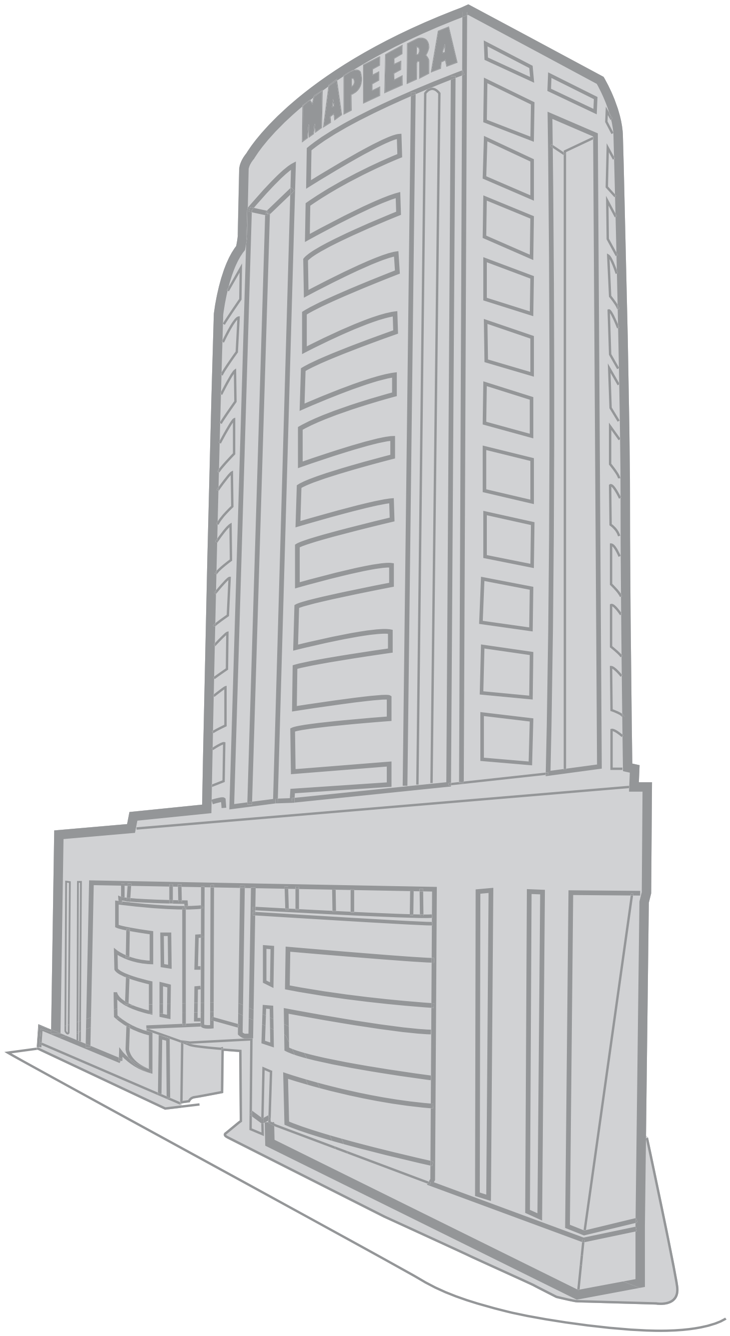
Centenary Bank



ANNUAL REPORT 2013

Centenary Bank won the Silver Award - Financial Reporting in Uganda

Centenary Bank

...our bank

ANNUAL REPORT 2013

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List of Acronyms

ABI	aBi Finance Ltd
ACF	Agricultural Credit Facility
ALCO	Asset and Liability Committee
ATM	Automated Teller Machines
BOU	Bank Of Uganda
CBS	Core Banking System
EaR	Earnings at Risk
EIB EAC MF Loan	European Investment Bank East African Community Microfinance Loan
EIB PEF	European Investment Bank Private Enterprise Finance Facility
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
KCCA	Kampala City Council Authority
N.S.S.F	National Social Security Fund
NPAT	Net Profit After Tax
P.A.Y.E	Pay As You Earn
ROA	Return on Assets
ROE	Return on Equity
RSA	Interest Rate Sensitive Assets
RSL	Interest Rate Sensitive Liabilities
SIDI	Solidarite' Internationale pour le Development et l' investissement
SOCI	Statement of Comprehensive Income
SOFP	Statement of Financial Position

Centenary Bank was voted as the Best Ugandan Bank
at the People's Choice Quality Awards

Vision, Mission, Strategy and Ownership

Our Vision:

"To be the best provider of Financial Services, especially Microfinance in Uganda."

Our Mission Statement:

"To provide appropriate financial services especially microfinance to all people in Uganda, particularly in rural areas, in a sustainable manner and in accordance with the law."

Our Values:

- Superior customer service
- Integrity
- Teamwork
- Professionalism
- Leadership
- Excellence
- Competence

Strategy

Centenary Bank (the Bank) has continued its growth momentum in terms of profitability and total assets. This has been reached through its continued focus on strategy execution. The Bank has continued to live up to its purpose through the provision of microfinance services and this will remain the focus for the coming 3-5years. However, to reduce business risks, the Bank diversified its activities to include lending to small, medium size enterprises and large corporations to reach the middle and higher-end markets in order to provide services to sectors that are complimentary to its target markets and customers.

The Bank has in place the infrastructure and systems that promote efficiency and improve customer service. The bank opened several delivery channels including CenteMobile. In the period under review and as per the plans, the Bank opened eight new service channels (four service centers and four offsite ATMs); thus increasing its footprint in the country. Mapeera House continues to increase the Bank's brand visibility with a wing catering for high end customers who are served at the Platinum and more services accessed at Lugogo Branch. The Bank continues to improve on its processes to reduce on Turnaround Time through process refining.

In 2013 the Bank increased its growth in deposits and loans. The Bank continues to participate in the Government's poverty alleviation programmes to help improve the living conditions of the rural poor through loan products such as Home Improvement Loans and Salary Loans as well as through various savings schemes to promote the saving culture. The Bank will continue to find ways to serve rural customers in a better and more efficient manner and will also continue to strive to reinforce its number one position in rural banking and microfinance services.

During the same year, the Bank embarked on a key process of replacing its core banking system which will support new products and improve on service delivery.

Communication remains a key component in strategy execution supported with existing structures and systems and there is an increasing unity of staff through centefusion and an electronic information SharePoint that is available to all staff, in addition to the use of email. Staff are motivated to achieve the objectives in the strategic plan through shared values.

In summary, the Bank will continue to pursue its strategic objectives under a global and local operating environment. 2014 remains positive and the Bank is confident that it will maintain and increase its market share through opening up new strategic delivery channels, rolling out more electronic products, getting on agency banking and ensuring that customer service is upheld.

2014 is a year of increasing productivity and efficiency through increased automation and outsourcing non-core business activities and that will translate into better customer experience. The Bank will leverage on Telecom platforms that will see us increase financial inclusion of the rural poor, thus achieving the Bank's dream of being "the bank for all Ugandans".

Outlook for the Year 2014 and beyond

The Bank anticipates a stable macroeconomic environment. Inflation is forecast to remain under control due to expected favorable conditions. The exchange rates are expected to be more stable due to increasing efforts by government to encourage export of more goods and services.

The Bank plans to achieve operational excellence by optimizing the allocation of the Bank's scarce human and financial resources through improved efficiencies. The Bank plans to optimize costs in order to achieve better cost income ratio and to simplify and refine processes for better turnaround time. . The Bank expects to increase its revenue through the growth of non-funded income and its loan base by a combination of increased deposit growth and external borrowing.

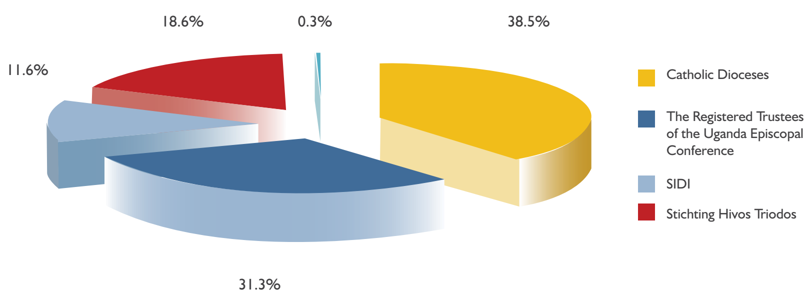
Going forward the Bank is determined to improve customer satisfaction through customer segmentation and improved service delivery and new products. The Bank aims to increase its market share especially in the micro finance sector through linkage banking initiatives and strategic partnerships.

The Bank will continue to empower its employees to drive the Bank`s business through training, better employee relationship programmes, effective methods of internal communication and the development of a culture of execution and accountability.

The Bank is set to renew its core banking software as well as deliver an efficient IT platform for its customer service.

Ownership

The Catholic Dioceses of Uganda	38.5%
The Registered Trustees of the Uganda Episcopal Conference	31.3%
SIDI	11.6%
Stichting Hivos-Triodos Fonds	18.3%
Individuals	0.3%
Total	**100%**



Shareholders

- The Catholic Dioceses, which are all independent legal personalities as Registered Trusteeships, are: Arua, Fort Portal, Gulu, Hoima, Jinja, Kabale, Kasana-Luwero, Lugazi, Kampala, Kasese, Kotido, Lira, Masaka, Mbarara, Mityana, Moroto, Nebbi, Soroti, and Tororo.
- Registered Trustees of the Uganda Episcopal Conference.
- SIDI-Solidarite' Internationale pour le Development et l'Investissement (International Solidarity for Development and Investment) based in France.
- STICHTING HIVOS-TRIODOS FONDS. An investment fund, specializing in investing in microfinance and trade finance, managed by Triodos Investment Management in the Netherlands.
- Individual shareholders (4 individuals).

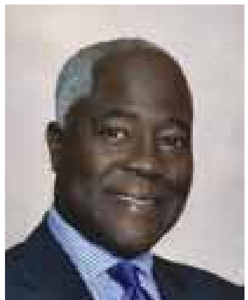
Board of Directors

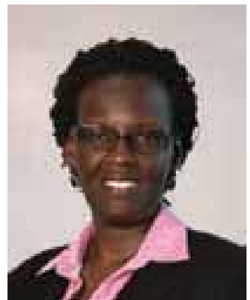
The Directors who held office during the year were as follows: -

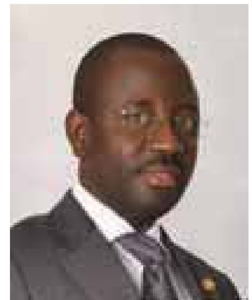
Prof. John Ddumba Ssentamu	-	Board Chairman
Mr. Fabian Kasi	-	Managing Director
Dr. Simon M.S. Kagugube	-	Executive Director
Mr. Jacco Minnaar	-	Member (Chairman ALCO Committee)
Mr. Kimanthi Mutua	-	Member (Chairman Risk & ICT Strategy Committee)
Dr. Peter Ngategize	-	Member (Chairman Credit Committee)
Mr. Henry Kibirige	-	Member (Chairman Audit Committee)
Mr. Andrew Obol	-	Member (Chairman Compensation and Human Resources Committee)
Mt. Rev. Dr. Cyprian K. Lwanga	-	Member
Mt. Rev. Paul Bakyenga	-	Member
Mr. Rene Ehrmann	-	Member

The Executive Management


Mr. Fabian Kasi
Managing Director


Dr. Simon M. S. Kagugube
Executive Director


Mrs. Peninnah Kasule
Company Secretary

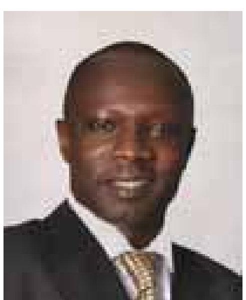

Mr. Godfrey By ekwaso
General Manager - Finance


Mr. Joseph Kimbowa
General Manager - Operations


Mrs. Beatrice Lugalambi
General Manager - Business Development & Marketing


Mr. Joseph Lutwama
General Manager - Credit


Mr.s. Florence Mawejje
General Manager-Human Resource


Mr. Denis Echeru
General Manager - Risk Management & Compliance


Mr. Arnold Byansi
General Manager-Coperate Services


Mr. Micheal Nyago
General Manager - Audit


Mr. George K. Thogo
General Manager - Business Technology

Centenary Bank won the Best Banking Services accolade
in the Kampala City Traders Association (KACITA) Quality Awards
for the second time

Corporate Governance

Approach

The philosophy of the Bank is that best corporate governance should be engrained and intrinsic in all the processes, structure and culture of the Bank. This is in harmony with the objectives of good corporate governance which seeks to protect stakeholders' interests by balancing entrepreneurial leadership with transparency and control mechanisms, without compromising value creation and efficient decision-making. The Bank endeavors to establish and maintain good governance and risk management systems and practices.

The Bank's risk management function is responsible for identifying and understanding the different types of risks faced, internally and externally, locally and internationally and for measuring and managing them accordingly through established and emerging risk management methodologies. The Bank has a clearly identified enterprise risk management framework that emanates from sound governance principles maintained at board levels, both at head office and through the various functional structures. The risk objectives are integrated and aligned with the Bank's wider business development and management objectives.

The Bank is a member of the Institute of Corporate Governance of Uganda and subscribes to promoting corporate governance in various institutions in the country. Members of the Board and senior management also subscribe to the Institute.

Codes and Regulations

The Bank operates in a highly regulated industry with corporate governance principles largely promoted through appropriate legislation and regulations, against a backdrop of the Bank's own internal standards articulated in a Corporate Governance Charter. The Bank considers good governance as one of the pillars for sound operation of its business, performance and sustainability hence its commitment to compliance with legislation, regulation, codes and guidelines of best practice. The Bank seeks to maintain high standards of governance, including transparency, accountability and fairness to all stakeholders and these are regularly evaluated against relevant local and international best practice, including the King code in order to embrace current best practice.

Board Structure

(i) Structure

The Bank has a unitary Board in which the executive and non-executive directors are brought together in a single structure and share collective responsibility. The authority of the Board is therefore vested in the collective body.

(ii) Appointment

Directors are appointed based on a competency profile and rotation criteria that ensures there is a sound mix of relevant skills, experience and continuity for good leadership to the Bank.

The Board of Directors is appointed by the Shareholders for a term of 3 years in line with the Articles of Association and all appointments including those of any alternate directors are subjected to regulatory vetting and approval. The Bank's approach is that directors need sufficient time to understand the business to usefully apply their skills and this can be achieved and demonstrated over a medium tenure hence preference for the said term which also promotes stability. Retiring directors also qualify for reappointment which promotes continuity for the Board.

In appointing directors, the shareholders take into account, and balance relevant skills, experience and geographical representation. The directors' skills and experience covers:

- Micro finance in line with the Bank's mission and vision
- Financial and commercial banking skills
- Operational experience and capital management
- Regulatory experience
- Risk management and financial control expertise
- Corporate planning

The roles of the Board Chairman and the Chief Executive Officer/Managing Director are separate and distinct with the Chairman of the Board of Directors being a non executive director. To maintain independence, the Chairman of the Board is not a member of any of the specialized committees of the Board of Directors specified under the Financial Institutions Act (including Audit, ALCO, Risk and Compensation). The Bank also has a clear formal demarcation of responsibilities between the Board and Management with the Board providing strategic oversight, has the responsibility to ensure that the company has effective management, and has ultimate responsibility for the functioning of the Bank and its sustainability. Management on the other hand is in charge of the Bank's day-to-day operations.

The Board is accountable for all decisions taken by its committees and for its delegation to management of the business and affairs of the Bank. This delegation is reviewed regularly in light of business developments to ensure that the Board canvasses and devotes attention to any emerging strategic issues; such review has seen the instituting of a Board IT (Strategy) Committee for Board oversight on the increasing role of IT in the delivery of banking services and the new business landscape with the advent of telecom companies in the financial services arena.

(iii) Induction and Training

On appointment, every new director receives a comprehensive induction pack containing a wide range of information on the Bank. The Director is placed under an orientation program which includes site visits, training on corporate governance, a review of the relevant legislation and regulations, one-on-one meetings with the Chairman and senior management. Annual refresher programmes are arranged in-house and externally for all directors in areas concerning responsibilities and legal obligations of a director, corporate governance, corporate strategy and planning and risk management.

Personal training is also availed to address individual directors' unique needs. All directors are encouraged to subscribe for membership with an institute in corporate governance.

As part of the Board of Directors' annual work plan, the directors are expected to make site visits.

The general training plan for the directors for 2013 included:

- Board & Management workshop on Employment Laws
- Corporate Governance workshop (King III recommendations & new best practices).

Remuneration

Directors' remuneration is approved by shareholders and is determined by the directors' scope of responsibility and market surveys in order to obtain sufficient and competitive remuneration in line with the shareholders philosophy on remuneration of directors. The Board in turn approves the remuneration of Executive Directors and senior management also premised upon a philosophy of the position the Bank wishes to have in the industry as well as taking into account performance targets of the business, individual senior executives' achievements of targets, external norms and benchmarks. No member of management is present during proceedings when the members' remuneration is discussed to avoid conflict of interest.

(iv) Board Responsibilities

The key responsibilities of the Board include the following:

(i) Establish strategic objectives and corporate values and ensure that these are understood within the organization.
(ii) Reviewing management performance and monitoring progress towards set objectives.
(iii) Set and enforce clear lines of responsibility and accountability throughout the organization including clear demarcation of responsibilities between the Board and Management and develop a position/job description for the Managing Director [CEO].
(iv) Establish approval authority of different levels of Senior Management and ensure there is appropriate oversight by management.
(v) Having timely and frank discussions of problems and issues in relation to the Bank including its financial affairs and risk management processes.
(vi) Ensure that Board meetings are held at least once in every quarter of the financial year.
(vii) Recognizing the importance of audit process and communicating its high importance throughout the Bank, and utilizing in a timely and effective manner the findings in internal and external audits and timely correction by management of problems identified by auditors.
(viii) Approve compensation of Senior Management and other key personnel.
(ix) Enforce sound corporate governance in the Board, Senior Management and organizational structures, incentive structure, nature and extent of transactions with affiliates and related parties, Board mandate, composition of the Board, Board's expectation of management and ensure feedback received from stakeholders is documented and addressed.
(x) Ensuring that the Bank remains a going concern.

(v) Board meetings

The Board and its committees convene quarterly for compliance with both regulatory requirements and equally so for addressing the business needs of the Bank. In addition to the statutory committees the Board has 3 additional committees to oversee the Bank's own needs; these are; IT (Strategy) Committee, Credit (Risk) Committee and the Shareholding Review Committee. The Board also convenes additional meetings at least once a year for strategic planning and training respectively.

One of the formal and also required arrangements through which directors perform their responsibilities to the Bank is attendance of Board meetings. The Board further subscribes to a code of conduct at its meetings to maintain an open and inclusive atmosphere which promotes accountability. Quorum for all meetings is made of non executive directors to enhance engagement and objectivity.

The Board maintains an annual work plan to facilitate adequate planning and preparation. As a standard and also in line with the regulatory requirements the Board and all its respective committees convene at least quarterly. A register of attendance is maintained and individual directors attendance is monitored and evaluated regularly, along with the membership of the respective committees.

(vi) Board Committees

The Board Committees mainly comprise of the specialized committees required under the Financial Institutions Act and regulations, and all committees have clearly defined written Terms of Reference setting out their role and function, term, responsibilities and scope of authority. The committees perform a significant role in assisting the Board in the performance of its duties by providing deeper analysis. The mandates of the "specialized" committees comply with the relevant legislation, regulations and best practice. Each committee submits a comprehensive quarterly report to the Board of Directors on their respective activities and recommendations. Directors have full access to the documentation of all committees. The Board of Directors also reviews the performance of all its committees annually against the approved Terms of Reference. Adjustments may be made to such terms where necessary to ensure committees are highly effective, accountable and enhance Board oversight in line with the agreed scope of activities, priorities and their changing roles. The chairpersons and members of the committees are appointed by the full Board.

A. Board Audit Committee

The Board Audit Committee is comprised of independent non-executive directors who are suitably qualified for the committee to perform its mandate. The Board Chairman and the Managing Director and the Head of the Audit function attend the Audit Committee meetings by invitation only, the later being in attendance regularly to present to the Committee.

Communication between the Board, executive management, Internal Audit and External Auditors is encouraged. Accordingly the committee meets with management after its meetings to provide management with a sense of its areas of concern requiring intervention. The committee's key terms of reference are as follows:

- Oversee financial reporting to ensure a balance, transparency and integrity of published financial information
- Review the effectiveness of the Bank's internal financial controls and risk management system
- Monitor the effectiveness of the internal audit function
- Ensure the independence of the audit process
- Appoint and access the performance of the external auditor
- Oversee the Bank's process for monitoring compliance with laws and regulations affecting financial reporting

B. Board Risk Management Committee

The purpose of the Risk Management Committee is to oversee the Bank's risk management systems, practices and procedures to ensure effectiveness in risk identification and management as well as to ensure compliance with internal policies and Bank of Uganda regulation.

The committee's main terms of reference include:

- Setting the Bank's risk governance structure to ensure that there is a clearly defined mandate and delegated authorities within the structure.

- Reviewing of operational risk exposure in respect to IT operations, people, organizational and regulatory compliance levels, business continuity, money laundering issues, disaster recovery measures, key control standards, expansion, competition and frauds.
- Ensuring that the level of operational risk within Centenary Bank is identified, monitored and remains within agreed risk tolerance levels approved by the Board.
- Reviewing monthly operational risk assessment reports (The operational risk template and the operational risk dash board).
- Reviewing operational risk associated with the launching of any new products or services.
- Reviewing Business Continuity testing schedules to ensure that plans remain "fit for purpose" at all times.

C. Asset and Liability Committee (ALCO)

To ensure that all assets and liabilities are managed for optimum returns within the agreed fundamental guidelines through:

a. Establishing guidelines on the Bank's tolerance for risk and expectation from investment;
b. Setting specific financial targets for the Bank and monitoring management`s performance against those targets;
c. Monitoring of the Bank's capital; and
d. Ensuring that management implements the assets and liability policy of the Bank.

D. Board Credit Committee

The primary role and responsibility of the credit committee is to:
a. Review the Bank's credit risk, including performance trends, concentrations, loan quality and provisions;
b. Ensure alignment between the Bank's credit strategy and its risk appetite for compliance with the Financial Institutions Act; and
c. Approve all insider loans, in addition to large exposures whose limits are reviewed regularly.

E. Board Human Resource & Compensation Committee

The primary role and responsibility of the committee is to:

a. Provide oversight in respect of compliance with the Financial Institutions Act 2004 and the Employment Act. During the year the Board conducted a further review of the latter for alignment of its policies with the new employment regulations.
b. Review and recommend to the Board terms and conditions of service for Senior Management staff and review their performance annually.
c. Assist the Board to discharge its human resource management mandate and obligation in terms of attracting, retaining and utilizing qualified and competent human resources.

d. To ensure that management promotes and/or maintains a conducive working environment, good employee relations, good customer care and service throughout the bank, and a culture of merit and professionalism that evolves, thrives and percolates throughout all categories of employees.

F. Shareholding Review Committee

The primary role and responsibility of the Board Shareholding Review Committee is to preserve the integrity of the Bank's shareholding structure and provide a platform for discussion of matters of interest to the Bank's substantial shareholders while upholding the fiduciary duty of directors to act in the best interest of the Bank as a whole.

The Bank also consults with all its shareholders preceding the Bank's Annual General Meeting. At these consultative meetings shareholders receive the Board of Directors' proposals on shareholding issues raised. This forum provides a platform for engaging the shareholders and building consensus that would ultimately form a resolution at a general meeting of shareholders. During the consultative meetings, shareholders are permitted to bring in delegates who are experts on the subjects at hand to discuss with the Board.

All directors are required and attend the meetings with the shareholders. During the year one shareholders consultative meeting and Annual General Meeting was held and a summary of representation of shareholders and attendance of directors is as below:

Event	Total No. of Shareholders	No. of Shareholders present	Attendance
Annual General Meeting & Shareholders' Consultative Meeting	26	21	21/26
Event	Total No. of Directors	No. of Directors Present	
Annual General Meeting & Shareholders' Consultative Meeting	11	9	9/11

G. IT Strategy Committee

The Board IT Strategy Committee provides strategic leadership and governance of the Bank's IT resources, services and initiatives, to facilitate direction, oversight, monitoring & evaluation by the Board.

The overall objectives of the IT Strategy Committee are to ensure that the Board:

a. Understands and focuses on the strategic importance of IT, as well as key issues and systems to manage IT risks and constraints.
b. Provides direction and oversight on IT activities, as well as monitors and evaluates the impact of investments, initiatives and strategies employed.
c. Places emphasis on driving and supporting business strategies and objectives.
d. Formulates and regularly reviews the TOR of this committee.

H. Delegation of Authority and Effective Control

There is clear segregation of responsibilities between the Board and management and between the role of the Chairman of the Board and Managing Director. Accordingly the Board provides strategic oversight and has the responsibility to ensure that the Bank has effective management, while management is in charge of the Bank's day-to-day operations.

Authority has been delegated to the Managing Director to manage the business.

There is a clear appreciation of the four eyes principle under the Financial Institutions Act. The Bank has two Executive Directors including the Managing Director. The Executive Director is a member of the Board of Directors.

The Board operates within an established structure that ensures that there are adequate processes in place to monitor operations. An assessment of how well the Board works and its contribution is vital to the achievement of the objectives of the Bank and is done on a regular basis.

I. Company Secretary

The Board has a service of a full time Company Secretary. This position is a central source of guidance and advice to the Board collectively and to its members on matters of governance and compliance. Accordingly the Company Secretary ensures that Board members are cognizant of their duties and responsibilities in consonance with legislation and current best practice and that they are versed with changes in the relevant laws and governance thinking and trends. The Company Secretary in consultation with the Chairman assists individual directors identify training relevant to the identified needs of the respective directors and assists the Board in accomplishing their annual work plan and strategy.

The Company Secretary also plays a pivotal role in relaying decisions of the Board to management for its implementation.

