FINANCIAL INCLUSION

BANKING IN YOUR NEIGHBOURHOOD

Centenary Bank

ANNUAL REPORT 2017

Centenary Bank

...our bank

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LIST OF ACRONYMS

aBi Finance	Agriculture Business Initiative Finance Limited
aBi Trust	Agriculture Business Initiative Trust
AC	Audit Committee
ACF	Agricultural Credit Facility
AGM	Annual General Meeting
ALCO	Asset and Liability Committee
ATM	Automated Teller Machines
BCP	Business Continuity Plan
BCM	Business Continuity Management
BCMT	Business Continuity Management Team
BOD	Board of Directors
BOU	Bank of Uganda
BSC	Balance Score Card
CBS	Core Banking System
CJF	Critical Job Function
COSO	Committe of Sponsoring Organizations
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
EADB	East African Development Bank
EaR	Earnings at Risk
EIB EAC MF Loan	European Investment Bank East African Community Microfinance Loan
EIB PEFF	European Investment Bank Private Enterprise Finance Facility
EIR	Effective Interest Rate
ERM	Enterprise Risk Management
FAMOS	Female and Male Operated Small enterprises
HR	Human Resource
HRD	Human Resource Division
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILO	Intenational Labour Organisation
KCCA	Kampala Capital City Authority
LPO	Local Purchase Order
MOGLSD	Ministry of Gender, Labour and Social Development
NIM	Net Interest Margin
N.S.S.F	National Social Security Fund
NPAT	Net Profit After Tax
OAIP	Onality Assurance and Improvement Program
ORC	Operational Risk Committee
OSH	Occupational Safety and Health
P.A.Y.E	Pay As You Earn
QMM	Quarterly Management Meeting
REPO	Repurchase Agreement Loan
ROA	Return on Assets
ROE	Return on Equity
RMC	Risk Management Committee
RSA	Rate Sensitive Assets
RSL	Rate Sensitive Liabilities
SIDI	Solidarite' Internationale pour le Development et l' investissement
SOCI	Statement of Comprehensive Income
SOFP	Statement of Financial Position
TOT	Trainer of Trainers
URBRA	Uganda Retirement Benefits Regulatory Authority
UECCC	Uganda Energy Credit Capitalization Company
UAT	User Acceptance Test
w.e.f	With effect from
WENRECO	West Nile Rural Electrification Company

FINANCIAL DEFINITIONS

Core capital	Permanent equity in the form of issued and fully paid-up shares plus all disclosed reserves less goodwill or any intangible assets
Cost-to-income ratio (%)	Total expenses as a percentage of total income
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
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 loss ratio (%)	Provision for credit losses per the Statement of Comprehensive Income as a percentage of average net loans
Dividend cover (times)	Earnings Per Share divided by ordinary dividend per share
Dividend per share (Shs)	Total ordinary dividends declared per share with respect to the year
Earnings per share (cents)	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares
Effective tax rate (%)	The income tax charge as a percentage of income before tax excluding income from associates
Lending Ratio	Net loans and advances divided by total deposits
Net interest margin (%)	Net interest income as a percentage of average earning assets
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)
Percentage change in credit loss ratio (%)	Ratio of change in the rate of credit loss impairment between time periods
Percentage change in the impairment charge (%)	Ratio of change in the rate of impairment charge between time periods
Profit for the year (Shs)	Annual profit attributable to ordinary shareholders and preference shareholders
Return on Assets (%)	Earnings as a percentage of average total assets
Return on Equity (%)	Earnings as a percentage of average equity
SOFP credit impairment as a % of gross loans and advances (%)	Ratio of SOFP credit impairment to gross loans and advances
Supplementary capital	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize, and re-valuation 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

BANK CONTACT INFORMATION

1. Principal place of business and registered office

Mapeera House
Plot 44-46, Kampala Road & Plot 2 Burton Street
P. O. Box 1892, Kampala.
Toll-free line: 0800 200 555
E-mail: info@centenarybank.co.ug
Website: http://www.centenarybank.co.ug

/centenarybank centenarybank /centenarybank

2. Company Secretary

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

3. Correspondent Banks

- Citibank NA New York - US
- Bank of China - South Africa
- Ivory Bank - South Sudan
- Sparkase Aachen Bank - Germany

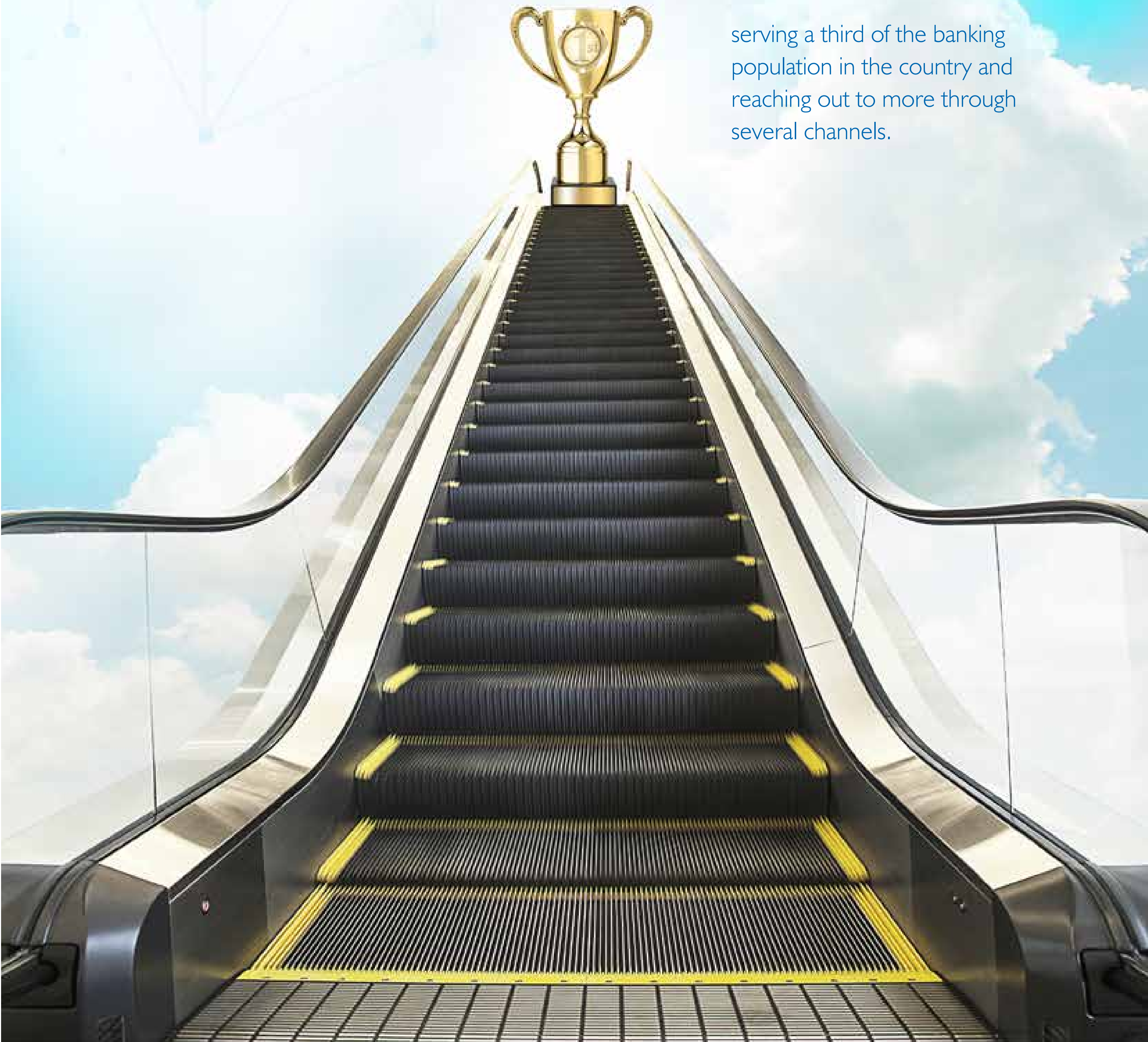
4. Auditors

PricewaterhouseCoopers
Certified Public Accountants
Communication House
Plot 1, Colville Street
P. O. Box 882
Kampala, Uganda

About Us

Today, we are a leading commercial microfinance bank in Uganda,

serving a third of the banking population in the country and reaching out to more through several channels.



Who We Are

Centenary Bank started in 1983 as a credit trust, which was an initiative of the Uganda National Lay Apostolate. The Catholic church officially joined in 1985 to establish a formal financial institution, and in 1993, Our Bank was registered as a fully-fledged commercial bank. It grew from one branch on Nkrumah road to the current 69 branches country wide. Today, we are a leading commercial microfinance bank in Uganda, serving a third of the banking population in the country and reaching out to more through several channels.

Our Vision

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

Our Mission Statement

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

Shareholders

- The Catholic Dioceses, which are all independent legal personalities incorporated 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, invests in developing countries through institutions to foster financial inclusion, social and economic development.

- 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).

Ownership

The Registered Trustees of Various Catholic Dioceses in Uganda	38.5%
The Registered Trustees of the Uganda Episcopal Conference	31.3%
SIDI Solidarité Internationale pour le Développement et l'Investissement (International Solidarity for Development and Investment)	11.6%
Stichting Hivos-Triodos Fonds	18.3%
Individuals	0.3%
Total	**100%**

Throughout the year, we maintained our promise of sustainable banking.

This was through a prudent approach to managing risk, growing our balance sheet, innovation and responsiveness to stakeholders.

Professor John Ddumba-Ssentamu
Chairman Board of Directors

Chairman's Statement

It is my pleasure to present Centenary Bank's annual report for the year ended 31st December 2017. Throughout the year, we maintained our promise of sustainable banking, through a prudent approach to managing risk, growing our balance sheet, innovation and responsiveness to stakeholders.

External Outlook and Bank Performance

The external environment was challenging with low credit uptake by the private sector, leading to a decline in our profitability from 109.9billion in 2016 to 100.3billion in 2017. The credit quality was higher at 4.5% compared to 2.8% the previous year, although lower than the industry rate, which was at 5.6%. On a more positive note, our balance sheet grew by 16.9%, above the total industry growth of 12.0%. The net loan book grew by 7.0%, above the industry growth of 5.4% and customer deposits grew by 17.5%, still above the industry growth of 9.5%.

THE NUMBERS

For the year under review

16.9%

BALANCE SHEET GROWTH

30%

CAPITAL ADEQUACY RATIO

The Central Bank continued to improve private sector lending by reducing the central bank rate from 12.0% by end of 2016 to 9.5% by end of 2017. As a consequence, many banks reduced their prime lending rates to an average of 20.0% from 23.3%. Our Bank also reduced the prime lending rate from 22.0% to 21.0%.

During the year, the Uganda shilling weakened from USD/UGX 3,610 as at 31st December 2016 to USD/UGX 3,640 as at 31st December 2017. This represented a depreciation rate of 0.8% in 2017 compared to 5.5% in 2016, showing an improvement of 4.7%. Headline inflation went down to 3.3% from 5.7% in 2016. The main drivers were stable prices for fuel and utilities and less volatility in exchange rates. The effect on our bank was a reduction of cost of operations.

Regarding money markets, the interest rates went down in 2017 in all categories. The 91-day treasury bill average yield for December 2017 closed at 8.4% from 14.1% in December 2016. The 182-day treasury bill average yield for December 2017 was 8.5% from 15.1% for December 2016, while the 364-day rate closed at 9.0% in December 2017 compared to 15.9% for December 2016. This negatively impacted the Bank's return on investment in government securities.

The Bank's basic earnings per ordinary share slightly reduced to UGX 4,006 from UGX 4,392 in 2016. The Bank achieved a return on equity (ROE) of 19.2% down from 24.8% the previous year although it was still above the Industry ROE of 6.8%.

Our Bank continues to be adequately capitalized and its total capital adequacy ratio stood at 30%, above the statutory capital requirement of 12%.

Changes in the Industry

In 2014, the International Financial Reporting Standard 9 (IFRS9) was introduced by the International Accounting Standards Board (IASB) to replace the International Accounting Standard 39 (IAS 39). The change was necessary, to not only improve credit risk management but also enhance the banking system. Our staff have been trained in preparation for the change, which shall be implemented in 2018.

The Central Bank released the framework for agent banking and banccassurance which paved the way for banks to commence their implementation. I am happy to report that Our Bank successfully embarked on executing agent banking, that will assist us to achieve our mission, which is 'to provide appropriate financial services especially microfinance to all people, particularly in rural areas in a sustainable manner, in accordance with the law.'

The industry was characterized by technology changes. A number of banks changed their core banking systems in a bid to have systems that are robust enough to meet the changing customers' demands. Our Bank was equally honored to roll her new state of the art core banking system in January 2017 which has greatly enhanced our efficiency and improved customer service.

Competition from players outside the banking industry increased with new products and services that enhance customer convenience when carrying out financial transactions. Our Bank also embarked on the set up of four new services, namely, loans on phone, agent banking, biometrics system and the card project. Execution of all shall be completed in 2018.

Corporate Social Responsibility

Centenary Bank is dedicated to meeting the 3P's triple bottom line criteria of people, planet and profit, making us a socially responsible entity. Through our policy of investing up to 1% of the previous year's net profit to Corporate Social Responsibility (CSR), we were able to impact more lives in 2017. Our reach grew by 4.7%. We want to thank the Catholic church for the partnership and support in making this possible in communities countrywide. We thank all other partners for the work done in 2017 and look forward to doing more in 2018.

4.7%

CSR COMMUNITY OUTREACH GROWTH

Corporate Governance

The Board is committed to fulfilling its corporate governance obligations and responsibilities in the best interests of the bank and its stakeholders, while promoting the highest standards of integrity, transparency and accountability. In 2017, three of our board members retired. These are; Archbishop Paul Bakyenga, Mr. Henry Kibirige and Mr. Kimanthi Mutua. On behalf of the entire Centenary Bank family, allow me to thank them for their dedication and commitment, and at the same time welcome Mr. Sam Kamiti on to the Board.

2018 Outlook

Our Bank shall continue with the implementation of projects that begun in 2017. The agent banking project will be rolled out countrywide. Regarding the card project, we shall see to it that customers receive their cards by September 2018. The loans on phone project has been launched while the biometric system and bancassurance service shall be launched in the course of the year. Our Bank is well positioned to leverage on its strength to get hold of opportunities in the coming year.

Appreciation

Our Bank's 2017 success is clear demonstration of what can be achieved when stakeholders support each other. I therefore thank our customers for their loyalty. I thank Bank of Uganda for their guidance and support. I thank the shareholders for their trust. I cannot forget my colleagues on the board for providing effective oversight. My gratitude goes to management and the entire staff for working tirelessly to realise these impressive results.

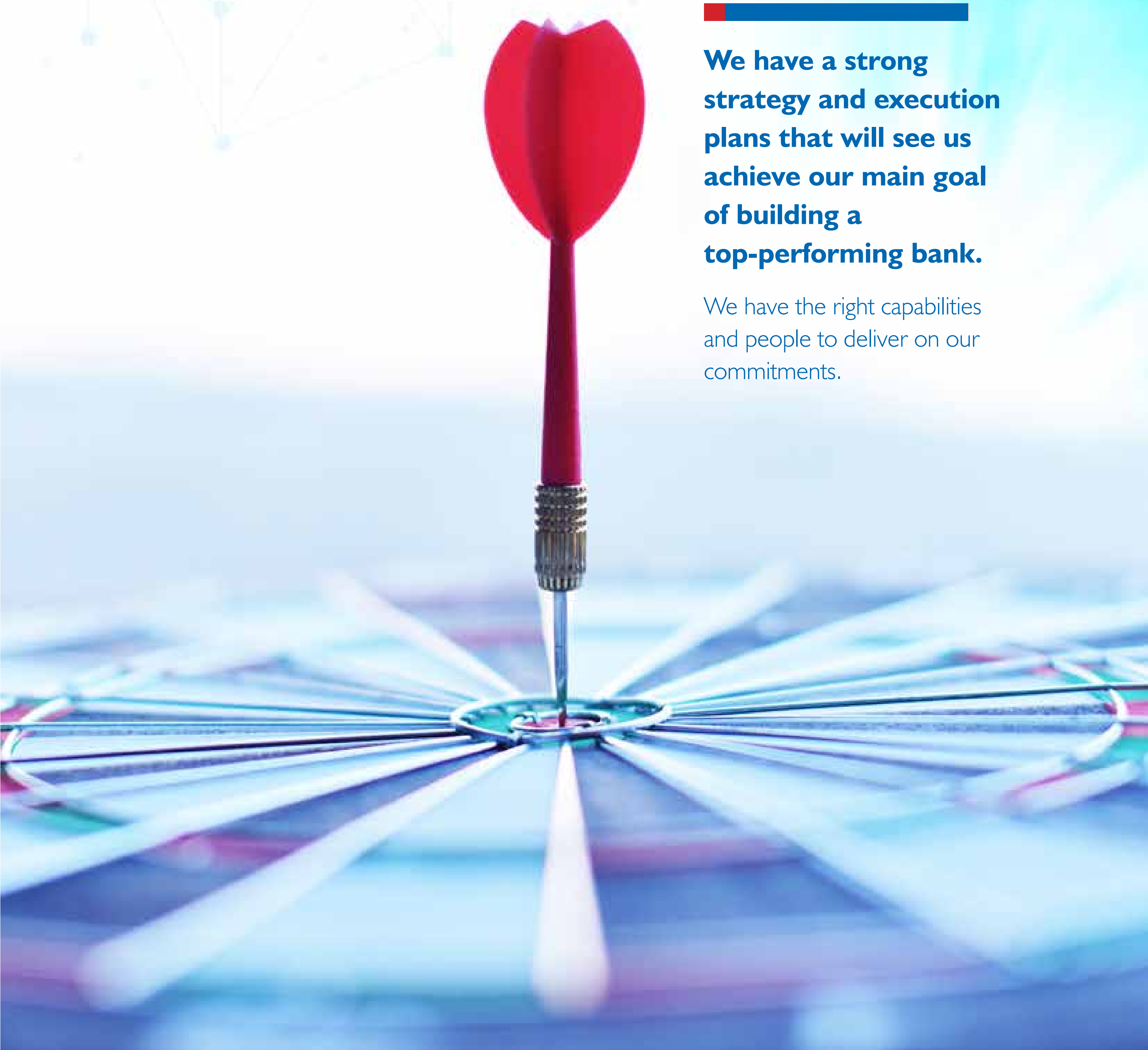
We remain focused on our vision and mission. We shall do whatever it takes to make sure that we propel our mission and vision. We shall continue recruiting and retaining professional staff that will serve efficiently. We shall leverage on our technology as a driver of our business.

