposals for re-election are based on individual performance and contribution.

Fees

Non-executive directors receive a fee for their service on the Board and a meeting attendance fee for board committee meeting. 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 comparative 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.

The table below shows the breakdown of directors' emoluments

Directors' emoluments 2013

Category	Services as Directors	Board committee fees	Cash portion of package	Performance incentives *	Other benefits	Pension contributions	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Executive directors	-	-	1 563 362	1 794 295	1 136 941	338 555	4 833 153
Non-executive directors	331 056	169 028	-	-	-	-	500 084
Former non-executive directors	-	-	-	-	-	-	-
Total	331 056	169 028	1 563 362	1 794 295	1 136 941	338 555	5 333 237

Directors' emoluments 2012

Category	Services as Directors	Board committee fees	Cash portion of package	Performance incentives *	Other benefits	Pension contributions	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Executive directors	-	-	1 800 895	1 172 081	1 634 707	135 572	4 743 255
Non-executive directors	297 538	84 910	-	-	-	-	382 448
Former non-executive directors	-	-	-	-	-	-	-
Total	297 538	84 910	1 800 895	1 172 081	1 634 707	135 572	5 125 703

* 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

Introduction

At Stanbic Bank Uganda limited (SBUL) sustainability is an integral part of our business strategy. We proactively embed sustainability thinking and sustainable business practices at every level of our business. We believe that our most important contribution to sustainable development is to operate an effective and profitable bank. By providing access to credit, savings and investment products, we enable individuals to improve their quality of life and enhance their financial security. By providing finance to large and small businesses we facilitate economic growth and job creation, and by financing infrastructure and the development of key sectors, we assist in resolving national challenges such as energy and food security, access to primarily health care, tourism, mining and information communications technology.

To this end we subscribe to the following pillars which under pin our strategy;

Positive employee engagement

We believe our people are at the heart of our business strategy. Our people and leadership teams underpin our sustainable competitive advantage. The attraction, retention and continuous development of our human capital is critical for our success.

Customer experience

Our customers – current and future – are the life-blood of our business. We will continuously review the key factors that make us the bank of choice, identify the critical things that we do for our customers and ensure that we remain relevant in the market place. We choose a nimble and proactive approach to our customers and leverage off the synergies between our business units to provide products, services and solutions to suit our customer needs.

Serving our Communities

We recognise that the long term sustainability of our business is dependent on the communities within which we operate. We also realise that socioeconomic factors affect our ability to deliver our strategic objectives. The banking industry is uniquely positioned to be a catalyst for change and development and our operations and activities are geared towards the development goals of the country while ensuring that there is an appropriate balance between short term achievements and long term development.

Our Services:

SBUL is recognized as a market leader in universal banking. With an in-depth understanding of the local market, our in-country team leverages on Standard Bank's experience in emerging markets globally to develop client-focused solutions customized to each client's unique requirements. We offer a comprehensive range of products and services that are reflected on page 28.

Our Mission: Transforming Lives for a Better Uganda

Our material issues

In formulating our strategy and determining our strategic priorities, we consider the full range of issues that influence the sustainability of our business and that of the social, economic and physical environment in which we operate and which, in turn, have a direct impact on our future viability. The process of identifying our material issues involves engaging with internal and external stakeholders groups through a number of initiatives, as well as considering our risk management processes.

An issue is material when it impacts our ability to remain commercially viable and socially relevant to the societies in which we operate. In particular, material issues are those that have a strong bearing on our stakeholders' assessments and decisions about SBUL's long-term sustainability and its commitment to their needs. We also take into consideration those factors that affect the financial stability and growth of the Ugandan economy and in turn our own business.

Our effectiveness in managing our material issues affects our ability to achieve our strategic objectives. The inputs into identifying our material issues are:

- Our strategy.
- Our values and code of ethics.
- Internal and external stakeholder engagement
- Dialogues between executive management.
- Risk management and regulation.
- Global challenges and Uganda national priorities.

As part of our sustainability management program, we develop systems to enable us to identify risk and opportunities. From these we establish our sustainability objectives which are aligned to our strategic business deliverables and help us address our material issues.

At the close of 2013 our material issues were sustainable long term financial performance; governance, regulation and stakeholder engagement, sustainable and responsible financial services, socioeconomic development and a positive and consistent employee experience. Further detail is reflected on page 29.