J. Planning Strategy

The Board in one of its primary roles concerns itself with strategic direction. The Board considers and approves the Bank's objectives and the strategy and plans to achieve these objectives and which is used to measure management performance. At an annual meeting with management, the Board reviews management's performance against the approved strategies, objectives and financial plans. Through a forward planning process and outlook, the Board determines areas of improvement and aspects of its activities and business that it will assign high priority. With a continuum of changes in the environment including new legislation, new financial services delivery channels, the advent of consumer protection, increased consumer expectations, corporate governance practices, these are analyzed and an impact assessment made on the risks and opportunities they bring for strategy. Management's performance is monitored regularly on its achievement of the agreed key strategic objectives. Management performance is subsequently evaluated against the same through a Balanced Score Card.

K. Risk Management

The Board has ultimate responsibility for risk management, which includes evaluating key risk areas and ensuring that processes for risk management and systems of internal control are implemented. To assist in fulfilling this duty, the Board has appointed a number of Board Committees. There are also a number of management risk committees in place to monitor and implement risk policies at different levels within the Bank structure.

Management has an Executive Committee comprised of all heads of division who support the Executive Directors to manage the business and all affairs of the company. The office of the Company Secretary is responsible to relay Board of Directors' decisions to Management as well as assist compliance of all Board delegated authorities between the respective players.

L. Compliance

Compliance is integral to the Bank's culture. The oversight of compliance risk management is delegated to the Audit Committee charged with reviewing and approving the annual compliance plan.

The impact of new and proposed legislation and regulation is assessed by Management and recommendations submitted to the Board through the Risk Management Committee.

The Bank is compliant with all new legislation and regulations mainly the Companies Act, the Employment Act & Regulations and the Financial Institutions Consumer Protection Guidelines instituted by the Central Bank.

The Bank sponsors a defined contribution provident fund for its staff and this is compliant with the Uganda Retirement Benefits Regulatory Authority Act 2012. The scheme is managed separately from the Bank in accordance with applicable laws and best practice with the required employee representation thereon. The Bank has a compliance function which among other things monitors the ethical conduct of the Bank and considers the development of ethical standards and requirements. The function also reviews complaints handling and reporting procedures.

M. Going Concern

The Board has reviewed the facts and assumptions on which the Bank is operated and based on these, continues to view the Bank as a going concern for the foreseeable future.

N. Governance Journey

The Board is aware that corporate governance principles and best practice evolve and that there is always room for improvement for the institution.

The Bank has therefore maintained a practice of monitoring corporate governance developments and evaluating them to ensure that the Bank adopts principles and practices that are relevant and best fit and serve to enhance business and community objectives.

Centenary Bank was the 1st Runner up - Banking Services category
in the 2013 Financial Reporting Awards

Financial Definitions

Profit for the year (Shs)	Annual profit attributable to ordinary shareholders and preference shareholders
Earnings per share (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares
Return on Equity (%)	Earnings as a percentage of average equity
Return on Assets (%)	Earnings as a percentage of average total assets
Net interest margin (%)	Net interest income as a percentage of average earning assets
Credit loss ratio (%)	Provision for credit losses per the Statement of Comprehensive Income as a percentage of average net loans
Percentage change in the impairment charge (%)	Ratio of change in the rate of impairment charge between time periods
Percentage change in credit loss ratio (%)	Ratio of change in the rate of credit loss impairment between time periods
SOFP credit impairment as a % of gross loans and advances (%)	Ratio of SOFP credit impairment to gross loans and advances
Non-performing loans [NPL] (Shs)	Loans whose servicing is due but the borrower has no money on the account from which to recover the installment(s)
Credit loss impairment [Statement of Financial Position (SOFP)] (Shs)	The amount by which gross loans in the SOFP are written down to cater for non-performing loans
Credit impairment charge (Shs)	The amount by which the period profits are reduced to cater for the effect of non-performing loans for the period
Cost-to-income ratio (%)	Total operating expenses as a percentage of total income
Effective tax rate (%)	The income tax charge as a percentage of income before tax excluding income from associates
Dividend per share (Shs)	Total ordinary dividends declared per share with respect to the year
Dividend cover (times)	Earnings Per Share divided by ordinary dividend per share
Price earnings ratio (%)	Closing share price divided by headline Earnings Per Share
Dividend Yield (%)	Dividend per share as a percentage of closing share price
Core capital	Permanent shareholders equity in the form of issued and fully paid-up shares plus all disclosed reserves less goodwill or any intangible assets
Supplementary capital	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize, and revaluation reserves on banking premises, and any other form of capital as may be determined from time to time.
Total Capital	The sum of core capital and supplementary capital
Total Capital Adequacy	Total capital divided by the sum of total risk weighted assets and total risk weighted contingent claims
Lending Ratio	Net loans and advances divided by total deposits

Performance against Financial Objectives in 2013

Return on Equity (ROE)	Objective: Return of 27.4% Performance: ROE of 25.3% was achieved (2012: 30.3%).
Earnings	Objective: Earnings to increase to exceed inflation by 10% of the previous year. Performance: The average inflation rate for 2013 was 5.4%. Earnings increased by 5.7% which is below average CPIX by 9.7%.
Return on total assets (ROA)	Objective: ROA of 5.5% Performance: ROA of 4.5% was achieved (2012: 5.3%).
Cost to income ratio	Objective: A ratio of 70.0% Performance: A ratio of 74.2% was achieved (2012: 71.2%).
Provision for credit losses	Objective: Statement of comprehensive income (SOCI) charge - 1.1% of the gross loan portfolio Performance: SOCI charge of 1.4% of loans and advances was recorded (2012: 1.1%).
Net loans to deposit ratio	Objective: A ratio of 60% - 80% Performance: A ratio of 69.6% was achieved (2012: 68.0%). Loans grew faster relative to the deposits.

Financial Highlights -
Extracts from the Financial Statements

	2013 Shs '000	2012 Shs '000	% +/-
Financial data			
Total assets	1,451,039,532	1,122,415,626	29.3
Shareholders' funds	253,337,071	204,468,442	23.9
Total deposits	965,891,194	818,478,708	18.0
Net loans and advances	672,307,038	556,959,785	20.7
Total income	275,579,308	240,459,902	14.6
Total expenses	204,356,533	171,155,223	19.4
Profit before income tax	71,222,775	69,304,679	2.8
Profit after income tax	58,005,547	54,901,186	5.7
Key performance ratios			
Cost to income ratio	74.2%	71.2%	-3.0
Return on assets	4.5%	5.3%	-0.8
Return on equity	25.3%	30.3%	-5.0
Lending ratio	69.6%	68.0%	1.6
Total expenses to loan ratio	30.4%	30.7%	0.4
Capital adequacy ratio (Tier 2)	28.6%	26.9%	1.7
Non-financial data			
Number of depositors	1,240,077	1,300,479	-4.6
Number of ATMs	147	136	8.1
Number of branches and Service Centers	62	57	7.0

Operational and Financial Review

Centenary Bank recorded a strong financial performance for the year ended 31 December 2013 in an environment of declining interest and inflation rates in the country amidst the lingering effects of the global financial crisis. Our strong capitalization and healthy liquidity profile put the bank in a strong position to take advantage of business opportunities to grow our market share.

The drop in lending rates and poor macroeconomic environment in 2013 pushed employment costs and other operating costs including the provision for credit losses. Against this backdrop, the Bank's total assets grew by 29.3%, shareholders' funds went up by 23.9% to Shs 253.3 billion, up from Shs 204.5 billion and achieved a return on assets and equity of 4.5% and 25.3% (2012: 5.3% and 30.3%) respectively.

Statement of comprehensive income analysis

The Bank's total income is comprised of interest income, income from commissions and fees and other non-operating income. Total income went up by Shs 35.1 billion in 2013 (2012: 51.3 billion) representing a growth of 14.6% (2012: 27.1%) when compared to 2012.

Net interest income:

Net interest income, which is the margin between interest income and interest expense, remained the main source of income for the Bank. Net interest income for the year 2013 was Shs 175.3 billion (2012: 155.9 billion) and represents 72.5% (2012: 73.3%) of operating income.

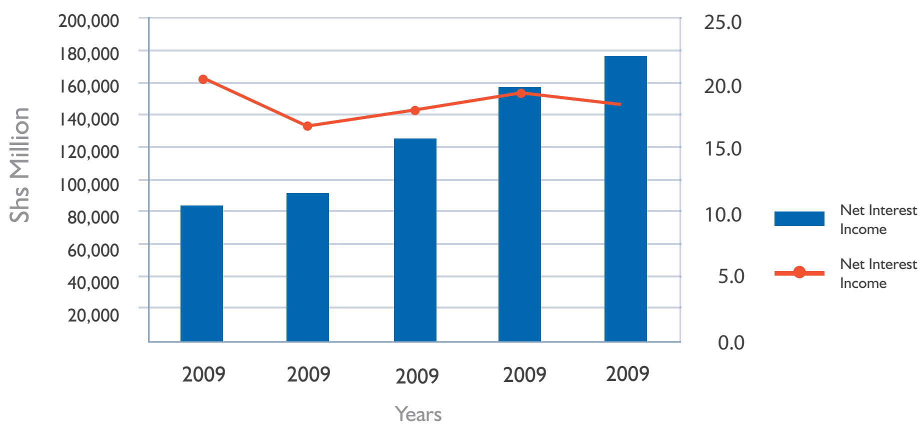
	2013 %	2012 %
Growth in net interest income	12.4	24.9
Net interest margin	18.4	19.3

Net interest income growth of 12.4 % was achieved. Income benefited from strong growth in assets of 29.3% in 2013 (2012: 18.9%) but was less than 2012 growth because of the decrease in the net interest margin.

The Bank's net interest margin decreased by 0.9 percentage points (2012: increased by 1.4 %) to close at 18.4% (2012: 19.3%).

The trend of the Bank's net interest income and net interest margin over the last five years is presented below:

Net Interest Income



Non-interest income:

The Bank's non-interest income arises from trade financing activities such as letters of credit, transactional activities including bank drafts, funds transfers, trading income and revaluation of currency positions and exchange income on foreign transactions with customers.

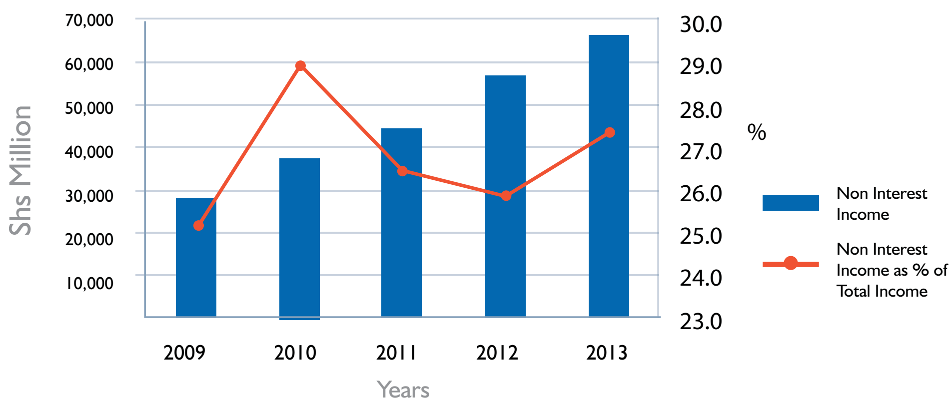
Non-interest income:

	2013 %	2012 %
Growth in non- interest income	20.1	24.6
Non-interest income as % of total income	27.4	25.9

Non-interest income rose to Shs 66.4 billion (2012: Shs 56.8 billion): following growth in fee and commission income by 17.8% (2012: 34.2%) This growth was mainly driven by higher transaction volumes initiated through customer interactions with the branches, service centres, an expanded ATM network and in some cases increases in the Bank's tariffs.

The trend of the Bank's non-interest income as per percentage of a total income over the last five years is presented below:

Non Interest Income



Credit impairment charges:

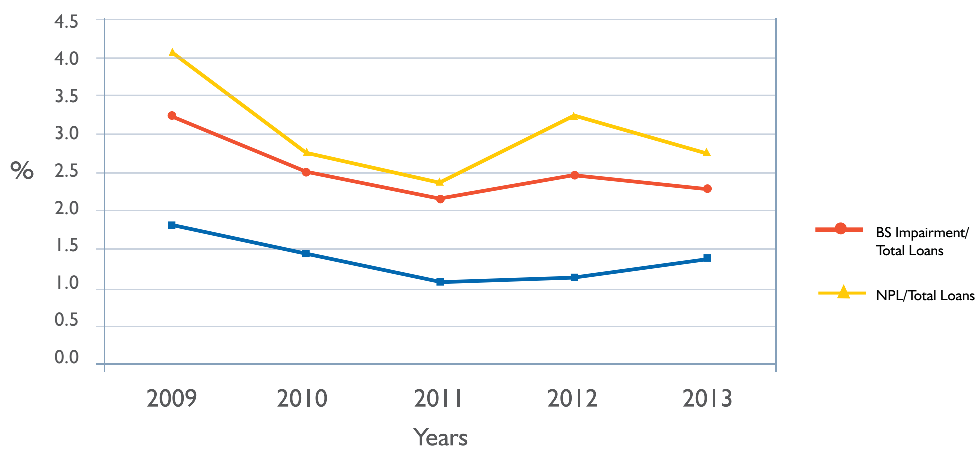
Specific provisions for credit losses for the year 2013 (excluding interest in suspense) totalled to Shs 6.1 billion (2012: 6.0 billion). The provisions charged to the statement of comprehensive income as a percentage of gross loans and advances remained at 1.4% (2012: 1.1%).

Credit impairment charges:

	2013	2012
Percentage change in the impairment charge	48.3	11.4
Credit loss ratio	1.4	1.1
Credit impairment as % of gross loans and advances	2.3	2.5
Non-performing loans (NPL) - millions	18,915	18,326
Credit loss impairment (SOFP) - millions	15,719	14,037
Credit impairment charge - millions	9,551	6,439

Credit impairment charges increased by 48.3% (2012: increase by 11.4%) due to the difficult economic environment experienced during the last two years. We expect the situation to normalize in 2014.

Credit Loss as a % Gross Loans and Advances

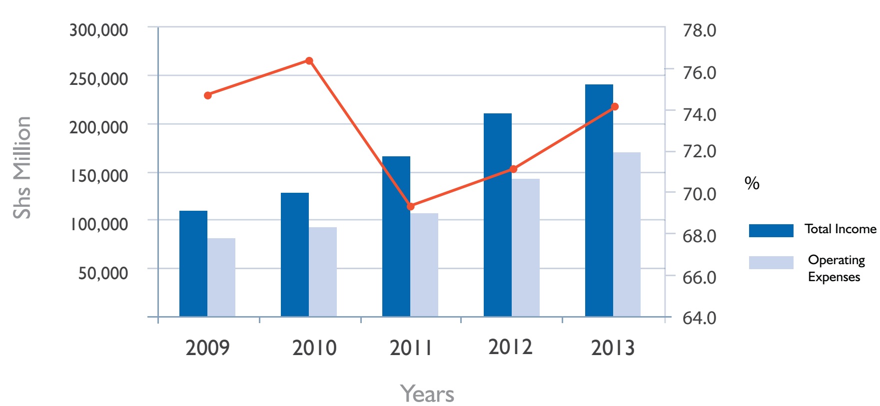


Operating expenses

	2013 %	2012 %
Growth in total operating expense	19.4	30.4
Growth in cost-to-income ratio	3.0	1.8

Total expense grew by 19.4% against income growth of 14.6% (2012:27.1%). The cost-to-income ratio increased to 74.2% in 2013 from 71.2% in 2012. The staff costs in 2013 were higher by 17.6% compared to 2012. Other operating expenses in 2013 were higher by 12.5% when compared to 2012. These increases were due to a difficult macroeconomic environment, the growth in Bank's portfolio, expansion of bank operations and reduction in lending rates. Operating expenses are mainly comprised of employee compensation and benefits, depreciation charges, premises costs, training costs, communication expenses and other expenses related to marketing and advertising, insurance, security and consumables.

Income and Operating Expenses

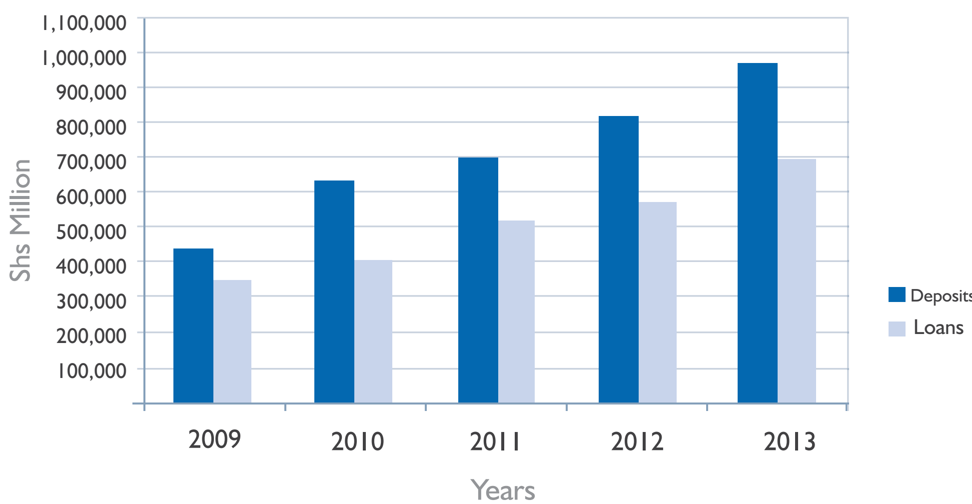


The Bank's total assets during the year under review grew by 29.3% (2012: 18.9%) due to the expansion in the bank's distribution channels by 4 service centres, 8 ATMs at 9 locations and growth in its investments, loan and advances portfolio.

Net loans and advances accounted for 46.3% (2012: 49.6%) of total assets and registered a 20.7 % (2012: 30.2%) growth to close at Shs 672.3 billion in 2013 up from Shs 556.9 billion in 2012. The loan growth was driven by good customer service, reduced interest rates and increased lending opportunities in the market.

Customer deposits, which consist of current accounts, savings accounts and time deposits, made up the Bank's main sources of funding. These deposits grew by 18.0% (2012: 17.9%) to Shs 965.9 billion in 2013 from Shs 818.5 billion in 2012. The good deposit growth is attributed to increased marketing efforts and an increase in the Bank's distribution channels.

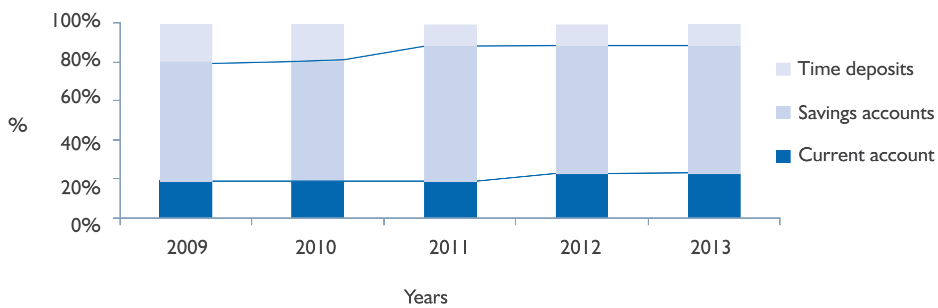
Deposit and Loans



Deposit composition

The number of depositors decreased to 1,240,077 in 2013 (2012: 1,300,479). This came as a result of transferring dormant account balances to Bank of Uganda. The current account average balance per account in 2013 increased to Shs 6.8 million (2012: Shs.5.2 million); savings accounts average balance per account in 2013 increased to Shs 0.6 million (2012: Shs 0.4 million) and time deposits average balance per account in 2013 increased to Shs 27.2 million (2012: Shs 23.3 million) signifying an improvement in the savings culture by our customers and the bank`s deposit mobilization.

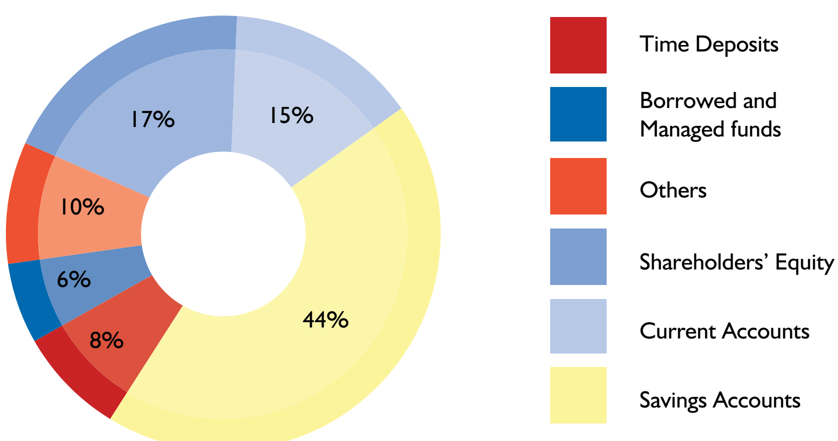
Deposit MIX (%)



Funding mix

The funding mix has remained rather stable in terms of value. Savings accounts represent 44.1% of total equity and liabilities compared to 47.9% in 2012. The Bank has been able to maintain a stable deposit mix in 2013 due to an increase in its loyal customer base. Current accounts represent 15.0% of total equity and liabilities compared to 16.7% for the same period last year. Time deposits constituted 7.5% of total equity and liabilities compared to 8.3% for 2012. Borrowed and managed funds contribute only 6.4% of the total equity and liabilities (2012: 5.0%).

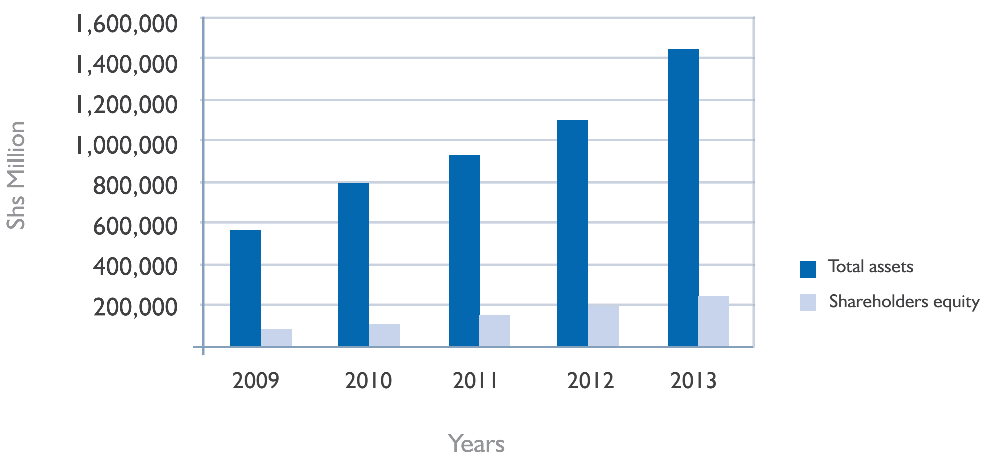
Funding Mix 2013



Shareholders' equity

Shareholders' equity, which comprises share capital, share premium and retained earnings finances 17.5% (2012:18.2%) of the total assets. The level of shareholders' equity is a function of earnings which are distributed as dividends and amount of earnings which are ploughed back into the business. The Bank's policy is to maintain a sustainable dividend growth which satisfies shareholders.

Total assets and shareholders' equity



Capital Adequacy

The Bank monitors its capital adequacy using ratios established by the Bank for International Settlement (BIS) as approved by the Bank of Uganda, the regulator. The ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off-statement of financial position commitments and market and other risk positions at weighted amounts to reflect their relative risk. At 31 December 2013, the Bank had a regulatory total capital base of 28.6 % (2012: 26.8%) of risk-weighted assets. This compares favorably with the regulatory requirement of 12.0%.

Directors' Report

Principal activities

The Bank provides a range of banking and related financial services especially to the economically disadvantaged people in rural areas. The Bank is an approved and licensed financial institution under the Financial Institutions Act 2004 and is a member of the Uganda Banker's Association.

Results

The Bank's results for the year ended 31 December 2013 are shown in the statement of comprehensive income on page 40. A general review of the business and operations as well as a financial review discussing the results of the Bank are set out on pages 24 to 30.

Dividend

The directors recommend payment of dividends for the year ended 31 December 2013 of Shs 9,652.2 million (2012: Shs 9,136.9 million).

Share Capital

During the year, 3 preference shares were issued.

Directors and Directors' Interest

The directors who held office during the year and to the date of signing of this report are set out on page 10.

None of the directors held any beneficial interest in the ordinary share capital of the Bank as at 31 December 2013.

Ernst & Young were appointed external auditors in accordance with section 67 of the Financial Institutions Act 2004.

Management by Third Parties

None of the business of the Bank was managed by a third party or a company in which a director had an interest during the financial year.

Risk Management

Managing risk is an integral part of the Bank's business. The Board of Directors is ultimately responsible for risk management and has established policies and procedures to control and monitor risk throughout the Bank.

Corporate Social Responsibility Statement

The Bank is focused on achieving strong sustainable financial returns while promoting a more decent, dignified and kinder society. We commit considerable amounts of resources every year to the humanitarian cause both directly and indirectly through our pricing and product mix. Some of our direct community interventions have been highlighted in the sustainability report.

The Bank has adopted the reporting mechanism developed by the Global Reporting Initiatives (GRI) in an attempt to be transparent about our performance on the triple bottom line of people, property and planet.

In the sustainability report, the Bank has included a comparison of its performance against the guidelines established in the GRI.

Retirement Benefits

The Bank contributes to a retirement benefits scheme covering all of its employees. On attaining the retirement age or honorably leaving the service of the Bank, all permanent staff are eligible for terminal benefits applicable to them.

By order of the Board:

Mrs. Peninnah T Kasule
Company Secretary

Directors’ Responsibility for Financial Reporting

The Bank’s directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Uganda, 2012 and Financial Institutions Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
The directors’ responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.
Under the Companies Act of Uganda, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the directors to ensure the Bank keeps proper accounting records that disclose with reasonable accuracy the financial position of the Bank.

The directors accept responsibility for the financial statements set out on pages 40 to 106, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, the Companies Act of Uganda, 2012 and Financial Institutions Act 2004. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit and cash flows for the year ended 31 December 2013. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Bank’s ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards, the Companies Act of Uganda, 2012 and Financial Institutions Act 2004.