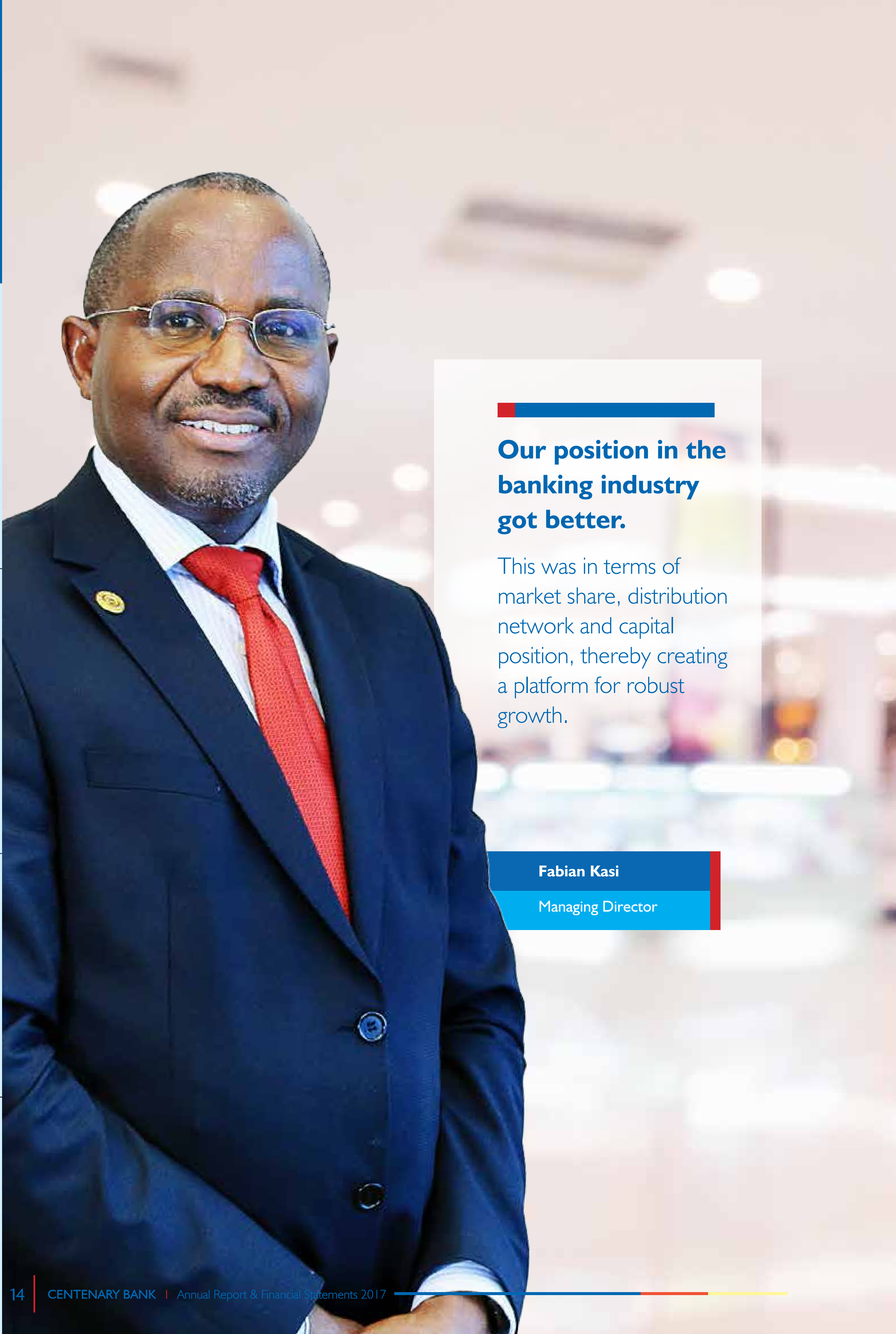
Professor John Ddumba-Ssentamu
Chairman of the Board

Leadership

We have a strong strategy and execution plans that will see us achieve our main goal of building a top-performing bank.

We have the right capabilities and people to deliver on our commitments.





Our position in the banking industry got better.

This was in terms of market share, distribution network and capital position, thereby creating a platform for robust growth.

Fabian Kasi

Managing Director

Managing Director's Statement

We capitalized on growth opportunities while at the same time taking steps to address challenges in the environment. Our position in the banking industry got better in terms of market share, distribution network and capital position, thereby creating a platform for robust growth. We are pleased with the bank's continued progress that led to solid results and this aligns well with our vision and track record of sustained growth.

UGX
100.3
BILLION
AFTER TAX PROFIT

I am pleased to report on Centenary Bank's 2017 performance. Our Bank grew, despite a challenging operating environment, marked by low private sector borrowing, deterioration of loan quality, competition and heightened investment in information technology.

Performance Review

The Bank continued to perform well in all key fronts. We achieved an operating profit of UGX 100.3 billion compared to UGX 109.9 billion the previous year, representing a market share of about 14.9%. The slump is mainly attributed to the following;

1. Slow growth in the economy which grew at 3.5% compared to the projection of 5% making it difficult to grow credit due to subdued demand and difficulties in paying back which led to non performing loans to grow to 4.5%.
2. Following the reduction in interest rates in the market and the reduction in central bank rate, the bank reduced its prime interest rate to 21% leading to reduction in growth of funded income.
3. Delays in implementing projects such as agent banking and issuance of visa enabled cards which led to slow growth of non funded income.
4. Heavy investments in systems following the implementation of a new core banking system which led to growth in licence fees, depreciation and operating expenses. These investments are expected to spur the capacity of the bank to serve our clients better with more superior products and services.

Net operating income went up by 11.2% to reach UGX 463.7 billion up from UGX 417.0 billion the previous year, mainly driven by growth in interest on loans and advances to customers, and increase in fee based income.

The balance sheet expanded impressively with total assets reaching UGX 2,706.3 billion from UGX 2,315.7 billion the previous year, representing a 16.9% increase and above the total assets industry growth of 12.0%. This impressive growth was reflected in the net loan book that grew to UGX 1,335.3 billion up from UGX 1,247.7 billion the previous year, representing a growth of 7.0% which is above the industry growth of 5.4%. Despite the growth, the loans portfolio maintained fair quality with Non Performing Ratio of 4.5% compared to the previous year's rate of 2.8% but below the industry rate of 5.6%.

Net interest income rose by 6.5% to UGX 331.9 billion from UGX 311.6 billion the previous year. Total expenses increased by 19.5% to UGX 377.5 billion from UGX 316.0 billion, mainly attributed to the bank's heavy investment in technology, improvements in staff welfare and deterioration in loan quality.

We sustained robust growth in customer deposits which grew by 17.5% from UGX 1,626.6 billion to UGX 1,911.1 billion. This growth was above the industry growth of 9.5%. The bank continued to attract new customers and closed the year with 1,493,554 deposit accounts compared to 1,482,617 the previous year, despite the transfer of some dormant accounts to Bank of Uganda.

UGX
2,706.3
BILLION
TOTAL ASSETS

In addition to customer deposits, the other funding sources of the bank are represented by equity which increased by 15.0% to UGX 557.8 billion, up from UGX 485.0 billion the previous year driven by profit made in the year under review.

Financial Inclusion and Innovations

In 2017 Bank of Uganda released the framework for agent banking there by paving the way for us to reach more unbanked people country wide. We trained a number of agents in preparation for the project roll out in 2018.

Still on financial inclusion, a solution to getting instant micro loans was started in 2017. The loans on phone project enables customers to acquire loans ranging from UGX 5,000 to UGX 2,000,000/- from their phone instantly. The service is accessible on both smart phones and USSD phones on the bank's CenteMobile platform. A customer simply dials *211# and follows prompts. The project was launched in early April 2018.

We commenced the setup of the Europay, MasterCard and Visa (EMV) card schemes based on chip card technology to provide a more secure banking experience to our customers.

UGX
463.7
BILLION
OPERATING INCOME

In March 2018, we rolled out the Visa card project and started inviting customers to acquire their visa enabled cards which replace the old card based on magnetic stripe technology. Internet banking was launched to increase access and convenience when transacting. Work on setting up the Biometric system begun. This shall ease the identification of customers and project implementation shall be completed in 2018. In the same financial year, we shall introduce the Bancassurance product.

In 2017, we made a strategic decision to split our Mapeera Branch separating the Platinum section from the main branch to enhance customer service. We closed the year with 69 branches and 172 ATMs at 127 locations. 263,873 new deposit accounts were opened and 163,179 new loan cases were disbursed. We are in the process of completing the enhancement of some products and services like the Village Savings and Loan Association scheme (VSLA) and **Cente**Mobile, to meet our customers' expectations.

Collaborations and Partnerships

Our Bank continues to collaborate with a number of partners in order to respond to some of the challenges that Private Enterprises, and youth face in accessing credit facilities. These include the European Investment Bank, agriculture business initiative trust (aBi-Trust),East African Development Bank, Kampala Capital City Authority and Government of Uganda. The support is mainly for micro credit projects and agriculture. We also partnered with Mauritius Commercial Bank consulting arm to strengthen our processes and systems. We continued to partner with Fintec Companies and Mobile network operators (MNOS). The Bank plans to increase the number of partners in 2018 in order to achieve our Financial Inclusion objective.

Our People

We value our employees as people whose skills and abilities represent the most valuable asset in the Bank. We take care of their welfare, while creating an environment that supports productivity. A number of programs and activities are set out within the year to enhance their performance and build the team. It is due to such commitment that Centenary Bank won the overall award for best employer by National Social Security Fund (NSSF). Similarly, our staff were the overall 2017 annual bankers' gala champions. In the corporate league, they were champions for basketball, volleyball and pool. Our Bank continues to attract, develop, support and retain the right talent to drive its strategy.

Our Communities

Centenary Bank is committed to supporting communities and transforming lives through Corporate Social Responsibility. Community activities increased by 110% from 100 activities in 2016 to 210 activities in 2017 thereby reaching and impacting more lives. Our investment grew by 12%, from UGX 952million in 2016 to UGX 1.069billion in 2017.

The community undertakings included; bridging the cancer gap project activities, financial literacy, support for school construction, school textbooks, community sanitation, hospital equipment, community shelter and many others. We thank all our partners who supported us to achieve our corporate social responsibility objectives.

17.5%
CUSTOMER DEPOSITS GROWTH

Our Future

The environment we operate in is muddled with opportunities and risks and this required Centenary Bank to strategically position itself in the market place. Currently, there is slow growth being experienced in the economy but this is expected to rebound in the near future as the Government focuses on investing in the infrastructure projects that will have positive knock on effect to other sectors.

We are currently well capitalized with a very strong and healthy balance sheet to enable us seize the emerging growth opportunities in the environment and also manage the risks associated with these opportunities. The Bank has a large customer base enjoying its Strong brand. We have invested heavily in Information Technology and formed strong strategic partnerships with Government and other key organizations. The Bank has a Sound leadership at Board and Management.

15.0%
SHAREHOLDERS' EQUITY GROWTH

This year, 2018, the bank is executing a forward-looking strategy that combines financial inclusion and technology driven service delivery. Digital technology is transforming the way we lead our lives today. The banking services industry is a clear representation of this transformation. Consumers are more mobile than ever before and expect services to be available at the time and place of their choice.

The Bank's strategic objectives will focus on increasing shareholders' value, increasing customer satisfaction, improving business processes to achieve operational efficiency and develop a culture that promotes learning, innovation and timely execution.

The ever-changing customer needs, preferences and behavior will be managed through innovating solutions.

In order to increase outreach and serve our customers better in the coming years, we plan to open two rural branches and one urban branch. This will enable us drive our strategic goal of increasing financial inclusion and will result into increase in industry market share.

The Bank will continue to develop employee capabilities in mission critical competencies and create an environment that fosters creativity and innovation.

Uganda is expected to be one of the fastest growing economies and the growth will mainly be driven by huge investment in infrastructure by the government, that is, road construction, oil and gas infrastructure, completion of dams and other projects. At Centenary Bank, we have devised strategies that will enable us seize opportunities and manage risks that will emerge from this operating environment.

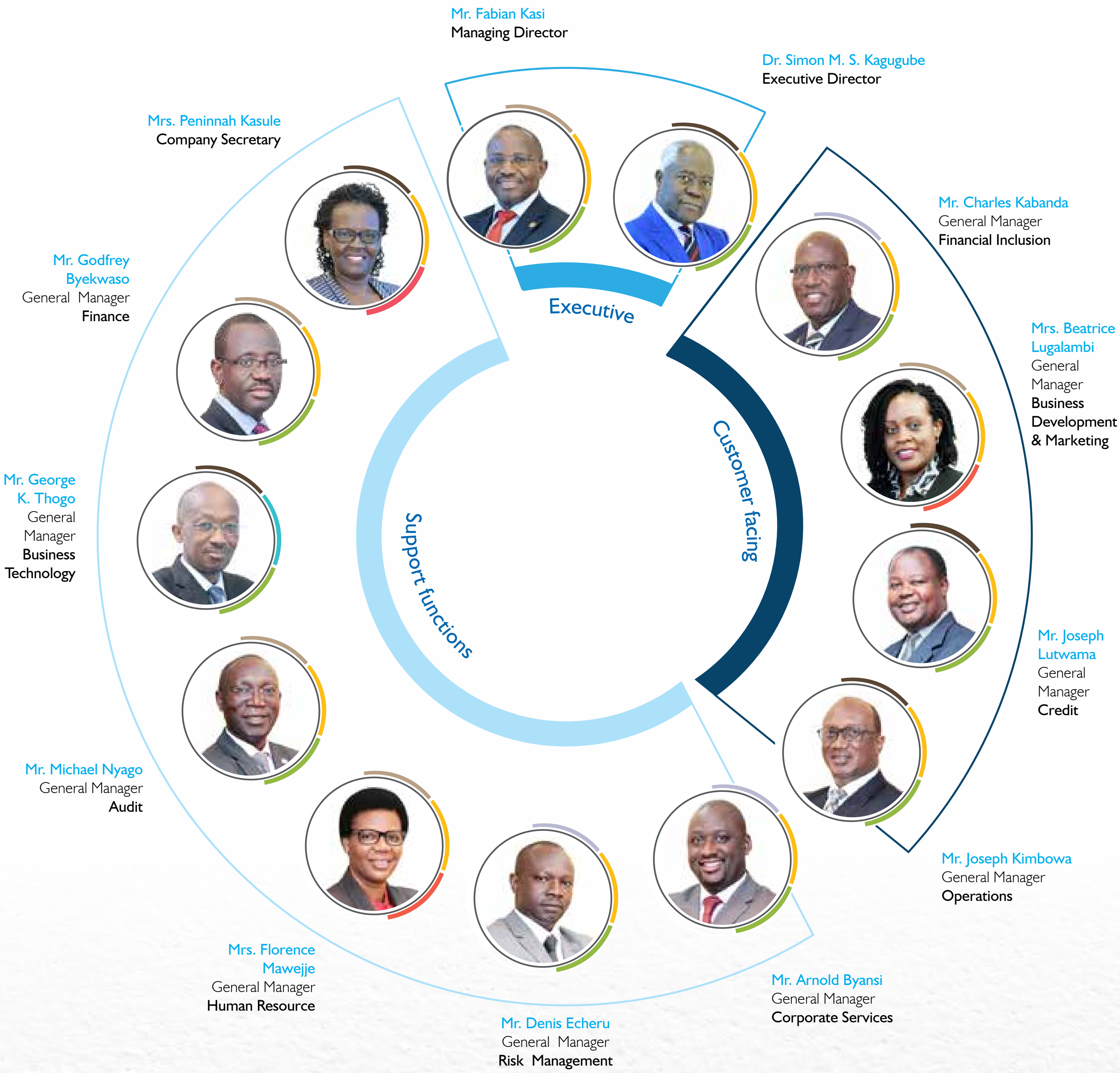
Conclusion

I wish to take this moment to express my sincere appreciation to all our customers, shareholders and business partners for their support and their continued confidence and trust they have placed in us. I also take this opportunity to thank the Board of Directors for the good governance and oversight they have given us. I am grateful to Bank of Uganda, for the guidance. Lastly, I am grateful to management and staff of the bank for their dedication and sacrifice that enabled delivery of this excellent financial performance.

In closing, I believe we have a strong strategy and execution plans that will see us achieve our main goal of building a top-performing bank. We have the right capabilities and people to deliver on our commitments. We have invested in robust technology with the new core banking system on which the bank will continue to leverage, to provide improved customer service and experience, to extend outreach and financial inclusion especially through agent banking, linkage banking, banccassurance, sales and mobile banking.

Fabian Kasi
Managing Director

THE EXECUTIVE MANAGEMENT



Composition: The colours encircling individuals' photos links to the Executive Management composition data reflected below.

Nationality

92.3% Ugandan

7.7% Kenyan

Tenure

23% 0 - 5 years

38.5% 5 - 10 years

38.5% Over 10 years

Gender

23.1% Female

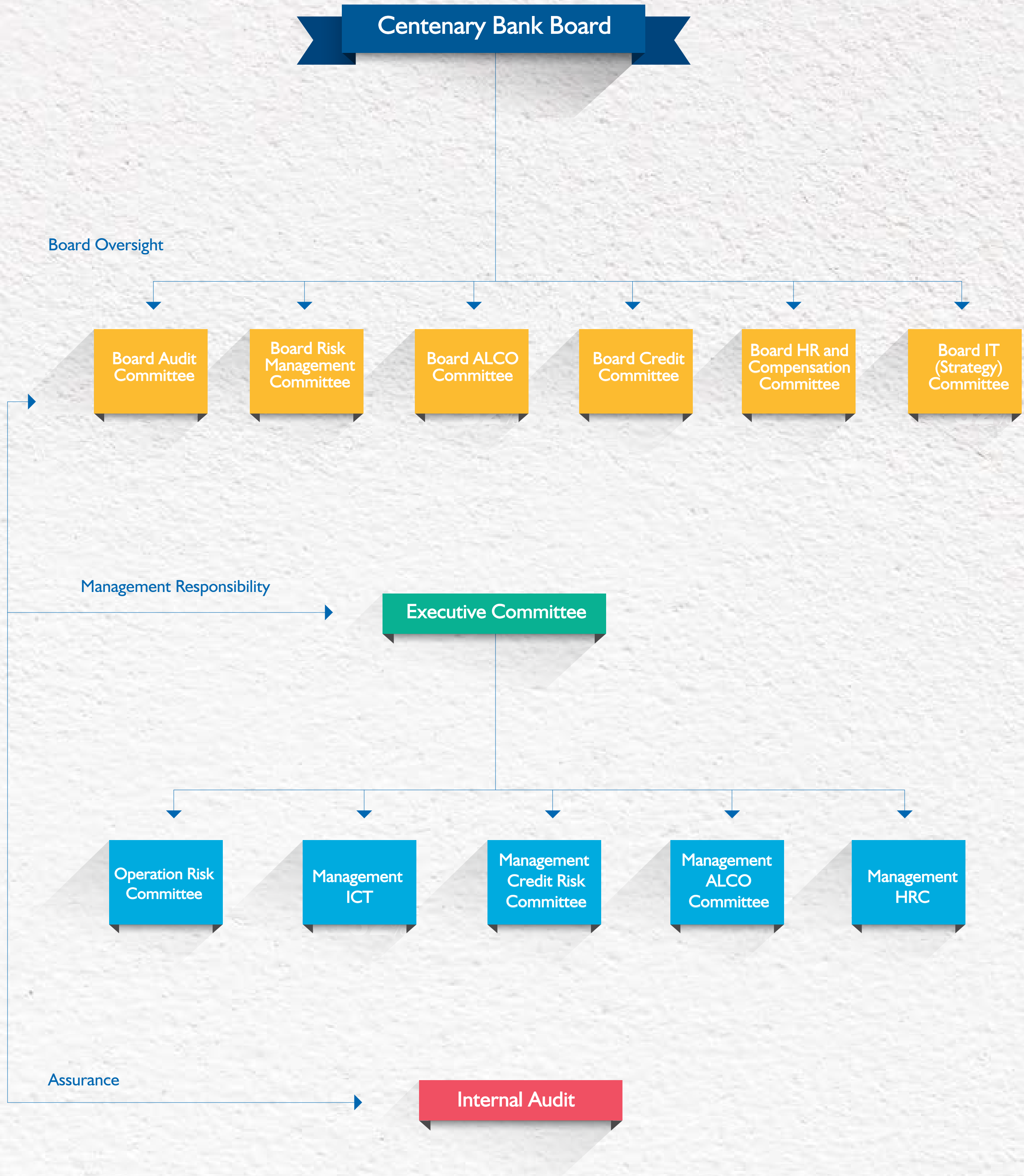
76.9% Male

Statement Of Corporate Governance and Risk Management

The Board has the overall responsibility for reviewing the strategic plans and performance objectives

financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

GOVERNANCE STRUCTURE



Key Functions of the committees

Board Committee	Role and Terms of Reference (TORs)	Membership Required under the TORs	Minimum No. of Meetings per year
Audit	Reviews and reports to the Board on financial reporting, internal control and risk management systems, independence and effectiveness of both external auditors and the internal audit function and monitoring compliance with legislation. Makes recommendations to the Board for a resolution to be put to shareholders of the company in relation to appointment and remuneration of the external auditors.	4 members all non-executive directors.	4
Assets and Liability Committee	Establishes guidelines in risk tolerance and expectations on investments, financial targets and expenses and supports Board in evaluating business performance. Ensures that Management implements the Assets and Liability Management policy and effectively manages the market risks.	4 members with at least 2 non-executive directors.	4
Human Resource and Compensation	Makes recommendations to the Board on remuneration and incentive, compensation plans (including bonuses), and other benefits and contract terms for Senior Management. This is done in line with the institution's culture, objectives, strategy and industry trends.	4 members all non-executive directors.	4
Risk Management	Oversees Operational Risk Management systems, practices and procedures including risk identification, management, monitoring and control. The Committee also monitors legal suits against the Bank and their materiality and reports on risk assessment levels.	4 members with at least 2 non-executive directors	4
Credit	Considers the Bank's credit strategy, its implementation and reports on the entire credit portfolio of the Bank as well as compliance with applicable statutory and internal ratios and provisioning.	4 members with at least 2 non-executive directors	4
IT (Strategy)	Reviews and reports on governance of the Bank's IT resources, services and initiatives for direction and alignment with the business.	4 members with at least 2 non-executive directors	4
Nominations (Advisory)	Reviews and makes recommendations to the Board for it to put to the shareholders for consideration on the structure, size and composition of the Board with an appropriate balance of skills, knowledge, experience and diversity.	4 members all independent	2

Management Committees

Certain detailed aspects of Board's responsibilities are delegated, in addition to the Executive Directors, to appropriate management-led committees whose key roles are set out below: -

Management Committee	Role and Terms of Reference (TORs)
Executive Committee	Comprises of Executive Directors, business line and support function heads. Meetings are attended by the head of Internal Audit. The forum performs an advisory role to the office of the Managing Director on various matters including formulation, implementation and review of strategy, structure and policy and is responsible for making recommendations on reports from all Management Committees
Assets & Liability Management Committee	Ensures the Bank's balance sheet is managed in accordance with regulatory requirements and policy set by the Board. It also ensures that the financial performance (income/loss) and status (balance sheet) is optimal, stable and positive through implementation of appropriate strategies in respect of funding, pricing, liquidity and investments.
Human Resource Committee	The Committee is responsible for reviewing, aligning and making recommendations on strategic matters regarding the Bank's human resource capital.
Credit Committee	Reviews the policy, procedures and performance of the credit business in line with applicable legislation, board mandates and performance targets.
Operational Risk Committee	Responsible for Risk assessment, management and reporting matters arising from discussions of existing and potential operational risk within the various units across the entire Bank.
ICT Committee	Monitors progress, implementation and maintenance of the Bank's ICT strategic plan and makes recommendations to the Board on adequate policies, standards and procedures especially relating to information security, control and management of data.