Stanbic Bank Uganda: Products and Services

Corporate and Investment Banking (CIB): Transactional Products and Services			
Trade Finance - Letters of Credit - Bid Guarantees - Performance Guarantees - Advance Payment Guarantees - Avalisation - Import/Export Loans - Invoice Discounting - Bills for Collection	**Cash Management** - Cash in Transit - Collect Plus (Courier) - Electronic Banking - Bill Payments - Liquidity Management - Payments and Receivables Solutions	**Investor Services** - Custody - Fiscal Agency - Facility Agency	**Investment Banking (IB)** - Debt Capital Markets - Equity Capital Markets - Advisory - Asset Finance - Syndications
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 Bill - Fixed Income - Treasury Bonds	**Project Finance**	

Personal Business Banking (PBB): Transactional Products and Services		
Personal and Business - TransactPlus (local and foreign currency) - Personal and Business Current accounts (local and foreign currency) - Executive Banking - Private Banking	**Savings and Investments** - Personal and Business PureSave (local and foreign currency) - Contract Save - Bonus Investment - Personal and Business - Fixed Deposit account	**Lending (Personal)** - Salary Loan - Fixed Term Loan - Revolving Term Loan - Revolving Line of Credit - Re-finance Home Loans - Building Loan - Equity Release Loan - Vehicle and Asset Finance
Trade Finance - Letters of Credit - Bid Guarantees - Performance Guarantees - Advance Payment Guarantees - Import/Export Loans - Invoice Discounting		**Lending (Business)** - Overdraft - Tax Loan - Agriculture Loan - Business Term Loan - Property Finance - Vehicle and Asset Finance

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)	

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.
Customer Care contacts: 0800150150/0800250250 (toll free)
For international callers: +256 414 340788

Managing our material issues

Material issues	Key sub catergories	Performance indicators (How we fared in 2013)
Sustainable long term financial performance	Maintaining and enhancing our balance sheet strength	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.
	Driving operational excellence by balancing investments in business growth and IT with cost management	Cost to income ratio: **57.4%** 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.
	Management of credit impairement losses	Credit loss ratio **3.03%** in 2013 : (7.32% in 2012). The lag effect of the high interest enviroment of 2012 adversely affected our diverse and multi sectoral borrowing customer base and inevitably resulted in credit losses . We are glad to report that at the close of 2013 credit losses dropped by 61% to **UShs 45bn** : (116bn in 2012)
Governance , regulation and stakeholder engagement	Ensuring good governance practices and strong productive relationship with the central bank as regulator	Full adoption of the Financial consumer protection guidelines and transparency of our progress reported biannually to Bank of Uganda. We fully suport the Anti Money Laundering legislation in Uganda for this protects the integrity of the financial services industry in Uganda and the region.
	Engaging transparently with our stakeholders and responding appropriately to their needs	Continued engagement and feedback from various stakeholder groups reported to SBUL board to inform decision making.
	Ensuring an excellent customer experience	We aligned and improved our complaints and query management procedures and actions in response to internal and external customer feedback.
Sustainable and responsible financial services	Treating customers in a fair manner	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 .
	Secure financial services	We priortorised Know Your Customer (KYC) and Anti Money Laudering efforts in all that we do as a bank.
Socioeconomic development	Creating wealth for the communities in which we operate	Wealth created in 2013: **UShs 180bn** (2012: UShs 294bn)
	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 (*Agriculture, tourism, mining, oil and gas , manufacturing , information communications development, Housing development)*	Lending to primary growth sectors constitutes nearly **half** of our loan book for the second year running (**47%** in 2013; 51% in 2012).
A positive and consistent employee experience	Becoming an employer of choice through best practice in people management.	**1,903** employees (2012: 1,859). Labour turnover. 14.66% (2012: 12.51%)
	Growing leadership capability.	Training spend up 58% from UShs 2.4bn in 2012 to **UShs 3.8bn** in 2013

Stakeholders

We build and maintain strategic relationships with stakeholders, to enable proactive engagement, manage social expectations, minimize reputational risk and influence the business environment.