Approval of the Financial Statements

The financial statements, as indicated above, were approved by the Board of Directors on 21 March 2014 and were signed on its behalf by:

Prof. John Ddumba-Ssentamu
CHAIRMAN, BOARD OF DIRECTORS

Mr. Fabian Kasi
MANAGING DIRECTOR

Mr. Henry Kibirige
CHAIRMAN, AUDIT COMMITTEE

Mrs. Peninnah T. Kasule
COMPANY SECRETARY

Chairman's Statement

It is a pleasure to be reporting to you once again on behalf of the Board, on the performance of Centenary Bank for the year 2013. It was a year of continued progress where we registered growth in our financial position and got recognition from leading sector bodies in the country for our contribution to the economy.

The Operating Environment

The Board and management keep abreast of what happens in the environment because the growth of the Bank entirely depends on the environment. In 2013, headline inflation declined compared to 2012 from 14.6% to 5.4%. The main driver of inflation in the year 2013 was food prices. The increase in the prices was caused by the drought that happened in the first half of the year and whose effects spilled over in the second half of the year.

During the calendar year 2013, the Uganda shilling strengthened against the dollar and the Kenya shilling. This was mainly as a result of low import demand resulting from low economic activity and the war in South Sudan which affected dollar inflows to the country. The year 2013 was also characterized by lower than expected foreign direct investment, imports and stronger remittances especially in the last quarter of the year. All the above factors contributed to the appreciation of the shilling.

Competition from other players and the telecom sector serving both the banked and unbanked market was on the increase. Traditionally, services that used to be offered by the bank like school fees payment, money transfers and payment of utilities continue to be done cheaply without going to the bank. The bank made significant strides to improve its e-platforms to provide similar services to its clients.

Bank Performance

Total income for the year increased from Shs 240.5 billion to Shs 275.6 billion, an increase of 14.6% while total expenses went up by 19.4% to Shs 204.4 billion in 2013.

The Bank continued to pursue its expansion strategy and closed the year with 1,240,077 customers representing a decline of 4.6% from 2012. The decline arose from closure of dormant accounts and transfer of unclaimed balances to Bank of Uganda. The focus remained on microfinance particularly in rural areas, in line with our mission of providing appropriate financial services especially microfinance to all people in Uganda, particularly in rural areas in a sustainable manner and in accordance with the law.

The Bank closed 2013 with 56 branches, 5 service centres and 1 mobile bank unit and 147 ATMs at 106 locations. I am pleased to report that the Bank now has a footprint at Makerere University, Mpigi, Bwera and Paidha, opened in 2013. In order to bring services nearer to the customers, the Bank opened offsite ATM locations at Bugembe, Kajjansi, Gulu and Makerere Hill (Tuskeys), in the year 2013. The increased delivery channels, customer numbers and increased deposit mobilization efforts led to an increase in customer deposits by 18.0% to Shs 965.9 billion from Shs 818.5 billion in 2012. The gross loan portfolio also grew by 20.5% to Shs 688.0 billion from Shs 570.9 billion in 2012, with portfolio quality at risk standing at 2.7%.

As a way of improving service delivery, the Bank has invested a lot in E-channel, CenteMobile and POS channels, Click campus, etc.

I am therefore pleased to report that the returns to the shareholders increased with profit after tax going up by 5.6% to Shs 58 billion in 2013 from Shs 54.9 billion recorded in 2012. The Bank is adequately capitalized and meets all the statutory capital requirements.

Corporate Social Investment

Centenary Bank believes in sustainability of lives and the environment in which we work. The Bank is therefore committed to community interventions. In 2013 the Bank continued its focus on health, education, environment, supporting the social mission of the church and supporting other community causes. In education, the Bank supported farmers, youth and small and medium enterprises in financial literacy countrywide. In health we continued to raise awareness on breast, cervical and prostate cancer by continuing to fund the cancer ward at Nsambya Hospital, participating in a cancer run and holding screening camps. In environment we participated in a number of water and sanitation projects, we continued to support various church projects and a number of community initiatives like buying hospital equipment, construction, feeding orphans and others.

Corporate Governance

The Board membership remained stable and continued to serve with complete dedication. The Board continues to provide the strategic direction for all the Bank's operations. None of the members of the Board had any conflict of interest in the matters of the Bank on which they were required to provide guidance and direction.

Strategic Outlook

Generally, global forecasts point to a much stronger growth in 2014 when compared to 2013. The acceleration in global growth should be led by the developed countries which continue to recover from past economic weakness. Uganda's economy is estimated to grow by 6.2% for the financial year 2013/14 led by public expenditure in the form of infrastructure spend in the energy and transport sectors. With this macro-economic operating environment, Centenary Bank will continue with its expansion drive, putting in place adequate structures and systems for delighting its customers.

The Bank's medium-term objectives will be focused on increasing productivity, promoting efficiency and improving turnaround time and all these will be geared towards improving the quality of customer service, while consolidating the Bank's position in the market place as the leading microfinance provider in Uganda.

The Bank will continue to leverage on its strength to manage the significant opportunities and challenges that lie ahead.

Appreciation

I, alongside my colleagues on the Board, register our appreciation to the management and staff members of the Bank for their dedicated service in the year 2013. We look forward to their continued cooperation in the Bank's efforts to scale new heights in business performance.

I thank all our shareholders and customers for their continued trust and support.

Professor John Ddumba-Ssentamu
Chairman of the Board

Report of the independent auditors to the members of Centenary Rural Development Bank Limited

Report on the financial statements

We have audited the accompanying financial statements of Centenary Rural Development Bank Limited, which comprise the statement of financial position at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 40 to 109.

Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Uganda, 2012 and the Financial Institutions Act, 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of Centenary Rural Development Bank Limited at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Uganda, 2012 and the Financial Institutions Act, 2004.

Report on other legal requirements

As required by the Companies Act of Uganda, 2012, we report to you, based on our audit that:

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

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

iii) the Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young
Certified Public Accountants of Uganda
Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village,
P. O. Box 7215
Kampala, Uganda

Date: -14 April 2014

Financial Statements

Statement of comprehensive income

	Note	2013 Shs '000	2012 Shs'000
Interest income	6(a)	209,181,388	183,589,263
Interest expense	7	(33,852,506)	(27,657,187)
Net interest income		**175,328,882**	**155,932,076**
Fee and commission Income	8	52,239,258	44,328,658
Net interest, fee and commission income		**227,568,140**	**200,260,734**
Income from financial instruments at fair value	6(b)	238,171	1,766,099
Foreign exchange income	9	5,108,638	3,628,516
Other operating income	10	8,811,853	7,147,366
Operating income		**241,726,802**	**212,802,715**
Employee benefits	11	(73,620,570)	(62,612,717)
Impairment losses on loans and advances	12	(9,551,125)	(6,439,254)
Depreciation	22(b)	(17,800,564)	(12,614,449)
Operating expenses	13	(69,531,768)	(61,831,616)
Profit before income tax		**71,222,775**	**69,304,679**
Income tax expense	14	(13,217,228)	(14,403,493)
Net profit for the year		**58,005,547**	**54,901,186**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**58,005,547**	**54,901,186**
Earnings per ordinary share (Shillings per share)	30	**2,319**	**2,195**
Dividend per share (Shillings per share)	32	385.16	364.54
Dividends:			
Proposed dividend for the year	32	**9,652,245**	**9,136,921**

The accounting policies and notes set out on pages 44 to103 form an integral part of these financial statements.

Statement of financial position	Note	2013 Shs '000	2012 Shs '000
ASSETS			
Cash and balances with Bank of Uganda	15	244,962,510	127,975,061
Placements with other banks	16	28,571,192	48,299,191
Government securities –held for trading	17(a)	7,289,093	11,415,699
Loans and advances to customers	18	672,307,038	556,959,785
Government securities –held to maturity	17(b)	327,255,190	223,946,292
Other assets	19	37,164,126	27,666,314
Current income tax recoverable	14	-	632,173
Deferred expenses	21	1,700,003	3,640,307
Finance lease on leasehold land	22(a)	2,269,508	2,315,258
Property and equipment	22(b)	127,923,956	117,729,229
Intangible assets	22(c)	1,596,916	1,836,317
Total assets		**1,451,039,532**	**1,122,415,626**
LIABILITIES			
Customer deposits	23	965,891,194	818,478,708
Deposits from other banks	24	6,319,817	5,203,978
Inter-bank borrowing	25	82,471,095	-
Managed funds	26	10,562,122	11,477,095
Borrowed funds	27	82,895,846	44,675,825
Current income tax payable	14	1,640,550	-
Deferred income tax liability	20	2,605,073	3,953,208
Deferred grants	29	1,030,250	800,538
Other liabilities	28	44,286,514	33,357,832
Total liabilities		**1,197,702,461**	**917,947,184**
SHAREHOLDERS EQUITY			
Ordinary share capital	31	25,000,000	25,000,000
Preference share capital	31	116,624	116,621
Share premium	31	1,138,927	1,138,927
Regulatory reserve	33	1,822,018	1,924,704
Proposed dividends	32	9,652,245	9,136,921
Retained earnings (Page 42)		215,607,257	167,151,269
Total shareholders' equity		253,337,071	204,468,442
Total equity and liabilities		1,451,039,532	1,122,415,626
Off balance sheet financial instruments	**35.1**	**18,183,974**	**10,175,082**

The financial statements on pages 40 to 103 were approved by the Board of Directors on 21st March 2014 and signed on its behalf by:

Prof. John Ddumba-Ssentamu
CHAIRMAN,
BOARD OF DIRECTORS

Mr. Fabian Kasi
MANAGING DIRECTOR

Mrs. Peninnah T. Kasule
COMPANY SECRETARY

Mr. Henry Kibirige
CHAIRMAN
BOARD AUDIT COMMITTEE

Statement of changes in equity

Year ended 31 December 2013	Note	Ordinary shares Shs'000	Prefer-ence shares Shs'000	Share premium Shs'000	Regulatory reserve Shs'000	Retained profits Shs'000	Proposed dividends Shs'000	TOTAL Shs'000
At start of year		**25,000,000**	**116,621**	**1,138,927**	**1,924,704**	**167,151,269**	**9,136,921**	**204,468,442**
Total comprehensive income for the year		-	-	-	-	58,005,547	-	58,005,547
Contributions by and distributions to owners								
Transfer to regulatory reserve	33	-	-	-	(102,686)	102,686	-	-
Transactions related to owners								
Dividend paid	32	-	-	-	-	-	(9,136,921)	(9,136,921)
Proposed dividends	32	-	-	-	-	(9,652,245)	9,652,245	-
Shares paid up	32	-	3	-	-	-	-	3
Total contributions by and distributions to owners		**-**	**3**	**-**	**(102,686)**	**(9,652,245)**	**515,324**	**(9,136,918)**
Balance at end of year		**25,000,000**	**116,624**	**1,138,927**	**1,822,018**	**215,607,257**	**9,652,245**	**253,337,071**
Year ended 31 December 2012	**Note**	**Ordinary shares Shs'000**	**Prefer-ence shares Shs'000**	**Share premium Shs'000**	**Regulatory reserve Shs'000**	**Retained profits Shs'000**	**Proposed dividends Shs'000**	**TOTAL Shs'000**
At start of year		**10,000,000**	**116,592**	**1,138,927**	**1,932,149**	**136,379,559**	**7,979,785**	**157,547,012**
Total comprehensive income for the year		-	-	-	-	54,901,186	-	54,901,186
Contributions by and distributions to owners								
Transfer to regulatory reserve	34	-	-	-	(7,445)	7,445	-	-
Transactions related to owners								
Dividend paid	33	-	-	-	-	-	(7,979,785)	(7,979,785)
Proposed dividends	33	-	-	-	-	(9,136,921)	9,136,921	-
Shares paid up	32	15,000,000	29	-	-	(15,000,000)	-	29
Total contributions by and distributions to owners		**15,000,000**	**29**	**-**	**(7,445)**	**(24,129,476)**	**1,157,136**	**(7,979,756)**
Balance at end of year		**25,000,000**	**116,621**	**1,138,927**	**1,924,704**	**167,151,269**	**9,136,921**	**204,468,442**

Statement of cash flows	Note	2013 Shs '000	2012 Shs'000
Cash flows from operating activities			
Interest receipts		196,804,393	178,448,414
Interest payments		(29,748,650)	(28,394,056)
Fee and commission income		54,124,447	44,280,678
Other income received		7,675,286	9,943,775
Recoveries from loans previously written off	10	1,857,548	1,336,501
Payments to employees		(74,117,851)	(59,574,316)
Payments to suppliers and other payments		(65,809,934)	(63,801,764)
Income tax paid	14	(12,292,619)	(11,972,903)
Cash flows from operating activities before changes in operating assets and liabilities		**78,492,620**	**70,266,329**
Changes in operating assets and liabilities			
Increase in investments		(64,899,952)	(36,019,502)
Increase in loans and advances to customers		(113,927,789)	(45,016,221)
Increase in other assets		(12,678,705)	(3,682,374)
Increase in customer deposits		147,412,486	124,127,428
Increase / (decrease) in deposits and borrowings from other banks		83,586,934	(29,158,963)
Increase in other liabilities		8,699,390	3,461,680
		48,192,364	**13,712,048**
Net cash flows generated from operating activities		**126,684,984**	**83,978,377**
Cash flows from investing activities			
Purchase of property and equipment	22(b)	(24,478,965)	(45,158,052)
Proceeds from sale of property and equipment		101,752	162,062
Net cash flows used in investing activities		**(24,377,213)**	**(44,995,990)**
Cash flows from financing activities			
Dividends paid		(9,136,921)	(7,979,785)
Grants received		1,065,896	348,589
Share capital paid up	31	(3)	(29)
Increase in borrowed funds		37,305,047	28,519,468
Net cash flows from in financing activities		**29,234,019**	**20,888,243**
Net increase in cash and cash equivalents		**131,541,790**	**59,870,630**
Net foreign exchange difference		6,000	3,000
Cash and cash equivalents at 1 January		258,433,329	198,559,699
Cash and cash equivalents at 31 December	**34**	**389,981,119**	**258,433,329**

Statement of cash flows analysis

The Bank's cash flow from operating activities went up from Shs 84.0 billion in 2012 to Shs 126.7 billion 2013 an increase of 50.9%. This increase was due to an increase in customer deposits compared to the growth in loans.

Cash flows towards investing activities decreased from Shs 45.0 billion to Shs 24.4 billion during the year ended 2013. The decrease came as a result of a decrease in investment in property and equipment.

Cash flows from financing activities increased from Shs 20.8 billion in 2012 to Shs 47.5 billion in 2013. The increase was mainly attributed to an increase in long term borrowings of Shs 37 billion.

Notes to the financial statements

1. General information

The Bank is incorporated in the Republic of Uganda under the Companies Act and is domiciled in the Republic of Uganda. The address of its registered office is:

Mapeera House
Plot 44-46 Kampala Road
P. O. Box 1892
Kampala

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a. Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Uganda Shillings (Shs), rounded to the nearest thousand, and prepared under the historical cost convention, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. Amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank except for some additional disclosure requirements under IFRS 13 Fair Value Measurements:

- IFRS 1 First time Adoption of IFRS (Amendment) - Government Loans
- IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements

- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities.
- IFRS 13 Fair Value Measurement
- IAS 19 Post employee benefits (Amendment)
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Improvements to IFRSs (issued in 2012)

The adoption of the new or revised standards or interpretations that could be relevant to the Bank's operations is described below.

IFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities-Amendments to IFRS 7

The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendments had an impact on the Bank's disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for all fair value measurement (financial and non-financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The amendment resulted in additional disclosure requirements regarding fair value disclosures.

IAS 19 Post employee benefits (Amendment)

The amendments are effective for annual periods beginning on or after 1 January 2013. The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses are recognised in OCI with no subsequent recycling to profit or loss.
- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

The amendment had no impact on the Bank's financial statements as the Bank does not have a defined benefit scheme.

The other new standards, amendments and interpretations had no impact on the Bank's financial statements.

Improvements to IFRSs: 2009-2011 Cycle (issued in 2012 effective for annual periods beginning on or after 1 January 2013)

- IAS 1 Presentation of Financial Statements (Amendments). The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.

- IAS 16 Property, Plant and Equipment (Amendment). The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- IAS 32 Financial Instruments: Presentation. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

- IAS 34 Interim Financial Reporting The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Improvements to IFRSs: 2010-2012 Cycle (issued in 2013 effective for annual periods beginning on or after 1 January 2014)

- IFRS 2 Definitions relating to vesting conditions: Performance condition and service condition are defined in order to clarify various issues, including the following:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
  If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- IFRS 3 Accounting for contingent consideration in a business combination: Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- IFRS 8 Aggregation of operating segments: Operating segments may be combined/aggregated if they are consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- IFRS 13 Short-term receivables and payables: The IASB clarified in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- IAS 16 and IAS 38 Revaluation method proportionate restatement of accumulated depreciation: The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

Adjust the gross carrying amount of the asset to market value or Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value.

The IASB also clarified that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount of the asset (i.e., gross carrying amount – accumulated depreciation/amortisation = carrying amount).
The amendment to IAS 16.35(b) and IAS 38.80(b) clarifies that the accumulated depreciation/amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value.

- IAS 24 Key management personnel: The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Improvements to IFRSs: 2011-2013 Cycle (issued in 2013 effective for annual periods beginning on or after 1 January 2014)

- IFRS 1 Meaning of effective IFRSs: An entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

- IFRS 3 Scope exceptions for joint ventures: The amendment clarifies that:
- Joint arrangements are outside the scope of IFRS 3, not just joint ventures
- The scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- IFRS 13 Scope paragraph 52 (portfolio exception). The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts.
- IAS 40 Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The description of ancillary services in IAS 40 differentiates between investment property and owner occupied property. IFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination.

The above improvements did not have an impact on the Bank's financial statements as there were no accounting items that are the subject of the improvements.
The new and amended standards and interpretations that are not described above are not relevant to the Bank's operations.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards when they become effective. The Bank expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Bank's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact the Bank is still assessing the possible impact.

International Financial Reporting Standards and amendments issued but not effective for 31 December 2013 year-end			
Number	**Title**	**Effective date**	**Executive summary**
Amendment to IAS 32	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1-Jan-14	The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. They clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. It is further clarified that rights of set-off must not be contingent on a future event. The amendments are required to be applied retrospectively.
Amendment to IAS 36	IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendments)	1-Jan-14	The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.
IFRS 10, IFRS 12 and IAS 27 amendment	Investment Entities	1-Jan-14	
IFRS 9 (2009)	Financial Instruments	1-Jan-15	The standard introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 is being developed in phases with a view to replacing IAS 39 in its entirety. Phase 1 of IFRS 9 addressed the classification and measurement of financial assets. All financial assets are measured at fair value at initial recognition. Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortised cost if: • The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows; and • The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value. All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognising changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets. Phase 2 of IFRS 9 addressed the classification and measurement of financial liabilities. All financial assets are measured at fair value at initial recognition. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Board's work on the other phases is ongoing, and includes impairment of financial instruments and hedge accounting, The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Bank's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Bank is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Bank at the date of adoption, it is not practical to quantify the effect.

The standards issued but not yet effective which the Bank does not expect to have an impact on the financial statements are listed below:

- IFRS 10 Consolidated Financial Statements; IFRS 12 Disclosure of Interest in Other Entities; IAS 27 Separate Financial Statements – Investment entities (Amendment)
- IFRIC 21 Levies
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

b. Interest income and expense

Interest income and expense on all interest bearing instruments are recognised using the effective interest method in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts financial instruments estimated future cash payments or receipts through it's expected life or, where appropriate, a shorter period to the net carrying amount.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

c. Fees and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

d. Translation of foreign currencies

The accounting records are maintained in the currency of the primary economic environment in which the Bank operates, Uganda Shillings ("the functional currency"). Transactions in foreign currencies during the year are converted into Uganda shilling using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

e. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) **Financial assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Bank has designated its financial assets held for trading, at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss. The Bank has no derivatives.

Loans and receivables

This category is the most relevant to the Bank. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Bank has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Bank did not have any available-for-sale assets as at 31 December 2013 or 2012.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Bank's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Bank has transferred substantially all the risks and rewards of the asset, or
(b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Bank's financial liabilities include customer deposits, loans and borrowings and managed funds.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:
Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Bank has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings, customer deposits and managed funds are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss. This category generally applies to interest-bearing loans and borrowings, customer deposits and managed funds.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs.

f. Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 3 month and 6 months.

- significant financial difficulty of the borrower
- a breach of contract, such as default or delinquency in interest or principal repayments;
- the granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; or
- National or local economic conditions that correlate with defaults on the assets in the group.

Assets carried at amortized cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Bank determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Provisions for impairment on assets assessed individually are referred to as specific provisions, whilst provisions for such losses on assets assessed collectively are referred to as general provisions.

When a loan is un-collectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are reported as other income in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

In addition to the measurement of impairment losses on loans and advances in accordance with IFRS as set out above, the Bank is required by the Financial Institutions Act 2004 to estimate losses on loans and advances as follows:

Specific provision for the loans and advances considered to be non-performing (impaired) based on the criteria, and classification of such loans and advances established by the Bank of Uganda, as follows:

- Substandard loans with arrears period between 91 to 180 days – 20%
- Doubtful loans with arrears period between 180 to 365 days – 50%
- Loss with arrears period exceeding 365 days – 100% provision
- General provision of 1% of credit facilities less specific provision and suspended interest

In the event that provisions computed in accordance with the Financial Institution Act 2004 materially exceed provisions determined in accordance with IFRS, the excess is accounted for as an appropriation of retained earnings.

g. Impairment of non-financial assets

At the end of each reporting period, the Bank assesses whether there is any indication that an asset is impaired that is, whether its carrying amount is higher than its recoverable amount). If there is an indication that an asset is impaired, then the asset's recoverable amount is calculated. [IAS 36.9]The recoverable amount is determined by assessing;

- If the fair value less costs of disposal or value in use is more than carrying amount, then it is not necessary to calculate the other amount since the asset is not impaired.
- If fair value less costs of disposal cannot be determined, then recoverable amount is value in use.
- For assets to be disposed of, recoverable amount is fair value less costs of disposal.

The Bank looks at both external and internal indicators to determine if an asset is impaired.

External Indicators:
- Decline in market value
- Negative changes in technology, markets, economy, or laws
- Increases in market interest rates
- Net assets of the Bank higher than market capitalisation

Internal Indicators:
- Obsolescence or physical damage of the asset
- Asset is idle as part of a restructuring or held for disposal
- Worse economic performance than expected

h. Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.
The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in profit or loss.

ii) Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leased buildings	Shorter of 50 years or lease period
Computer hard ware	3 years
Furniture, fixtures and fittings	5 years
Motor vehicles & cycles	4 years
Generators & office equipment	8 years

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

i. Fair value measurement

The Bank measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 4(a).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

j. Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives of 3 years (33.3%).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

k. Tax

Current income tax

Income tax expense is the aggregate of the charge to the statement of comprehensive income in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised directly in equity or other comprehensive income and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which the tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred income tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Withholding tax is deducted at source at 20% on income earned on treasury bills and bonds. This amount is included under the income tax charge for the year.

l. Employee benefits

The Bank and all its employees contribute to the National Social Security Fund, which is a defined contribution scheme.

The Bank also operates a defined contribution benefits scheme for its employees. The Bank has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the scheme are held in separate trustee administered funds, which are funded by contributions from both the Bank and employees. The Bank's contributions to the defined contributions schemes are charged to the profit and loss account in the year in which they relate.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

m. Contingent liabilities and commitments

Contingent liabilities and commitments comprised of letters of credit, acceptances, guarantees and commitments to extend credit are not included in assets and liabilities in note 35.1. They are accounted for as off-statement of financial position transactions and are disclosed as contingent liabilities and commitments.

n. Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Preference shares (irredeemable) classified as share capital in equity.

Dividends on shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

o. Cash and cash equivalents

Cash and cash equivalents include cash at hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Bank of Uganda, Treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents include the cash reserve requirement held with the Bank of Uganda.

p. Comparatives

No comparative figures have been adjusted.

q. Grants

Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

r. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

s. Managed funds and borrowed funds

The Bank manages funds on behalf of others in terms of specific agreements. The funds are recorded as a liability on receipt of the funds and the corresponding investments (as per the agreement) are recorded under cash and cash equivalents or loans and advances to customers. Details of the funds are included in note 26 and 27.

t. Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Bank as a lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method. The Bank has entered into finance lease transactions as a lessor (Note 18(b) – Finance Leases).

3 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

ii. Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturing as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling a insignificant amount close to maturity – it will be required to re-classify the entire class as available-for-sale. The investments would therefore be measured at fair value and not amortized cost.

iii. Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 2 (e)(v). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

iv. Taxes

The Bank is subject to various government taxes under the Ugandan tax laws. Significant judgement is required in determining the provision for income taxes. Significant estimates and judgements are required in determining the provision for taxes on certain transactions. For these transactions, the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 Financial Risk Management

The Bank's activities expose it to variety of financial and non-financial risks. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are inevitable consequences of being in business. The effective management of risk is critical to earnings and balance sheet growth within Centenary Bank where the culture encourages sound commercial decision making, which adequately balances risk and reward. The identification and management of risk remains a high priority and underpins all business activities.

The Bank's approach to risk management is based on a well-established risk, compliance and governance process and relies both on individual responsibility and collective oversight supported by comprehensive reporting. This approach balances strong corporate oversight at Head Office level with risk management structures within the business units.

The Bank has governance standards for all major risk types. All standards are applied consistently across the Bank and are approved by the Board through either Bank's Board Risk Management Committee or Board ALCO Committee.

The standards form an integral part of the Bank's governance infrastructure reflecting the expectations and requirement of the Board in respect of key areas control across the Bank. The standards ensure alignment and consistency in the manner major risk types across the Bank are identified, measured, managed, controlled and are reported.

The standards underpin the Bank's governance principles, which are:

- **Shareholder value:**

The Bank's primary objective is to protect and enhance shareholder value. As such the risks to this objective drive the Bank's system of internal control.