Statement Of Corporate Governance

Centenary Bank embraces best corporate governance practices and their implementation is considered fundamental to its growth and sustainability. The Board is therefore consistent in its commitment to keep abreast with new corporate governance initiatives unfolding constantly on both the international, regional and local scenes to uplift corporate governance for the benefit of the company and for all its stakeholders. The Bank has remained a dedicated active member of the Institute of Corporate Governance Uganda and supports other local organizations which promote corporate governance in Uganda.

The Board's role and responsibilities

The primary function of the Board of Directors of Centenary Rural Development Bank (the Board) is to provide effective leadership and direction to enhance the long-term value of the Bank to its shareholders and other stakeholders. The Board oversees the business affairs of the Bank. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

In addition, the principal duties of the Board include:

- Setting the Bank's strategic objectives, and ensuring that the necessary financial and human resources are in place for the Bank to meet its objectives.
- Overseeing the process for evaluating the adequacy of internal control, risk management, financial reporting and compliance.
- Appointing the Managing Director and approving the remuneration polices and guidelines for the Board and senior management.
- Reviewing the performance of senior management and overseeing succession planning for senior management.
- Setting the Bank's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met.
- Considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.

Independent judgment

All directors exercise due diligence and independent judgment, and make decisions objectively in the best interests of the Bank. This is one of the performance criteria for the peer and self-assessment on the effectiveness of the individual directors.
The current members of the Board and their membership on the board committees of the Bank are as follows:
The present Board comprises ten members. There is a strong and independent element on the Bank's Board. Of the ten Board members, eight are non-executive and seven are independent directors.

Board approval

The Bank has adopted and documented internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines are listed below:

- Strategies and objectives of the Bank;
- Annual budgets and business plan;
- Announcement of quarterly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Investment, divestments or significant capital expenditure;
- Commitments to term loans and lines of credits from other banks and financial institutions; and
- Interested person transactions.

Apart from the matters that specifically require the Board's approval, Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to optimize operational efficiency.

Delegation by the Board

Certain aspects of the Board's responsibilities have been delegated to the Committees to assist the Board by providing in-depth analysis. The members and Chairmen of the Committees are appointed by the Board of Directors which also approves their tenure. The Chairman of each committee on its behalf reports at the subsequent meeting of the full board on the activities and decisions of the committee. Directors also have full and timely access to documents and proceedings of Committees shared on the Board Portal.

The Board Committees comprise of "specialized committees" required under the Financial Institutions Act and regulations among others. Each committee has elaborate and clear written Terms of Reference setting out their role, function, term of service of members, responsibilities, scope of authority and operational matters relating to quorum, secretary and attendance of Management. The mandates of the specialized committees comply with relevant legislation and regulations.

The specialized committees of the Board are Audit Committee (AC), Assets & Liability Committee (ALCO), Human Resources and Compensation Committee, Nominations (Advisory) Committee and Risk Management Committee (RMC).

Besides these committees, the Board has additional committees (Credit and IT Strategy) to support it in its oversight since the Board reserved certain 'high' risk and large investment decisions to itself.

The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/ or recommendations, the ultimate responsibility on all matters lies with the Board.

Key features of board processes

The dates of Board and board committee meetings as well as annual general meeting (AGM) are scheduled one year in advance. To assist directors in planning their attendance, the Bank Secretary consults every director before fixing the dates of these meetings. The Board meets at least four times a year and as warranted by particular circumstances. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at Board and board committee meetings are held when need arises. The details of the number of Board meetings and board committees held in the year as well as the attendance of each board member at those meetings are disclosed below.

Directors' attendance at Board and board committee meetings

Name of Board Forum	Actual attendance as %
Board of Directors	97.9%
Board ALCO	100%
Board Audit Committee	81.3%
Board Risk Committee	100%
Board Human Resource & Compensation	74.2%
Board IT Strategy	93.8%
Board Credit Committee	90.8%
Nominations Advisory Committee	72.2%

Induction and training of directors

The Bank conducts a comprehensive orientation programme, which is presented by the Executive Directors and senior management, to familiarize new directors with business and governance policies. The orientation programme gives directors an understanding of the Bank's businesses to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management. The Board is also given exposure on Corporate Governance issues through trainings outsourced to specialized external consultants.
Induction material and Board manual containing policies relating to disclosure of conflicts of interest in transactions involving the Bank, corporate governance and risk management are provided to Board members.

The Chairman and the Company Secretary are responsible for preparing and coordinating an induction programme when new directors are appointed to the Board.

Briefings, updates and trainings provided to directors

The Nominations (Advisory) Committee reviews and makes recommendations on the training and professional development programs to the Board.

On a quarterly basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. The Managing Director updates the Board at each meeting on business and strategic developments of the Bank
As part of the Bank's continuing education for directors, the Company Secretary circulates to the Board articles, reports and press releases relevant to the Bank's business to keep directors updated on current industry trends and issues. News releases issued by the Central Bank and the Accounting Bodies which are relevant to directors are also circulated to the Board. Directors are also kept abreast with upcoming legislations with likely impact on the business.

For the period under review, the Board received both local and international training during the year in specialist areas including strategy and company structures. The members of the Audit Committee received written technical updates from the Bank's External Auditors, PricewaterhouseCoopers to keep abreast of latest financial reporting development.

Developments in the tax arena were received from the Company's tax consultants PricewaterhouseCoopers. Directors also attended conferences on corporate governance.

Director's Independence and the Role of the non-executive directors

The Board and Shareholders recognize that independent directors bring significant insights in the Bank's business and operations, and provide significant and valuable contribution objectively to the Board as a whole.

The Board and management also fully appreciate that an effective and robust Board whose members engage in open and constructive debate, and challenge management on its assumptions and proposals, is fundamental to good corporate governance.
Three quarters of the Board therefore constitute non-executive directors (NEDs) and Independent directors who are kept well informed of the Bank's businesses and are knowledgeable about the industry the Bank operates in.

To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to management.

The Bank has adopted initiatives to put in place processes to ensure that NEDs have sufficient time and resources to discharge their oversight function effectively. These initiatives include:

- Regular informal meetings are held by management to brief the NEDs on prospective deals and potential developments at an early stage, before formal Board's approval is sought.
- Periodic information papers and board papers on the latest market developments and trends, and key business initiatives are circulated to NEDs on a timely basis to afford the directors time to review them.
- To provide an opportunity for the NEDs to familiarize themselves with the management team so as to facilitate the Board's review of the Banks succession planning and leadership development programme, an annual offsite board strategy meeting is organized for in-depth discussion on strategic issues and direction of the Bank.
- The Bank has also made available on the Bank's premises an office for use by the NEDs at any time for the NEDs to meet regularly without the presence of management.
- web portal was developed for all directors to get timely information even when they don't have meetings.
- The task of assessing the independence of directors is delegated to the Nominations Advisory Committee. The Nominations Advisory Committee reviews the independence of each director annually, and as and when circumstances require.
- Annually by law, each director is required to complete a Director's Independence Checklist (Checklist) to confirm his/ her independence. The Bank always complies.
- Each director must also confirm in the Checklist whether he/ she considers himself/ herself independent.

Chairman and Managing Director

The Chairman and Managing Director functions in the Bank are assumed by different individuals. The Chairman, Professor Ddumba-Ssentamu, is an independent non-executive director, while the Managing Director, Mr. Fabian Kasi is an Executive Director.

There is a clear division of responsibilities between the Chairman and Managing Director, which ensures a balance of power and authority at the top of the Company.

The Chairman:

- Is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, board committee and individual director.
- Takes a leading role in the Bank's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Company Secretary and Management.
- Approves the agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- Promotes an open environment for debates and ensures NEDs are able to speak freely and contribute effectively.
- Exercises control over the quality, quantity and timeliness of information flow between the Board and Management.
- Provides close oversight, guidance, advice and leadership to the Managing Director and Management.
- Plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management at AGMs and other shareholder meetings.

The Central Bank under the "Four Eyes "principle requires financial institutions to have at least 2 Executive Directors, resident in Uganda who are knowledgeable in the institution's long term strategy to direct the business of the company. The Bank therefore has two (2) Executive Directors including the Managing Director who is accountable to the Board of Directors and is assigned overall control of management of the Bank.

The Managing Director:

The Managing Director is the highest ranking executive officer of the Bank and is responsible for:

- Running the day-to-day business of the Bank, within the authorities delegated to him by the Board.
- Ensuring implementation of policies and strategy across the Bank as set by the Board.
- Day-to-day management of the executive and senior management team.
- Leading the development of senior management within the Bank with the aim of assisting the training and development of suitable individuals for future leadership roles.
- Ensuring that the Chairman is kept appraised in a timely manner of issues faced by the Bank and of any important events and developments.
- Leading the development of the Bank's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

Directors' time commitments and multiple directorships

The Nominations Advisory Committee has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards.

- Directors are expected to consult or notify the Chairman of the Board of changes/developments in their situations at the earliest occasion for review by the Board on ability to adequately carry out his/her duties as a director of the Bank.

In respect of FY 2017, the Board was of the view that each director's directorships were in line and that each director had discharged his/her duties adequately.

Succession planning for the Board and senior management

Succession planning is an important part of the governance process. The Nominations Advisory Committee seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The Nominations Advisory Committee reviews the succession and leadership development plans for senior management, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them.

Board performance Evaluation

The Board has implemented a process for assessing the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual director to the effectiveness of the Board on an annual basis.
During the year, the Board engaged an external consultant specializing in board evaluation and human resources to facilitate the evaluation of the Board, board committees, and each individual director.

The external consultant does not have any connection with the Bank or any of its directors. °

The Board believes that the use of an independent external consultant not only encourages directors to be more candid in their evaluation of the Board performance but also enhances the objectivity and transparency of the evaluation process.

Evaluation process

The Chairman of the Board, conducts an annual assessment of the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual director. There are three components to this assessment:

A. Self-assessment;
B. Board assessment; and
C. Peer evaluations.

The chart below indicates who is involved in the various performance evaluations:

Evaluating	Evaluator		
	Chairman of the Board	Company Secretary	Individual directors
Board performance	√		√
Committee performance			Members of the individual committees
Chairman of the Board			√
Chairman/ Chairperson of board committees			Members of the individual committees
Individual director performance (including self-assessments)	√	√	√

The performance evaluation process begins with an annual meeting between the Chairman and the independent external consultant on the evaluation framework to ensure that areas of particular interest and key issues are focused on.

The independent external consultant sends out a customized Board Evaluation Questionnaire (Questionnaire) to each director for completion. Each director is required to complete the Questionnaire and send the Questionnaire directly to the independent external consultant on completion.

An Explanatory Note is attached to the Questionnaire to clarify the background, rationale and objectives of the various performance criteria used in the Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions.

The consultant also reviews Board processes and documentation of the Board business including tools Board use to conduct its business.

Based on the review and returns from each of the director, the independent external consultant prepares a consolidated report and briefs the Chairman of the Board on the report. Thereafter, the external independent consultant presents the report for discussion at a meeting with all the directors, chaired by the Chairman. The Chairman then holds a discussion with all directors to agree on future action plans.

The results of the overall evaluation showed that the Board was committed and complied with key aspects of Corporate Governance.

Board performance criteria

The performance criteria for the board evaluation are as follows:

- Board size and composition.
- Board independence.
- Board processes.
- Board information and accountability.
- Board performance in relation to discharging its principal functions.
- Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference.
- Financial targets which include profit before tax, profit after tax, dividend pay-out ratio, and total shareholder return.

Individual director's performance criteria

The individual director's performance criteria are categorized as follows: -

- Interactive skills
- Knowledge of the business
- Performance of Director's duties.
- Availability
- Overall contribution, bearing in mind that each director was appointed for his/ her strength in certain areas which taken together provides the Board with the required mix of skills and competencies.

Chairman of the Board

The assessment of the Chairman of the Board is generally based on his ability to lead the Board.

The performance of individual directors is taken into account in their re-appointment while specific needs which arise from time to time are taken into account in any appointment of new directors.

Access to information

Management recognizes the importance of ensuring the flow of complete, adequate and timely information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities.

To allow directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to directors sufficiently in advance of the meeting.

Any additional material or information requested by the directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations.

Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and board committee meetings.

In order to keep directors abreast of analysts' views on the Bank's performance, the Board is updated twice a year on the market view which includes a summary of analysts' feedback and recommendations following the full-year and half-year results.

The management also provides the Board with a management report. This report includes budgets, forecasts and monthly management accounts. In respect of budgets, any material variances between the projections and actual results are disclosed and explained to the Board.

On a quarterly basis, the Head of Internal Audit also provides the Board with internal audit report. This report includes:

- Status of the audits in the annual internal audit plan.
- Key findings arising from completed audits.
- Implementation status of outstanding management action plans (if any).

The Risk Management Committee presents risk assessment to the Board on a quarterly basis, which includes movements in risks, risk assessment of major investment and capital expenditure.

Company Secretary

Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that Company's Memorandum and Articles of Association, relevant rules and regulations are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long- term shareholder value.

The Company Secretary assists the Chairman in ensuring good information flows within the Board and its board committees and between management and NEDs. The Company Secretary also facilitates the orientation and assists with professional development as required.

The Company Secretary attends and prepares minutes for all Board meetings. As secretary for all board committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/ Chairperson of board committees and management in the development of the agendas for the various Board and board committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Accountability and Audit

Accountability

The Bank recognizes the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Board members receive monthly financial and business reports from management. Such reports keep the Board members informed of the Bank's performance, position and prospects and consist of the consolidated profit and loss accounts, analysis of revenue, operating profit, pre-tax profit by operating segments compared against budgets, together with explanations for significant variances for the quater and year-to- date.

The Board reviews and approves the results as well as any reports before release. The Board provides shareholders with annual financial reports. In presenting the annual financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Bank's position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders

The Board also reviews legislation and regulatory compliance reports from management to ensure that the Bank complies with the relevant regulatory requirements.

For the financial year under review, the Managing Director and the Head of Finance have provided assurance to the Board on the integrity of the financial statements for the Bank.

Internal audit

The Bank has established an in-house internal audit function. The internal audit is an independent function within the Bank. The Head of Internal Audit reports directly to the Audit Committee functionally and to the Managing Director administratively. Thus the Internal Audit Department is positioned at a level that gives the department the visibility and authority to effectively discharge their responsibility.

The internal audit function adopted the International Standards for the Professional Practice of Internal Auditing issued by Institute of Internal Auditing. The Audit Committee approves the hiring, removal, evaluation and compensation of the Head of Internal Audit. The scope of authority and responsibility of the internal audit function is defined in the Bank Internal Audit Charter, which is approved by the Audit Committee.

The Head of Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP includes both internal and external independent assessments. This has enabled the Internal Audit department to fully comply with the definition of internal auditing and the IIA standards.

The primary role of internal audit function is to assist the Board and senior management to meet the strategic and operational objectives of the Bank, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The Bank's internal audit approach is aligned with the Bank's Risk Management Framework by focusing on key strategic, financial, operational, compliance and information technology risks. The annual internal audit plan is established in consultation with, but independent of, management. The internal audit plan is reviewed and approved by the Audit Committee. All internal audit findings, recommendations and status of remediation, are circulated to the Audit Committee, the Managing Director, the regulator, external auditors and relevant senior management every quarter.

The Head of Internal Audit presents the internal audit findings and recommendation to the Board at each quarter. The Audit Committee meets with the Head of Internal Audit twice a year, without the presence of management. The meetings enable the Internal Auditor to raise issues encountered in their work directly to the Committee.

The professional competence of the internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified experienced professionals with diverse operational and financial experience for the level of manager and above. The Audit Committee is satisfied that the internal audit function has adequate resources to perform its functions effectively. °

The internal auditors have unfettered access to all the Bank's documents, records, properties and personnel, including the Audit Committee.

The Audit committee [AC]

The Committee is constituted in accordance with the Financial Institutions Act which requires the Board to appoint at least two Non- Executive Directors to the Committee. As per the law, the Board has appointed the following members of the committee who are independent non-executive directors and have many years of experience in business management, banking and finance.

- Dr. Mary Theopista Wenene (Chairperson)
- Dr. Peter Ngategize
- Mr. Andrew Obol

The main responsibilities of the AC are to assist the Board in discharging its statutory and other responsibilities relating to four main areas:

- Overseeing financial reporting;
- Overseeing internal control and risk management systems;
- Overseeing internal and external audit functions;
- Overseeing Interested Party Transactions (IPTs); and
- Overseeing compliance with laws and regulations.

The members of the AC carried out their duties in accordance with the terms of reference which include the following:

- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Bank.
- Review and report to the Board at least annually on the adequacy and effectiveness of the Bank's internal controls, including financial, operational, compliance and information technology controls and risk management systems.
- Review the adequacy and effectiveness of the Bank's internal audit function at least annually, including the adequacy of internal audit resources, as well as the scope and the results of the internal audit procedures, including those related to IT penetration tests.

- Review the scope and results of the external audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors.
- Recommend to the Board on the proposals to the shareholders on the appointment, re- appointment and removal of the external auditors.

The Audit Committee has explicit authority to investigate any matter within its terms of reference and is authorized to obtain independent professional advice. It has full access to and co-operation of the management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director or executive officer or any other person to attend its meetings.

Summary of the AC's activities

The AC met four times during the year under review. The Head of Finance, Company Secretary, Head of Internal Audit and external auditors are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

The principal activities of the AC during FY 2017 are summarized below:

Financial reporting; The AC met on a quarterly basis and reviewed the half year and full year financial statements before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC reviewed the annual financial statements and also discussed with management, the Head of Finance and the external auditors the significant accounting policies, judgment and estimate applied by the management in preparing the annual financial statements. The AC focused particularly on:

- Significant adjustments resulting from the audit;
- The appropriateness of the going concern assumption in the preparation of the financial statements; and
- Significant deficiencies in internal controls over financial reporting matters that came to external auditor's attention during their audit together with their recommendations.

Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

External audit processes; The AC manages the relationship with the Bank's external auditors, on behalf of the Board. During FY2017, the AC carried out its annual assessment of the cost effectiveness of the audit process, together with the auditor's approach to audit quality management and transparency. The AC concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective.