Key issues raised by various stakeholders in 2013. (See table below)

Stakeholder	Issue raised	Our response
Suppliers	Clarity on bidding and payment procedures for suppliers.	Held supplier workshops that focused on bid preparation, invoicing, taxes involved, opportunities within the bank, quality expectations, procedures and contact persons.
Media	Knowledge of our business locally and our parent company - the Standard bank group and capacity building opportunities.	We sponsored one member of the media to the media forum in Johannesburg.
Shareholders	One occassion per year (AGM) not adequate for shareholders to keep abreast of company performance.	We intend to hold investor awareness meetings going forward.
Regulators and Supervisors	Consumer protection and financial literacy.	We co-authored the financial literacy handbook in conjuction 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.
Financial Analysts	Clarity on our financial performance as a bank.	We participated in investor meetings to review opportunities in the market and other business issues.
Customers	Long queues,expensive and poor service.	We will install point of sale machines (POS) in schools in the marketplace to help decongest our banking halls and ensure that customers can transact conviently. Our unsecured lending loan offering is competitive in the market and lower rates are expected in the year. We intend to keep our personal markets fee charges competitive and focus on service.
Community	Survial in challenging times	Executed financial literacy programs.

Key stakeholder issues in 2012: Our progress so far (See below)

	Shareholders	Employees	Customers	Community
Issue raised in 2012	One occassion per year (AGM) not adequate for shareholders to keep abreast of company performance	Debt management	Card fraud	Survial in challenging times
Our response to issues raised in 2012	Investor road shows will be organised in each region of the country.	Counseling and financial resilience training	Increased customer education and awareness; intensified preventive campaigns with dedicated resources in our customer care centres	Executed financial literacy programs.
How we fared against our 2012 responses	We unfortunately were unable to hold investor road shows in each region of the country in 2013 but we have planned investor awareness meetings going forward	Throughout the year we held counseling "managing my money" trainings for staff in all the regions that also involved finacial resilence training regarding debt management.	We published several segments in the media during the year sensitising customers and vendors on matters of card fraud and the preventive actions available to them. We also focused on staff awareness across our vast network.	Executed financial literacy programs as detailed in our CSR update.

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 buyer of goods 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 UShs 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).

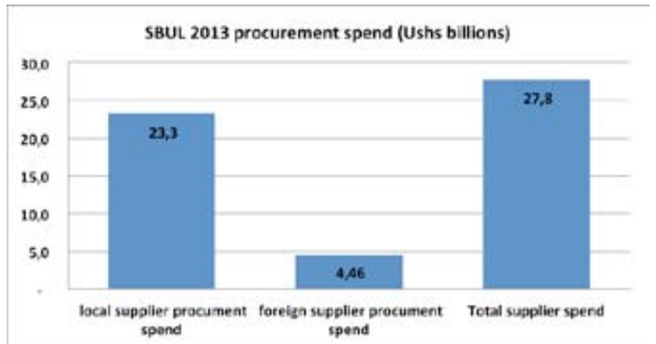
Ushs 50 bn was distributed to the Ugandan government in form of taxes: (Ushs 52 bn in 2012).

Ushs 100 bn was paid in dividends to shareholders both ordinary and non controlling interests, up from Ushs 70 bn in 2012.

Our procurement practices: Sustainability in the supply chain.

The bank operates a strict procurement process that ensures that small Ugandan businesses and suppliers benefit from the bank's procurement spend. We consider our suppliers an important component of our value chain and therefore strive to nurture an economically productive relationship in which SBUL supports local businesses.

Therefore as part of our economic impact on society in 2013, we spent Ushs 27.8 bn buying goods and services from suppliers. Of this, Ushs 23.3 bn (or 84% of our procurement spend) was paid 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 collaborate 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.

Value added statement for year ended 31st December 2013	2013 shs'000	% of wealth created	2012 shs'000	% of wealth created
Value added				
Interest income	284,985,795		348,918,145	
Commission fee income	98,618,049		115,157,313	
Other revenues	100,785,323		96,677,243	
Interest paid to depositors	(37,228,207)		(52,225,935)	
Other operating expenses	(267,417,922)		(214,892,549)	
Wealth Created	**179,743,038**		**293,634,217**	
Distribution of wealth				
Employees	104,967,207	58%	88,610,597	30%
Government	50,322,495	28%	51,740,822	18%
Shareholders - (dividends)	100,000,000	56%	70,000,000	24%
Corporate Social Investment (CSI) spend	502,000	0%	284,563	0%
Retentions to support future business growth	(76,048,665)		82,998,235	
Wealth Distributed	**179,743,038**		**293,634,217**	