- **Embedded:**

The Bank's culture reflects its appetite for risk. Risk management is achieved at all levels of the business through a suitable organizational structure, policies, and procedure, and appropriate staff training. Responsibility for risk resides at all levels of management from the Board down through the organisation to individuals in office. Each business manager is accountable for managing risk in his or her business area, assisted and supported, where appropriately.

- **Supported and assured:**

The system of governance and internal control provide management and Board with assurance that risks are being managed appropriately. The designated executives and Board Committees regularly receive and review reports on risks, compliance, governance and control process.

- **Reviewed:**

The Board of Directors considers the effectiveness of the internal control system and risk management processes, at least annually. The major risks to which the Bank is exposed, including non – financial risks are:-

- Credit risk
- Operational risk
- Compliance risk
- Reputation risk
- Business risk
- Strategic risk
- Market risk
- Liquidity risk
- Taxation risk

A combination of these risks occurring concurrently would be the most likely cause of significant loss. The Bank's approach to managing risk on a holistic basis therefore ensures that risk types are not managed in isolation.

Risk Responsibilities and Governance Structure:

Due to the nature, complexity and risk inherent in the Bank's activities, a robust risk management structure is critical and in place to ensure adequate oversight. The principal responsibilities set out below extend throughout the Bank:

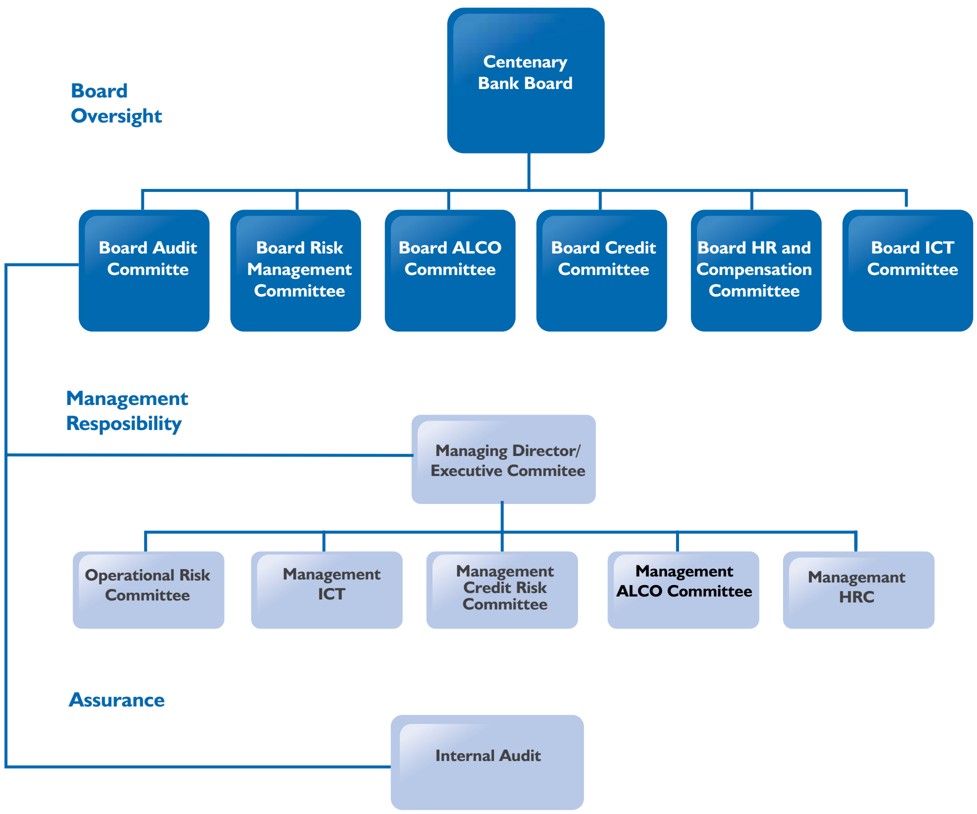
- The Board of Directors reviews the risk profile appropriate to the Bank's growth strategy and requires that management maintains an appropriate system of internal control to ensure that these risks are managed within agreed parameters. The Board delegates risk related responsibilities to six committees: the Risk Management Committee; the Audit Committee; Credit Committee, Human Resource Committee, ICT Committee and the ALCO Committee. These committees receive regular and comprehensive risk reports from management. The key outcomes of all six committees are reported to the full Board.

- Business heads are responsible for identification and management of risk in their business units.

- The Managing Director and the General Manager, Risk Division are responsible for setting a framework that ensures effective risk management, compliance and control for all risk types.

- Internal Audit independently audits the adequacy and effectiveness of the Bank's risk management, control and governance processes. The General Manager, Internal Audit reports to the Board Audit Committee and has unrestricted access to the Managing Director, the Chairman of Audit Committee and the Chairman of the Board.

Risk Governance Structure:



Risk Appetite, Risk Tolerance, Risk Capacity and Risk profile

Risk appetite is the quantum of risk the Bank is willing to accept in the normal course of business in pursuit of its strategic and financial objectives. Risk taken within appetite may give rise to expected losses, but these should be sufficiently exceeded by expected earnings.

Risk tolerance is an assessment of the maximum risk the Bank is willing to sustain for short periods of time. It emphasizes the downside of the risk distribution and the Bank's capacity to absorb unexpected losses.

Risk Capacity is an assessment of the maximum risk the Bank will need to take in order to reach its strategic objectives.

The capacity for unexpected losses is dependent upon having sufficient capital and liquidity available to avoid insolvency. Risk tolerance typically provides an upper boundary for the Bank's risk appetite.

Risk Profile is the broad parameters the Bank considers in executing its business strategy in its chosen market space.

The Bank's approach of quantifying its risk appetite and risk tolerance takes into account:-

- Capital structure
- The level of earnings volatility it is prepared to accept around its budgeted earnings.

In this context the risk profile is derived from the target risk appetite across the various risk categories such as market risk, credit risk and operational risk. Important ingredient/inputs include:

External:

- Shareholders expectations
- Regulatory constraints
- Regulatory ratings (analyst views)
- Market data
- Providers of funding and (or) liquidity
- Economic environment

Internal:

- Bank's objective and strategic plan growth targets
- Growth targets
- Capital management

The amount of risk the Bank is prepared to accept is linked to its financial and strategic objectives as detailed in its overall business plan and budget. This ensures that there's congruency between:

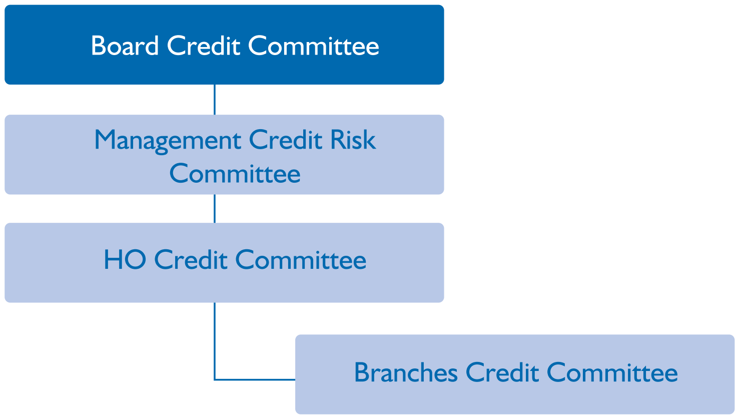
- Budgeted earnings (which take into account maturation effects and forecast changes in the economic environment);
- Earnings volatility around the budget;
- Risk limits; and
- Capital.

a) Credit Risk

Comprehensive resources, expertise and control are in place to ensure efficient and effective management of credit risk. In lending transactions, credit risk arises through non-performance by counterparty for facilities used. These facilities are typically loans and advances, including the advancement of securities and contracts to support customer obligations (such as letters of credit and guarantees).

Approach to managing credit risk:

Credit risk is managed by means of a governance structure with clearly defined mandates and delegated authorities. The Board Risk Committee delegates authority to the Management Credit Risk Committee for the approval of credit proposals. The management further delegates authority within its limits, primarily on a risk adjusted basis.



Credit Risk Measurement

- Internal Risk Ratings

The Bank assesses the credit quality and assigns – watch and standard for performing loans and sub-standard, doubtful and loss for non-performing borrowers.

Standard and current:	Items that are fully current and the full repayment of the contractual principal and interest amounts are expected.
Watch list:	Items for which the borrower is experiencing difficulties. Ultimate loss is not expected but could occur if adverse conditions persist.
Substandard[1]	Items that show underlying well defined weaknesses that could lead to probable loss if not corrected. The risk that these items may be impaired is probable and the Bank relies to a large extent on the available security.
Doubtful[1]	Items that are considered to be impaired, but are not yet considered final losses because of pending factors, which may strengthen the quality of the items.
Loss[1]	Items that are considered to be uncollectible and where the realization of collateral and institution of legal proceedings have been unsuccessful. These items are considered of such little value that they should no longer be included in the net asset of the Bank.

[1] Classified as impaired for accounting purposes.

- Industry Analysis

The Bank analyses its customers per industry using various portfolio segmentation techniques. These include the use of Bank of Uganda categories as well as International Standard Classification (SIC) codes whilst ensuring compliance with regulatory requirements.

- Agriculture
- Manufacturing
- Trade and commerce
- Transport and utilities
- Building and construction
- Other services

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full as and when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. Limits on the level of credit risk by product, and industry sector are approved by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-statement of financial position exposures and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such security/undertaking can be obtained.

Maximum exposure to credit risk before collateral held

	2013 Shs '000	2012 Shs '000
Credit risk exposure relating to statement of financial position items:		
Balances with Bank of Uganda (Note 15)	177,372,531	70,515,790
Placements with other banks (Note 16)	28,571,192	48,299,191
Investment securities – held to maturity (Note 17)	327,255,190	223,946,292
Investment securities – held for trading (Note 17)	7,289,093	11,415,699
Loans and advances (Note 18)	688,025,729	570,996,517
Other assets	30,167,782	20,217,033
	1,258,681,517	**945,390,522**
Credit risk exposures relating to off-statement of financial position items:		
- Guarantees and performance bonds (Note 35.1)	13,951,477	5,621,891
- Commitment to extend credit (Note 35.1)	4,232,497	4,553,191
	18,183,974	10,175,082
Total	**1,276,865,491**	**955,565,604**

The above table represents the worst case scenario of credit risk exposure to the Bank at 31 December 2013 and 2012; without taking into account any collateral held or other credit enhancements attached. For the financial assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

As shown above, 53.8% (2012: 59.7%) of the total maximum exposure is derived from loans and advances to banks and customers. Investment in debt securities represents 26.2% (2012: 24.6%) of the total maximum exposure.

The table below shows the collateral coverage for secured loans as at year end

As at 31 December 2013

	Total loan portfolio Shs 000	Netting off agreements (cash secured) Shs 000	Exposure after netting off Shs 000	51-100% Shs 000	Collateral coverage over 100%
Secured loans	537,250,515	1,106,634	536,143,881	45,206,941	490,936,940
Unsecured	150,775,214	-	150,775,214	-	-
Total	**688,025,729**	**1,106,634**	**686,919,095**	**45,206,941**	**490,936,940**

	Total Loan Portfolio Shs 000	Netting off agreements (cash secured) Shs 000	Exposure after Netting off Shs 000	51-100% Shs 000	Collateral Coverage Over 100%
Secured loans	435,758,963	794,156	434,964,807	33,015,685	401,949,122
Unsecured	135,237,554	-	135,237,554	-	-
Total	**570,996,517**	**794,156**	**570,202,361**	**33,015,685**	**401,949,122**

Loans and advances to customers are secured mainly by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees. Micro loans can also be secured by chattels.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advance portfolio and debt securities based on the following:

- The Bank exercises stringent controls over granting new loans.
- 93.5% (2012: 93.2.%) of the loans and advances portfolio are neither past due nor impaired.
- 100.0% (2011: 100.0%) of the investments in debt securities are government securities.

Loans and advances are summarized as follows:

	2013 Shs '000	2012 Shs '000
Neither past due nor impaired	643,265,263	532,032,096
Past due but not impaired	29,041,775	24,927,689
Impaired	15,718,691	14,036,732
Gross loans and advances	**688,025,729**	**570,996,517**
Less: Allowance for impairment	(15,718,691)	(14,036,732)
Net loans and advances	**672,307,038**	**556,959,785**

Loans and advances neither past due nor impaired

The quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank, as follows:

	2013 Shs '000	2012 Shs '000
Standard	640,666,376	528,496,656
Watch	2,598,887	3,535,440
Total	**643,265,263**	**532,032,096**

Loans and advances past due but not impaired

Micro loans that are less than 30 days overdue and other loans that are less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2013 Shs '000	2012 Shs '000
Past due up to 30 days	18,877,716	13,653,051
Past due 31-60 days	4,794,234	4,370,292
Past due 61-90 days	2,173,599	2,614,833
Total	**25,845,549**	**20,638,176**

Of the total gross amount of impaired loans, the following amounts have been individually assessed for impairment:

Loans individually assessed for impairment by category	**2013 Shs'000**	**2012 Shs '000**
Commercial loans	6,515,209	5,746,449
Micro loans	2,684,365	3,364,742
Home improvement loans	964,574	1,048,938
Agricultural loans	2,673,173	3,332,434
Salary loans	5,562,842	4,250,352
Overdrafts	514,754	583,330
	18,914,917	**18,326,245**
Gross loans and advances by category	**2013 Shs '000**	**2012 Shs'000**
Commercial loans	222,040,421	194,616,249
Micro loans	113,913,555	98,926,147
Home improvement loans	45,204,996	44,577,500
Agricultural loans	109,506,182	62,731,431
Salary loans	150,775,213	132,481,888
Overdrafts	23,579,668	19,089,764
Staff loans	23,005,694	18,573,538
Gross loans and advances	**688,025,729**	**570,996,517**
Less: Provision for impairment of loans and advances		
Individually assessed	(10,496,853)	(10,182,154)
Collectively assessed	(5,221,838)	(3,854,578)
Net loans	**672,307,038**	**556,959,785**
Other financial assets not impaired	**2013 Shs '000**	**2012 Shs'000**
Carrying amounts:		
Placements with other banks	28,571,192	48,299,192
Investment securities- Held-to-maturity	327,255,190	223,946,292
Investment securities- Held for trading	7,289,093	11,415,699
Other assets	30,167,782	20,217,033
Total	**393,283,257**	**303,878,216**

These are low risk assets which did not exhibit any indicators of impairment as at year end.

Movement in provisions for impairment of loans and advances in the statement of financial position are as follows:

	Overdraft Shs'000	Commer-cial loans Shs'000	Micro-finance loans Shs'000	Leasing portfolio Shs '000	Staff loans Shs'000	Total Shs'000
Non-performing loans - Identified loss:						
At 1 January 2013	**433,571**	**271,765**	**9,391,139**	**4,700**	**80,980**	**10,182,154**
Impaired accounts written off	-	(2,067,411)	(5,801,755)	-	-	(7,869,166)
Additional identified impairment	117,346	3,355,307	10,247,908	221,259	-	13,941,820
Impairments released due to improved status	(427,815)	(1,115,723)	(4,181,252)	(33,165)	-	(5,757,955)
At 31 December 2013	**123,102**	**443,938**	**9,656,040**	**192,794**	**80,980**	**10,496,853**
Performing loans - Unidentified loss:						
At 1 January 2013	187,958	389,923	3,178,490	98,207	-	3,854,578
Net provisions raised	36,019	364,893	939,299	27,049	-	1,367,260
At 31 December 2013	**223,977**	**754,816**	**4,117,789**	**125,256**	**-**	**5,221,838**
Total	**347,079**	**1,198,754**	**13,773,829**	**318,050**	**80,980**	**15,718,691**

	Overdraft Shs'000	Commer-cial loans Shs'000	Microfi-nance loans Shs'000	Leasing portfolio Shs'000	Staff loans Shs'000	Total Shs'000
Non-performing loans - Identified loss:						
At 1 January 2012	**23,881**	**1,438,572**	**6,345,386**	**-**	**80,980**	**7,888,820**
Impaired accounts written off	-	(357,589)	(3,254,083)	(90,735)	-	(3,702,416)
Additional identified impairment	427,815	165,148	10,725,582	95,435	-	11,413,981
Impairments released due to improved status	(18,125)	(974,357)	(4,425,746)	-	-	(5,418,229)
At 31 December 2012	**433,571**	**271,765**	**9,391,139**	**4,700**	**80,980**	**10,182,154**
Performing loans - Unidentified loss:						
At 1 January 2011	**176,488**	**169,625**	**2,974,981**	**89,982**	**-**	**3,411,076**
Net provisions raised	11,470	220,298	203,509	8,225	-	443,502
At 31 December 2012	**187,958**	**389,923**	**3,178,490**	**98,207**	**-**	**3,854,578**
Total	**621,528**	**661,668**	**12,569,629**	**102,908**	**80,980**	**14,036,732**

Movement in provisions for impairment of loans and advances in the statement of comprehensive income are as follows:

	2013 Shs`000	2012 Shs`000
Provision for impairment losses		
Additional identified impairment	13,941,820	11,413,981
Additional unidentified impairment	1,367,260	443,502
	15,309,080	**11,857,483**
Reduction due to improved status		
Identified impairment	(5,757,955)	(5,418,229)
	(5,757,955)	**(5,418,229)**
Provisions for the year	15,309,080	11,857,483
Reductions in provision for impairment	(5,757,955)	(5,418,229)
Total statement of comprehensive income movement	**9,551,125**	**6,439,254**

Concentration of Risk
Economic sector risk concentrations within the customer loan portfolio were as follows:

	2013 Shs '000		2013 Shs '000
		%	**Credit commitments**
Sector analysis by industry			
Agriculture	121,783,100	17.7	886,626
Manufacturing	4,942,245	0.7	921,793
Trade and commerce	159,978,982	23.3	6,511,773
Transport and utilities	16,405,700	2.4	2,000
Building and construction	152,346,469	22.1	6,027,606
Other services	232,569,233	33.8	3,834,176
	688,025,729	**100**	**18,183,974**
	2012 Shs '000		**2012 Shs '000**
		%	**Credit commitments**
Sector analysis by industry			
Agriculture	100,351,283	17.6	1,224,879
Manufacturing	6,868,070	1.2	1,145,135
Trade and commerce	131,868,870	23.1	4,231,672
Transport and utilities	13,873,754	2.4	146,666
Building and construction	127,328,461	22.3	1,764,980
Other services	190,706,079	33.4	1,661,750
	570,996,517	**100**	**10,175,082**

As at 31 December 2013, the Bank had no loans and advances to a single borrower or group of related borrowers exceeding 25.0% of core capital.

Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligation to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of the customer authorizing a third party to draw drafts up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impaired loans and advances

Individually impaired loans and securities are loans and advances and investment debt securities (other than those carried at fair value through profit or loss) for which the bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan agreement. These loans are graded as standard and watch in the bank's internal credit risk grading system. Loans and advances and investment debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same internal grading system.

Past due but not impaired loans

Past due but not impaired loans other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but the bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the bank.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category for at least one year and returned to normal category there after satisfactory performance.

Allowances for impairment

The Bank establishes an allowance for impairment losses on assets carried at amortised cost or classified as available for sale that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy

The Bank writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Bank Credit Committee determines that the loan or security is uncollectible.

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

Collateral held

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property such as land and buildings and plant and machinery, other registered securities over assets e.g. chattels for micro loans, and corporate guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks within the board approved risk tolerance limit, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities and no such collateral was held at 31 December 2013 or 2012.

As an internal requirement, the forced sale value of the collateral security is over and above the amount of loans and advances disbursed.

b) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel , technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

c) Market Risk

Market risk arises from decrease in the market value of portfolio of financial instruments caused by adverse move in the market variables such as currency exchange rates, interest rates, credit spreads and implied volatilities on all the above.

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. The Board grants the general authority to take on market risk exposures to the Board Asset and Liability Committee (ALCO). The ALCO sets market risk standards and policies to ensure that the measurement, reporting, monitoring and management of market risk is maintained. The day to day implementation of these policies rests with the Treasury Department.

The Bank manages risk through a range of market risk and capital risk limits. Stress testing and basic risk management measures (permissible instruments, concentration of exposures, gap limits and maximum tenor) are used to facilitate this process.

Interest Rate Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

Methods of Measuring and Managing the Interest Rate Risk:

There are a good number of techniques and tools available for measuring and managing interest rate risk ranging from simple calculation to highly complex simulations and modeling. The technique that Centenary Bank utilizes is explained below:

Gap Analysis:

Under this, interest sensitive assets and liabilities are classified into various time bands according to their maturity in the case of fixed interest rates, and residual maturity towards next repricing date in the case of floating interest rates.

The size of the gap in a given time band is analyzed to study the interest rate exposure and the possible effects on the Bank's earnings. Items in assets and liabilities are captured into various buckets, using judgmental factors by studying behavioral patterns, customer segmentation, and roll over history, etc, on a continuous basis which eventually leads to a dynamic gap analysis.

In order to evaluate the earnings exposure, interest Rate Sensitive Assets (RSA) in each time band are netted off against the interest Rate Sensitive Liabilities (RSL) to produce a repricing "Gap" for that time band.

A positive gap indicates that the Bank has more RSA than RSL. A positive or asset sensitive gap means that an increase in market interest rates could cause an increase in the net interest margin and vice versa. Conversely, a negative or liability sensitive gap implies that the Bank's net interest margin could decline as a result of increase in market rates and vice versa.

The positive or negative gap is multiplied by the assumed interest rate changes to derive the Earnings at Risk (EaR). The EaR method helps to estimate how much the earnings might be impacted by an adverse movement in interest rates. The assumed changes in interest rate are estimated on basis of past trends, forecasting of interest rates, etc.

The off-statement of financial position items are excluded from the gap report because the Bank does not bear any interest rate risk on these items.

The table below summaries the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The carrying amounts of derivative financial instruments which are principally used to reduce the exposure to interest rate movements are included in 'Other Assets' and 'Other Liabilities" under the heading 'Non-interest Bearing'. The off-statement of financial position gap represents the net notional amounts of all interest-sensitive derivative financial instruments.

Interest rate risk exposure

	<1 mth Shs'000	1-12 mth Shs'000	1-5 Years Shs'000	Over 5 Years Shs'000	Fixed & Non-interest bearing Shs'000	TOTAL Shs '000
31 December 2013						
Financial assets						
Cash and short-term funds	-	-	-	-	244,962,510	244,962,510
Due from other banks	11,427,480	-	-	-	17,143,712	28,571,192
Investments	41,636,019	292,908,264	-	-	-	334,544,283
Loans and advances to customers	5,050,642	181,319,705	283,878,180	31,971,876	170,086,635	672,307,038
Other financial assets	-	-	-	-	30,167,782	30,167,782
Total financial assets	**58,114,141**	**474,227,969**	**283,878,180**	**31,971,876**	**462,360,639**	**1,310,552,805**
Non-financial assets						
Property & equipment	-	-	-	-	129,520,872	129,520,872
Other assets	-	-	-	-	10,965,855	10,965,855
Total non-financial assets	**-**	**-**	**-**	**-**	**140,486,727**	**140,486,727**
Total assets	**58,114,141**	**474,227,969**	**283,878,180**	**31,971,876**	**602,847,366**	**1,451,039,532**
Liabilities						
Due to customers and other banks	13,415,036	94,921,072	338,606	-	863,536,297	972,211,011
Managed/ borrowed funds	92,471,095	-	-	-	83,457,968	175,929,063
Other liabilities	-	-	-	-	49,562,387	49,562,387
Total liabilities	**105,886,131**	**94,921,072**	**338,606**	**-**	**996,556,652**	**1,197,702,461**
Net on-SOFP gap	(47,771,990)	379,306,897	283,539,574	31,971,876	(534,196,013)	112,850,344
Net off-SOFP gap	-	-	-	-	18,183,974	18,183,974
Total interest sensitivity gap	**(47,771,990)**	**379,306,897**	**283,539,574**	**31,971,876**	**(516,012,039)**	**131,034,318**

	<1 mth Shs'000	1-12 mth Shs'000	1-5 Years Shs'000	Over 5 Years Shs'000	Fixed & Non-interest bearing Shs'000	TOTAL Shs '000
31 December 2012						
Assets						
Cash and short-term funds	-	-	-	-	127,975,061	127,975,061
Due from other banks	-	-	-	-	6,154,313	6,154,313
Investments	83,732,240	193,774,629	-	-	-	277,506,869
Loans and advances to customers	7,535,448	203,847,717	272,582,955	16,869,558	56,124,108	556,959,785
Total assets	**91,267,688**	**397,622,346**	**272,582,955**	**16,869,558**	**190,253,481**	**968,596,028**
Liabilities						
Due to customers and other banks	10,302,061	82,409,592	432,545		730,538,485	823,682,683
Managed/ borrowed funds	-	20,008,794	-	-	36,144,124	56,152,918
Total liabilities	**10,302,061**	**102,418,386**	**432,545**	**-**	**766,682,609**	**879,835,601**
Net on-SOFP gap	80,965,626	295,203,960	272,150,410	16,869,558	(576,429,128)	88,760,426
Net off-SOFP gap	-	-	-	-	10,175,082	10,175,082
Total interest sensitivity gap	**80,965,626**	**295,203,960**	**272,150,410**	**16,869,558**	**(566,254,046)**	**98,935,508**

The re-pricing gaps for the Bank's portfolios are shown below. Positions are managed by currency to take account of the fact that interest rates are unlikely to move together. All assets and liabilities are sited in gap intervals based on their re-pricing characteristics. Assets and liabilities, for which no specific contractual re-pricing or maturity dates exist are placed in gap intervals based on management judgment, where appropriate, based on the most likely re-pricing behavior.