Auditor independence; In order to maintain the independence of the external auditors, the Bank has specific policy which governs the conduct of non-audit work by the external auditors. This policy prohibits the external auditors from:

- Performing services which would result in the auditing of their own work;
- Participating in activities normally undertaken by management;
- Acting as advocate for the Bank; or
- Creating a mutuality of interest between the auditors and the Bank, for example being remunerated through a success fee structure.

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors.

Internal audit; During FY2017, the AC has reviewed and assessed the adequacy of the Bank's system of internal controls and regulatory compliance through discussion with management, the Head of Internal Audit, and external auditors.

The AC considered and reviewed with management and the Head of Internal Audit on the following:

- The Annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls and risk management.
- Significant internal audit observations and management's response thereto; and
- Budget and staffing for the internal audit function.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the team is adequately resourced. The AC also reviewed the training costs and programs attended by the internal auditors to ensure that staff continued to update their technical knowledge and auditing skills.

Interested party transactions (IPTs); The AC reviewed the Bank's IPTs to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. On a quarterly basis, management reports to the AC the IPTs in accordance with the Company's Shareholders' Mandate for IPTs.

Management reported that the internal control procedures for determining the transaction prices of IPTs had not changed since the date of the last Annual General Meeting, at which the shareholders' mandate for IPTs was last renewed.

The AC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPTs was effective. All insider transactions are reported to the Board regardless of value.

Risk management and internal controls

The Board, with the assistance from the Risk Management Committee (RMC) and Audit Committee, is responsible for the governance of risk by ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Bank's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

The RMC comprises the following members:

- Dr. Peter Ngategize (Chairperson)
- Dr. Mary Theopista Wenene
- Mr. Fabian Kasi
- Dr. Simon Kagugube

Except for Mr. Fabian Kasi and Dr. Simon Kagugube all the other RMC members are independent non-executive directors.

The RMC is guided by its terms of reference. Specifically, the RMC assists the Board to:

- Determine the Bank's levels of risk tolerance and risk policies.
- Oversee management in the formulation, update and maintenance of an adequate and effective risk management framework in addressing material risks including material financial, operational, compliance and information technology risks.
- Review the Bank's risk profile regularly and the adequacy of any proposed action if necessary.
- Review any material breaches of risk appetite/ tolerances/ limits and the adequacy of any proposed action if necessary.

The Board has approved a Bank Risk Management Framework for the identification, assessment, monitoring and reporting of significant risks. The Bank adopts the ISO 31000 Risk Management standards and Committee of Sponsoring Organisations of the Treadway Commission (COSO) model as the benchmark for assessing the effectiveness of its risk management system.

The risks are proactively identified and addressed. The ownership of these risks lies with the respective business heads with stewardship residing with the Board.

The RMC assists the Board to oversee management in the formulation, update and maintenance of an adequate and effective risk management framework while the Audit Committee reviews the adequacy and effectiveness of the risk management and internal control systems.

At the management level, an Operational Risk Management Committee (ORC) comprising key management personnel is responsible for directing and monitoring the development, implementation and practice of Enterprise Risk Management (ERM) across the Bank.

ORC reports to the RMC on a quarterly basis.

The Bank maintains a risk register which documents the material risks facing the Bank and the internal controls in place to manage or mitigate those risks. Business heads in the Bank review and update the risk register regularly. The ORC also reviews the approach of identifying and assessing risks and internal controls in the risk register.
On an annual basis, the Bank's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Bank's system of internal controls in addressing financial, operational, information technology and compliance risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

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Shareholders Rights and Responsibilities

Shareholder rights

The Bank recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Bank's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Bank is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Bank's business and to ensure adherence with the founding mission of the Bank "to provide appropriate financial services especially finance, to all people particularly in rural areas, in a sustainable manner and in accordance with the law".

The Bank strongly encourages shareholder participation during the Annual General Meeting as Shareholders are able to proactively engage the Board and management on the Bank's business activities, financial performance and other business related matters.

Communication with shareholders

The Bank is committed to maintaining high standards of corporate disclosure and transparency. The Bank values dialogue sessions with its shareholders. The Bank believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in a comprehensive, accurate and timely manner, press release and corporate website.

The Bank's corporate website is also another key resource of information for shareholders on the products, business and performance of the Bank as well as corporate social engagements with the community.

Board Of Directors

Prof. John Ddumba Ssentamu
Board Chairman. (Ugandan)

Committee Chairperson
- Nominations Advisory Committee

Qualifications
- Professor of Economics and holds a PhD in Economics
- Holds an honorary fellowship of the Uganda Institute of Banking and Financial Services (FUIB, HONS).

Current Appointments
- Board Chairman, Kisubi University.
- Vice Chairman, Mutesa I Royal University.

Previous Appointments
- He has been Chairman, Academic Board, African Economic Research Consortium (AERC), Nairobi, Kenya
- He has also previously served as member of the Finance Committee of CARITAS, International based in the Vatican.

Key Experience
- Formerly Vice Chancellor, Makerere University Uganda and previously acting Principal, College of Business and Management Sciences. For several years
- Was Chairman, Microfinance African Institutions Network (based in Lome, Togo),
- He has contributed greatly to the Centre for Research on Environmental Economics and Policy in Africa as member of its Advisory Board and Committees.
- He has made a number of publications on a spectrum of areas in Economics

Archbishop Cyprian K. Lwanga
Non-Executive Director. (Ugandan)

Committee Member
- Human Resource and Compensation
- Nominations Advisory Committee

Qualifications
- Professor of Canon Law from Ggaba National Seminary and St. Mbaaga Major Seminary
- Doctorate in Canon law from Pontifical Urban University in Rome

Previous Appointments
- Served on Board of Governors of various Church founded schools/institutions.

Key Experience
- Was the World-wide Vice President of Caritas International and Continental President of Caritas Africa
- As an entrepreneur, he has innovated and set various programmes including Wekembe Co-operative Society (a registered SACCO), the Uganda Martyrs Development Foundation and Kampala

Dr. Peter Ngategize
Non-Executive Director. (Ugandan)

Committee Chairperson
- Credit Committee
- Risk and Management Committee
- IT Strategy Committee

Committee Member
- Audit Committee

Qualifications
- Holds a PhD (Agricultural Economics)

Key Appointments
- Representative of the Government of Uganda on the Founders' Committee of the Agricultural Business Initiative Trust (aBi)
- National Coordinator of the Competitiveness and Investment Climate Strategy (CICS) Secretariat with the Ministry of Finance, Planning and Economic Development of Uganda
- Has spearheaded many initiatives towards the Private Sector competitiveness and development in Uganda.

Mr. Andrew P.K. Obol
Non-Executive Director.
(Ugandan)

Committee Chairperson
- Human Resource and Compensation

Committee Member
- Risk and Management
- Audit Committee
- Credit Committee
- Nominations advisory committee

Qualifications
- A qualified professional banker.

Current Appointments
- Chairs the Human Resource & Compensation Committee.

Previous Appointments
- Served on the top management of Uganda Commercial Bank (now Stanbic Bank)
- Was the Coordinator of CARITAS Kitgum under Gulu Diocese.
- Was a member of the District Service Commission.

Mr. Fabian Kasi
Managing Director.
(Ugandan)

Committee Member
- Risk Management
- IT Strategy
- Credit Committee
- Assets and Liability

Qualifications
- Bachelor's Degree in Commerce
- Masters of Business Administration
- Fellow of the Association of Chartered Certified Accounts (FCCA), United Kingdom.

Current Appointments
- Managing Director of Centenary Bank.
- Chairman, Uganda Bankers Association (UBA)
- Director of British American Tobacco (BAT), and PAX Insurance.
- The Chairman of the Advisory Board of Microfinance Department of Nkozi University

Previous Appointments
- He was a Board Chairman of the Association of Microfinance Institutions of Uganda
- Served on the Board of FINCA Uganda and Kampala Club

Dr. Simon Kagugube
Executive Director.
(Ugandan)

Committee Member
- Risk Management
- IT Strategy
- Credit Committee
- Assets and Liability

Qualifications
- Doctorate in the Science of Law (JSD), from Yale Law School (USA),
- Certificate in Public Finance from the University of Bath, (UK).

Current Appointments
- Executive Director Centenary bank.
- Board Chairman, Monitor Publications Limited, a Nation Media Group subsidiary in Uganda,
- Member of the Board of Nation Media Group
- Member of National Media Group Finance and Audit Committee.
- Board Chairman, Uganda Revenue Authority
- President, East African School of Taxation.

Previous Appointments
- Chairman of the Board of Directors Centenary Bank in 2002, while also holding the position of Director, Tax and Legal Services PricewaterhouseCoopers.

Key Experience
- He worked with the Uganda Revenue Authority as Commissioner Value Added Tax and was appointed Deputy Commissioner General.

Mr. Caspar Jan Frits Sprokel
Non-Executive Director.
(Dutch)

Committee Chairperson
- Assets and Liability Committee (ALCO)

Qualifications
- Certificate in Banking & Finance
- Masters of Business Administration
- Certificate in Corporate Law
- Certificate in French Language & Literature.

Key Experience
- Has experience spanning over 20 years in financial institutions across Europe, Asia and Africa specifically in commercial banking, SMEs and Corporate banking.
- His experience in Africa involves 17 countries including memberships on Boards of Directors with Akiba Commercial Bank – Tanzania, Novo Banco Mozambique and on the Mozambique Private Equity Fund.
- Has wideexperience in Management of Equity and Debt Investments and Exits especially in SMEs and microfinance institutions and has a track record of adding value to and transforming Investee companies through providing strategy, Business Planning and Strategic Direction.

Dr. Mary Theopista Wenene
Non-Executive Director.
(Ugandan)

Committee Chairperson
- Audit Committee

Committee Member
- Human Resource & Compensation
- IT and Strategy

Qualifications
- PhD in Public Administration.

Current Appointments
- Member of the Human Resource and Compensation Committee
- Permanent Secretary/Secretary, Health Service Commission.

Key Experience
Has risen through the ranks from Human Resource Officer to Permanent Secretary. Has made contribution to public service reforms aimed at improving performance management and public service delivery.

Mr. Richard Thil
Non-Executive Director.
(French)

Committee Member
- Member of the Assets & Liability (ALCO) and Credit Committees

Qualifications
- MS in Public Affairs (Institut d'Etudes Politiques de Paris);
- Master degree in Law with honor (Paris Assas),
- Bachelor degree in History with specialization in international relations (Paris/Pantheon).

Current Appointments
- Executive Business Consultant

Previous Appointments
- He has served for 18 years as General Partner and member of the Executive Committee of an important international investment bank based in Paris and London.

Risk management and control

Centenary Bank's overall risk management process is overseen by the Board through the Board Risk Committee as an element of solid corporate governance. Centenary Bank recognizes that risk management is the responsibility of everyone within the bank. Rather than being a separate and standalone process, risk management is integrated into business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

Risk Management Philosophy:

The bank is committed to continually improving the risk management framework, capabilities, and culture across the bank so as to ensure the long term growth and sustainability of our business.

Risk is inherent in the bank's business and the markets in which it operates. The aim is to identify risks and then manage them so that they can be understood, reduced, mitigated, transferred or avoided. This demands a proactive approach to risk management and an effective enterprise-wide risk management framework.

Risk management objectives:

- At a strategic level, the bank focuses on the identification and management of material risks at the top in order to better equip itself to pursue the bank's strategic and business objectives. In pursuing growth opportunities, the bank aims to optimize risk / return decisions whilst establishing strong and independent review and challenge processes.

- At an operational level, the bank aims to identify, assess, evaluate and mitigate operational hazards and risks in order to create a safe, healthy, efficient and eco-friendly workplace for its employees and contractors whilst ensuring public safety and health, minimizing environmental impact, and securing asset integrity and adequate insurance.

Enterprise-wide Risk Management

Enterprise-wide Risk Management provides uniform processes to identify, assess, manage, mitigate, and report on key risks. It supports Centenary Bank's Board of Directors' corporate governance needs, enables informed decision making, and identifies areas for value optimization.

Centenary Bank's Enterprise Risk Management (ERM) framework provides Management and staff with the information they need to perform their risk management related duties.
The document provides background information such as Centenary Bank's ERM objectives, policy, and principles. It also provides detailed formal processes and methodologies for risk identification, assessment, management, monitoring and reporting using information such as process flow diagrams and procedures.

ERM Objectives applicable

Centenary Bank's ERM program brings risk knowledge and information to the fore in decision-making processes to mitigate the downside of unrewarded risk while exploiting rewarded risks to benefit from business opportunities.

The ERM objectives are to:

- Support the Bank's business growth strategy through the implementation of well defined and common risk management processes, tools, and techniques.
- Counter losses and improve business value through optimization of risk and return.
- More knowledgeably seize and exploit opportunities and quickly identify risks to avoid, both current and emerging risks.
- Reduce uncertainty and increase the likelihood of success in achieving the bank's strategic initiatives.
- Build credibility and sustainable stakeholder confidence in Centenary Bank's governance and risk management processes and comply with both regulatory and local laws and jurisdictions.
- Improve the understanding of interactions and interrelationships between risks.
- Establish clear accountability and ownership of risk.
- Develop a common language that helps to establish the broad scope of risk and to organize risk management activities, and reinforce Centenary Bank's risk culture.
- Develop capacity for continuous monitoring and reporting of risk across Centenary Bank, from the operational level to the Board.

Risk Management Policy

The risk management policy defines the Bank's business processes, structure, risk profile and risk appetite. It is a guiding document in the application of the bank's comprehensive risk management framework which is regularly reviewed.

The policy among other things defines the role and responsibilities of management and the board in the management of existing and emerging risks in the bank and the market respectively. The document defines "Sound Practice" in terms of the bank's risk management and provides guidelines for management to address the Bank's risk profile on an ongoing basis.

Risk Categories

To enhance the understanding of particular sources of risk, their possible consequences, and the practical approaches to managing them, Centenary Bank has defined risks into 9 major categories.
These risk categories are groupings that help the bank to consistently identify, assess, measure, monitor and report across on its overall risk exposure. Using consistent risk categories across the bank enables aggregation and determination of overall risk impact.

This enhances the understanding of particular sources of risk, their possible consequences, and the practical approaches to managing them. Below is an assessment of each for the nine risks of the year ended 31 December 2017:

i) **Strategic Risk**

Risk of current and prospective impact on the Bank's earnings and capital arising from poor business decisions, improper implementation of decisions or lack of response to industry, economic or technological changes.

Strategic risks and opportunities may affect Centenary Bank's strategic ambitions. Strategic risks include economic and political developments and anticipating and timely responding to market circumstances. Centenary Bank is prepared to take considerable strategic risks given the necessity to invest in growth & development and manage the portfolio of businesses, including Partnerships and corporations, in a highly uncertain global political and economic environment. Strategic risk was rated medium during the year on account of high interest risk and residual risk. The major drives of strategic risk were technological changes, competition and projects.

ii) **Credit Risk**

Potential that a Bank borrower or counterparty will fail to meet their obligations in accordance with agreed terms. Credit was assessed to be high and increasing. Inherent risk was high and residual risk was medium but both were increasing. The bank's non-performing loan rate increased from 2.8% to 4.5%.

iii) **Liquidity Risk**

Risk resulting from the Bank's failure to pay its debts and obligations when due because of its inability to convert assets into cash, or its failure to procure enough funds, or, if it can, that the funds come with an exceptionally high cost that may affect the bank's incomes and capital fund now and in the future. Liquidity Risk was low and stable throughout the year. All the key liquidity ratios were adequately managed and Bank of Uganda liquidity requirements were satisfied.

iv) **Market Risk**

This is the risk that the value of the Bank's investments will decrease due to unexpected and/or adverse changes in market factors such as stock and commodity prices as well as interest and foreign exchange rates.

Key market risks factors for the Bank include Interest Rate Risk and Foreign Exchange Risk which have been described below:

a) Interest Rate Risk: the exposure of the Bank's financial condition to adverse movements in interest rates. The year was characterized with pressure from Government and demand from the public to reduce interest rates and a volatile Net Interest Margin (NIM) regime. Overall Interest rate risk was medium and stable.

b) Foreign Exchange Risk: risk associated with doing business in two or more currencies. Foreign exchange price risk relates to possible revaluation losses (or gains) on long/over bought or short/oversold currency positions in response to movements in exchange rates. Despite the depreciation of the Uganda Shilling against major currencies, the bank's foreign exchange risk was adequately managed and rated low as at 31st December 2017 with a net open position of 3.18% compared with the threshold of 25%

v) **Reputation Risk**

This is the risk arising from changes in public opinion that impact the Bank's earnings or access to capital. This can be mainly thought of as publicity or operational inadequacies that would have an adverse effect on the Bank's public image.

The bank's reputation risk was rated low and stable throughout the year. The bank has a good communication and crisis management system, an effective Corporate Social Responsibility (CSR) program, good reputation and sound corporate governance system.

vi) **Operational Risk**

Operational risks include adverse unexpected developments resulting from internal processes, people and systems, or from external events that are linked to the actual running of each business. The Bank aims to minimize downside risks due to the need for high quality of its products and services, reliable IT systems and sustainability commitments.

Operational risks increase the Bank's exposure to other risks by impairing the Bank's ability to adequately assess, monitor and report on other risks. Operational risks cut across all the Bank's divisions and include, but not limited to:

Human Resources Risk: The risk arising from inadequate human resources or inappropriate use of available staffing resources.

Business Process Risk: The risk arising from inadequate implementation and non adherence to the Bank's business processes.

Legal Risk: The risk arising from contracts or other arrangements that are not enforceable through available means.

Health & Safety Risk: The risk arising from noncompliance with or lack of health and safety regulations, policies, or procedures.

The operational risk was rated medium with an increasing trend. Major risks were processes and systems. Fraud processes have been simplified, IT systems enhanced and compliance procedures have been put in place to manage operational risk.

Vii) **Compliance Risk**

Risk of legal or regulatory sanctions, material financial loss, or loss to reputation. The Bank may suffer these as a result of its failure to comply with laws, regulations, prudential guidelines, supervisory recommendations and directives, rules, internal policies and procedural guidelines and codes of conduct applicable to its banking activities.

Compliance risks cover unanticipated failures to implement, or comply with, appropriate laws, regulations, policies and procedures.

The bank complied with all existing financial and non financial laws and regulations.

Viii) **Information Technology Risk**

The risk arising from inadequate information communication technology (ICT) resources or inappropriate use of available ICT resources. This can result in financial loss and lost business opportunities due to unavailability of the ICT resources, loss of data integrity and confidentiality.
The bank is committed to enhance business continuity plans, improve its links with telecommunication firms and enforced service level agreements in order to mitigate information technology risk.

Information Technology risk was rated medium but increasing as at 31st December 2017 due to increasing number of IT systems used by the Bank.

ix) Country Risk

Refers to the risk of investing in a country, other than Uganda, resulting from uncertainties arising from the economic, social and political conditions of that country that may cause borrowers in that country to be unable or unwilling to fulfill their obligations to the Bank.

The main categories of country risk comprise sovereign, transfer and contagion risk and are described below:

Sovereign risk: Denotes a foreign government's capacity and willingness to repay its direct and indirect (i.e. guaranteed) foreign currency obligations.

Transfer risk: This is the risk that a borrower may not be able to secure foreign exchange to service its external obligations.

Contagion risk: This risk arises where adverse developments in one country lead to a down- grade of rating or a credit squeeze not only for that country but also other countries in the region.

The country risk was ranked low and stable during the year

Risk Appetite and Risk Profiling Criteria:

The bank's risk appetite represents the amount of risk the bank is willing to undertake in pursuit of its strategic and business objectives.

In line with bank's Value Framework and expectations of its stakeholders, Centenary Bank will only take reasonable risks that (a) fit its strategy and capability, (b) can be understood and managed, and (c) do not expose the bank to:

- Material financial loss impacting ability to execute the bank's business strategy and / or materially compromising the bank's ongoing financial viability,
- Incidents affecting safety and health of our staff, contractors and the general public,
- Material breach of external regulations leading to loss of critical operational / business license and / or substantial fines,
- Damage of the bank's reputation and brand name,
- Business / supply interruption leading to severe impact on the community, and
- Severe environmental incidents.

Based on the above, the bank has established its risk monitoring in the form of a risk assessment matrix to help rank risks and prioritize risk management efforts at the strategy level. Business units are required to adopt the same risk matrix structure in order to establish their own risk profiling, determine consequence and likelihood of identified risks with reference to their own materiality and circumstances as well as establishing risk mitigation strategies.