	Within 3 months Shs million	>3 months but within 6 months Shs million	>6 months but within 12 months Shs million	After 12 months Shs million
2013	2,494	106,392	222,649	315,511
Interest rate sensitivity gap				
Cumulative interest rate sensitivity gap	2,494	108,886	331,535	647,046
Cumulative interest rate sensitivity gap as a percentage of total assets	0%	8%	23%	45%
	Within 3 months Shs million	**>3 months but within 6 months Shs million**	**>6 months but within 12 months Shs million**	**After 12 months Shs million**
2012				
Interest rate sensitivity gap	92,070	61,872	222,228	289,020
Cumulative interest rate sensitivity gap	92,070	153,941	376,170	665,190
Cumulative interest rate sensitivity gap as a percentage of total assets	8%	14%	34%	59%

Interest sensitivity analysis

The table below shows the increase / (decline) in 12-month earnings for upward and downward instantaneous parallel rate shocks.

	2013 Shs million	2012 Shs million
+ 500 bps rate shock	9,563	7,796
- 500 bps rate shock	(9,563)	(7,796)
+ 100 bps rate shock	1,913	1,559
- 100 bps rate shock	(1,913)	(1,559)

Assuming no management intervention, a parallel 500bps increase in all yield curves would increase the forecast net interest income for the next financial year by Shs 9,563 million. A parallel decreases in all yield curves would decrease the forecast net interest income for the next financial year by Shs 9,563 million.

Whilst a parallel 100bps increase in all yield curves would increase the forecast net interest income for the next financial year by Shs 1,913 million. A parallel decreases in all yield curves would decrease the forecast net interest income for the next financial year by Shs 1,913 million.

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summaries the Bank's exposure to foreign currency exchange rate risk at 31 December 2013 and 2012. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency.

	GBP Shs '000	USD Shs '000	EUROS & Kshs Shs '000	TOTAL Shs '000
31 December 2013				
Assets				
Cash and balances at the Central Bank	678,335	10,310,835	2,631,063	13,620,233
Due from other banks	998,273	5,323,993	10,821,446	17,143,712
Investments	-	11,427,480	-	11,427,480
Loans and advances to customers	-	12,083,112	-	12,083,112
Other accounts receivable		194,966	3,832,225	4,027,191
Total assets	**1,676,608**	**39,340,386**	**17,284,734**	**58,301,728**
Liabilities				
Customer deposits and balances due to other banks	674,722	32,129,920	9,092,368	41,897,010
Managed funds				-
Other accounts payable	75,323	5,228,746	236,426	5,540,495
Total liabilities	**750,045**	**37,358,666**	**9,328,794**	**47,437,505**
Net on-SOFP position	926,563	1,981,720	7,955,940	10,864,223
Net off-SOFP position	(795,684)	(1,331,496)	(1,620,419)	(3,747,599)
Overall net position	130,879	650,224	6,335,521	7,116,624
% of Net position over core capital	**0.05**	**0.27**	**2.64**	**2.96**
31 December 2012	**GBP Shs '000**	**USD Shs '000**	**OTHERS Shs '000**	**TOTAL Shs '000**
Total assets	**1,683,547**	**30,877,701**	**5,353,468**	**37,914,716**
Total liabilities	914,986	26,650,251	5,937,842	33,503,079
Net on-SOFP position	768,561	4,227,450	(584,374)	4,411,637
Net off-SOFP position	-	(1,880,993)	-	(1,880,993)
Overall net position % of net position over core	**768,561**	**2,346,457**	**(584,374)**	**2,530,644**
	0.41	1.24	(0.31)	1.34

The tables below shows the increase (decline) in 12 month earnings for upward (appreciation) and downward (depreciation) of the shilling on all foreign currencies on instantaneous parallel rate changes over the next 12 months.

	2013 Shs million	2012 Shs million
+500bps exchange rate charge	731	126
-500bps exchange rate charge	(731)	(126)
+100bps exchange rate charge	146	25
-100bps exchange rate charge	(146)	(25)

Assuming no management intervention a parallel appreciation of the shilling by 500bps on all foreign currencies would increase the forecast earnings by Shs731 million whilst a fall or depreciation shall reduce forecast earnings by Shs 731 million.

A 100bps appreciation of the shilling on all currencies would increase the forecast earnings for the next financial year by Shs146 million whilst a full or depreciation shall reduce forecast earnings by Shs146 million.

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Bank of Uganda requires that the Bank maintain a cash reserve ratio of 8.0% of total deposits. In addition, Bank of Uganda sets limits on the minimum proportion of liquid funds available to meet such calls at 20% and other borrowing facilities that should be in place to cover withdraws at unexpected levels of demand. The Treasury Department monitors liquidity ratios on a daily basis.

The Bank incorporates the following elements as part of a cohesive liquidity management process:

- Short term and long term cash flow managements
- Maintaining a structurally sound financial position
- Foreign currency liquidity management
- Preserving a diversified funding base
- Undertaking regular liquidity stress testing
- Maintaining adequate liquidity contingency plan.

The table below presents the undiscounted cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the reporting date.

	<3 months Shs' 000	4-12 months Shs' 000	1-5 years Shs' 000	Over 5 years Shs' 000	Total Shs' 000
31-Dec-13					
Financial liabilities					
Due to customers and other banks	876,951,333	94,921,072	3,951,584	271	975,824,260
Borrowed funds	11,556,209	26,687,782	58,003,226	8,994,887	105,242,104
Managed funds	880,177	2,640,531	7,041,415	-	10,562,122
Other liabilities	3,509,053	31,469,355	9,308,106	-	44,286,514
Total financial liabilities	**968,207,354**	**126,390,427**	**75,677,591**	**27,427,089**	**1,197,702,461**
Financial assets					
Cash and short-term funds	244,962,510	-	-	-	244,962,510
Due from other banks	28,571,192	-	-	-	28,571,192
Investments	41,636,019	292,908,264	-	-	334,544,283
Loans and advances to customers	6,761,139	242,727,124	380,056,963	42,761,812	672,307,038
Other assets	30,167,782	-	-	-	30,167,782
Total financial assets	**352,098,642**	**535,635,388**	**380,056,963**	**42,761,812**	**1,310,552,805**
Net liquidity gap	-616,108,712	409,244,961	304,379,372	15,334,723	112,850,344
Off SOFP	**-619,281,016**	**436,881,871**	**350,459,755**	**-149,866,636**	**18,193,974**
31 December 2012					
Total assets	**240,340,747**	**412,836,628**	**389,901,372**	**79,336,879**	**1,122,415,626**
Total liabilities	**743,427,262**	**111,437,125**	**65,007,501**	**202,543,738**	**1,122,415,626**
Net liquidity gap	**(503,086,515)**	**301,399,503**	**324,893,872**	**(123,206,859)**	**-**
Off SOFP	**(6,647,284)**	**(3,527,798)**	**-**	**-**	**(10,175,082)**
	(509,733,799)	**297,871,704**	**324,893,872**	**(123,206,859)**	**(10,175,082)**

Fair value versus carrying amounts of financial assets and liabilities carried at amortised cost
The fair values of financial assets and liabilities together with the carrying value shown in the statement of financial position are analyzed as follows:

	31 December 2013		31 December 2012	
	Carrying amount Shs '000	Fair value Shs '000	Carrying amount Shs '000	Fair value Shs '000
Assets				
Cash and balances with Bank of Uganda	244,962,510	244,962,510	127,975,061	127,975,061
Placements with other banks	28,571,192	28,571,192	48,299,191	48,299,191
Government securities-held to maturity	327,255,190	327,594,050	223,946,292	224,178,180
Government securities-held for trading (per table below)	7,289,093	7,289,093	11,415,699	11,415,699
Loans and advances at amortized cost	672,307,038	672,307,038	556,959,785	556,959,785
Other assets	30,167,782	30,167,782	20,217,034	20,217,034
	1,310,552,805	**1,310,891,665**	**988,813,062**	**989,044,950**
Liabilities				
Customer deposits	965,891,194	965,891,194	818,478,708	818,478,708
Deposits from other banks	6,319,817	6,319,817	5,203,976	5,203,976
Inter bank borrowing	82,471,095	82,471,095	-	-
Managed funds	10,562,122	10,562,122	11,477,095	11,477,095
Borrowed funds	82,895,846	82,895,846	44,975,825	44,975,825
Other liabilities	44,286,514	44,286,514	33,357,831	33,357,831
	1,192,426,588	**1,192,426,588**	**913,493,435**	**913,493,435**

Fair value hierarchy

At 31 December 2013	Level 1 UShs'000	Level 2 UShs'000	Level 3 UShs'000	Total UShs'000
Assets at fair value				
Government securities	-		-	
At fair value	-	7,289,093	-	7,289,093
Fair value gain	**-**	**238,171**	**-**	**238,171**
At 31 December 2012	**Level 1 UShs'000**	**Level 2 UShs'000**	**Level 3 UShs'000**	**Total UShs'000**
Assets at fair value				
Government securities At fair value	-	11,415,699	-	11,415,699
Fair value gain	**-**	**1,766,099**	**-**	**1,766,099**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Bank based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2013, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

- Fair value of the treasury bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- Fair values of the Bank's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2013 was assessed to be insignificant.

Capital Management

The Bank monitors the adequacy of its capital using ratios established by Bank of Uganda, which ratios are broadly in line with those for the Bank for International Settlements (BIS). These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off-statement of financial position commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 100% of the carrying amount. Certain asset categories have intermediate weightings.

Off-statement of financial position credit related commitments and forwards are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

The Bank's objectives when managing capital, which is broader than the equity on the face of the statement of financial position, are:

- To comply with the capital requirement set by Bank of Uganda
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to the shareholders and
- To maintain a strong capital base to support the development of the Bank's business.

Capital adequacy and the use of regulatory capital are monitored monthly by management, employing techniques based on guidelines developed by Basel committee as implemented by Bank of Uganda, for supervisory purposes. The required information is filled with Bank of Uganda on a quarterly basis.

Bank of Uganda requires each bank to:

a. Hold the minimum level of the regulatory capital of Ushs 25,000,000,000 (Shs Twenty five billion);
b. Maintain a ratio of total regulatory capital to the risk –weighted assets of not less than 12.0%; and
c. Maintain core capital of not less than 8.0% of risk weighted assets.

The Bank's regulatory capital is divided into two tiers:

Tier I capital (core capital): Share capital, share premium, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill, current year losses, prohibited loans to insiders; investments in unconsolidated financial statements, deficiencies in provisions for losses and other deductions determined by BOU are deducted in arriving at tier I capital.

Tier 2 capital (Supplementary Capital): Revaluation reserves, unidentified impairment allowance, statutory regulatory reserves (reserves created by appropriations of retained earnings), subordinated debt and hybrid capital instruments.

The table below summaries the composition of regulatory capital and the ratios of the Bank, for the years ended 31 December 2012 and 2013. During those two years, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2013 Shs' 000	2012 Shs' 000
Core Capital (Tier I)		
Permanent shareholders' equity	25,116,624	25,116,621
Share premium	1,138,927	1,138,927
Prior years' retained profits	167,151,269	136,379,559
Proposed dividends	(9,652,245)	(9,136,921)
Shares paid up (Bonus Issue)	-	(15,000,000)
Net after-tax profits (current year-to-date)	58,005,547	54,901,186
	241,760,122	**193,399,372**
Computer software	(1,596,916)	(1,836,318)
Unrealized foreign exchange gains	(238,171)	(2,481,641)
Tier I Capital	**239,925,035**	**189,081,413**
Supplementary Capital (Tier 2)		
Unencumbered general provisions for losses	5,221,838	3,854,578
Regulatory reserve	1,822,018	1,924,704
Tier 2 Capital	**7,043,856**	**5,779,282**
Total Capital (Tier I+Tier 2)	**246,968,891**	**194,860,965**

The increase of the regulatory capital in the year 2013 is mainly due to the contribution of the current-year profit.

The risk–weighted assets are measured by means of hierarchy of five risk weights classified according to the nature of portfolio holding and reflecting an estimate of credit and market risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of potential losses.

The table below summarizes the composition of the risk weighted assets of the Bank for the years ended 31 December 2013 and 31 December 2012.

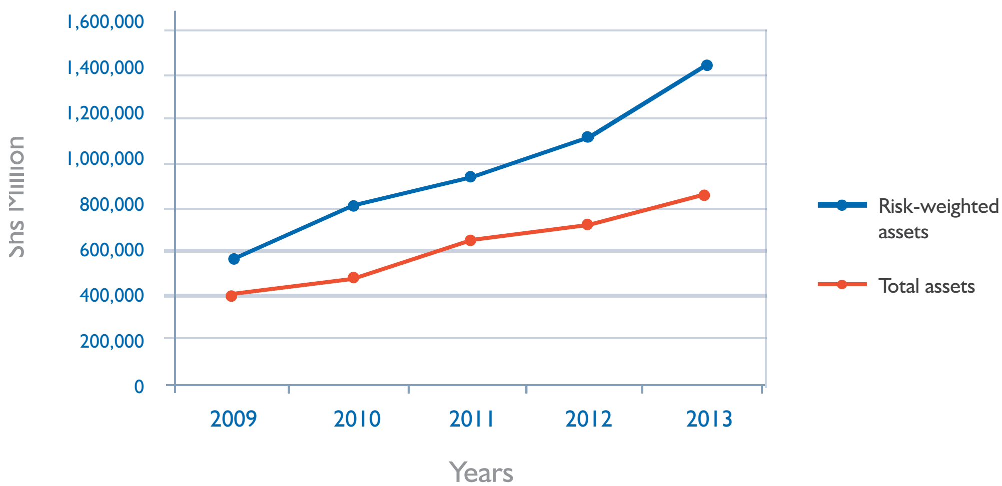
	Statement of financial position Nominal amounts			Risk weighted amounts	
	2013 Shs '000	2012 Shs '000		2013 Shs '000	2012 Shs '000
Assets					
Notes, coins & other cash assets	67,589,979	57,459,271	0%		
Balances with Bank of Uganda	177,372,531	70,515,790	0%		
Due from commercial banks in Uganda	11,545,817	42,527,221	20%	2,309163	8,505,444
Due from commercial banks outside Uganda					
(1) Rated AAA to AA (-)	7,491,149	3,318,919	20%	1,498,230	663,784
(2) Rated A (+) to A (-)	9,381,818	2,438,164	50%	4,690,909	1,219,082
(3) Rated A (-) and non-rated	152,409	14,887	100%	152,409	14,887
Investment securities	334,544,283	235,361,991	0%	-	-
Loans and advances to customers	672,307,038	556,959,785	100%	672,307,038	556,959,785
Other accounts receivable	41,133,637	33,621,879	100%	41,133,637	33,621,879
Property and equipment	129,520,872	119,565,546	100%	129,520,872	119,565,546
Off-statement of financial position items					
Contingencies secured by cash collateral	1,241,258	205,153	0%	-	-
Guarantees & acceptances	6,914,925	798,966	100%	6,914,925	798,966-
Performance bonds	2,452,296	3,206,187	50%	1,226,148	2,002,577
Documentary credits (trade related)	3,342,998	1,411,585	20%	668,600	282,317
Other commitments	4,232,497	4,553,191	50%	2,116,248	2,276,595
Total risk-weighted assets	**1,469,223,506**	**1,131,958,535**		**862,538,179**	**725,910,864**
	2013 Shs '000	**Ratio**		**2012 Shs '000**	**Ratio**
Capital ratios					
Tier 1 Capital (Core)	239,925,035	27.8%		189,081,413	26.0%
Tier 1 + Tier 2 Capital (Total)	246,968,891	28.6%		194,860,695	26.8%
FIA 2004 minimum ratio capital requirement					
Core capital		8%			8%
Total capital		**12%**			**12%**

The Bank's total capital adequacy ratio improved from 26.8% to 28.6% at December 2013 and Tier 1 capital increased from 26.0% to 27.8% at December 2013. Showing the bank is well capitalized

Trend in risk-weighted assets

Shs million	2009 2009	2010	2011	2012	2013
Total assets	582,688	807,238	944,044	1,122,296	1,451,040
Risk-weighted assets	411,471	479,528	646,689	725,911	862,538

Trends in risk weighted assets



Turnover

The Bank's turnover is derived substantially from the business of banking and related activities and comprises net interest income, fees and commission income, trading income and other income. These revenues are shown in the statement of comprehensive income and accompanying notes and represent the most appropriate equivalent of turnover compared with other forms of business enterprise.

		2013 Shs '000	2012 Shs '000
6(a)	**Interest income**		
	Interest on loans	162,488,656	149,877,201
	Interest on treasury bills held to maturity	37,316,896	23,172,555
	Interest on treasury bonds	1,674,202	1,538,041
	Interest on inter-bank placements	7,701,634	9,001,466
		209,181,388	**183,589,263**
6(b)			
	Income from financial instruments at fair value		
	Fair value gain	238,171	1,766,099
		238,171	**1,766,099**
7	**Interest expense**		
	Savings accounts	11,008,348	9,113,785
	Current accounts	343,176	94,543
	Fixed deposit accounts	10,365,088	9,460,409
	Managed/borrowed funds	8,329,810	5,109,663
	Inter-bank borrowings	3,806,084	3,878,787
		33,852,506	**27,657,187**
8	**Fee and commission income**		
	Trade related fees and commitment	11,577,332	10,461,729
	Ledger fees	16,697,719	15,541,475
	Other commissions and fees	23,964,207	18,325,454
		52,239,258	**44,328,658**
9	**Foreign exchange income**		
	Foreign trade commission	2,512,737	2,204,921
	Foreign exchange gain	2,595,901	1,423,595
		5,108,638	**3,628,516**
10	**Other operating income**		
	Income from bank property	10,760	10,690
	Recovery of written off loans	1,857,548	1,336,501
	Sale of ATM cards & banking stationery	3,505,327	2,949,067
	Release of unutilized accruals	853,819	898,771
	Credit Reference Bureau search fee income	423,301	14
	Grant income	836,185	200,872
	Uncollected ATM cards	382,677	393,689
	Other income	942,236	1,357,762
		8,811,853	**7,147,366**
11	**Employee benefits expense**		
	Staff salaries	53,188,763	45,713,904
	Staff bonuses	9,512,638	7,969,365
	NSSF contributions	6,716,476	5,454,201
	Retirement plan contributions	4,202,693	3,475,247
		73,620,570	**62,612,717**

12	**Impairment losses on loans and advances**		
	Credit losses impairment-Identified	8,183,865	5,995,752
	Credit losses impairment-Unidentified	1,367,260	443,502
		9,551,125	**6,439,254**
13	**Operating expenses**		
	Auditors remuneration and expenses	210,877	205,550
	Software costs	2,707,631	2,312,700
	Premises cost	11,520,895	10,373,085
	Insurance	5,295,053	4,426,114
	Security	3,010,956	2,593,937
	Office expenses	10,374,051	8,091,493
	Equipment lease expenses	1,332,483	1,179,887
	Motor vehicle expenses	2,540,287	2,174,246
	Telephone, telex and postage	5,740,235	4,580,942
	Donation	797,612	449,192
	Advertising and marketing	4,247,017	4,343,972
	Directors' emoluments and other expenses	2,711,072	2,226,805
	Consultancy and legal fees	1,711,982	1,459,301
	Recruitment and training	1,462,505	1,684,934
	Staff transfer	987,285	931,109
	Seminars & conferences	276,462	185,326
	Subscription	345,850	242,923
	Stationery	4,688,472	4,851,510
	Transport & travel	5,201,138	5,654,650
	Bank charges	1,538,376	1,391,864
	Long-term rental amortization	45,750	45,849
	Cash shortages and other irrecoverable losses	1,353,715	1,628,926
	Other operating expenses	1,432,064	797,301
		69,531,768	**61,831,616**
		2013 **Shs '000**	**2012** **Shs '000**
14	**Income tax expense**		
	Current income tax	6,323,657	4,524,804
	Withholding tax expense	7,798,220	4,774,936
	Deferred income tax (credit) /expense	(1,348,135)	4,716,582
	Prior year under provision of current tax	443,486	387,171
		13,217,228	**14,403,493**

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows

		2013 Shs '000	2012 Shs '000
	Profit before income tax	71,222,775	69,304,679
	Tax calculated at 30.0% (2012: 30.0%)	21,366,832	20,791,403
	Tax effect of:		
	- Expenses not deductible for tax	2,084,884	821,387
	- Income not subject to tax	(17,811,397)	(11,781,967)
	- Prior year adjustment	(221,311)	(202,267)
	- 20% final tax on treasury bills	7,798,220	4,774,936
	Income tax expense	**13,217,228**	**14,403,493**
	Movement in current tax payable/(recoverable) is as follows:-		
	At start of year	(632,173)	1,653,819
	Under provision in prior years- current tax	443,486	387,171
	Current income tax expense	14,121,878	9,299,740
	Tax paid during year	(12,292,641)	(11,972,903)
	At end of year	**1,640,550**	**(632,173)**
	Further information on deferred income tax is prsented in Note 20.		
15		**2013 Shs '000**	**2012 Shs '000**
	Cash and balances with Bank of Uganda		
	Cash in hand	67,589,979	57,459,271
	Balances with Bank of Uganda	177,372,531	70,515,790
		244,962,510	**127,975,061**

Balances on hand and with the Central Bank are non-interest bearing and include the minimum cash reserve requirement of Shs 75.6 billion as at 31 December 2013 (2012: Shs 61.3 billion). The mandatory reserve is based on the value of deposits as adjusted in accordance with Bank of Uganda Regulations.

Banks are required to maintain a prescribed minimum cash reserve comprising cash in hand and balances with Bank of Uganda. This reserve is available to finance the Bank's day-to-day activities; however there are restrictions as to its use and sanctions for noncompliance. The amount is determined as a percentage of the average outstanding customer deposits over a cash reserve cycle period of fourteen days.

		2013 Shs '000	2012 Shs '000
16	**Placements with other banks**		
	Balances with local banks	118,337	382,343
	Balances with foreign banks	17,025,375	5,771,970
	Placements with local banks	11,427,480	34,034,835
	Placements with foreign banks	-	8,110,043
		28,571,192	**48,299,191**

The weighted average effective interest rate on placement with other banks was 12.7% (2012:10.9%).

	2013 Shs '000	2012 Shs '000
Government securities		
(a) Government securities held for trading		
	7,289,093	**11,415,699**

Treasury bills are debt securities issued by the Central Bank for a term of three months, six months and twelve months, whilst bonds are also issued for a term of two years, three years, five years and ten years.

The weighted average effective interest rate on treasury bills and bonds was 12.6 %(2012: 14.0%) and 10.4% (2012:10.32%) respectively.

(b) Government securities held to maturity

		2013 Shs '000	2012 Shs '000
	Government treasury bills	**327,255,190**	**223,946,292**
	Maturity analysis of government securities		
	held-to-maturity		
	Short Term (1-3 months)	109,158,324	70,743,378
	Medium Term (3-6 months)	96,917,958	59,349,962
	Long Term (Over 6 months)	121,178,908	93,852,952
		327,255,190	**223,946,292**
		2013 Shs '000	**2012 Shs '000**
18	**Loans and advances to customers**		
	Overdrafts	23,579,668	19,089,764
	Commercial loans	238,876,858	180,926,235
	Micro finance loans	384,854,639	338,716,966
	Finance Leases (18b)	17,708,870	13,690,014
	Staff loans	23,005,694	18,573,538

	Gross loans and advances	**688,025,729**	**570,996,517**
	Provision for loan impairment – identified losses	(10,496,853)	(10,182,154)
	Provision for loan impairment – unidentified losses	(5,221,838)	(3,854,578)
	Net loans and advances	**672,307,038**	**556,959,785**
	Maturity analysis of loans and advances		
	Short Term (1-3 Months)	25,601,502	20,802,628
	Medium Term (3-6 Months)	13,954,277	10,742,654
	Long Term (Over 6 Months)	648,469,950	539,451,235
		688,025,729	**570,996,517**

	2013 Shs '000	%	2012 Shs '000
Sector Analysis			
Agriculture	121,783,100	17.7	100,351,283
Manufacturing	4,942,245	0.7	6,868,070
Trade and Commerce	159,978,982	23.3	131,868,870
Transport and Utilities	16,405,700	2.4	13,873,754
Building and Construction	152,346,469	22.1	127,328,461
Other Services	232,569,233	33.8	190,706,079
	688,025,729	**100**	**570,996,517**

		2013 Shs'000	2012 Shs'000
18(b)	**Finance leases**		
	Gross investments in finance leases		
	No later than 1 year	257,078	10,575,592
	Later than 1 year but no later than 5 years	22,511,088	6,989,366
		22,768,166	**17,564,958**
	Unearned future finance income on finance leases	(5,059,296)	(3,874,944)
	Net investment in finance leases	**17,708,870**	**13,690,014**
	Analysis of net investment in finance leases		
	No later than 1 year	246,524	8,140,853
	Later than 1 year but no later than 5 years	17,462,346	5,549,161
		17,708,870	**13,690,014**

This is a form of financing an asset where the asset serves as the main security. The leases are offered for a period between 1 to 5 years depending on the type of equipment financed and the anticipated cash flows. The average interest rate on these facilities for 2013 was 21.9% for Ushs facilities and 10.1% for USD facilities (2012: 22.1% and 10.1% respectively).