Risk Mitigation & Communication:

Risks identified through our risk management processes are prioritized and, depending on the probability and severity of the risk, escalated as appropriate. Senior management discusses these risks periodically and assigns responsibility for them to the businesses. The assigned owners continually monitor, evaluate and report on risks for which they bear responsibility.

Each business and unit functions are responsible to present risk assessments and key risks to senior management at least monthly. We have general response strategies for managing risks, which categorize risks according to whether the bank will avoid, transfer, reduce or accept the risk. These response strategies are tailored to ensure that risk levels are within the risk appetite.

Depending on the nature of the risk involved and the particular business or function affected, we use a wide variety of risk mitigation strategies, including delegations of authority, standardized processes and strategic planning reviews, operating reviews, insurance, and hedging. Our service businesses employ a comprehensive tollgate process leading up to and through the execution of contractual service agreement to mitigate legal, financial and operational risks.

Furthermore, we centrally manage some risks by purchasing insurance, the amount of which is determined by balancing the level of risk retained or assumed with the cost of transferring risk to others. We manage the risk of fluctuations in economic activity and customer demand by monitoring industry dynamics and responding accordingly, including by adjusting capacity, implementing cost reductions.

Business Continuity Management:

Business Continuity Management (BCM) is a holistic management process that identifies potential impacts that threaten an organization and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.

The Bank has in place an appropriate business continuity management program. Its ultimate purpose is to minimize the impact on the organization and recover from loss of information assets which may result from natural disasters, accidents, equipment failures, and deliberate actions to an acceptable level. This is through a combination of preventive and recovery controls. The process includes the development, maintenance, and testing of contingency plans and work-around procedures necessary to sustain the operational continuity of mission critical processes, information technology systems and resources.

The following BCP management process has been established to ensure that the plans are developed, documented, tested, updated and maintained;

- The Bank's plans are developed according to the BCP framework and in compliance with the policies.
- BCP is an ongoing process of development, testing, updating and maintenance, and not just a one off project. It is a part of every division head's normal responsibilities to ensure that the division has not only planned for the recovery of all critical business processes of that business unit, but has also tested and maintained those plans.
- Each division has an approved Business Continuity Recovery Plan for the recovery of its critical business processes.
- Every year, the BCM unit in consultation with the BCP Steering Committee (BCMT) establishes the BCP Development Plan for the year. The plan sets out the BCP activities to be undertaken for that year, who is responsible for those activities and the timeline for such activities. The BCP Steering Committee reviews and approves the BCP Development Plan.

Sustainability Reporting Statement

The report follows guidelines released by the Global Reporting Initiative (GRI).

A joint initiative coalition for Environmentally Responsible Economies and the United Nations Environment Programme.

Sustainability Reporting Statement

Centenary Bank is aware of its role in satisfying short and long term needs of the various stakeholders that it serves and ensures that they gain outstanding value, through commercial micro finance. The Bank is further using technological interventions to expand financial inclusion.

The aim of this report is to provide an objective analysis of sustainability issues that are critical to the Bank's operations. 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 organizations for reporting on the economic, environment and social diversion of their activities, products and services aimed in articulating the understanding contribution to sustainable developments.

Responsibility for sustainable development

The Managing Director held the ultimate responsibility for sustainability development of the Bank which cascaded down to staff through the Executive Committee (EXCO).

Value Added Statement

As illustrated by the Value Added Statement below, the Bank is a material contributor in the financial sense to various stakeholders. The bank created total wealth of Shs.319.3billion in 2017 compared to Shs.303.8billion in 2016. This was distributed as follows:

- Shs 149.8billion (46.9%) was distributed to employees as remuneration and benefits.
- Shs 37.2 billion (11.6%) was allocated to Government in form of direct and indirect taxes, including charges in deferred taxation assets and liabilities.
- Shs 107.3 billion (33.6%) was retained for investment in business in order to ensure its profitability and sustainability contentment into the future.
- Shs 25.2billion (7.9%) is to be distributed to shareholders as dividends.

Value Added Statement for the year ended 31 December 2017

	2017 Shs'000	%	2016 Shs'000	%
Value added				
Interest Income	382,977,763	74.4%	358,406,224	77.3%
Trading Income	20,320,914	3.9%	16,293,314	3.5%
Commission,fee income	93,139,349	18.1%	76,206,366	16.4%
Other revenue	18,345,744	3.6%	12,950,849	2.8%
Total Income	**514,783,770**		**463,856,753**	
Interest paid to depositors	51,117,112		46,817,284	
Cost of other services	144,350,062		113,174,016	
Wealth Created	**319,316,596**		**303,865,453**	
Distribution of Wealth				
Salaries, wages and other benefits	149,827,999	46.9%	130,921,674	43.1%
Government	37,020,976	11.6%	37,955,689	12.5%
Shareholders - (dividends)	25,185,481	7.9%	27,593,817	9.1%
Retention to support future growth	107,282,140	33.6%	107,394,273	35.3%
Wealth distributed	**319,316,596**	**100%**	**303,865,453**	**100%**
Retention surplus	**75,089,946**		**82,314,955**	
Depreciation	**32,192,194**		**25,079,317**	

Key Stakeholders

We continuously engage with our various stakeholders who are the drivers of our business. Below is a detailed discussion of how the various stakeholders impact on the value of the company and how relationships with them are managed;

Stakeholder	Effect of performance on business	Engagement Activities Carried Out
Shareholders	Provide long term capital. The capital base stands at Ushs.557.8 billion making us one of most capitalized banks in the Uganda.	Annual General Meeting (AGM) is held on a yearly basis. Annual Report is presented at the AGM by the Board of Directors. Audit Opinion is presented to the shareholders by External Auditors. A consultative meeting is held before the Annual General Meeting
Board of Directors	The Board is responsible for the strategic direction of the company, implementation of sound internal control systems, approval of company policies, operational and capital expenditure budgets amongst other roles.	The Board sits at least four times a year to review company operations and performance, internal audit and risk management reports and other reports. Training sessions are held for the Board. On an annual basis, strategy review sessions attended by the Board of Directors and the management team are held.
Customers	These are the individuals and companies with whom the Bank conducts business.	A call Centre was set up to ensure constant engagement with the customers. CRM Model has been institutionalized with different segments attached to various staff that visit and follow up customer issues and needs. Customer days where customers are invited to interact with staff and management as per detailed customer engagement report below. Service contact points: 69 Branches, 172 ATMs and Point Of Sale terminals. A toll free line 08000 200 555 is in place
Employees	The Bank had 2,638 dedicated staff as at 31st December 2017 who offer services to our customers and other stakeholders. The Bank focuses on attracting, recruiting, training and developing its staff as well as fairly remunerating and retaining the best talent in the market.	The Bank trains its staff to be able to deliver its services. Trainings are provided in a workshop setting and on line training as detailed in the employee empowerment report. The Bank also has team building exercises to engage staff. For example **Cente**Fusion, **Cente**Fun day and corporate league.
Regulators (BOU,NSSF and URA)	Monitoring of the banks compliance with the applicable laws and regulations. The bank complied with all legal and regulatory requirements.	Taxes to URA and employee contributions to NSSF were paid as stipulated in the law. The bank provided all bank returns required by Bank of Uganda and complied with FIA 2004 (as amended) and prudential regulations.
External Auditors	Ensure that company's financial results reported are a true and fair representation of the company operations and that internal control systems are functioning as designed.	External audits were done by PricewaterhouseCoopers (PWC). Quarterly returns were reviewed and submitted to BOU, an interim audit was conducted in September 2017 and final audit was concluded with an unqualified opinion. A management letter highlighting internal control weaknesses was shared with management and the board.
Suppliers	Supply inputs for use in business within stipulated delivery times.	A list of vetted suppliers is in place. Competitive procurement of goods and supplies is exercised at all times and fairness is of utmost importance while awarding supply contract to selected service providers. Cash outflow towards investing activities during the year 2017 was UGX26.3bn (2016:36.3bn) whereas payments to supplier of non-capital goods and services amounted to UGX140.0bn (2016:124.3bn).
Public	These are our target clients and the communities in which we operate.	These are reached through CSR activities as per detailed CSR report, advertisements, talkshows, to mention but a few. The products we sell to the market take into account aspects of conservation of nature and the environment.

Customer Engagement and support

2017 was a very busy year with the implementation of a new core banking system and a Customer Relationship Management System.

In order to improve the overall service experience of our customers we integrated our Call Centre and Social Media platforms to the Customer Relationship Management system.

Other strategies implemented to increase customer engagement and support were:

1. **Client Meetings**
   We held customer weeks and dinners in all our branches. The aim of this engagement was to get feedback from customers on our service and products and sensitize customers of the new undertakings of the bank.

2. **Data clean up**
   We embarked on data clean up of our customers' data. This enables us to accurately and timely communicate and trace our customers.

3. **Promotion of alternative channels to drive queues out of the banking halls**

4 Introduction of internet banking that enables customers to transact anytime and anywhere. As at 31st December, we had 1,381 internet banking subscribers.

5 Aquisition of an agent banking platform and commencemment of User Acceptance Tests (UATs) in preparation for agent banking. The bank launched agent banking in January 2018.

6 We enrolled 138,571 new customers on our mobile banking platform CenteMobile in addition to 133,464 enrolled in 2016.

7 Implementation and sensitization of schools/parents about school pay service that enables customers to pay fees any time/ anywhere and paperless. We had 582 registered schools on school pay as at December 2017 compared to 92 at 31 December 2016.

Alternative Channels Summary Performance for New Users

Year	Internet Banking (New)	School Pay (New)	Mobile Banking
2016	0	92	133,464
2017	1,381	582	138,571

8 Implementation of the Queue Management system. The system enables customers to be comfortable as they wait to be served. It has also enabled real time monitoring of the branch banking halls hence proactively dealing with issues before they are raised by the customer.

9 Customer Experience survey: We called 10% of our customers who visited any of our branches in the 1st half of 2017 requesting them for areas of improvement and concerns. Most of the recommendations received were implemented.

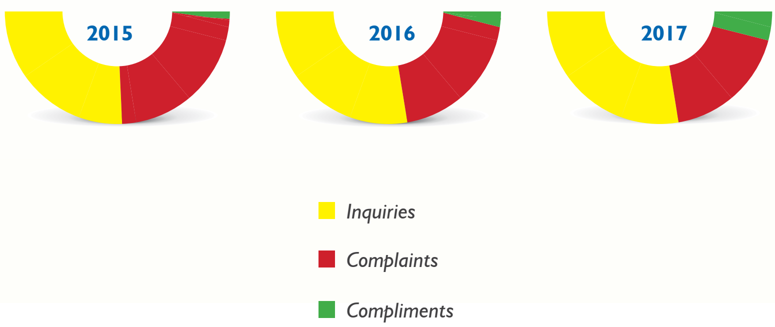
10 We deployed Customer Service officers in 65 branches to help direct customers and guide them in the banking halls.

11 Automation of the Customer feedback through the implemented Customer Relationship Management System. The system updates customer on the status of their issue until closure through an automated short messages (SMS).

12 Integration of the social media platforms to the Customer Relationship Management System. This has led to timely response to customers issues and automated reports.

The bank continued to measure service performance and below are the results:

Year	Inquiries	Complaints	Compliments	Totals
2015	75,369	48,016	530	123,915
2016	114,038	91,184	856	206,078
2017	155,647	135,640	1047	**292,334**



Products and Services

With the goal of Financial Inclusion in mind, customers have used the customized benefits of the different Centenary Bank products below to better their standards of living. The bank continues to innovate and ensure that financial services are accessible to all Ugandans.

1. Local Currency Deposit Products

CenteSavings **Account**

Centenary Bank understands your need to prepare for the uncertainties of the future, that's why we introduced the CenteSavings account. Designed for regular ambitious savers, this deposit account provides adequate security and ensures withdrawals are made over the counter and by the use of the CenteCard.

Centenary bank knows the value of having a reliable savings partner and we have continued to play that role for thousands of our customers by providing ease of access and security for their savings so they can meet the uncertainties of the future with adequate financial backing.

CenteCurrent **Accounts**

Designed for transactions by Cheque, this deposit account enables the customer withdraw on demand as long as there are sufficient funds in the account and the bank is open for business. It provides the freedom for a plethora of individuals to operate, such as; individuals, companies, partnerships, societies and other groups.

This ease and flexibility in daily transactions has greatly improved business for Centenary bank customers.

CenteFixed **Deposit Account**

Long term savers take advantage of this account customized to hold deposits for an agreed period of time with no withdrawals before the expiry of the period. Over time, this account has helped to grow our customers' deposits in interest so that they realize significant gains by the time the period elapses.

CenteJunior **Account**

When it comes to saving, it is always imperative that children are started off on this path early on in life. Being an innovative children's savings product, the CenteJunior account is operated by the child's parent or guardian for the benefit of securing the child's financial future.
Centenary bank understands that in today's economic environment, it is wise to begin securing the future of your child early (especially in regards to educational needs) whilst instilling a savings culture in them

CenteVolution **Savings Account**

Individuals between 18 to 26 years, despite being on the cusp of stepping into their own as adults, tend to get sidelined when it comes to customizing products that suit their special needs.

However, the CenteVolution Savings account is the exception; a special savings account designed to meet the financial needs of students in tertiary educational institutions, it sets the financial foundation for these young adults while helping them finish their education and seize the opportunities the world has for them. This product has seen a 36.7% increase in deposit value proving that more people are taking advantage of this product to shape their future.

CenteSACCO **Savings Account**

With the purpose of motivating SACCOs in mind, Centenary Bank designed a product to help accumulate savings for financing the lending operations or future investment plans of these organisations.

Groups with the means, interest and ability to invest should be given the chance to do so. This mentality has fueled the success story of a plethora of SACCOs with over 20,000 of them being on boarded in various areas as they realize their goals because of this product.

CenteVSLA **Savings Account**

Much like the CenteSACCO Savings account, this product is designed specifically for the purpose of accumulating savings for Village Savings and Loan Associations so they can finance their lending operations or future investment plans.

Through this account, the collective goals and objectives of these associations have been realized since financial literacy and entrepreneurship training opportunities have been provided. More VSLAs have also taken up this product since the account credit balance can also be pledged as collateral for wholesale credit facilities.

CenteInvestment Club Account

A lot of investment clubs are full of members who desire to save and invest jointly as a group in a business or income generating activity with a common goal of improving their level of income. The CenteInvestment Club account was specifically designed for these members.

With the total number of these accounts growing to 265 with a value of UGX 2 billion, it is clear that Centenary Bank's dedication to supporting entrepreneurs is being met with enthusiasm as 4,060 individuals have been trained and are capitalizing on the strength of numbers to boost wealth creation through their investments.

CenteSupa Woman Account

Empowered women deserve a chance to stand out, and no product captures their unique needs like the CenteSupa woman account. This is a special savings account for individuals or groups of women to increase financial inclusion for women in business while improving their levels of income and livelihoods.

This product has seen a sharp increase in the number of women with access to financial services in rural and urban areas, with the total deposit balance reaching heights of UGX 4.8 billion by the end of December 2017. This product has also inspired women in society to comfortably work towards attaining financial freedom.

CenteDiaspora Account

For the patriotic Ugandan in the diaspora, this is a special account designed to meet your desire to save or make investments back home. With its dedication to investment, Centenary bank designed this account with no monthly maintenance fees and that has seen an increase of 3.75% above the targeted number of accounts as more Ugandans have opened up a CenteDiaspora account to seize the benefits of using it for investments.

2. Foreign Currency Products

CenteForeign Account (Current & Savings)
Foreign currency accounts are opened in US Dollar, British Pound Sterling, Euro and Kenya Shilling. The account types include current and savings, and transactions can be done in both foreign and local currencies.

This product has provided a convenient way for our travelling customers to save money thereby encouraging others hoping to travel to open the same account.

CenteForeign Fixed Deposit Account

An account somewhat similar to the Uganda Shilling fixed deposit account, the CenteForeign Fixed deposit product holds money for an agreed period of time with no withdrawals until the expiry of the period.

The interest on this account has made it possible for the account holder to realize significant gains just by saving money for future use

Foreign Currency Cheques

A foreign currency cheque is one that is drawn in a currency other than the Uganda Shilling. It may be drawn on a foreign bank or on a local bank (In foreign currency). The bank receives deposits of foreign currency cheques in USD, EUR, GBP and KES.

Our customers have taken advantage of this to safely deliver these cheques for processing without inclusion of risky third parties.

Foreign Exchange Trading

The common foreign currencies currently include; USD, GBP, EURO and KES. Foreign exchange trading refers to the bank buying and selling of these currencies at rates commensurate with the market.

Centenary bank ensures that we provide the most needed currencies whenever our clients need them and at competitive rates. This has helped our clients conduct various transactions as needed with the foreign currency.

3. E-Banking Products

ATM Service (CentePoint)

Financial needs are impervious to schedules and other time constraints; clients often times find themselves needing money in the middle of the night, and that is why access is an important part of banking. CentePoint serves as an answer to the question of access. This is a 24 hour cashier for Centenary Bank customers, which gives them complete access to their accounts by use of CenteCards.

The ATMs are located on-site (in all the bank's branch offices) and off-site in strategic places in the main towns around the country.

These ATMs have provided an avenue for Centenary Bank customers to get money any time and have been used for depositing money conveniently as well.

CenteMobile Service

Centenary bank is determined to ensure everyone has access to their account from anywhere. This service is targeted at the mass market (users of low-end phones) as well as middle-to- high income segments. Customers have been able to directly access the money on their accounts from the comfort of their homes and this has made transactions easier and more convenient.

Internet Banking Service

This facility enables the bank's customers to access their account information through the internet from the convenience of their offices and homes.

Centenary bank is committed to keeping up with the times and this service has been helpful in ensuring that you have full control of your account through your personal computer or internet-enabled phone.

Merchant POS Service

Cashless transactions are now the norm in society. Through this service, the bank has enabled customers to use their CenteCards at Point Of Sale (POS) terminals to pay for goods and services.

It has seen customers enjoy the security of cashless transactions which ensure safety of the client's money in the process.

Visa Debit Card

In a bid to heighten the safety of customers' money, the Bank was in preparation to introduce Visa cards to enhance security of the ATM card from magnetic stripe to Chip and PIN technology. The visa card is less susceptible to card fraud like skimming and cloning.

Centenary bank has taken steps to ensure the safety of your money and has, through this product, enabled the majority of Centenary Bank customers to pay for goods and services online thereby widening their scope of transaction.

4. E-payment services

E-Water payment service

Convenience is the language clients want to speak and this product speaks this dialect fluently. This product conveniently enables all customers pay their water bill at all Centenary Bank's branches and other e-channels. The customer pays their bill at the bank branch and the amount is immediately credited to NWSC Collection account.

Customers have enjoyed the convenience and security of knowing their payments are adequately tracked by the bank and their water is always on since they have proof of payment.

E-Umeme payment service

This product was designed to respond to the need for customers to pay their bill at the bank branch. E-Umeme payment ensures the amounts are immediately credited to Umeme Collection account.

This product has seen a rise in the number of people transacting and paying for their essential electricity needs directly from their bank accounts.

E-Tax payment service

Paying tax is a responsibility of every Ugandan. Centenary Bank therefore accepts this responsibility by accepting payments of taxes on behalf of Uganda Revenue Authority whether the tax payer has an account with the bank or not. People intending to pay taxes can deposit cash directly at the counter and receive payment receipts for delivery to URA. These taxes include VAT, PAYE, excise duty, withholding tax, corporate tax, gaming and pool betting tax, motor vehicle registration and licensing fees tax, driving permit fees and stamp duty.

This product has gone the extra mile to encourage citizens fulfill their obligations

E-NSSF contributions collection service

The Bank, on behalf of National Social Security Fund, also accepts payments from organizations that have registered to remit the employees' social security contributions. The cash for the contribution is credited directly to NSSF's collection account.

Centenary bank, in this case, has been providing a way for Ugandans to continue saving so they can claim their benefits later in life.

E-Visa fees collection service

Travellers desire an easier way to pay for Visa applications thus the need for this product. The Bank accepts payments for the USA Visa application fees in all its branches whether the applicant has an account with the bank or not. Customers can pay VISA application fees directly at the counter and receive a payments receipt for delivery to the US Embassy in Kampala.

Paying for Visas to go abroad has never been easier. Now all citizens can make payments and be able to travel without going through a lot of processes.

School Pay Platform

In a continuous effort to improve service delivery, the bank put in place a superior school fees payment platform which is more flexible, convenient, secure and affordable. School Pay Platform saves time due to the multi payment channels that it offers and allows schools to promptly reconcile payments.

This product has seen the bank on board over 7000 schools and equiped 1000 more with effective management skills of this product

5. Agent Banking

Centenary bank, in a bid to encourage financial inclusion, introduced agent banking so that everyone (Especially people in remote areas) can enjoy banking services. The Bank contracts trustworthy CenteAgents to bring banking services right to the neighborhoods of their clients.

Agent Banking has brought financial services closer to everyone in the rural areas enabling them to get loans and create investment opportunities they can profit from.

6. Credit Products

CenteMicro Business Loan

Micro-enterprises most times find themselves in a position where they need financing for a particular project. Centenary Bank designed a product to meet this need. The CenteMicro business loan is a short-term business loan targeting micro enterprises for financing any business or productive purpose e.g. working capital.

Centenary bank has ensured a number of micro enterprises find their feet in the market and utilize the financial backing to continue production or expand their businesses.

Bank Overdraft

Many customers have found help in this very short-term credit facility to finance urgent cash requirements.

CenteSME/Corporate business Loans

Corporate business loans are extended to SMEs and corporate organizations engaged in business in a variety of sectors. These loans are intended to be used to finance working capital, acquisition of business assets and infrastructural development.

The bank has helped SMEs grow and expand by giving them loans to finance their operations and produce to the best of their potential. This has encouraged so many other SMEs to take up this product with the hope of getting the same support and they have certainly done so.

CenteYouth Loan

These days, Ugandan youth have found their footing as entrepreneurs and as such, support especially financial is key in these ventures. This loan supports business ventures owned by young entrepreneurs. The eligible sectors include: manufacturing, agro-processing, primary agriculture, fisheries, livestock, health, transport, education, ICT and others.

This short-to-medium term product has proved Centenary bank's dedication to helping the entrepreneurial youth succeed and grow their businesses and employ more youth. With this product, Uganda has risen to become one of the most enterprising countries and has seen more and more youth gain the confidence to step out and start their own businesses with 26,944 youth benefitting from this loan program.

CenteLease

With this product, the bank leases assets/equipment to the customer in exchange for payment of periodic rentals for the whole lease period. This product enables the customer automatically owns the asset once all the agreed lease payments/rentals have been made.

Agricultural Production Loan

Agriculture is the foundation of our economy and Centenary Bank fully supports it. This loan is designed to finance business activities in the agricultural production, processing and marketing value chain. It has attractive interest rates and the loan period and repayment plan is dependent on the nature and season of the agricultural activity to be financed. This has, therefore, allowed farmers to invest and nurture their crops and animals without worrying about funding.

Revolving Crop Production Loan

Financing cultivation expenses is a vital part of agriculture; this product ensures there is sufficient money for raising crops such as purchase of agro inputs like crop seeds, fertilizers and others.

This product serves all farmers in that there are no fresh credit appraisals needed and grace periods are offered. This has given farmers the opportunity to cut down on the expenses of loan documentation while giving them attractive interests.

Crop Marketing Loan

This product was designed for crop producer-farmers, processors and wholesalers for procurement of produce during harvest as a post-harvest short-term loan.

This is to cover costs such as transportation of produce to the markets, stocking, storage and other costs with the aim of reselling in the near future. This only applies to harvest of crops that have demand all year long such as maize, rice and others.

Many farmers have taken up this loan to service their needs without worrying about the implications of paying interest over a long period of time.

Farm Equipment Loan

This is a short and medium-term loan targeted at producer-farmers and commercial-farmers for the purpose of financing purchase of small and high value farm equipment.

Centenary bank has always encouraged farmers to grow and diversify their business and it is our goal to help even more famers to grow their businesses. This goal is being achieved as more farmers take up this loan to acquire hoes, steel ploughs, paddlers and other equipment to facilitate their productivity.

Savings Linked Loan

This product is meant to encourage customers to develop their saving culture. It was designed as a short-term loan product requiring a customer who is either a producer-farmer or processor to save a certain sum every month for a specific period to reach a targeted amount. At the end of the savings term, the farmer is availed a loan with which to improve the business.

This has instilled financial discipline in farmers and allowed them to achieve their long term objectives with support from the bank.

CentePersonal Loan

Individuals ought to be awarded the opportunity to fulfill their personal endeavors. This product gives them this chance with a personal loan designed with both regular and irregular payments.

In this regard, the bank has helped our customers achieve their personal targets with this loan option. This can be seen through the amount of customers who were able to send their children to school and pay off their medical bills with this loan.

CenteLand Loan

Land is easily the most valuable piece of real estate one can possess; this product is customized for the purpose of financing land purchase, survey and registration so people can enjoy the benefits of owning land.

Our customers have been able to purchase land and pay back at their own pace.

CenteSolar Loan

Solar power provides so much value in that people can milk the sun for more than its benefits to our immune system. The Centenary Bank's Solar Loan is a short-term loan for financing the purchase and installation of solar power at places of residence or business premises.

We know how important it is to keep electricity on at your home or business. We have, therefore, made it easy for you to get your home and business lit up at all times.

CenteMortgage loan

With a growth of 19%, there has been an increase in uptake of this medium-to-long term housing finance product. It targets salary earners as well as economically active rural and urban low, middle and high regular income earners engaged in self-employment. For the purpose of financing housing needs through purchase, construction or completion.

Centenary bank offers our salary earning clients a loan that is customized to their incomes so they are able to meet their housing needs and pay back in due time without changing their lifestyles too much.

CenteHome Improvement Loan

This is a short-term loan for home improvement with both regular and irregular repayments and targeted at home owners with a source of income.

This loan has enabled many customers to construct and renovate their residential or commercial properties and add various amenities to their structures.

CenteHome Loan

Various challenges tend to arise in the process of constructing a house, that's why Centenary Bank introduced the CenteHome loan. This is a short-to-medium term Housing Microfinance loan (HML) designed for the purpose of financing construction of houses.

This loan has enabled more of our clients fulfil their dreams of owning their own homes as shown by an increase in the number of loans offered to 3,864 against a targeted number of 2,304.

Employee Empowerment and Engagement

Employee Empowerment is a philosophy associated with real mutual, reciprocal benefits for the Bank. It is the underlying principle of giving employees the functional freedom, flexibility, authority and power to make diligent decisions as well as solve work related problems in an integrated manner. Clear understanding of and effective response to our employee dynamic needs and aspirations remain key drivers of the Bank's human resource strategic agenda and success. This philosophy leaves an employee feeling energized, motivated, capable and determined to make the organization successful.

Employee Engagement on the other hand, is the extent to which people enjoy and believe in what they do and feel valued for doing it. People want to be recognized and rewarded for their efforts and contribution. An engaged employee is one who is emotionally attached; fully absorbed by and enthusiastic about their work and so voluntarily takes positive action to further the organization's reputation and interests.

Employee empowerment and engagement at the Bank manifests itself in increased staff satisfaction, high productivity, quality customer service, high talent retention, reduced costs, overall improved bottom-line, hence Institutional competitive advantage. To attain the goals above, the Bank empowers and engages its employees in several ways as highlighted below:-

Empirical HR strategies

Regular organisation Climate/staff engagement surveys, an online avenue, has helped top management in the bank to promptly analyse and track changes in staffs' perception over time. It has further enabled management to assess empirically whether the bank is making progress in the satisfaction of its internal customers, consolidating the achievements gained over time, and overcoming its challenges related to staff motivation, satisfaction and welfare. The information is highly valued and contributes positively towards HR strategic planning in the Bank. Specifically, it is utilised to develop pragmatic and tailored HR strategies that help improve the work environment and elicit high levels of staff satisfaction.

Staff satisfaction trends over the years.

The 2017 staff engagement survey returned 75.5% staff satisfaction rating on a growth path trend over the last 6 years. These surveys employ diverse climate dimensions namely; the Bank's Core Values; Internal Communication/Feedback; Staff Engagement, Satisfaction & Welfare; Adherence to Policies and Procedures; Knowledge Management (learning & development) and Staff Retention. Overall satisfaction levels have progressively improved since 2011, implying that the Bank has maintained high staff satisfaction levels over the period and is intent on consolidating the achievement yet further.

The Bank further provides engagement avenues to its employees through which they express their thoughts, feelings, concerns and contribute on various issues that help to improve bank business and/or enhance the Bank's plans and strategies. These are mainly email, newsletter, meetings, helpdesks, sports, management and Cente fusion where staff get together after working hours,are given strategy updates and thereafter have an informal social event.

Staff also engage through other forums like internal social media platforms, which are lync and whatsapp.

Staff engage during the November 2017 head office **Cente**Fusion.

Reward and Recognition Programs

Reward and recognition is top of mind at the Bank. An engaged employee wants to feel valued for their relative contribution to the Bank's business. The Bank has created a 'sense of worth' environment in various forms through a market based competitive compensation, merit awards, sports and team building models and wellness programs to mention but a few. The Bank uses one of the best evaluation methods to establish the relative worth of the Jobs. The market surveys conducted every two years to deliver a competitive reward policy and appropriately inform strategy. Bonuses are awarded based on both team and individual contribution.

General Manager Finance, Mr. Godfrey Byekwaso rewards Ms. Joweria Kwagala after she excelled in the Bank's staff deposit mobilization campaign.

Occupational Safety & Health (OSH)

Our staff face varying forms of potential occupational and health hazards while carrying out Bank business. The Bank has hence taken steps to proactively mitigate and properly manage these risks. OSH committees are functional in line with the OSH Act. Other management committees such as Operational Risk Committee effectively compliment their roles. All Bank Staff are required to undertake an online OSH course, which they have to pass to be certified. This ensured that throughout the year there were no incidences reported. Furthermore, to have a healthy and nourished team, the bank staff enjoy a well balanced diet of subsidised lunch daily.

Chaplaincy Activities/Programs

In order to support building and reinforcement of the moral, spiritual aspects of the employees, Weekly holy Mass is conducted at Head Office and across 63 of the 69 Centenary Bank Branches.

The Chaplaincy organized pilgrimages to Kibeho (Rwanda), and the Holy Land (Israel, Rome, the Vatican, Spain, France and Portugal).

The Chaplaincy through its annual out-reach programs, extended financial and material support to the School of the Deaf in Soroti, an Orphanage in Gulu, contributed towards fundraising for the construction of Mityana town Parish (Busimbi), and the construction of Kisubi Hospital.

Sports and Team building model

As part of our Wellness program, the sports team-building concept focuses on delivering occupational benefits to the Bank. Key among them are enhancement of team working/ networking, staff motivation, better health, improved job performance, enthusiasm for institutional goals, talent identification, improved organization for external engagements and furthering the Bank's visibility.

- The 2017 Annual Bankers' Sports Gala; the Bank emerged overall winner with trophies in Volleyball, Football, Basketball, Fun Games and Chess.

- The 2017 Corporate League; the Bank emerged 5th out of 46 companies. The Bank won trophies in Pool, Volleyball, Basketball and a silver medal in Fun Games.

- Aerobics, Head office and various Branches held weekly sessions geared towards enhancing staff wellness and fitness.

  Professional teams were engaged to run Health talks intended to address individual and team health concerns. Health club memberships is extended to senior staff.

- We continued with different team building events at the head office and regional level.

Staff Provident Fund

The bank continues to support and encourage staff to engage in saving for the future under a staff provident fund, besides the mandatory NSSF provisions. The Staff Defined Contributory scheme is in place and had its Trust Deed and Rules documents reviewed and aligned to the URBRA Policy and guidelines. A new Independent Board of Trustee Chairperson for the scheme was appointed in the year.

Learning and Development undertakings

The bank continues to empower staff through effectively bridging their knowledge and skills gaps on an ongoing basis. In 2017, 147 training events were implemented for a head count of 4,315 at a cost of UGX.3 billion (69.5% of the training and development budget). The Bank carried out trainings for various projects, including VISA/ATM Card, Agent Banking, Biometrics, Mobile loans and I-Profits (Internet Banking). The staff enrollment and completion of e-learning programs was 67.9%. Staff were able to acquire skills to enable better delivery on their jobs and enabled them to compete effectively for higher responsibilities within the Bank.

Talent Management/Succession Planning

The bank's people management philosophy is to build its own talent to support its growth. The majority of promotions in the Bank emanates from internal sourcing and the succession pool. The branch leadership capability assessment was conducted across all Branches in the bank for all Supervisory positions. The capability assessment results are utilized for staff career growth and development within the bank.

Performance management

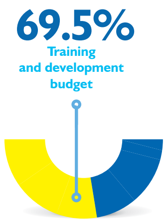
The bank is keen on building a high performance culture across its business. Performance management is implemented through two approaches; the Critical Job Function (CJF) which is linked to the day to day activities of the staff and the Balanced Score Card (BSC) which is aligned to the Bank's Key Strategic objectives for the year.

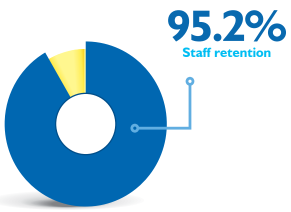
The bank through its Business Partnering model aims at ensuring that all staff know promptly what they have to deliver and how they are to be appraised and rewarded for their achievements.

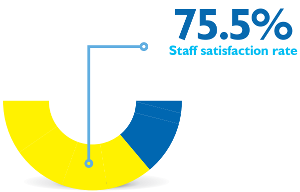
The bank held sessions to sensitize staff on the Balanced Score Card and the performance management process. Corrective actions were taken where performance was poor in 2016.

Staffing highlights as at 31st December 2017

The Bank is an equal opportunity employer of choice and ensures that business growth is supported with the right resource. The 2017 total headcount was 2,638 as at 31 December. A total of 361 staff joined the Bank compared to 285 in 2016. Female constituted 1,197 staff (45.4%) while the male constituted 1,441 (54.6%) of the staff population.



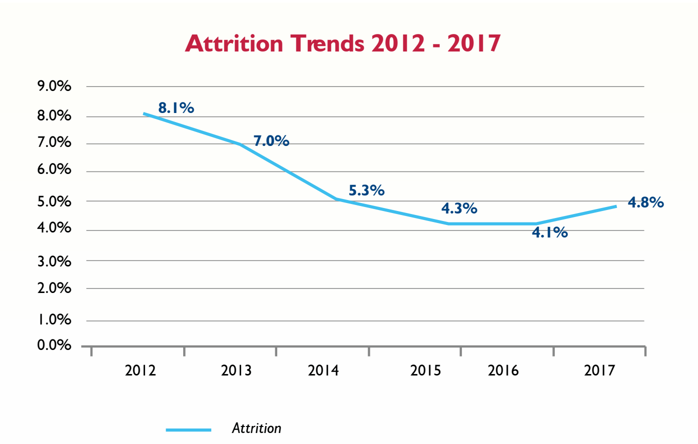




Staff Retention Trends and Related Human Resource Statistic Profiles

The Bank has registered high levels of staff retention of 95.2% in 2017 and 95.9% in 2016. The average age of staff slightly increased from 33.8 to 34.0 years as at December 2017. The average period of service across the board improved from 6.2 years in 2016 to 6.4 years in 2017.

The annual staff turnover rate slightly increased to 4.8% (127 Staff) in 2017 from 4.1% (99 staff) in 2016, but remained way below the Bank's annual target threshold and the industry average of <6% and approximately 8-10%, respectively. The true turnover rate for the year was 3.7%.
The 6-year picture is highlighted below:



The Bank remains an equal opportunity employer of choice with an outstanding rate of retention of critical talent. Eligibility for various positions/roles is appropriately aligned to open competitive merit factors.

A synopsis of Senior Management gender diversity stood at 70.1% male and 29.9% female in 2017 with the female aspect up from 27.7% in 2016.

Table below shows the Senior Management Diversity over the last 3 years.

Position Title	2017			2016			2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive Directors	2	0	**2**	2	-	**2**	2	-	**2**
General Managers	8	3	**11**	7	3	**10**	7	3	**10**
Chief Managers	16	7	**23**	15	6	**21**	17	6	**23**
Head Office Managers	47	25	**72**	49	28	**77**	38	24	**62**
Branch Managers	51	18	**69**	52	13	**65**	56	13	**69**
Total	124	53	177	125	50	175	120	46	166

*Four branches as at the end of 2016 did not have Managers but were filled in 2017.

Corporate Social Responsibility

2017 was a special year for our Corporate Social Responsibility. Local communities had the most activities (48%) hence increasing our impact in two of our key segments; Micro and Retail. On the whole, we invested more, in line with our policy of devoting 1% of the previous profit after tax amount into Corporate Social Responsibility, and reached more people.

	2015	2016	2017
Bank CSR Amount (000)	636,000 (9.7%)	952,000 (49.7%)	1,069,000(12%)
Number of overall activities	359 (18.5%)	485 (35.1%)	493 (1.6%)
People reached (Million)	19 (18.8%)	21 (10.5%)	22(4.7%)

We invested more, in line with our policy of **devoting 1% of the previous profit after tax amount into Corporate Social Responsibility** and reached more people.

OUR OBJECTIVES FOR 2017 WERE;

1. Increase **work done in local communities** by at least 25%.
2. Increase **staff involvement in CSR activities** by at least 10%.
3. Support at least **10 dioceses in the church segment** with financial literacy

Staff donate various items to St. Jude Orphanage in Gulu during the Christmas outreach.

LOCAL COMMUNITY ACTIVITIES

We are committed to playing **a transformational role in our communities.**

Centenary bank staff donate beddings to Kanyum health centre in Kumi district

Primary Health Care Notice Board donated to Gayaza Junior School to enhance health care practices.

In 2017 we increased local community activities by 110%. We moved from 100 activities in 2016 to 210 in 2017. We surpassed our target which was to do 125 activities. The activities included support for school construction, school text books, community sanitation, hospital equipment, community shelter, treatment for children and many others. We are committed to playing a transformational role in our communities and shall continue working with local leaders to identify projects we can support to enhance development.

9,580
members from 485 VSLAs and SACCOs trained.

FINANCIAL LITERACY

19 dioceses, 820 school leaders and over **9,580 people** were trained through the Financial Literacy Training program.

We purposed to expand financial literacy beyond the small and medium enterprises and micro segments to other stakeholders. The church is a stakeholder that plays a key role in the growth of the bank and the community. We supported them in enhancing their knowledge in financial management, resource mobilization and knowledge of bank products. Financial managers and administrators in the 19 dioceses were trained. Financial literacy was also extended to the corporate segment, particularly school owners who got exposure in corporate governance and business management. A total of 820 school leaders were trained. We continued with financial literacy training for women under our supa woman program. We partnered with 8 organizations and trained members of Village Savings and Loan Associations (VSLA) and of Savings and Credit Cooperative Organisations (SACCOs). The total number of trained members was 9,580 from 485 groups.

Financial literacy training for the clergy & heads of departments of Kampala Archdiocese.

A group of SupaWomen just after a financial literacy training

BRIDGING THE CANCER GAP

The project **increased staff participation** in CSR activities by **54% from 1,100 to 1,700.**

Rotary International President, John F. Germ officially commissioning the Rotary Centenary Bank Cancer Centre at Nsambya Hospital.

For the last seven years, the 'bridging the cancer gap' program has continually grown from one activity to over 100 in 2017. The plight of cancer is one that majority of the public identify with and that explains the big turn up for the activities like the cancer run and cancer parades. We do implement these awareness activities in partnership with Rotary D9211 and Nsambya hospital. It was this project that increased staff participation in CSR activities by 54% from 1,100 to 1,700. We surpassed our target which was to increase staff involvement by 10%.

The Rotary Centenary Bank cancer ward at Nsambya Hospital was officially commissioned in February 2017 by Rotary International President, John F. Germ. Construction of this ward was supported by Our Bank.

Last year we moved beyond awareness into support for palliative care. We collaborated with Uganda Cancer Society and funded the translation of two booklets from English into local languages of Runyakitara, Acholi, Lugbara and Lugisu to be used in more than 10 hospitals and health centers. The books were 'coping with cancer' and 'caring for cancer patients'.