		2012 Shs '000	2013 Shs '000
19	**Other assets**		
	Cheques in transit	308,716	436,362
	Staff advances	16,308	755,951
	Accrued late fee payment	683,502	741,475
	Accounts receivable	436,732	242,818
	Prepaid expenses	5,056,392	5,342,580
	Sundry stationery stock	1,939,952	2,106,700
	Western Union commission receivable	399,583	680,872
	Outward clearing	1,108,743	921,873
	Mobile E-money	9,970,379	5,107,875
	Deferred staff loan off market discount	8,613,386	7,206,982
	Unsettled interbank trading deals	3,832,400	-
	Value added tax	3,478,333	2,507,418
	Other sundry assets	1,319,700	1,615,408
		37,164,126	**27,666,314**

20 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method at the applicable rate of 30.0%. The movement on the deferred income tax account is as follows:

	2013 Shs'000	2012 Shs'000
At start of year	3,953,208	(763,374)
(Credit) / charge to statement of comprehensive income (Note 14)	(1,348,135)	4,716,582
At end of year	**2,605,073**	**3,953,208**

	1 January 2013 Shs'000	Charge/ (Credit) to SOCI Shs'000	31 Dec 2013 Shs'000
Deferred income tax liability			
Accelerated tax depreciation	7,824,309	(415,792)	7,408,517
Fair value adjustments	(43,812)	71,451	27,639
	7,780,497	**(344,341)**	**7,436,156**
Deferred income tax asset			
Provisions	(1,328,295)	(438,237)	(1,766,532)
Deferred income	(2,498,994)	(565,557)	(3,064,551)
	(3,827,289)	(1,003,794)	(4,831,083)
Net deferred income tax liability	**3,953,208**	**(1,348,135)**	**2,605,073**
	1 January 2012 Shs'000	**Charge/ (Credit) to SOCI Shs'000**	**31 Dec 2012 Shs'000**
Deferred income tax liability			
Accelerated tax depreciation	3,099,142	4,725,167	7,824,309
Fair value adjustments	-	(43,812)	(43,812)
	3,099,142	**4,681,355**	**7,780,497**
Deferred income tax assets			
Provisions	(1,349,127)	20,832	(1,328,295)
Deferred income	(2,513,389)	14,395	(2,498,994)
	(3,862,516)	35,227	(3,827,289)
Net deferred income tax (asset)/liability	**(763,374)**	**4,716,582**	**3,953,208**

		2013 Shs'000	2012 Shs'000
21	**Deferred expenses**		
	At start of year	3,640,307	10,359,663
	Net additions/transfers	(1,940,304)	(6,719,356)
	At end of year	**1,700,003**	**3,640,307**

These are expenses incurred on major renovations on branches rented by the Bank whose benefit is estimated to spread over more than one year. They are deferred and amortised upon completion of renovations over a maximum period of five years.

	2013 Shs'000	2012 Shs'000
Cost		
At 1 January	2,536,543	2,527,743
Additions	-	8,800
At 31 December Amortisation	**2,536,543**	**2,536,543**
At 1 January	221,286	175,437
Charge for the year	45,750	45,849
At 31 December	**267,036**	**221,286**
Net carrying amount	**2,269,508**	**2,315,258**

The finance lease relates to costs incurred when acquiring the leasehold land on plot 44-46 Kampala Road. The costs are being amortised on a straight line basis over the life of the lease agreement. The lease agreement for plot 44 – 46 Kampala Road became effective November 2009 for ninety nine years. As at 31st December 2013 the remaining lease period is 95 years.

At the inception of the lease, the obligations associated with the acquisition was all paid up front in full as required by the local laws. Therefore, all the lease payments/installments were paid upfront at the beginning of the lease and as at 31st December 2013 there were no other lease obligations outstanding.

22(b) Property and Equipment

	Buildings Ushs '000	Motor Vehicles & Cycles Ushs '000	Computer Equipment & Accessories Ushs '000	Furniture Fixtures & Equipment Ushs '000	Work-in-Progress Ushs '000	Total Ushs '000
COST						
At 1 January 2013	65,634,442	9,272,041	34,559,147	51,135,828	-	60,601,458
Additions	-	2,770,641	3,770,988	6,889,802	7,716,182	21,147,613
Disposals	-	(98,013)	(149,069)	(454,736)	-	(701,818)
Capitalisation Mapeera House	5,931,758	-	-	-	-	5,931,758
At 31 December 2013	**71,566,200**	**11,944,669**	**38,181,066**	**57,570,894**	**7,716,182**	**186,979,011**
DEPRECIATION						
At 1 January 2013	918,259	5,188,422	20,871,347	15,894,201	-	42,872,229
Charge for the year	1,329,308	1,847,331	5,804,592	7,807,419	-	16,788,650
On disposals	-	(84,669)	(149,069)	(372,086)	-	(605,824)
At 31 December 2013	**2,247,567**	**6,951,084**	**26,526,870**	**23,329,534**	**-**	**59,055,055**
NET BOOK VALUE						
At 31 December 2013	69,318,633	4,993,585	11,654,196	34,241,360	7,716,182	127,923,956
At 31 December 2012	64,716,184	4,083,619	13,687,800	35,241,626	-	119,565,546
COST						
At 1 January 2012	1,566,191	6,836,277	25,267,635	22,612,836	56,675,168	112,958,107
Additions	20,781,859	2,896,954	10,087,840	15,149,300	-	48,915,953
Disposals	-	(461,190)	(796,328)	(15,084)	-	(1,272,602)
Transfers	43,286,392	-	-	13,388,776	(56,675,168)	-
At 31 December 2012	**65,634,442**	**9,272,041**	**34,559,147**	**51,135,828**	**-**	**160,601,458**
DEPRECIATION						
At 1 January 2012	256,526	4,102,538	17,000,972	10,796,337	-	32,156,373
Charge for the year	661,733	1,547,074	4,618,050	5,111,312	-	11,938,169
Disposals	-	(461,190)	(747,675)	(13,448)	-	(1,222,313)
At 31 December 2012	**918,259**	**5,188,422**	**20,871,347**	**15,894,201**	**-**	**42,872,229**
NET BOOK VALUE						
At 31 December 2012	64,716,183	4,083,619	13,687,800	35,241,627	-	117,729,229
At 31 December 2011	**1,309,665**	**2,733,739**	**8,266,663**	**11,816,499**	**56,675,168**	**81,263,451**

22(c) Intangible assets

		2013 Shs '000	2012 Shs '000
	COST		
	At 1 January	5,667,488	3,616,608
	Additions	772,513	2,050,880
	At 31 December	**6,440,001**	**5,667,488**
	AMORTISATION		
	At 1 January	3,831,171	3,154,891
	Charge for the year	1,011,914	676,280
	At 31 December	**4,843,085**	**3,831,171**
	NET CARRYING AMOUNT		
	At 31 December	**1,596,916**	**1,836,317**

		2013 Shs '000	2012 Shs '000
23	**Customer deposits**		
	Current accounts	217,639,269	187,263,868
	Savings accounts	639,577,210	538,070,641
	Time deposits	108,674,715	93,144,199
		965,891,194	**818,478,708**

The weighted average effective interest rate on customer deposits was 2.1% (2012: 2.3%).

		2013 Shs'000	2012 Shs'000
24	**Deposits and balances due to**		
	banks and other financial institutions		
	Balances from local banks	3,388,748	3,288,884
	Other finance institutions	2,931,069	1,915,094
		6,319,817	5,203,978

		2013 Shs'000	2012 Shs'000
25	**Inter-bank borrowing**		
	Borrowings from banks	82,471,095	-
		82,471,095	

Inter-bank borrowings relate to short-term borrowings from local banks. The interest rates range between 7% and 12% and the term of the loans ranges between 2 to 7 days.

		2013 Shs'000	2012 Shs'000
26	**Managed funds**		
	Danida	19,704	552,655
	ACF-BOU	267,065	392,839
	Rural Electrification Fund	42	64,705
	Youth Venture capital fund	6,975,311	7,167,000
	KCCA Fund	**3,300,000**	**3,299,896**
		10,562,122	**11,477,095**

DANIDA:

This is a grant to the people of Rakai District from the Danish International Development Assistance (Danida). Rakai District Local Government are the legal owners of the Credit Capital fund. Centenary Bank are the administrators of the fund. The fund aims at increasing productivity and production in the local community and to contribute to the general improvement of the standards of living of the people of Rakai District. The fund was terminated effective August 2013 and the balance will be paid out at the end of the schemes audit.

ACF-BOU:

The Government of Uganda through the central bank created an agricultural credit facility for the purpose of supporting agricultural expansion and modernization in partnership with commercial banks. The funds were advanced by government at a zero interest rate and the risks and expenses on the loans to customers is shared on a 50% basis. Loans are advanced to customers at 10%. No more funds were advanced in 2013.

RURAL ELECTRIFICATION FUND:

On 8th August 2011, the Bank signed a Memorandum of Understanding with the Government of Uganda to improve and increase the provision of energy in the rural sector in Uganda. These funds are at zero interest and are applied as subsidies to qualifying rural borrowers to offset the cost of electrification. Their application is certified by Rural Electrification Board staff. Fresh replenishment on application are made by Government subject to availability.

GOVERNMENT OF UGANDA YOUTH VENTURE CAPITAL FUND:

The Bank is a Participating Partner in the Government of Uganda (GoU) revolving Youth Venture Capital Fund (YVCF) established in Financial Year 2011/12 to facilitate job creation and employment generation targeted at addressing the rampant unemployment problem among the Ugandan youth by supporting financially viable start-up micro, Small and Medium Enterprises operated by Youth Entrepreneurs. Under the scheme the bank makes an equal contribution to the revolving fund and as at 31 December 2013 the fund stood at Shs 7.0 billion.

KCCA YOUTH VENTURE CAPITAL FUND:

The Bank in collaboration with Kampala Capital City Authority signed a Memorandum of Understanding on 30 October 2012 to take custody and on-lend the authority's Youth Venture Capital funds worth Shs 3.3 billion to eligible youth as per criteria set out and agreed upon. The fund is for 5 years subject to renewal terms and conditions acceptable to both parties. The funds are to support expansion of business ventures owned by the youth residents in Kampala district.

		2013 Shs'000	2012 Shs'000
27	**Borrowed funds**		
	Triodos	21,157,486	20,008,794
	European Investment Bank(EIB PEFF)	18,526,274	9,150,041
	Solar loan (UECCC)	388,353	128,807
	Agribusiness Business Initiative Trust	15,396,644	15,388,183
	EAC MF Loan (EIB)	27,427,089	-
		82,895,846	**44,675,825**

EIB –PEFF (Private Enterprise Finance Facility:

This is a global loan facility extended to a group of financial institutions in Uganda from Cotonuo investment facility resources. The facility is used to finance private enterprises in agro industry, fishing, construction, food processing, manufacturing, tourism and services provided to these sectors and in health and education sectors. Repayments are made semi annually and interest is computed on reducing balance.

The interest rate charged on this facility is not fixed or uniform but is dependent on the tenure of the loan for which it is disbursed.

EIB EAC MF LOAN (European Investment Bank; East African Community Microfinance Loan)

This is a Global Facility from the Cotonou Investment Facility which is used by the EAC Banks for the financing of micro credit projects. This was a bullet disbursement of the Uganda Shillings equivalent of Euro 8 million (approximately UGX 26B). Interest is payable at 10.008% semi annually but there is a two year grace period for payment on the principal. The loan tenure is 7 years.

TRIODOS:

This is a syndicated loan agreement between Centenary Bank and Triodos Investment Management B.V to finance the expansion of the loan portfolio. The first tranche of Shs 10billion was repayable in December 2012 and was renegotiated for renewal for another three years. There are two facilities each of Shs 10 billion with a tenure of three years maturity in December 2013 priced at 91 days plus 5.25% & 2015 priced at 182 days plus 3.15% respectively.

SOLAR LOAN:

Centenary Bank signed a Solar Refinance facility of USD 250,000 with Uganda Energy Credit Capitalization Company on 12th July 2012. The refinance facility is denominated in Ushs and the shilling liability is determined at the exchange rate applicable on every release of funds. The Bank drew down Shs 128.8 million in October 2012. The refinance interest rate is 8.15% per annum fixed. The repayment of the principal borrowed is in 18 equal half yearly installments commencing 12 months after draw down. The funds are applied exclusively for the purpose of provision of solar loans to rural households. The loans are secured by promissory notes.

Agri Business Initiative (ABI) Trust

The Bank has secured two five year lines of credit from ABI Trust under the Agribusiness Loan Guarantee Company Limited. The first loan of Shs 10 billion was at the interest rate of 15.5%. The second loan of Shs 5 billion was secured at an interest rate of 12%. The loan is to support the Bank's effort in agricultural lending.

		2013 Shs'000	2012 Shs'000
28	**Other liabilities**		
	Bills payable	946,711	1,609,799
	Clearing suspense	214,922	432,938
	Unearned fees on late payments	564,791	672,117
	Deferred fee income	10,215,172	8,329,984
	Guarantees - Cash collateral	413,735	144,108
	Contract staff (Terminal benefits)	620,083	620,582
	Provisions (Note 28 b)	666,601	550,288
	Accrued expenses	5,941,796	5,654,880
	PAYE payable	2,893,603	2,373,319
	N.S.S.F payable	1,461,957	1,179,158
	Unsettled interbank trading bills	3,827,500	-
	Accounts payable	2,202,296	4,425,063
	Uganda Revenue Authority Payable	5,451,047	770,418
	Unclaimed balances (Nostro A/cs)	397,212	609,603
	Value Added Tax	1,955,306	884,761
	Real Time Gross Settlement	1,073,885	1,469,623
	Other payablesa	5,439,897	3,631,191
		44,286,514	**33,357,832**
		2013 Shs'000	**2012 Shs'000**
28(b)	**Provisions for litigation**		
	Legal cases	244,924	360,000
	Defalcations	421,677	190,288
		666,601	**550,288**

The Bank is a litigant in several cases which arise from normal day-to-day banking activities. The directors and management believe the Bank has strong grounds for success in majority of them and are confident that they should get a ruling in their favor and none of the cases individually or in aggregate would have a significant impact on the Bank's operations. Management carried out an assessment of all the cases outstanding as at 31 December 2013 and where considered necessary, provisions made as indicated above

	2013 Shs'000	2012 Shs'000
29 Deferred grants		
At start of year	800,538	652,822
Additions	1,065,897	348,588
Transfers to statement of comprehensive Income	(836,185)	(200,872)
At end of year	**1,030,250**	**800,538**

The opening balance at the start of the year relates to grants in form of cars, laptops and scanners to assist the Bank to set up the leasing portfolio and a grant from USAID to procure a mobile bank van to improve outreach in the Northern region where infrastructure is not so well developed. Grant additions include:

	2013 Shs '000	2012 Shs '000
ABI Trust	408,208	-
GIZ	72,414	18,600
Agrifin	585,275	329,989
	1,065,897	**348,589**

AbiTrust and Private Sector Foundation

The Bank partnered with AbiTrust and Private Sector Foundation Uganda to extend financial literacy to millions of people through the "CenteBusinessLife" programme. This was done through classroom trainings, electronic media training, print media messages, market vendor training and mentorships. Over 10,000 Small and Medium Enterprises (SMEs) in 9 districts countrywide have improved their businesses.

GIZ Financial Systems Development Program

GIZ Financial Systems development Programme (FSD), through the support of the German Development Cooperation of the German Government, supported the Bank in financing a baseline survey on SACCOs , VSLAs and farming groups based in Karamoja to inform whether the groups are bankable and investigate the most effective, impactful financial products and appropriate channels of delivering such products to the sub-region. The Bank, under the same programme, was supported to install solar systems in the service outlets located in Moroto and Kotido.

AGRIFIN Project

The World Bank has contributed towards the support of agriculture extension through training, setting up satellite service centres and enhancing service delivery of the agricultural product. During the year a sum of Shs 585 million was extended to the Bank.

30 Earnings per ordinary share

Basic earnings per share are calculated by dividing the profit attributable to the ordinary equity holders of the Bank by the weighted average number of ordinary shares in issue during the year

	2013 Shs'000	2012 Shs'000
Net income	58,005,547	54,901,186
Dividends to preference shareholders	(23,324)	(23,324)
Net income attributable to ordinary shareholders	57,982,223	54,877,862
Weighted average number of ordinary shares (No.)	25,000,000	25,000,000
Basic earnings per ordinary share (shillings)	**2.319**	**2.195**

	2013 Shs'000	2012 Shs'000
31 Share capital		
Authorized		
28,825,356 ordinary shares (2012: 28,825,356) of Shs 1,000 each	28,825,356	28,825,356
150,000 preference shares of Shs 1,000 each	150,000	150,000
	28,975,356	28,975,356
Issued and fully paid		
25,000,000 ordinary shares (2012:25,000,000)		
of Shs 1,000 each	25,000,000	25,000,000
116,624 preference shares (2012: 116,621) of Shs 1,000 each	116,624	116,621
	25,116,624	**25,116,621**

The issued number of shares as at year end was 25,000,000 ordinary shares and 116,624 preference shares (2012: 25,000,000 ordinary shares and 116,621 preference shares). All issued shares are fully paid.

There were no potentially dilutive shares outstanding at 31 December 2013 or 2012. Diluted earning per share are therefore the same as basic earnings per share.

Movements in capital during the year were as follows:

	Share Premium	Preference	Ordinary
At 1 January 2013	**1,138,927**	**116,621**	**25,000,000**
Shares paid up & bonus issue	-	3	-
At 31 December 2013	**1,138,927**	**116,624**	**25,000,000**
Movements in capital during 2012 were as follows:			
	Share premium	**Preference**	**Ordinary**
At 1 January 2012	**1,138,927**	**116,592**	**10,000,000**
Preference shares paid up & bonus issue	-	29	15,000,000
At 31 December 2012	**1,138,927**	**116,621**	**25,000,000**

The holders of ordinary shares are entitled to receive dividend from time to time and are entitled to one vote per share at meeting of the Bank. Holders of preference shares receive a non-cumulative coupon of 20% and they do not carry the right to vote. All shares rank equally with regards to the Bank's residual assets except that the preference share holders have priority over ordinary shareholders but participate only to the extent of the face value of the shares.

		2013 Shs 000	2012 Shs 000
32	**Proposed dividends**		
	Preference - 20.0%	23,324	23,324
	Ordinary - 16.6% of NPAT (2012: 16.6%)	9,628,921	9,113,597
		9,652,245	**9,136,921**
	Dividend per ordinary share (Shs)	**385.16**	**364.54**

The directors recommend the payment of a dividend of Shs 385.16 per share (2012: 364.54 per share) totaling Shs 9,652,245 (2012: Shs 9,136,921). Dividends are subject to withholding tax at rates which vary depending on the tax residence status of the recipient and double tax agreements in place

		2013 Shs'000	2012 Shs'000
33	**Regulatory reserve**		
	At start of year	1,924,704	1,932,149
	Transfer from/to retained earnings during the year	(102,686)	(7,445)
	At end of year	**1,822,018**	**1,924,704**

The regulatory reserve represents amounts by which provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act 2004 exceed those determined in accordance with International Financial Reporting Standards. These amounts are appropriated from retained earnings in accordance with the Bank's accounting policy.

		2013 Shs 000	2012 Shs 000
34	**Cash and cash equivalents**		
	Cash and balances with Bank of Uganda (Note 15)	244,962,510	127,975,061
	Balances with other financial institutions (Note 16)	28,571,192	48,299,191
	Treasury bills and other eligible bills < 91 days	109,158,324	70,743,378
	Government securities held for trading (Note 17)	7,289,093	11,415,699
		389,981,119	**258,433,329**

35 Off-statement of financial position financial instruments and capital commitments

	2013 Shs'000	2012 Shs'000
35.1 Guarantees and performance bonds		
Acceptances and letters of credit	3,342,998	1,411,585
Performance bonds	3,233,714	912,767
Bid securities bond guarantees	7,374,765	3,297,539
Commitments to extend credit	4,232,497	4,553,191
	18,183,974	**10,175,082**
	2013 Shs'000	**2012 Shs'000**
35.2 Capital commitments		
Capital expenditure authorized and contracted	33,491,329	18,788,000
	33,491,329	**18,788,000**

The expenditure will be funded from the Bank's internal resources.

In 2013, the Bank embarked on phase 3 construction of its new headquarters on plot 44-46 Kampala Road and this was estimated to cost USD 16.3 million. By 31 December 2013, USD 3.0m had been advanced and it was estimated that the remaining USD 13.3 million for this project will fall due for payment during the year 2014. Phase 3 is planned to be completed in 2014.

35.3 Operating lease commitments – Bank as a lessee

The Bank has entered into commercial leases for motor vehicles and photo copiers. These leases have an average life of two years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Future minimum lease payments under non–cancellable operating leases as at 31 December are, as follows:

		2013 Ushs '000	2012 Ushs '000
	Within one year	**1,332,483**	**1,179,887**

36	Related party transactions and balances		
		2013 Shs'000	2012 Shs'000
	(i) Directors' remuneration		
	Fees to non-executive directors	382,500	455,450
	Emoluments to executive directors	1,863,426	1,561,993
	Emoluments to directors	**2,245,926**	**2,017,443**
	Other expenses – non-executive directors	450,784	195,168
	Other expenses - executive directors	14,362	14,194
	Directors' travel & other expenses	**465,146**	**209,362**
		2,711,072	**2,226,805**
		2013 Shs'000	**2012 Shs'000**
	(ii) Loans and advances to related parties		
	At 1 January	9,013,296	6,580,230
	Advanced during the year	20,340,300	5,949,241
	Repaid during the year	(3,332,079)	(3,516,175)
	At 31 December	**26,021,517**	**9,013,296**
	(iii) Substantial shareholders (>5% of shareholding)		
	Shareholder name	**2013 Shs'000 %**	**2012 Shs'000 %**
	Catholic Archdiocese of Kampala	5.3	5.3
	Registered Trustees of the Uganda Episcopal Conference	31.3	31.3
	SIDI (France)	11.6	11.6
	Stiching Hivos Triodos	18.3	18.3
	Total	**66.5**	**66.5**

(iv) Loans to shareholders and guarantees by shareholders

	2013 Shs'000	2012 Shs'000
Shareholder		
Catholic Diocese of Kabale	524,060	529,325
Catholic Archdiocese of Kampala	17,777,339	3,936,329
Catholic Diocese of Lugazi	1,389,559	665,877
Catholic Diocese of Hoima	271,324	-
Catholic Diocese of Arua	225,140	78,535
Catholic Archdiocese of Lira	244,759	6,807
Catholic Diocese of Masaka	2,305,877	1,560,618
Catholic Archdiocese of Tororo	352,982	225,446
Catholic Diocese of Fort Portal	123,808	-
Catholic Archdiocese of Mbarara	675,980	55,012
Catholic Diocese of Kasana, Luweero	386,838	464,953
Catholic of Diocese Kasese	370,083	-
Catholic Diocese of Kotido	15,000	-
Catholic Diocese of Mityana	284,154	216,953
Total	**24,946,903**	**7,739,855**

The average interest rate for loans advanced to dioceses was 23.1 %(2012: 18%).

37 Events after the reporting date

There were no reportable subsequent events for the year.

Centenary Bank won the Sustainability Reporting Award in the 2013 Financial Reporting (FiRe) Awards

13. Sustainability Report

This report represents a commitment by Centenary Bank to sustainable development and to comprehensive reporting thereon to all stakeholders.

The report follows guidelines released by the Global Reporting Initiative (GRI), which is a joint initiative coalition for Environmentally Responsible Economies and the United Nations Environment Programme.

The guidelines have been issued for voluntary use by organisations for reporting on the economic, environmental and social diversion of their activities, products and services aimed in articulating the understanding contribution to sustainable developments.

Value Added Statement

The Value Added Statement shows the social value added that the Bank makes through its activities. Value added is calculated as the Bank's performance minus payments such as cost of materials, depreciation and amortisation. The resulting amount is distributed to the stakeholders who include employees, shareholders and the Government.

Value Added Statement

For the year ended 31 December 2013

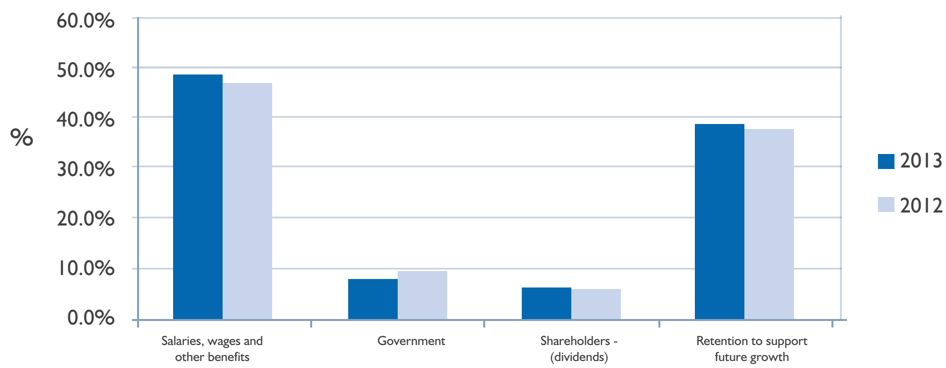
	2013 Shs'000	%	2012 Shs '000	%
Value added				
Interest income	209,419,559	76.0%	185,355,362	77.1%
Commission, fee income	52,239,258	19.0%	44,328,658	18.4%
Other revenue	13,920,491	5.0%	10,775,882	4.5%
Total income	**275,579,308**	**100%**	**240,459,902**	**100%**
Less:				
Interest paid to depositors	33,852,506		27,657,187	
Cost of other services	69,431,716	100%	58,519,155	100%
Wealth created	**172,295,086**		**154,283,560**	
Distribution of wealth	**2013**			
Salaries, wages and other benefits	83,271,747	48.3%	72,364,432	46.9%
Government	13,217,228	7.7%	14,403,493	9.3%
Shareholders - (dividends)	9,652,245	5.6%	9,136,921	5.9%
Retention to support future business growth	66,153,866	38.4%	58,378,714	38.7%
Retention surplus	48,353,302		45,764,265	
Depreciation	17,800,564		12,614,449	
Wealth distributed	**172,295,086**	**100%**	**154,283,560**	**100%**

As illustrated by the Value Added Statement, the Bank is a material contributor in a financial sense to various stakeholders.

Of the total wealth created in 2013:

- Shs83.3 billion (48.3%) was distributed to employees as remuneration and benefits.
- Shs 13.2 billion (7.7%) was allocated to Government in form of direct and indirect taxes, including charges in deferred taxation assets and liabilities.
- Shs 66.2 billion (38.4%) was retained for investment in business in order to ensure its profitability contentment into the future.
- Shs 9.7 billion (5.6%) is to be distributed to shareholders as dividends in 2014.

Distribution of Wealth



Shareholders

Shareholders are entitled to a fair return after all the stakeholders have been settled. Shareholders contribute the long-term operating capital, which together with borrowings, provide the financial resources necessary for the Bank to operate and invest for the future growth. Ordinary shareholders assume the responsibility of ownership and are entitled to a fair return of investment after all other stakeholders (employers, suppliers, providers of credit and Government) have been settled.

We understand and recognize the importance that creating and protecting shareholder value over the long-term is contingent on honouring the interest of all stakeholders.
In recognition of responsibility to our shareholders, the Bank operates in an open governance environment in which we do not only meet our legal obligations but also subscribe to the best practices in corporate governance. Considerable attention is paid to the governance process so as to ensure that it is operating both effectively and efficiently throughout the Bank.
The Bank proactively engages the shareholders in continuous communication of strategies and financial performance. Presentations of results, shareholders' conference, one-on-one meetings, Annual general meetings, and the annual report are some of the ways in which contacts are maintained.

Customers

Understanding and responding to our customers' needs is the key to Centenary Bank's success. The importance of service delivery is fundamental and a non-negotiable component of our attitude towards customers. Our customers are key to ensuring that we remain a profitable and sustainable organization. How customers are treated, where we choose to operate who we provide financial support to and our response to customer needs all have great impact on our reputation and financial success.

The Bank engages customer contacts through various means including:

- Cente Points - Automatic Teller Machines (ATMs)
- Branch network
- Customer seminars/workshops, and product research
- Dedicated Sales Staff for lending and deposit mobilisation
- Electronic, mobile and telephone communication
  Print and electronic media
- Marketing and advertising.

Customer Confidentiality

The Bank demands the highest standard in carrying out its business activities. As an integral point of banking activities, banks accumulate sensitive information regarding customers and their personal affairs. Centenary Bank like other banks in the country, has always been subject to the common law principle of bank client confidentially. In addition to this, Centenary Bank subscribes to the Code of Banking Practice that requires banks to treat all customers' personal information as private and confidential. The Bank's Operational Guidelines and Staff Rules and Regulations govern the conduct and duties of Bank employees, further emphasizing the importance of customer privacy and detailing the procedures that must be observed in matters regarding confidential information.

We hold a growing array of information about customers, potential customers, staff, suppliers and other stakeholders. Some of this data is of a personal and sensitive nature. We have a duty to handle this information responsibly. We recognize that there is a growing need for transparency over the way we conduct our business, but we will not compromise on our commitment to keeping customer related information confidential.

In handling such information, we have made a commitment that we will:

- Ensure that it is accurate, up to date, neither biased nor misleading;
- Only use it for the purposes for which it was given;
- Keep it only for as long as is necessary;
- Keep it securely;
- Keep only relevant and required information; and
- Distribute it within the Bank only on a need to know basis.

Customer Days

The Bank conducted several customer days in 2013 as part of our strategic theme of customer centricity. A customer day is a session where customers are invited for discussions with Bank staff to aid the Bank improve our product offerings and service delivery. These events are also used as marketing events to inform the customers of new development in the bank and in the market generally.

Each branch conducted one customer day event presided over by head office and the regional office in the presence of the respective branch staff.

The Vice President Of Uganda, H.E Edward Kiwanuka Ssekandi awarding a loyal customer with a souvenir during the Mapeera House branch customer day.

The Small and Medium Enterprises (SME) Workshops for customers

Three SME workshops were organized for customers last year aimed at discussing strategic business opportunities. These sessions exposed the SME owners to new ways of doing business, new developments in the market technologically and other offerings that the Bank has in place to improve what they do.

Specifically, we engaged importers, constructors and traders for a broader understanding of the operating environment of their sectors, examining challenges and sharing opportunities and experiences. These workshops also helped in obtaining feedback on how the bank can improve its offerings and services.

Money Laundering

Money laundering is the process by which banks are used to disguise or "launder" the proceeds of criminal activity. Such activities undermine a bank's integrity, damage its reputation, deter honest customers and expose a bank to severe sanctions.

We fully support the international drive against serious crime and are committed to assisting the authorities in preventing money laundering. We have adopted policies and procedures designed to protect ourselves from doing business with customers involved in criminal activity.

Our employees must adhere to the following key principles:

- Customer Identification - the identity of every customer must be established from reliable identifying documents.

- Know Your Customer - our staff must know enough about their customers to be able to identify transactions which are inconsistent with their business or personal status, or which do not match the normal pattern of account activity.

- Reporting of Suspicious Transactions – all such transactions are to be reported to the proper authorities immediately

We take money-laundering prevention very seriously and have created a rigorous programme to ensure that we can enforce consistent high standards across our network. The Know Your Customer initiative, a key priority within the Bank, is a cornerstone of our anti-money laundering programme.

Our policy is based on the Financial Institutions Act 2004 Money Laundering Rules and international best practices, such as recommendations made by the Financial Action Task Force (FATF).
Fair Treatment of Customers
Financial products and services are becoming increasingly sophisticated tools. Selling them calls for knowledge, skill and judgment.

For our employees, the basic rules are:

- Do not sell an unsuitable product to a customer - that is, a product that does not meet his or her needs/expectations.
- Know enough about Centenary Bank's products and about the customer (risk appetite, objectives, finances and personal circumstances) to judge the effect which the products will have and whether the products will meet his or her needs.
- Make every effort to ensure that the customer properly understands more complex products and their risks.
- Explain product features and fees/charges clearly both face-to-face and in any marketing literature and software.

Significant Partnerships with External Stakeholders

In addition to those who extended grants, the Bank has other significant partnerships. In the year 2013, the Bank maintained some very significant relationships with some key external stakeholders, which relationships impacted positively to the business value and the social performance of the Bank, suffice to mention are the following:

Verma Uganda Limited

The Bank partnered with Verma to rollout an innovative Collaborative Credit Scheme for financing acquisition of motor cycle for business and personal use.

Rotary International (RI) Bridging the Cancer Gap Programme

The Bank partnered with Rotary International (RI) and Nsambya Hospital through a campaign "Bridging the Cancer Gap", a project aimed at increasing awareness on prostate, breast and cervical cancer. Over 25,000 women have been reached through screening, seminars, literature sensitization through media and the cancer run.

International Labour Organization (ILO)

The Bank partnered with International Labour Organization (ILO) under their Youth Entrepreneurship Facility (YEF) where over 400 youths have been trained.

Kampala City Council Authority (KCCA)

The Bank partnered with the KCCA to contribute towards registration and streamlining of Boda Boda operation in the City. The partnership is earmarked to last for a period

Financial Products and Services

Local currency deposit product

1. **Savings Account**
   Deposit account designed for regular savers. Cash withdrawals are made over the counter and by the use of the ATM/CenteCard. Account opened with only Shs 10,000.

2. **Current Account**
   Transaction based account which can be opened either by individuals as a personal current account or by Companies, Partnerships, Societies, Clubs and Associations as non-personal account. It is operated by use of a cheque book and an ATM Card issued upon request.

3. **Fixed Deposit Account**
   This is an ideal account for customers interested in earning attractive interest rates for their savings. The deposits are fixed for an agreed period of time subject to no withdrawals before the elapse of the period. Minimum amount to be fixed is Shs 300,000 and maximum amount to be fixed is open.

4. **CentePlus Account**
   Special Personal Savings Account designed to motivate customers to accumulate savings for financing future plans or investments thus enabling people to realize their personal dreams. Holders of the account earn attractive interest paid dependant on the credit balance strata in which the account falls. The more one saves and higher one earns.

5. **CenteJunior Account**
   Account designed specially for children under the age of 18 years and is operated by the sponsor (Parent/Guardian) in trust for the child until the child attains a contractual age of 18 years after which the account automatically converts to personal savings account to be operated by the child on his or her own.

Foreign currency products & services

1. **Foreign Current Account**
   Current account denominated in foreign currencies i.e. US Dollar, British Pound Sterling, Euros and Kenya Shillings. Transactions can in both foreign and local currencies.

2. **Foreign Savings Account**
   Savings account designed for US Dollar, British Pound Sterling, Euros and Kenya Shillings. Features include restricted cash withdrawals.

3. **Foreign Fixed Deposit Account**
   Account where a customer's deposits in foreign currency are fixed for the agreed period of time subject to non-withdrawals before the elapse of the period. Interest income is forfeited for withdrawals made before maturity period.

4. **Processing of Foreign Currency Cheques**
The Bank receives deposits of foreign currency cheques cleared through international correspondent banks and deposits of Traveler's cheques for credit to customer accounts.

5. **Foreign Exchange Buying & Selling**
The Bank also offers attractive rates for buying and selling of foreign currencies including USD, GBP, Euro and Kenya Shillings.

6. **Telegraphic Money Transfers**
Instant outward and inward international money transfers

7. **Documentary Letters of Credit**
In a sales contract between a buyer and a seller where the Banks for both parties are involved in a contractual arrangement to protect their customers by adding their confirmation, by providing a specific transaction with an independent credit backing and a clear cut promise of payment

Credit Products

Micro Business Loans

1. **Micro Business Loan**
Short term business loan targeting micro business enterprises for financing any productive purpose e.g. borrowers current assets but not for financing fixed assets.

2. **Automatic Loan**
Automatic loan is a credit line with favorable terms offered to banks prime micro and agricultural loan borrowers with excellent credit histories with Centenary bank. This loan can be extended to someone who is already servicing another loan.

Agribusiness Finance

3. **Agricultural Loans**

Loans designed to finance business activities in the agricultural production, processing and marketing value chain, animal production (diary, poultry and piggery projects), fishing and fish farming, bee keeping as well as food processing i.e. grain mills, oil mills and hullers. The loan period and repayment plan is dependent on the nature and season of the agricultural activity to be financed.

4. **Animal Traction Loan**
Loans especially designed for smallholder rural farmers to enable them expand their farming activity by availing them finance for the purchase of drought animals (oxen) and traction implements (ox-plough, Yoke and chains). The security for the loan is the oxen and implements to be purchased and additional collateral of land/ kibanja, farm machinery & equipment's and any other valuable household items.

Business Finance

5. Commercial/SME/Corporate Loans

Loans extended to Small, Medium-sized Enterprises (SME's) and Corporations engaged in profitable business activities in a variety of sectors including trade and commerce, transport, manufacturing and processing, fishing, building and construction, health, tourism and recreation. The loans can be used to finance working capital, acquisition of business assets and infrastructural development.

6. Bank Overdraft

Very short term credit facility designed to meet the bank customers' urgent day-to-day cash requirements for their business transactions. The facility is renewable based on borrower's existing credit history with the Bank.

7. CenteLease

A short-to-medium term finance lease to aid the acquisition of assets by individuals and/or organizations actively engaged in agricultural production, processing & marketing and other business activities outside the agricultural sector like transportation, tourism & recreation, trade & commerce, education services, health services, small scale processing & manufacturing, hotel.

8. School Loans

Short and medium term loans or overdrafts, or lines of credit for financing school financial requirements including working capital like bridge finance for payment of teachers' salary, purchase of food stuffs, purchase of fixed assets like furniture, school equipments, vehicles and financing infrastructural requirements like new construction extensions, renovations and/or repairs etc.

9. Bank Guarantees

The Bank offers guarantees on performance and advance of its clients engaged in execution of contracts and/or tenders with government, International organizations and private institutions. Procedures for accessing guarantees are the same as for commercial/ corporate loans.

Personal loans

10. Home Improvement Loan (HIL)

Short medium term loan for home owners with regular income earnings for the purpose of financing home improvement either through construction/renovation of residential/commercial houses, erecting of perimeter wall/fence, installation of power and energy systems, kitchenettes, water supply and sanitation systems and building of latrines.

11. Salary Loan

Loan offered to salaried employees of reputable organizations and/or companies whose mode of salary payment is through monthly remittance of net salary by the employer to the borrower's salary account held at Centenary Bank. The loan can be used to finance consumer needs like payment of medical bills, payment of household utility bills, and purchase of land, purchase of household furniture and equipment, and financing any other domestic needs.

12. CenteEducation Loan

Loan designed to facilitate parents, guardians and students in the payment of school and or tuition fees, purchase of uniforms, scholastic materials, text books, personal computers or laptops, study kits for professional courses. The loan applies to all levels of education - right from Nursery, Primary, and Secondary to Tertiary or University. Loan amount from Ushs 100,000.

13. CenteSolar Loan

A short term loan designed for customers who desire to purchase and install solar power and or kits at their places of residence or business. Loan repayment plans are flexible and the repayment period varies from a minimum of six months to a maximum of 24 months. Loan amount from as low as Ushs 100,000/- up to a maximum amount of Ushs 15million.

14. CenteMortgage

This is a medium-to-long term housing mortgage product targeting government civil servants, economically active rural and urban low-to moderate regular earners engaged in self-employment in legitimate income generating activities for the purpose of financing housing needs through purchase, complete or incremental construction. Amount ranges from Shs 20 million to Shs 100 million. Repayment period is up to a maximum of 10 years.

15. Centeland

Short-to-medium term loan designed for the purpose of financing land purchase, survey and registration to formalize ownership. The loan is targeted at the economically active and/or self-employed rural and/or urban low-to moderate regular income earners, salaried employed persons, companies and/or partnerships falling under the micro and retail segments. Survey and registration of land is undertaken by the Bank's accredited Land Surveyors who guarantee delivery of the Land title or Certificate of Registration.

16. CenteYouth

Business loan designed to finance ventures owned by young entrepreneurs aged 18 to 35 years who are engaged in any of the eligible business sectors. Minimum loan amount is Shs100, 000 up to a maximum of Shs 5,000,000 for individuals and a minimum of Shs 500,000 up to a maximum of Shs 25,000,000 for legal entities

Special Loan Schemes

17. DANIDA Agricultural Loan

Loan designed to primarily provide working capital for increasing agricultural production in Rakai District. Agricultural activities like crop and animal production (diary, poultry and piggery projects), dairy, poultry, livestock breeding and others. The loan period and repayment plan is dependent on the nature and season of the agricultural activity to be financed.

18. Veterinary Association Loan Scheme (VALOS)

A loan scheme through which registered members of Uganda Veterinary Association (UVA) can access Centenary Bank loans to finance their veterinary projects/practices. Loan amounts range from a minimum of UShs. 100,000 up to a maximum of UShs. 35 million for a loan period not exceeding 24 months with flexible repayment plans.

19. **Rockefeller Farmer Guarantee Program (RFGM)**
The RFGM is a loan guarantee program through which the Rockefeller Foundation reimburses to Centenary Bank 50% of the unrecovered loan principal and interest for agricultural production loans offered to smallholder farmers in selected areas of Uganda. The guarantee is aimed at enabling smallholder farmers with cultivable land size of 10 hectares or less increase their income from stable to value added crops.

20. **Collaborative Credit Scheme for DStv Kits**
Collaborative scheme between the Bank and MultiChoice Uganda through which customers with regular sources of income are financed to acquire DSTV kits consisting of the DStv equipment, installation and one year subscription.

21. **Collaborative Credit Scheme for Land & Housing**
Collaborative scheme between the Bank and Jomayi Property Consultants through which customers with regular sources of income are financed to purchase land or shell houses in well planned housing estates.

22. **Collaborative Water & Sanitation Credit Scheme**
Scheme for purchase and/or installation of water and sanitation products like Water Tank, Septic Tank, Eko-Loo Toilet, Mobile Toilet from CRESTANKS Uganda or from any other water and sanitation solutions provider available in the market. Loan amounts ranging from as low as UShs. 100,000 up to a maximum of UShs. 15million.

Electronic Banking

1. **CenteMobile**
CenteMobile is an M-Banking end-to-end e-commerce and information content service that will allow customers to perform transactions and accessing banking information using their mobile phones 24/7 in any location that has mobile network coverage

2. **CentePoint**
CentePoint is a 24hour round-the-clock automated teller machine for Centenary Bank that enables customers and customers of other Financial Institutions on InterSwitch to check account balance, mini account statement, withdraw and deposit cash by use of ATM Cards. Currently the Bank has 146 ATM's located on-site in all bank branch offices and offsite in strategic places in the main towns around the country.

3. **CenteLine**
A Short Message Service (SMS) banking facility that enables mobile phone users who are account holders with Centenary bank access to their account information by use of their mobile phone handsets.

4. **PC Banking Service**
A facility that enables Centenary Bank customers' access to their account information using their Personal computers from the convenience of their offices and home.

Money Transfer Services

1. Western Union Money Transfer

The fastest way of sending and receiving money locally in Uganda and worldwide in more than 190 countries. The service is available for individual to individual and there is no requirement for the sender or receiver to have an account with Centenary Bank.

2. Telegraphic Money Transfers

Allows customers to transfer money instantly to and from their accounts on locally and international basis.

3. Real Gross Time Settlement (RTGS)

The Bank handles payment transfers on behalf of its customers for any amount through the Real Time Gross Settlement.

4. Electronic Funds Transfer (EFT)

The Bank handles transfer of customers' funds from one account to another account(s) in other financial institutions within the shortest possible time.

5. Inter-Branch Funds Transfer

Instant local funds transfer across the Bank's branch network. Money can be transferred from one account in a particular branch to another account in another branch.

6. EFT Direct Debit Transfers option

EFT Direct Debit Transfers option facilitates the transfer of fees from the parents/guardian's accounts to the educational institution's account electronically provided the customer has executed a Direct Debit Agreement (DDA). The DDA which s available at educational institutions when executed authorizes the Bank to collect fees from the parent/guardian's bank account for electronic transfer to the educational institution's bank account.

7. MTN mobile money Transfer

Centenary Bank offers MTN mobile money services where the bank can send or receive money from an unregistered customer.

8. Airtel Money

Airtel money is a money transfer service offering from Airtel Mobile Commerce Uganda Limited. The service allows you to load cash into your mobile phone and pay for goods and services as well as transfer cash. This service is available here at the Bank for both customers and non-customers.

E-Payments

1. e-USA VISA Fees Collection Service

The Bank accepts payments for the United States of America VISA application fees in all its branches irrespective of whether the customer has an account with the Bank or not. Customers can pay VISA application fees directly at the counter and receive a payment receipt for delivery to US Embassy in Kampala.

2. e-Water Payment Service

The Bank accepts payments for National Water and Sewerage Cooperation (NW&SC) water bills irrespective of whether the customer has an account with the Bank or not. Customers can pay their bills by cash or cheques directly at the counter free of charge, receive a receipt with an instant SMS notification for credit of the customer NW&SC or alternatively sign a Standing Order for Direct Debit option.

3. e -Tax Payment Service

The Bank accepts payments for Uganda Revenue Authority taxes irrespective of whether the customer has an account with the Bank or not. People intending to pay taxes deposit cash directly at the counter and receive a payment receipt for delivery to URA.

4. e-NSSF Contributions Collection Service

The Bank on behalf of the National Social Security Fund (NSSF) accepts payments from organizations that have registered to remit their employees social contributions. The cash for the contributions is credited directly to NSSF's Collection Account held in the Bank

Other Products and Services

1. Safe Custody Services

The Bank provides a service of safe custody of valuables such as Land titles, Agreements; Precious metal ornaments Receipts, Academic certificates and transcripts e.t.c.

2. Automated Bulk Salary Processing

The Bank offers instant processing of bulk salaries of employees of private companies, public limited companies and nonprofit organizations who receive their salaries through centenary bank.

3. Standing Orders

Convenient way by which the Centenary Bank customers pay off their bills and obligations through issue of standing instructions to automatically debit their accounts for credit of another account(s) with a specified amount on a specific date for a specified period.

4. **School Fees Payment Service**

The Bank offers school/tuition fees collection services for educational institutions that hold accounts with Centenary Bank. Parents/ guardians can make cash deposits directly at the counter or make transfers from the parents/guardians accounts electronically by using the electronic funds transfer or direct debit option.

5. **Treasury Bills/Bonds Dealership Service**

Centenary Bank is a registered Primary Dealer for Treasury bills/bonds. It transacts directly with Bank of Uganda on behalf of its customers and the investing public. Any member of the public, with or without a Centenary Bank account is eligible to invest in Treasury bills through Centenary bank.

Employee empowerment for competitive advantage

The Bank is committed and continues to work consistently to empower staff of the Bank to become more productive and customer oriented, in a safe and diverse workplace. The Bank endeavours to create an atmosphere in which employees can grow, be more innovative and creative, and add value. In the Banks' Human Resource Management policies, the major aim to attract, recruit, develop and retain talented people, providing skills and resources that make the Bank more competitive. We therefore offer our employees opportunities to enhance their technical and managerial skills and develop their careers through various development programmes such as, coaching and mentoring, in-house training programmes and customer service training, among many others.

Human Capital Development Programs for the year 2013

In the realm of human capital development, greater emphasis was laid on Management development & Advanced Leadership training for top and middle level Management employees; Technical Courses for the respective divisions and the launch of the e-learning program "Click Campus". The specific interventions reinforced and enabled skills/knowledge capacity building for more staff with minimal interruption to the business operations and also within the approved budget limits.

Training Budget Performance

A total of Shs 1.5 billion was utilized out of a total annual training budget of Shs 1.9 billion, representing a saving of 26%. Approximately Shs 89.8 million saving was realised through utilisation of the LMS (e-learning platform). 114 training events were implemented against the planned 96 events, benefitting 2058 participants.

Training objective focus areas included the following:

- Talent successor pool management and development
- Implementation of the coaching and mentoring program
- Roll out of e-learning system
- Developing staff in management and leadership skills at different levels
- Bank-wide sensitization and training of staff in Customer Relationship Management (CRM)
- Improve knowledge and skills in the core technical aspects

Increased Employee Engagement

Employee engagement is one of the ways the Bank has undertaken to empower its employees in a sustainable way. Following an employee culture survey 2012, management undertook to increase the level of employee engagement through "Centefusion" activities that saw the Bank's Leadership Teams (EXCO & Head Office managers) visit the Branches and the Branch Customers. The visiting team participated in staff engagement sessions, team building activities while touching base with the local business environment as evidenced in the various pictorial captions below:

Performance Management and Control

To support the theme of execution and innovation a more robust approach to strategic planning 2013-2015 was undertaken. A review of the Performance Management system was conducted leading to an integrated system, containing an improved Strategy Scorecard, Performance Evaluation tool and a 360 degree behaviour assessment tool which was implemented in 2013.

The revised appraisal tools capture both the critical non strategic job functions and behavioural competences aimed at assessing individual alignment to the Cente Culture Core values (SIT PLE).

In 2013, the Bank also awarded staff for various performance award categories for the 'Best Branch', 'innovation', 'sports', 'long service' etc. Below are some of the best performance awards during the 2013 end of year team event.

Head office staff in a discussion on security during the staff CenteFusion in October 2013.

Kasese branch team receiving the award for Best performing branch 2013 from the Board Chairman Prof. Ddumba Ssentamu

Kyenjojo branch team receiving the award for 1st runner up - Best Branch 2013 from the Board Chairman Prof. Ddumba Ssentamu

Staff compensation and benefits

A number of achievements were registered in 2013 to include some of the following:

a) Staff Retirement scheme

Following the pension sector legislature review, management and the Board of the Bank resolved to retain the over 8 year old Staff Defined Contribution Fund Scheme, to support staff retirement savings. The Scheme and the Fund Board of Trustees have been licensed under the Uganda Retirement Benefits Regulatory Authority (URBRA) and is operating legally. A bank-wide sensitization exercise was conducted to explain to all staff the new laws on pension and their implications to the in house provident fund scheme. New member-elected trustees were elected to the new Board of Trustees as stipulated in the 2012 Regulations, with a two third employee representation. Training of the newly elected trustees was facilitated both locally and abroad, to equip them with the knowledge on roles and responsibilities of trustees.

b) Market benchmarking

The Bank participated in a comprehensive market salary survey exercise conducted by Hay Group of South Africa in the last quarter of 2013. This was to support the Bank's initiatives to competitively

position/benchmark itself in the market in the area of employee compensation. The results of the survey were analyzed and a proposal for the new salary structure 2014 presented for consideration

c) Staff medical care

The Bank continues to provide medical care to its employees and their eligible dependants under two medical insurance service providers (AAR & Jubilee Insurance Company of Uganda). For improved service delivery an online survey was conducted to assess the performance of current medical providers.

Staffing highlights as at 31st December 2013

As at 31 December 2013, total head count stood at 1867 against 1767 staff as at December 2012 . A total of 218 staff were recruited during the year, compared to 310 entrants as at 31 December 2012. Among the new recruits 50% (109) were banking officers and loans officers accounted for 27% (59) while, recruits in other roles accounted for 23% (50) only. The annual staff turnover ratio declined from 8.1% in 2012 % to 7.0% in 2013.

The average age of the staff population stood at 33.5 years compared to 33.1 years as at 31 December 2012. The average period of service across the board as at 31 December 2013 was 5.1 years compared to 4.7 years at 31 December 2012.

Female staff constituted 584 staff (40.6%) of the staff population while the male constitute 853 staff (59.4%) of the staff population, compared to 41% female and 59% male as at 31st December 2012. Below is the summary of the senior staff numbers as at 31 December 2013. The table shows senior management diversity stood at 73% male and 27% female, compared to the ratio 74%:26% in 2012, reflecting progressive improvement in gender mix profiles

2.3 Senior Management Diversity

Position Title/ Category	2013			2012			2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive Directors	2	-	2	2	-	2	2	0	2
General Managers	7	3	10	8	2	10	6	2	8
Chief Managers	15	6	21	16	4	20	10	3	13
Head Office Managers	38	19	57	27	16	43	23	12	35
Branch Managers/ SCH	53	14	67	31	8	39	30	10	40
Total	**115**	**42**		**84**	**30**	**114**	**71**	**27**	**98**

Corporate Social Investment

Centenary Bank is committed to sustainable value-creation for our stakeholders. One of the ways we achieve this is through our Corporate Social Investment initiatives, which are aligned to the Bank's strategic objectives. The initiatives focus on contributing to development of the communities where we operate. The Bank's Corporate Social Investment (CSI) policy is that initiatives are funded by up to 1% of previous year's after-tax income. The spend on the Bank's CSI increased by 14% from Shs 480 million in 2012 to Shs 550 million in 2013.

The goals of the Bank's Corporate Social Investment are:
1. To achieve Centenary Bank's social and environmental objectives of contributing to sustainable development of society.
2. To support communities through partnerships and social and environmental projects.
3. To reinforce our values.

Our targets for 2013 were as below:
1. To reach out to other segments not particularly reached out to in 2012.
2. To expand the scope of initiatives done for communities.

Our Initiatives and Partners

In 2013 our initiatives focused on four key areas. These were education, health, environment and the social mission of the church. Each of these initiatives was implemented in collaboration with partners and as part of the Bank's strategic plan. The Bank also contributed to several other initiatives country wide.