Participants at the 2017 cancer run.

141

church activities supported countrywide.

THE SOCIAL MISSION OF THE CHURCH

We supported **church programs, events and construction.**

Monsignor Charles Kasibante, the Vicar General of Kampala Archdiocese officiates during the Bank's donation of 7M to Nkozi Hospital.

The Church has been a key stakeholder of Our Bank since inception and remains part of us. In 2017, we supported church programs, events and construction. Overall, 141 church activities were supported countrywide.

ENVIRONMENT

We invested in community activities **to preserve the environment.**

Our commitment to reduce carbon emissions stands. Last year we continued to reduce amount of carbon released by generators in our branches by increasing number of generators with low capacity (15 – 60kva) by 66% from 12 to 20 and consequently reducing the ones of higher capacity (15-150kva).

Following a deliberate stance on encouraging use of technology, we reduced paper usage by 5.78 %.

We invested in community activities to preserve the environment which included community cleaning, donation of water tanks and energy saving cooking stoves.

Centenary bank team donates energy saving cooking stoves to East Kololo Primary School

GRI Indicators' report

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.

PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
1.1 & 1.2	About us	8, 9	Who we are, Vision, Mission and Ownership

PROFILE

PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
2.1	Name of reporting organisation	6 & 76	Centenary Rural Development Bank Limited
2.2	Major products or services, including brands if appropriate	43 -47	Products and services
2.3	Operational structure of the organisation	18 20 & 22	Excecutive Management, Board Corporate governance
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures	18 20	Excecutive Management, Corporate governance
2.5	Countries in which the organisation's located	129	Bank contact information, general information
2.6	Nature of ownership	9	Ownership
2.7	Nature of markets served	89	Sectors financed / Industry analysis
2.8	Scale of the reporting organization's:		
	Number of employees	50	Staffing
	Products produced/services offered	43 - 47	Products and services

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	20 - 38	Corporate governance

ECONOMIC PERFORMANCE INDICATORS

PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
EC1	Net sales and Increase in retained earnings	72 73 74	Statement of Comprehensive Income Statement of Financial Position Statement of changes in Equity
EC3	Geographic breakdown of markets	129 - 131	Branch and ATM Network
EC3	Cost of all goods and services purchased	40	Value added statement
	Total employee remuneration	40, 72 & 111	Value added statement
EC8	Total taxes of all types paid	40, 72 & 112	Value added statement/ income statement/ note 13

SOCIAL LABOUR PERFORMANCE INDICATORS

PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
LA1	Breakdown of workforce	50	Staffing highlights
LA3	Retention rates	50	Staffing highlights
LA4	Policies/procedures on negotiations with employees over changes in operations	48 -50	Employee empowerment and engagement
LA5	Health and safety committees	49	Occupational safety and health
LA6	Occupational accidents and diseases	49	Occupational safety and health
LA6	Injury, lost days and absentee rates and work-related fatalities	49	Occupational safety and health
LA8	Policies and programmes on HIV/AIDS	49	Staff welfare issues
LA9	Average hours of training per employee	49	Training and Development Programmes for the year 2016

HUMAN RIGHTS

PERFORMANCE INDICATORS	TOPIC	DISCLOSURE PAGES	DESCRIPTION
HR1	Policies and guidelines dealing with human rights		Human rights recognized, observed and embedded in the Ugandan's Constitution. No evidence of transgressions but Bank's Policies not formally codified.
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		

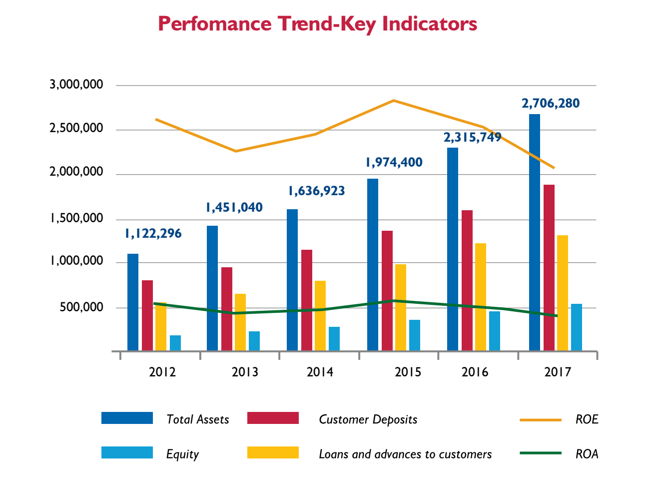
Financial Review

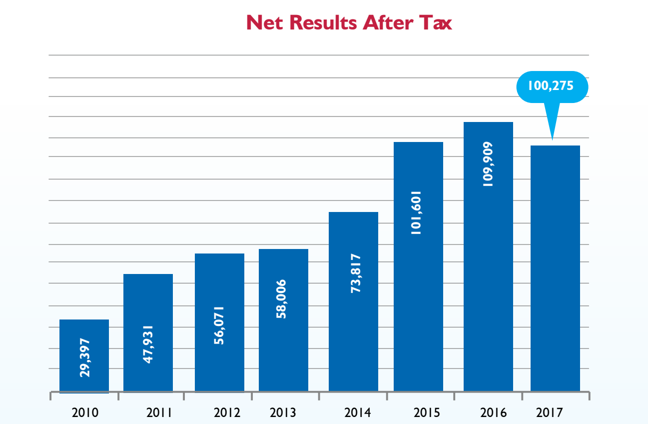
The Bank continued to perform well in all key fronts.

We capitalized on growth opportunities while at the same time taking steps to address challenges in the environment.

Financial Highlights

Financial Perfomance Trend	2017 Shs'M	2016 Shs'M	2015 Shs'M	2014 Shs'M	2013 Shs'M	2012 Shs'M
Total Assets	2,706,280	2,315,749	1,974,400	1,636,923	1,451,040	1,122,296
Loans and Advances to Customers	1,335,305	1,247,703	1,020,227	830,932	672,307	556,960
Customer Deposits	1,911,138	1,626,614	1,380,194	1,175,116	965,891	818,479
Equity	557,782	485,017	400,625	317,501	253,337	205,584
Total Revenue	514,784	463,857	393,901	324,299	275,579	240,460
Net Results after tax	100,275	109,909	101,601	73,817	58,006	56,017





The bank has continued to grow in all aspects amidst tight market conditions. As per the balance sheet position, there is business continuity and expectation of continued growth with support from all stakeholders.

NET PROFIT ↓ 8.8% — Shs. 100.3 BILLION

EQUITY CAPITAL ↑ 15.0% — Shs. 557.8 BILLION

REVENUE ↑ 11.0% — Shs. 514.8 BILLION

LOANS ASSETS ↑ 7.0% — Shs. 1335.3 BILLION

DEPOSITS ↑ 17.5% — Shs. 1911.1 BILLION

COST TO INCOME RATIO ↑ 7.6% — 73.3%

Budget Performance

	Actual 2017 Shs.'000'	Budget 2017 Shs.'000'	Actual 2016 Shs.'000'	Budget 2016 Shs.'000'	2017 Budget Variance % +/-
Financial data					
Total assets	2,706,280,070	2,698,491,838	2,315,749,311	2,357,066,352	0.3
Shareholders' funds	557,781,145	605,865,126	485,016,969	459,585,755	-7.9
Total customer deposit	1,911,137,891	1,828,751,833	1,626,614,165	1,638,815,897	4.5
Net loans and advances	1,335,304,927	1,470,785,046	1,247,702,785	1,181,517,829	-9.2
Total income	514,783,770	556,718,377	463,856,752	463,667,061	-7.5
Total expenses	377,487,367	389,338,151	315,992,291	319,582,926	3.0
Profit before income tax	137,296,403	167,380,226	147,864,461	144,084,135	-18.0
Profit after income tax	100,275,428	122,191,326	109,908,772	106,296,132	-17.9
Key performance ratios					
Cost to income ratio	73.3%	69.9%	68.1%	68.9%	-3.4
Return on assets	4.0%	4.8%	5.1%	4.9%	-0.8
Return on equity	19.2%	22.9%	24.8%	24.9%	-3.5
Lending ratio	69.9%	72.1%	76.7%	72.1%	2.2
Total expenses to loan ratio	28.3%	26.5%	25.3%	27.0%	-1.8
Capital adequacy ratio (Tier 2)	30.1%	24.0%	25.9%	24.0%	6.1
Non-financial data					
Number of Accounts	1,493,554	1,997,000	1,482,617	1,593,457	-25.2
Number of ATMs	172	176	172	172	-2.3
Number of Branches	69	69	69	69	0.0

During the year, the economy experienced a slow growth in business and adverse climatic conditions which affected agriculture productivity and ability to service loans. As a consequence, the bank registered an increase in non-performing loans which prompted management to reduce on the loan growth and focus on loan quality. The slow growth in loans resulted in less than budget revenue and after tax profit.

The bank had a strategy of growing the deposit accounts to 2.0m accounts mainly through Agent banking. There was a delay in approval of Agent banking regulations which resulted to a lower growth in deposit accounts. This also explains the saving in total expenses. Key expenses related to Agent banking were deferred due to the delayed start of the project.

Although the targeted number of deposit accounts was not achieved, the bank was able to grow its deposits and exceeded the budget by Shs.82.4bn mainly on account of aggressive marketing and the strong brand.

Statement of Comprehensive Income Analysis

The Bank's total income is comprised of interest income, non-interest income and trading income. Total income went up by Shs50.9 billion in 2017 (2016:70.0 billion), representing a growth of 11.0% in comparision to 17.8% in 2016. The lower growth rate in 2017 was as a result of slow loan growth. There was a mixture of unfavourable economic and climate conditions that affected the loan quality during the year. This led to a reduction in loan growth to manage the quality.

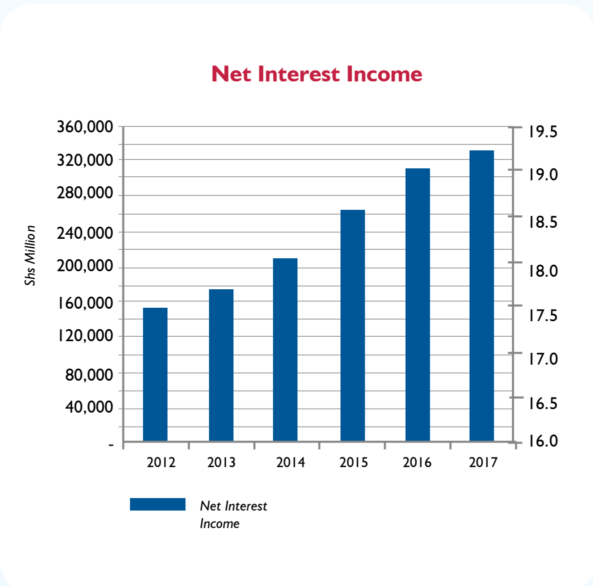
Net interest income

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 2017 was Shs 331.9billion (2016: Shs 311.6billion) and it represents 71.6% of operating income (2016: 74.7%).

	2017 %	2016 %
Growth in net interest income	6.5	18.1
Net interest margin	17.4	19.1

The low growth rate in net interest income was as a result of slow growth in the loan book in 2017.

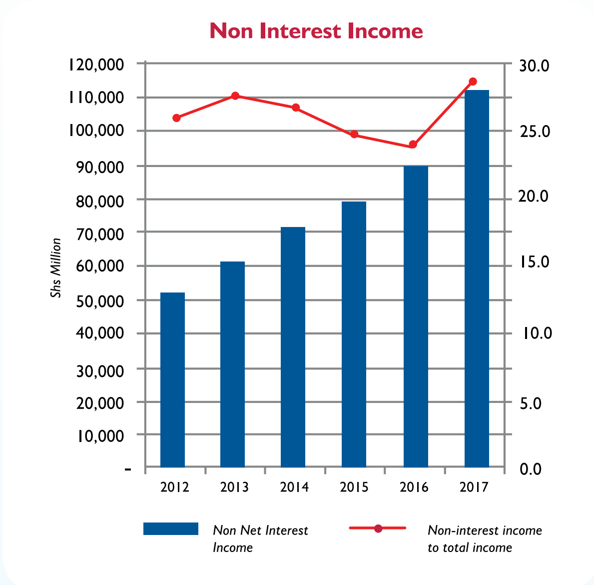
The Bank's net interest margin in 2017 closed at 17.4% (2016: 19.1%). The decline in net interest margin was mainly attributed to a drop in the bank's prime lending rate and yields on government securities.



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

Net non-interest income rose to Shs 111.5 billion (2016: Shs 89.1 billion) following growth in fee and commission income. This growth was mainly driven by higher transaction volumes initiated through customer interactions with the branches and ATM network.

The trend of the Bank's net non-interest income as per percentage of a total operating income over the last Six years is presented in the graph below.

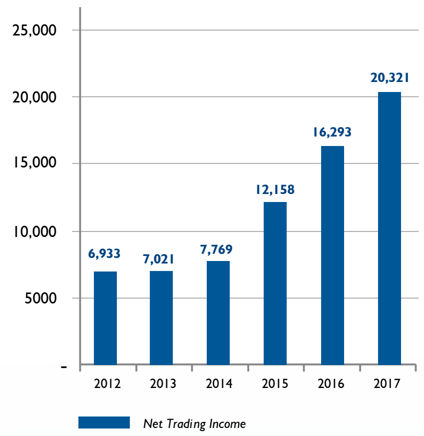


Non-Interest income has continued to grow steadily. This growth was 25.0% compared to the growth of 13.3% in 2016. It was management's strategy to grow non-interest income in order to mitigate interest rate risks.

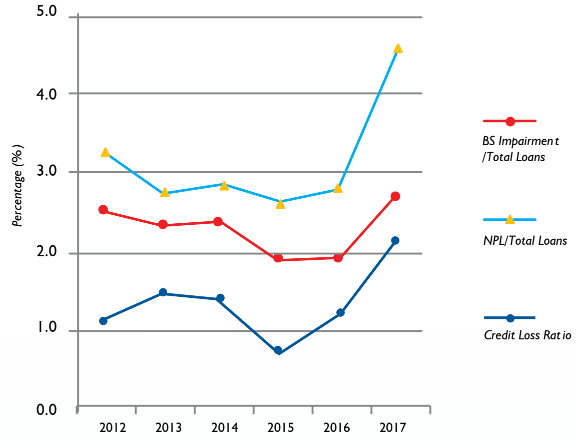
Net Trading income

The bank's net trading income comprises of income from treasury bills and bonds held for trading plus income from trading in foreign currencies. This closed at Shs.20.3billion in the year 2017 (2016: Shs.16.3 billion) recording a growth of 24.7%. The increase was highly attributed to more investments in government bonds held for trading and an increase in over the counter foreign exchange trading.

Net Trading Income



Credit Loss as a Percentage of Gross Loans and Advances



Credit impairment charges

The charge for credit losses for the year 2017 (excluding interest in suspense) increased by 85.9% to Shs 27.9 billion (2016:15.0 billion). This charge to the statement of comprehensive income as a percentage of gross loans and advances increased to 2.0% (2016: 1.2%).

Credit impairment charges:

	2017	2016
Percentage change in the impairment charge	85.9	118.0
Credit loss ratio	2.6	1.9
Credit impairment as % of gross loans and advances	2.0	1.2
Non-performing loans (NPL) - millions	62,230	35,641
Credit loss provision (SOFP) - millions	36,328	23,923
Credit impairment charge - millions	27,852	14,983

The deterioration of credit quality and the associated credit loss provisions and charges were due to tough economic conditions and the climate changes that affected business performance and agriculture productivity respectively. In addition, the new core banking system implemented in January 2017 introduced stringent ways of tracking related loans including their classification in case one is in arrears.

The learning curve in adopting to the new core banking system exacerbated the situation.

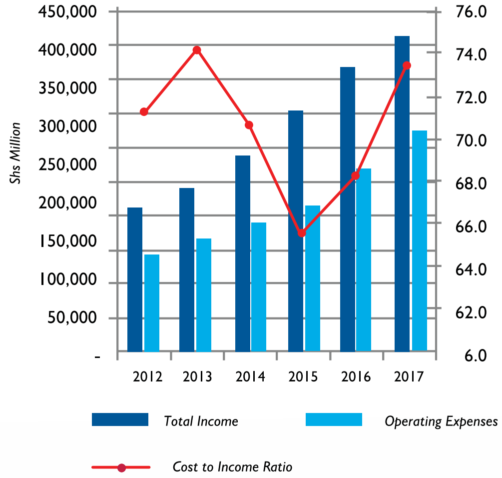
Total expenses and Total Income

	2017 %	2016 %
Growth in total operating expense	21.2%	23.3
Growth in Total Income	11.0	17.8
Change in cost-to-income ratio	5.2	2.8

Total expenses increased by 21.2% against income growth of 11.0% (2016:23.3% against income growth of 17.8%). The increase in the cost to income ratio in 2017 was mainly attributed to the high running costs especially in technology, an increase in credit loss provisions and a slow growth in business. The bank has invested heavily in technology in order to enhance service delivery.

This investment in technology has led to an increase in license and maintenance fees.

Income and Operating Expenses



Statement of Financial Position Analysis

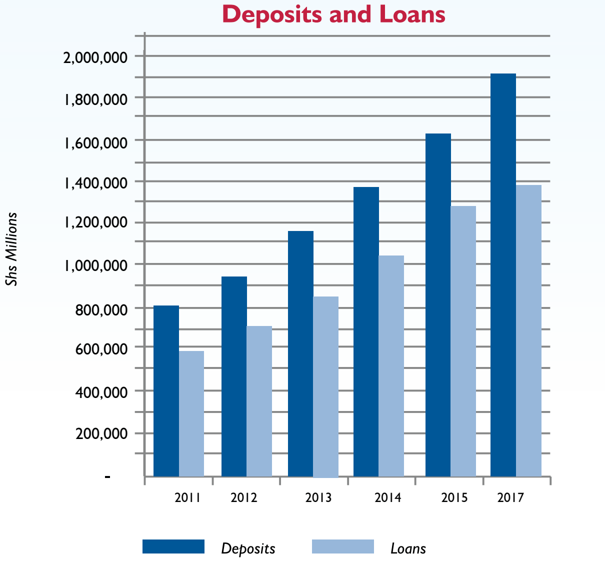
The Bank's total assets grew to Shs.2,706billion recording a growth rate of 16.9% in 2017 from Shs.2,315billion in 2016(17.3%) mainly as a result of growth in deposits that enabled the bank to increase its investments and loans.

Cash and short-term investments accounted for 54% of the increase. The bank has always managed liquidity by investing in risk free short-term Bank of Uganda securities.

Customer deposits consist of current accounts, savings accounts and time deposits. These deposits grew by 17.5% (2016: 17.9%) to Shs 1,911.1 billion in 2017 from Shs 1,626.6 billion in 2016. The bank has maintained a strong brand that has led to customer growth.

The bank's investment in technology, training and growth in staff, branch and ATM network and other service channels have supported the brand.

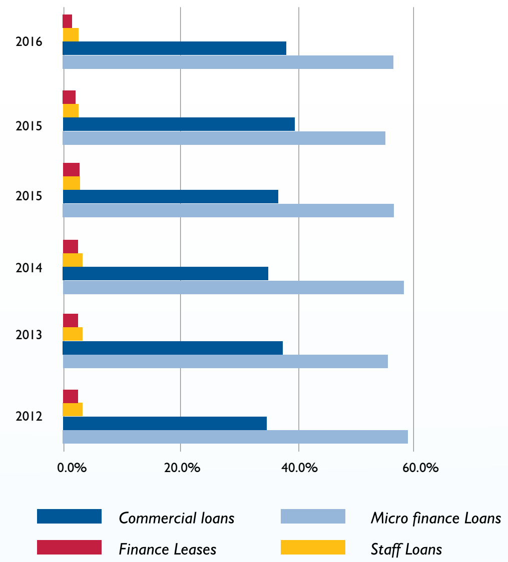
Deposits and Loans



Loan Composition

The bank continues to operate as per its mission of providing financial services, especially microfinance service to all people in Uganda particularly in rural areas. For the year 2017, the microfinance segment contributed 56.7% of the loans and advances (2016: 55.5%). The number of borrowers increased from 200,623 in 2016 to 225,428 in 2017.