CenteBusinessLife - Market vendor training in Natete market

Centenary Bank staff just after participating in the 2013 Cancer Run

Education

During the year, the Bank invested Shs 400 million in the Financial Literacy Series. This initiative was implemented with two partners; Private Sector Foundation Uganda (PSFU) and Agribusiness Initiative Trust (ABI). ABI contributed Ushs 200 million to the project. The activities included training individuals and Small and Medium Enterprises through classroom training, mentorships, radio talk shows, newspaper articles and digital versatile disc (DVD) recordings. Over 2,500 individuals and SME's were impacted directly and over 2,000,000 impacted indirectly through media training. The trainings focused on book keeping, personal finance, marketing, loan utilisation, managing family businesses and uses of banking facilities.

Health

In 2013, the Bank continued to invest in raising cancer awareness in the 'Bridging the Cancer Gap' campaign. This was in partnership with Rotary District 9200 and St. Raphael of St. Francis Hospital Nsambya. Out of the Ushs 184 million that was contributed, Ushs 96 million was used in organising the cancer run, Ushs 80 million was used in completing the breast, cervical and prostate cancer ward at Nsambya hospital and Ushs 8 million was used for organising two screening days for 1,000 women in Kabale.

Lira Branch staff donating dustbins to Lango college

Kasese team handover pews to St Paul Cathedral South Rwenzori Diocese

Environment

In 2013, the Bank engaged in two initiatives to promote clean energy. One was installing solar systems to run Moroto and Kotido branches where grid power is not accessible, thereby increasing the total number of branches using solar energy to three. The second initiative was to continue with the on-going partnership with Ministry of Energy to lend solar systems bought at a subsidised price, and in 2013, 153 systems were lent out. The Bank further invested close to Ushs 10 million in community activities that preserved the environment. These activities included donations of refuse bins to promote environment cleanliness and contributions to the construction of latrines for institutions. The Bank also uses inverters during power shutdowns and outages in all our off-site Automated Teller Machines and uses automatic switches in all branch security lights and signages.

The social mission of the church

Centenary Bank owes its foundation to the social mission of the Catholic Church. It is with this background that the Bank endeavours to support the church in its various activities both those concerning social development and the evangelism of people. The Bank contributed over Ushs 100 million in supporting the Church through direct sponsoring of various programmes, events and publications of the church country wide.

Other community activities

Centenary Bank has a long history of supporting the communities. We support them through participating in developmental activities and direct donations. The Bank invested over Ushs 150 million in community initiatives

List of the GRI Indicators: -

The index below comprises indicators from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. The index has been abridged to relate it to the Bank's disclosure status.

VISION AND STRATEGY			
PERFORMANCE INDICATORS	**TOPIC**	**DISCLOSURE PAGES**	**DESCRIPTION**
1.1 & 1.2	Vision and Strategy	7- 8	Mission Statement and strategy.
PROFILE			
2.1	Name of reporting organisation	44	Centenary Rural Development Bank Limited
2.2	Major products or services, including brands if appropriate	111-118	Stakeholder Customers / Operation reviews
2.3	Operational structure of the organisation	11& 121	Centenary Bank at a glance
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures	132-137	Centenary Bank Profile
2.5	Countries in which the organisation's located	44	Centenary Bank Profile
2.6	Nature of ownership	9	Ownership
2.7	Nature of markets served	109-118	Sectors financed
2.8	Scale of the reporting organization's:		
	Number of employees	120	Staffing
	Products produced/services offered	111-118	Products

List of the GRI Indicators:-

PERFORMANCE INDICATORS	TOPIC	DISCLO-SURE PAGES	DESCRIPTION
	Net sales	40	Statement of Comprehensive Income
	Total capitalization	41	Statement of Financial position
2.9	List stakeholders	95-103	Related parties Report
2.10	Contact details	130-137	Bank Contact information
2.11	Reporting Period	38-39	Report of the Independent Auditor
2.12	Date of most recent previous report		31 December 2012.
2.13	Report Scope	38-39	Report of the Independent Auditor
2.14	Significant changes in size, structure, ownership, products/services	36-37	Chairman's Statement
2.15	Basis for reporting	44-103	Summary of Significant accounting policies
2.16	Restatements of information	44-103	Summary of Significant accounting policies
2.17	Decision not to apply GRI principles		Applied on a limited scale
2.18	Accounting Criteria/definitions	44-103	Notes
2.19	Significant changes in measurement methods	44-103	Summary of Significant accounting policies
2.20 – 2.21	Independent assurance	38-39	Report of the Independent Auditor
2.22	Information availability	130-137	Bank contact information

List of the GRI Indicators:

GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS			
PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
3.1-3.6	Governance structure of the organisation, including major committees under the board of directors that are responsible for strategy and oversight	13-20	Corporate governance
ECONOMIC PERFORMANCE INDICATORS			
EC1	Net sales	40	Statement of Comprehensive Income
EC2	Geographic breakdown of markets	132-137	Branch Network
EC3	Cost of all goods and services purchased	105	Value added statement
EC4	Percentage of contracts paid in accordance with agreed terms	118	People
EC5	Total employee remuneration	105	Value added statement
EC7	Increase in retained earnings	42	Statement of changes in Equity
EC8	Total taxes of all types paid	105	Value added statement/ income statement
EC10	Donations by type	121-123	Community Development

List of the GRI Indicators:

PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
LA1	Breakdown of workforce	120	staffing
LA2	Net employment creation and average turnover	120	Employees
LA3	Union representation		Not applicable
LA4	Policies/procedures on negotiations with employees over changes in operations	118	Training and Development programs for the year 2013
LA5	Occupational accidents and diseases	120	Medical Care
LA6	Health and safety committees	120	Medical Care
LA7	Injury, lost days and absentee rates and work-related fatalities		
LA8	Policies and programmes on HIV/AIDS	120	Staff welfare issues
LA9	Average hours of training per employee	118	Training and Development Programmes for the year 2013
LA10	Transformation policies and procedures	118-121	People
LA11	Composition of senior management and corporate governance bodies	121	Senior Management Diversity

List of the GRI Indicators:

PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
HUMAN RIGHTS			Human rights recognized, observed and embedded in the Ugandan's Constitution. No evidence of transgressions but Bank's Policies not formally codified.
HR1	Policies and guidelines dealing with human rights		
HR2	Consideration of human rights impacts in making business decisions		
HR3	Policies/procedures to evaluate human rights performance within supply chain		
HR4	Global policy/procedures preventing discrimination of any form		
HR5	Policy on freedom of association independent of local laws		
HR6	Policy excluding child labour		
HR7	Description of policy to prevent forced and compulsory labour		

List of the GRI Indicators:

PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
SO4	Awards received for social, environmental and ethical performance		Corporate governance/ Shareholders/
Customers. Employees/Regu-lators			
PRODUCT RESPONSIBILITY			
PR1	Policy for preserving customer health and safety		Customers/Environment
PR2	Product information and labe-ling policies/procedures		Customers

Bank Contact Information

Principal Place of Business and Registered Office
Mapeera House
Plot 44-46, Kampala Road
P. O. Box 1892 Kampala
Tel: +256 414-251276/7
Fax: +256 414-251273/4
E-mail: info@centenarybank.co.ug
Website; http://www.centenarybank.co.ug

Secretary
Peninnah Tibagwa Kasule
Mapeera House
Plot 44-46, Kampala Road
P. O. Box 1892
Kampala

Auditors
Ernst & Young
Certified Public Accountants
Plot 18 Clement Hill Road
P. O. Box 7215 Kampala
Uganda

Correspondent Banks
1. National West Minister Bank PLC- UK
2. Citibank NA New York - USA
3. Deutsche Bank AG - Germany
4. Deutsche Bank Trust Company - USA
5. Co-operative Bank of Kenya
6. Bank of China - Shanghai China
7. Citibank N.A – Kenya
8. Ivory Bank–Southern Sudan
9. Sparkase Aachen Bank-UK
10. I&M Bank–Rwanda
11. CRDB – Tanzania

Executive Management

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Executive Director
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Company Secretary/General Manager, Legal
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General Manager, Corporate Services
Mr. Arnold Byansi Bernard
Tel: +256 317 202408
E-mail: arnold.byansi@centenarybank.co.ug

Branch Network

Branches opened during 2013

Bwera Service Centre
Plot 102 Bukonjo, Blok 26
Mpondwe- Llubiriha Town Council
Kikorongo Customs Road
Kasese District
Tel: +256 712 751729

Makerere University Service Centre Branch
St. Augustine Student Centre
Makerere University
Tel: +256 414 535750
Fax : +256 414 535748

Mpigi Branch
Block 92, Plot 106 Mpami
Butabale Road
Park Village
Mpigi District
Fax: +256 414 710039
Tel: +256 414 710040

Paidha Branch
Plot 6 Arua Road
Opposite Skylux Hotel
Paidha Town Council
Tel: +256 716 420013

Offsite ATMs opened during 2013

Jinja Road
Coffee Development building
Plot 15, Kampala

Kalisizo
Plot 6, Kyotera road

Lira
Gapco Petrol Station
Olwol Road

Nansana
Masiitowa, Hoima Road

Kawempe
Kobil Petrol Station
Near Kawempe Market

Makerere Hill
Ham Towers, Tuskys Shopping Mall
Near Wandegeya Trading Centre

Kajjansi
Block 383
Plot 162, Opp. Kajjansi market

Makerere University Business School (MUBS)
Nakawa Capital Shoppers
Plot 123, Sebei Lane

Gulu University
Main Entrance

Continuing Branches

Lugogo Service Centre
Plot 3A2 & 3A3 Sports Lane
Forest Mall, ground floor, unit G3
Lugogo
P. O. Box 1892 Kampala
Tel: 0312517285
Fax: 0312517093

Kisoro Service Centre
Plot 27 Kisoro- Kabale Road
P. O. Box 10
Tel: +256 486 430026
Fax: +256 486 430026

Apac Branch
Plot 22 Akokoro Road
Apac Town
Tel: 0392060127 / 126

Mapeera House
Plot 44/46, Kampala Road
Plot 2, Burton Street
P. O. Box 1892 Kampala
Tel: +256 414-251276/7
Fax: +256 414-251273/4

Kayabwe Service Centre
Plot 69, Kayabwe
Masaka Road
P. O. Box 1063 Masaka
Tel: 0392751788

Kireka Service Centre
Plot 1653, Kireka
Jinja Road
P. O. Box 198
Tel: 0392751794
Fax: 0392751795

Kotido Service Centre
Block 20, Moroto Road
Kotido Town
P. O. Box 88 Kotido
Tel: 0392751796

Moroto Service Centre
Plot 25, Lira Street
Moroto Town
Tel: 0392751792

Kamuli Service Centre
Plot 4, Kitimbo Road
Kamuli Town Council
P. O. Box 168
Tel: 0392751790

Arua Branch
Plot 3, Avenue Road
P. O. Box 246 Arua
Tel: +256 476-420013,
+256 372-260001
Fax: +256 476-420013

Bugiri Branch
Plot 117, Grant Street
Iganga-Tororo Highway
P. O. Box 137 Bugiri
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Fax: +256 434-250076

Bwaise Branch
Plot 526 Bwaise- Kawempe
Bombo Road
P. O. Box 1982 Kampala
Tel: +256 414-566096
Fax: +256 414-566080

Entebbe Road Branch
Plot 7, Entebbe Road Talenta House
P. O. Box 1892 Kampala
Tel: +256 414233456
Fax: + 256 414251244

Kagadi Service Centre
Plot 69 Prime House
Fort Prtal- Kyenjojo Road
Kagadi Town Council
P. O. Box 35 Kagadi

Entebbe Road Annex
Plot 18/20, Entebbe Road Annex
P. O. Box 1892 Kampala
Tel: +256 414-233456
Fax: +256 414-251244

Fort Portal Branch
Golden Jubilee Building
Fort Portal- Kasese road
P. O. Box 124 Fort portal
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+256 772-751730
Fax: +256 483-422791

Gulu Branch
Plot 426, Gulu Street
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Fax: +256 471-432571

Hoima Branch
Pax Arcade,
Plot 41- 43 Fort Portal Road
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+256 392-751733
Fax: +256 465-440193

Ibanda Branch
Plot 4, Main Street
P. O. Box 395Ibanda
Tel: +256 485-426998
Fax: +256 485-426997

Iganga Service Centre
Plot 43 Main Street
Iganga town
P. O. Box 101 Iganga
Tel: 0434242143
Fax: 0434242980

Isingiro Service Centre
Plot 17A, High Street
Isingiro Town Council
P. O. Box 1892 Mbarara
Tel: +256 382280664
Fax: +256 382280665

Ishaka Branch
Plot 432, Rukungiri Road
P. O. Box 36 Bushenyi
Tel: +256 392-751734
Fax: 0485042773

Jinja Branch
Plot 6, Nizam West Road
(Opp. Uganda Telecom Office)
P. O. Box 1767 Jinja
Tel:+256 434-122007/0434122012
Fax: +256 434-122023

Kabalagala Service Centre
Block 245, Plot 551,
Kiwiliriza, Kabalagala
Opposite Kabalagala Police post,
Gaba Road
P. O. Box 1892 Kampala
Tel: +256 312-517283
Fax: +256 414-501490

Kabale Branch
Plot 129, Kabale Road
P. O. Box 385 Kabale
Tel: +256 486-423671
Fax: +256 486-423671

Kanungu Branch
Kanungu – Kihihi Road
Kanungu Town Council
P. O. Box 20
Tel: +256 382 280502
Fax: +256 382 280503

Kasese Branch
Plot 13/14, Portal Street
P. O. Box 87 Kasese
Tel: +256 772-751729
Fax: +256 483-444424

Kapchorwa Branch
Plot 1, Market Street
P. O. Box 286 Kapchorwa
Tel: +256 392-751781
Fax: +256 392-254782

Kayabwe Service Centre
Plot 64, Kayabwe
Masaka Road
P. O. Box 1063 Masaka
Tel: 039 2751788
Fax: +256 392 254791

Kayunga Branch
Block 123, Plot 300,
Main Street, Kayunga Central
P. O. Box 18257 Kayunga
Tel: 0312517032

Kiboga Branch
Plot 101, Hoima Road
P. O. Box 28 Kiboga
Tel: +256 392-746866/7
Fax: +256 392-253866

Kikuubo Service Centre
EKM Building
Plot 38, William Stree
P. O. Box 1892 Kampala
Tel: +256 414 258795
Fax: +256 414 258791

Kitgum Branch
Plot 7/8, Ogwok Road
P. O. Box 147 Kitgum
Tel: +256 392746868

Koboko Service Centre
Plot 19, Central Road
Koboko Town
P. O. Box 246 Arua
Tel: 0414598648

Kumi Service Centre
Plot 39, Ngora Road, Kumi
P. O. Box 228, Kumi
Tel: 0392751785

Kyenjojo Branch
Plot 2/6, Nyantungo Road
P. O. Box 1077 Kyenjojo
Tel: +256 483-422792
Fax: +256 483-422793

Kyotera Branch
Plot 6, Kyotera Road
P. O. Box 116 Kyotera
Tel: +256 481-432676
Fax: +256 481-432812

Lira Branch
Obote Avenue
Plot 4-7, Soroti Road
P. O. Box 817 Lira
Tel: +256 473-420124
Fax: +256 473-420124

Lyantonde Service Centre
Plot 226, Lyantonde Town Council
P. O. Box 49, Lyantode
Tel: +256 382 280689

Masaka Branch
Plot 6, Edward Avenue
P. O. Box 1063Masaka
Tel: +256 481-420406
Fax: +256 481-420961

Mbale Branch
Plot 54, Republic Street
P. O. Box 818 Mbale
Tel: +256 454-434002
Fax: +256 454-434495

Mbarara Branch
Plot 25/27, High Street
P. O. Box 1352 Mbarara
Tel: +256 485-420359
Fax: +256 485-421540

Masindi Branch
Plot 59/61, Masindi Port Road
P. O. Box 5 Masindi
Tel: +256 454-420000
Fax: +256 465-420022

Mityana Branch
Plot 50, Corner House
P. O. Box 156 Mityana
Tel: +256 464-442060
Fax: +256 464-442791

Mubende Branch
Plot 20, Main Street
Mubende Town
P. O. Box 332 Mubende
Tel: +256 464 444059
Fax: +256 464-444064

Mukono Branch
Jinja Road
P. O. Box 790 Mukono
Tel: +256 414-291618
Fax: +256 414-291619

Nakivubo Road Branch
Mukwano Arcade
(Opposite St. Balikudembe
Market)
P. O. Box 6171, Kampala
Tel: +256 414-507047/
0312 263341
Fax: +256 414-507046

Namirembe Road
Branch
Plot 16, Namirembe Road
P. O. Box 25229, Kampala
Tel: +256 414-345295
Fax: +256 414-345297

Najjanankumbi Service
Centre
Plot 1032, Entebbe Road
Freedom City Mall,
Entebbe Road
P. O. Box 1892 Kampala
Tel: +256 414 501222
Fax: +256 414 267121

Nateete Branch
Plot 3, Old Masaka Road
P. O. Box 1892 Kampala
Tel: +256 414-272325
Fax: +256 414-272366

Ntinda Service Centre
Plot 36 - 38
Ntinda Capital Shoppers Building
Ntinda-Nakawa Road
Tel: 0414289844

Ntungamo Branch
Plot 4C, New Mbarara-
Kabale Road
P. O. Box 136 Ntungamo
Tel: +256 392-751280/751279
Fax: +256 485-424012

Nebbi Branch
Plot 1/3/5, Bishop Orombi Road
P. O. Box 179 Nebbi
Tel: 0414598643
Fax: 0476421570

Rubaga Service Centre
Rubaga Cathedral
Admission block
P. O. Box 1892 Kampala
Tel: +256 414 271453

Rukungiri Branch
Plot 13 Republic Road Rukungiri
P. O. Box 353 Rukungiri
Tel: +256 486-442177
Fax: +256 486-442466

Soroti Branch
Plot 36, Gweri Road
P. O. Box 420 Soroti
Tel: +256 454-461545
Fax: +256 392-250378

Tororo Branch
Plot 3, Uhuru Drive
P. O. Box 1146 Tororo
Tel: +256 454-445018
Fax: +256 454-445164

Wakiso Branch
Plot 214, Wakiso District
Headquaters Road
P. O. Box 69 Wakiso
Tel: +256 414-380501
Fax: +256 312-265347

Wobulenzi Branch
Kasana Luweero Diocese
(KALUDO) House
Plot 249, Gulu Road
P. O. Box 186 Wobulenzi
Tel: +256 414 620468
Fax: +256 414 62000

CenteMobile Branch, C/O
Gulu Branch
Plot 426, Gulu Street
PO Box 957 Gulu
Tel: +256 471432572
Fax: +256 471432571

Continuing Offsite ATMs

Kyengera
Devine Mercy Arcade
Masaka road

Arua
Catholic Center Building,
Near Christ the King Church,
Avenue Road

Kalerwe
Gayaza road next to
Pearl Micro Finance

Mbale (Two ATMs)
Canos Guest House,
Naboa road

Kawuku
Block 419/420,
Plot 311, Entebbe road

Luzira
Next to Bishop
Cyprian Kihangire SS,
Port Bell road

Mbarara
Amahembe
Mbarara Town

Kasana Luweero
Next to Diocesan Cathedral

Nakulabye
Road Master Hotel
Plot 589 Balintuma road

Bugolobi
Plot 69-71, Spring road,
Middle East Hospital &
shopping complex building
Bugolobi

Busia
Plot 93, Customs road
Busia town

Bweyogerere
Block 236, plot 232,
UPET Petrol station
Bweyogerere town,
Kampala-Mukono highway

Entebbe –Kitooro
Block 438, Plot 505 Nkumba

Gulu
Lacor Hospital

Gayaza
Near Mirembe Supermarket
Gayaza Road

Iganga
Plot 43, Main Street
Iganga town

Kasubi
Plot 3648, Petrol City
Fuelling Station
Kasubi town

Kabalagala
Shell Petrol Station
Kabalagala

Kabwohe
Sheema Block2, plot 521,
Kabwohe, Bushenyi district

Kamwokya
Boxing Supermarket Kamwokya
Market

Kalisizo
Ziladamu building
Plot 2-4
New Masaka road

Katwe
Block 7, Plot 1230, Kibuga
Opposite Total Petrol Station
Katwe

Kawempe
Kobil petrol station
Near Kawempe market

Lugazi
Plot 94, Jinja road
Lugazi

Makindye
Plot 1100 - SIM Towers,
Makindye
Opposite Makindye Military
Barracks

Mpigi
Block 92 Mpigi Town Council
Plot 106, Butabala road
Park village, Mpigi

Mulago
Business Centre near Hospital
Chapel, Mulago Hospital

Mini Price (Four ATMs)
Plot 48/50 Ben Kiwanuka Street

Mukwano Shopping Mall
(Three ATMs)
Mukwano Arcade Buiding

Nakawa
Plot 38, Shell Petrol station

Ntinda
Ntinda Road Trading Centre
Plot 5A (shop B) opposite the
mosque

Namugongo
Block 222 plot 146
Namugongo road towards the
Uganda Martyrs Catholic Shrine

Nansana
Masitowa Nansana Hoima road

Ndeeba
Block 16, Plot 553
Nsike at Christine Motel

Nyendo
Plot 495, 497, 498
JOBASCA Building, Next to
St. Joseph's Nyendo
Catholic Church
Kitovu Road, Nyendo Masaka

Oasis Mall
Nakumatt Shopping Mall,
Yusuf Lule road, Kampala

Rwebikona
Plot 43, Fort Portal road

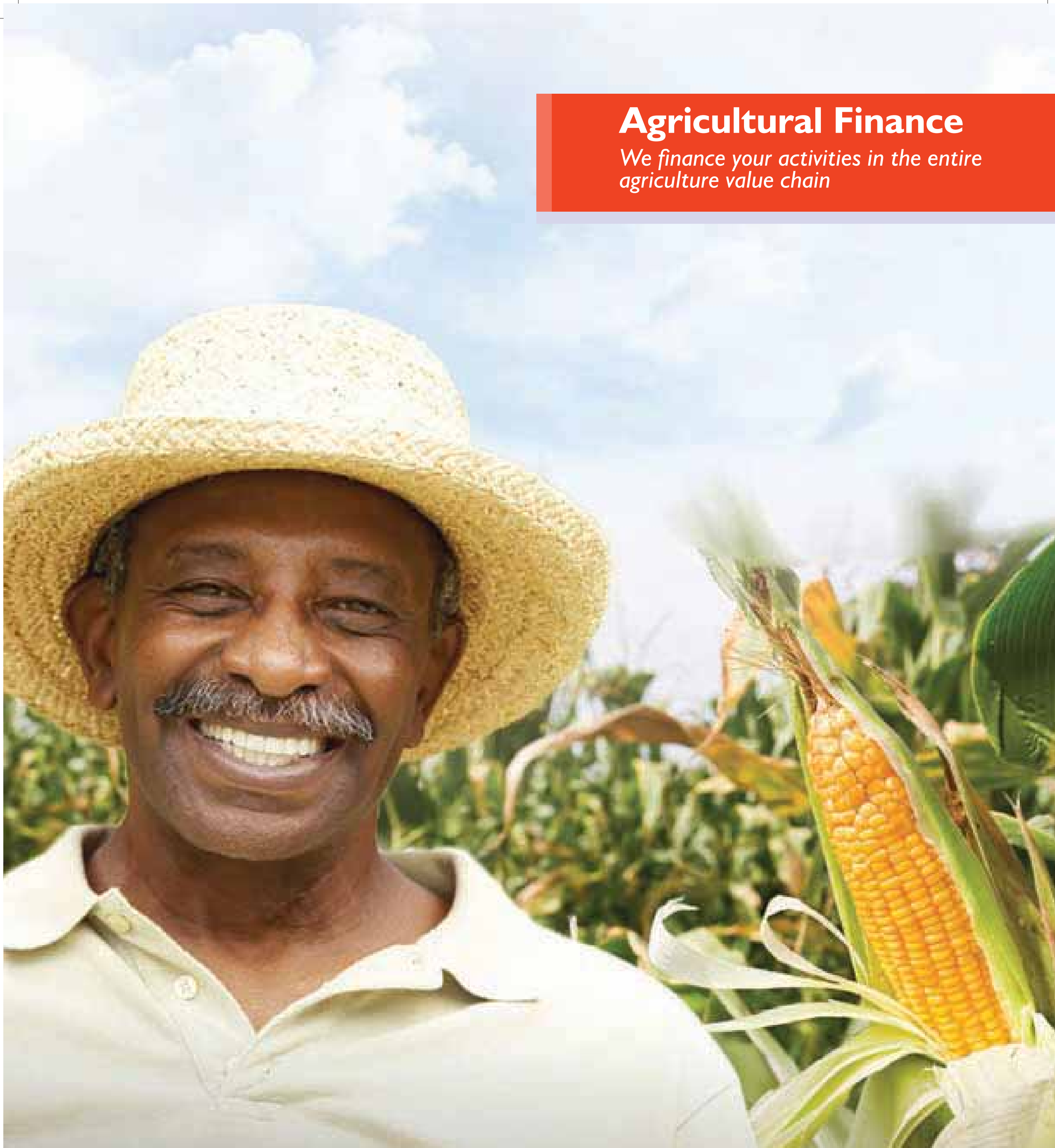
Sironko
Plot 20, Block D, Kapchorwa
road Sironko town

Wandegeya (Two ATMs)
Plot 166, Next to Hotel
Catherine
Wandegeya- Kampala

Luwum Street (Three ATMs)
Plot 25, JBK Plaza,

Agricultural Finance

We finance your activities in the entire agriculture value chain



We are the number 1 supporter of agricultural lending

We are mindful that agriculture is the country's backbone thus there is need to finance this sector to grow the national economy. Agricultural loans are designed for the entire agriculture value chain including production, processing and input supplies. We offer Animal Traction Loans as well as special loans like Veterinary Association Loan Scheme (VALOS).

Centenary Rural Development Bank Limited.
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Plot 2, Burton Street
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Tel: +256 414-251276/7 Fax: +256 414-251273/4
E-mail: info@centenarybank.co.ug. **Website:** www.centenarybank.co.ug