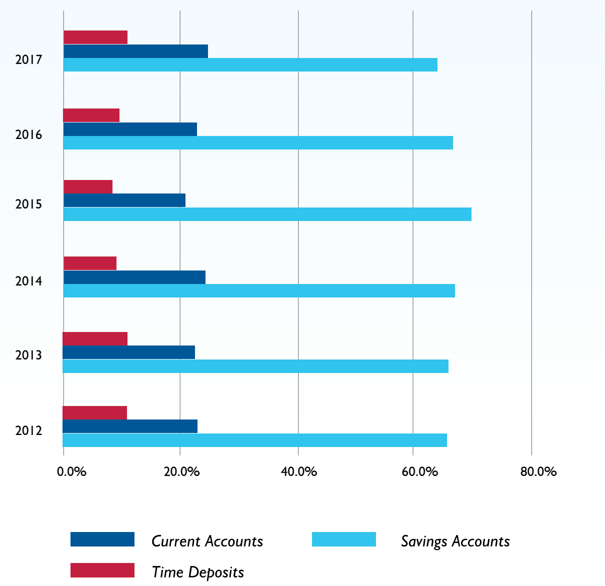
Loan Mix



Deposit composition

The number of depositors increased to 1,493,554 in 2017 from 1,482,617 in 2016. This came as a result of increased market efforts to bring in more customers. The increament was less than expected because of the delayed implementation of agent banking.The depositors average balance was Shs.1.3 in 2017 (2016: Shs 1.1Million)

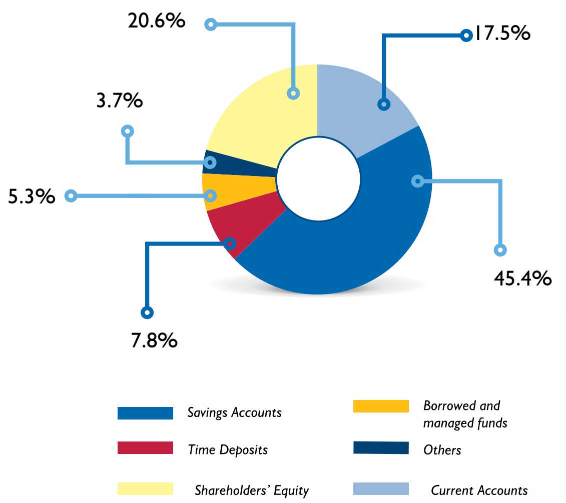
Deposit Mix



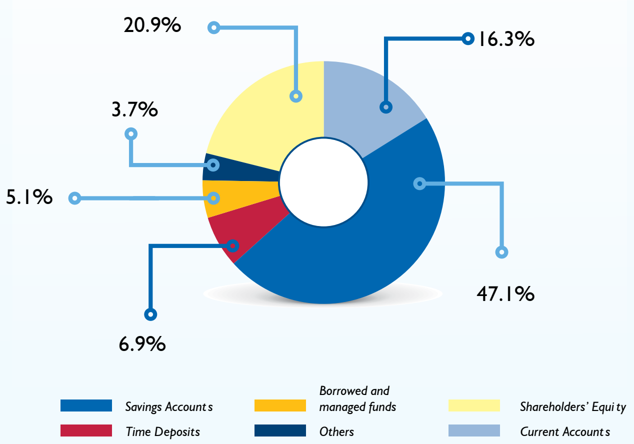
Funding mix

There was no major change in the funding mix in 2017 compared to the year 2016. Saving deposits remained the main source of funding. Savings deposits represented 45.4% of total funding in 2017 compared to 47.1% in 2016.

Funding Mix 2017



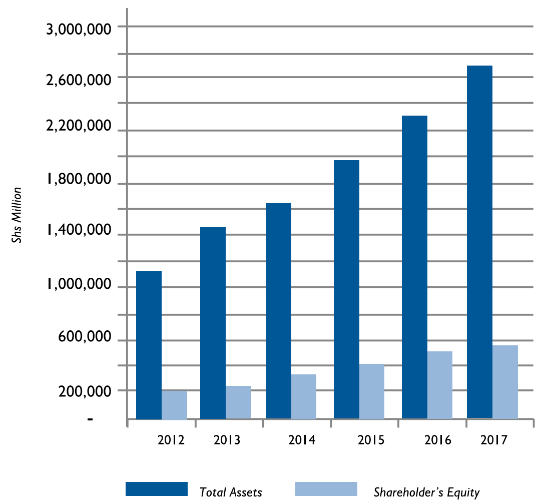
Funding Mix 2016



Equity

Equity, which comprises share capital, share premium and retained earnings, finances 20.6% (2016:20.9%) of the total assets. The level of 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. Dividend payable during the year represents 25% of Net profit after tax.

Total Assets and Shareholder's Equity



Capital Adequacy

The Bank monitors its capital adequacy using ratios established by the Bank for International Settlement (BIS) as approved by 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 31st December, 2017, the Bank had a regulatory total capital base of 30% (2016: 26%) of risk-weighted assets and core capital to risk weighted assets of 29% (2016:25%). This compares favorably with the regulatory requirement of 12.0% and 8% respectively. Risk weighted assets increased by 3.1% (2016:19.1%) whereas total capital (net of intangible assets) increased by 5.9% (2016:16.8%).

Analysis of Cash Flow Statement

The bank's cashflow from operating activities increased to Shs.226.7 billion from Shs.193.4 billion in the year 2016. The increase was mainly due to an increase in deposits and business revenue.

Cash flows in investing activities decreased to Shs.26.3 billion from Shs. 36.3 billion in 2016. The decline in investing activities was mainly attributed to lower capital expenditure in technology in 2017 as compared to the year 2016. The bank acquired a new software in 2016 although actual usage was in January 2017. Core payments were done in the years 2015 and 2016 as the software was in the development process.

Cash flows from financing- There was a net cash outflow of Shs.16.4 billion in the year 2017. The bank received more funds in 2017 as compared to the year 2016 from Abi trust, EIB and EADB however, there were more loan repayments in the year 2017 as compared to the year 2016.

Dividends paid out 2017 were shs.27.6 billion (2016: 25.5 billion).

Audited financial statements

We are currently well capitalized with a very strong and healthy balance sheet

to enable us seize the emerging growth opportunities in the environment and also manage the risks associated with these opportunities.

Directors' Report

Directors' report

The directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of financial affairs of Centenary Rural Development Bank Limited ("the Bank").

Principal activities

Centenary Rural Development Bank ("the Bank" or "Centenary 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 of Uganda and is a member of the Uganda Bankers' Association.

Results

The profit for the year of Shs 100,275 million (2016: profit of Shs 109,909 million) has been transferred to retained earnings.

Dividends

The directors recommend payment of dividends for the year ended 31 December 2017 of Shs 25,185 million (2016: Shs 27,593 million).

Share capital

During the year, no shares were issued.

Directors

The directors who held office during the year and to the date of this report were:

Prof. John Ddumba Ssentamu	Board Chairman (Chairman, Nominations Advisory Committee)
Mr. Fabian Kasi	Managing Director
Dr. Simon M.S. Kagugube	Executive Director
Dr. Peter Ngategize	Member (Chairman, Credit Committee and Risk Management Committee)
Mr. Andrew Obol	Member (Chairman, Compensation and Human Resources Committee)
Mt. Rev. Dr. Cyprian K. Lwanga	Member
Mr. Thil Richard	Member
Mr. Sprokel Caspar Jan Frits	Member (Chairman ALCO effective 10 June 2017)
Dr. Wenene Mary Theopista	Member (Chairman Audit Committee effective 10 June 2017)
Mr. Kimanthi Mutua	Member (Chairman, IT Strategy and Chairman ALCO) (retired 10 June 2017)
Mr. Henry Kibirige	Member (Chairman Audit Committee) (retired 10 June 2017)
Mt. Rev. Paul Bakyenga	Member (retired 10 June 2017)

None of the directors held any beneficial interest in the ordinary share capital of the Bank as at 31 December 2017.

Auditors

The Bank's auditor, PricewaterhouseCoopers Certified Public Accountants was appointed during the year and continues in office in accordance with Section 62(3) of the Ugandan Financial Institutions Act and section 167(2) of the Ugandan Companies Act 2012.

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 continues to establish new policies and procedures to control and monitor risk throughout the Bank as market risks continue to change.

Corporate social responsibility statement

The Bank is focused on achieving strong sustainable financial returns while promoting a more decent, dignified and kinder society. Every year, we commit 1% of the previous year's profit after tax every year to the humanitarian cause, both directly and indirectly, through our pricing and product mix.

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.

Retirement benefits

The Bank contributes to a retirement benefits scheme covering all of its non-executive 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:

PKasule.

Mrs. Peninnah T Kasule
Company Secretary

16 March 2018

Directors' responsibility for financial reporting

The Ugandan Companies Act 2012 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Bank as at the end of the financial year and of the Bank's profit or loss. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act 2012. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Financial Institutions Act, 2004. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements 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.

In preparing the financial statements, the directors have also assessed the Bank's ability to continue as a going concern and hereby do report that nothing has come to their attention to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

The financial statements were approved by the Board of Directors on 16 March 2018 and signed on its behalf by:

Prof. John Ddumba-Ssentamu	Mr. Fabian Kasi	Dr. Wenene Mary Theopista	Mrs. Peninnah T. Kasule
CHAIRMAN, BOARD OF DIRECTORS	**MANAGING DIRECTOR**	**CHAIRMAN, AUDIT COMMITTEE**	**COMPANY SECRETARY**

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

Our opinion

In our opinion, the financial statements give a true and fair view of the state of the financial affairs of Centenary Rural Development Bank Limited ("the Bank") as at 31 December 2017, and of its profit and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Financial Institutions Act.

What we have audited

The financial statements of Centenary Rural Development Bank Limited set out on pages 72 to 127 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matter

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances	Our audit procedures are summarised as follows:
We refer to note 18 of the financial statements which sets out total provisions for impairment of loans and advances of Shs 36,328 million comprised of provisions on non-performing loans of Shs 27,743 million and provisions on performing loans of Shs 8,585 million. We focused on this area because the process of estimating impairment provisions involves the exercise of significant judgement by the directors to estimate the amount and timing of expected future cash flows on non-performing loans. In addressing this area our attention was focused on the following: • the reasonableness of the timing and amount of the present value of expected future cash flows from individually assessed loans; and • the extent to which the model used to estimate provisions for loans assessed collectively is based on actual historical experience of the Bank.	• We evaluated the design effectiveness of controls implemented by management over the identification of non-performing loans and automated controls over the core banking system. • We tested that relevant computer controls were designed and operated effectively during the year. We also tested the accuracy of the automated loan arrears report of the Bank. • For loans that management assessed individually for impairment, we selected a sample and tested the accuracy of inputs into the calculation to supporting documentation. We also tested whether the computation was accurate with respect to discounted cash flow workings. • For the collective assessment of impairment, we evaluated the appropriateness of the methodology management applied in their calculation and its consistency with our knowledge and experience. We also performed an independent impairment calculation to assess the reasonableness of management's computation.

Other information

The directors are responsible for the other information. The other information includes corporate information, the directors' report and the statement of directors' responsibilities but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and additional sections of the Bank's complete annual report, which are expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and, we do not and will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Bank's complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act, 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.

In preparing the financial statements, the directors are responsible for assessing the ability of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters.
We confirm 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 our 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.

The engagement partner on the audit resulting in this independent auditor's report is CPA Uthman Mayanja – P0181.

Certified Public Accountants
Kampala
26 April 2018

CPA Uthman Mayanja

Statement of comprehensive income

	Note	2017 Shs '000	2016 Shs '000
Interest income	5	382,977,763	358,406,224
Interest expense	6	(51,117,112)	(46,817,284)
Net interest income		**331,860,651**	**311,588,940**
Fee and commission income	7	93,139,349	76,206,366
Net interest, fee and commission income		**425,000,000**	**387,795,306**
Net trading income	8	20,320,914	16,293,313
Other operating income	9	18,345,744	12,950,849
Operating income		**463,666,658**	**417,039,468**
Employee benefits	10	(133,826,953)	(116,027,009)
Impairment losses on loans and advances	11	(27,852,108)	(14,983,513)
Depreciation expense	19	(23,198,359)	(22,990,742)
Amortisation expense	20	(8,993,835)	(2,088,575)
Operating expenses	12	(132,499,000)	(113,085,168)
Profit before income tax		**137,296,403**	**147,864,461**
Income tax expense	13	(37,020,975)	(37,955,689)
Profit for the year		**100,275,428**	**109,908,772**
Other comprehensive income:			
Net fair value gain on available for sale financial assets	34	82,564	-
Total comprehensive income for the year		**100,357,992**	**109,908,772**
Earnings per share			
Basic earnings per ordinary share(shilling per share)	30	4.006	4.392

Statement of financial position

	Note	2017 Shs '000	2016 Shs '000
Assets			
Cash and balances with Bank of Uganda	14	290,797,633	314,099,382
Deposits and balances due from other banks	15	64,425,658	56,630,549
Government securities	16	751,252,754	427,925,642
Loans and advances to customers	18	1,335,304,927	1,247,702,785
Other assets	17	57,210,822	54,265,078
Property and equipment	19	159,918,804	207,025,647
Intangible assets	20	47,369,472	4,219,989
Deferred income tax asset	21	-	3,880,239
Total assets		**2,706,280,070**	**2,315,749,311**
Liabilities			
Customer deposits	22	1,911,137,891	1,626,614,165
Deposits and balances due to other banks	23	7,867,281	3,862,194
Managed funds	25	12,069,117	10,431,212
Borrowed funds	26	130,803,258	107,603,439
Current income tax payable	13	3,483,328	6,607,864
Deferred income tax liability	21	822,360	-
Deferred grants	29	398,914	391,732
Other liabilities	27	80,742,564	72,235,114
Provision for litigation	28	1,174,213	2,986,622
Total liabilities		**2,148,498,926**	**1,830,732,342**
Equity			
Ordinary share capital	31	25,000,000	25,000,000
Preference share capital	31	116,624	116,624
Share premium	31	1,138,927	1,138,927
Regulatory reserve	33	9,470,028	8,215,937
Proposed dividends	32	25,185,481	27,593,817
Available for sale revaluation reserve	34	82,564	-
Retained earnings		496,787,520	422,951,664
Total equity		**557,781,144**	**485,016,969**
Total equity and liabilities		**2,706,280,070**	**2,315,749,311**

The financial statements on pages 72 to 127 were approved by the Board of Directors on 16 March 2018 and signed on its behalf by:

Prof. John Ddumba-Ssentamu
CHAIRMAN, BOARD OF DIRECTORS

Mr. Fabian Kasi
MANAGING DIRECTOR

Dr. Wenene Mary Theopista
CHAIRMAN, AUDIT COMMITTEE

Mrs. Peninnah T. Kasule
COMPANY SECRETARY

Statement of changes in equity

Year ended December 2016	Note	Ordinary shares Shs '000	Preference shares Shs '000	Share premium Shs '000	Available for sale revaluation reserve	Regulatory Reserve Shs '000	Retained profits Shs '000	Proposed dividends Shs '000	TOTAL Shs '000
At 1 January 2016		**25,000,000**	**116,624**	**1,138,927**	**-**	**5,239,369**	**343,613,277**	**25,516,936**	**400,625,133**
Comprehensive income:									
Profit for the year		-	-	-	-	-	109,908,772	-	109,908,772
Transactions with owners:									
Transfer to regulatory reserve	33	-	-	-	-	2,976,568	(2,976,568)	-	-
Dividend paid	32	-	-	-	-	-	-	(25,516,936)	(25,516,936)
Proposed dividends	32	-	-	-	-	-	(27,593,817)	27,593,817	-
At 31 December 2016		**25,000,000**	**116,624**	**1,138,927**	**-**	**8,215,937**	**422,951,664**	**27,593,817**	**485,016,969**

Year ended December 2017	Note	Ordinary shares Shs '000	Preference shares Shs '000	Share premium Shs '000	Available for sale revaluation reserve	Regulatory Reserve Shs '000	Retained profits Shs '000	Proposed dividends Shs '000	TOTAL Shs '000
At 1 January 2017		**25,000,000**	**116,624**	**1,138,927**	**-**	**8,215,937**	**422,951,664**	**27,593,817**	**485,016,969**
Comprehensive income:									
Profit for the year		-	-	-	-	-	100,275,428	-	100,275,428
Fair value gain on available for	34	-	-	-	82,564	-	-	-	82,564
Total comprehensive income		-	-	-	82,564	-	100,275,428	-	100,357,992
Transactions with owners:									
Transfer to regulatory reserve	33	-	-	-	-	1,254,091	(1,254,091)	-	-
Dividend paid	32	-	-	-	-	-	-	(27,593,817)	(27,593,817)
Proposed dividends	32	-	-	-	-	-	(25,185,481)	25,185,481	-
At 31 December 2017		**25,000,000**	**116,624**	**1,138,927**	**82,564**	**9,470,028**	**496,787,520**	**25,185,481**	**557,781,144**

Statement of cash flows

	Note	2017 Shs '000	Restated 2016 Shs '000
Cash flows from operating activities			
Interest receipts		405,689,953	362,771,632
Interest payments		(54,949,471)	(43,472,897)
Fee and commission income		96,698,431	79,643,658
Other income received		17,560,064	11,416,784
Recoveries from loans previously written off	9	7,131,325	4,469,236
Payments to employees		(143,609,884)	(117,799,895)
Payments to suppliers and other payments		(139,956,243)	(124,286,941)
Grants received	29	227,550	-
Refund of unutilised grant	29	(103,585)	-
Income tax paid	13	(35,098,232)	(37,817,903)
Cash flows from operating activities before changes in operating assets and liabilities		**153,589,908**	**134,923,674**
Changes in operating assets and liabilities			
Increase in cash reserve requirement		(23,200,000)	(24,120,000)
Investments		(100,086,523)	74,091,065
Loans and advances to customers		(87,602,143)	(227,475,433)
Other assets		(2,164,303)	(13,814,010)
Customer deposits		284,523,726	246,420,310
Deposits from other banks		4,005,086	(3,215,318)
Other liabilities		(2,374,727)	6,637,332
		73,101,116	58,523,946
Net cash flows generated from operating activities		**226,691,024**	**193,447,620**
Cash flows from investing activities			
Additions to property and equipment	19	(26,566,435)	(35,098,635)
Additions to software	20	-	(1,289,830)
Proceeds from sale of property and equipment		315,123	120,066
Net cash flows used in investing activities		**(26,251,312)**	**(36,268,399)**
Cash flows from financing activities			
Dividends paid		(27,593,817)	(25,516,936)
Proceeds from managed/borrowed funds		57,558,590	16,622,919
Repayments of managed/borrowed funds		(46,394,467)	(10,918,619)
Net cash flows generated from / (used in) financing activities		**(16,429,694)**	**(19,812,636)**
Net increase / (decrease) in cash and cash equivalents		**184,010,019**	**137,366,585**
Net foreign exchange difference		523,931	839,163
Cash and cash equivalents at 1 January		334,724,314	196,518,566
Cash and cash equivalents at 31 December	**35**	**519,258,264**	**334,274,314**

Notes to the Financial statements

1 Reporting entity

Centenary Rural Development Bank Limited is incorporated in the Republic of Uganda under the Ugandan Companies Act and is domiciled in the Republic of Uganda. The Bank's registered office address is:

Mapeera House
Plot 44-46 Kampala Road
& Plot 2 Burton Street
P. O. Box 1892
Kampala

For purposes of the Ugandan Companies Act, the profit and loss statement is represented by the statement of comprehensive income and the balance sheet by the statement of financial position in these financial statements.

2 Summary of significant accounting policies

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

a) Basis of preparation

The Bank's 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 on the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies.

Changes in assumptions may have a significant impact on the financial statements in the period the assumptions are changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the bank

The following standards and amendments have been applied by the bank for the first time for the financial year beginning 1 January 2017:

Disclosure Initiative – Amendment to IAS 7, 'Cash flow statements': In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

Entities are required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example, by providing a net debt reconciliation. However, in this case the changes in other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

Recognition of deferred tax asset for unrealised losses - Amendment to IAS 12, 'Income taxes': Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

Annual improvements to IFRSs 2014-2016. The latest annual improvements, effective 1 January 2017, clarify:

- IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirements of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the bank, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The new accounting standard replaces IAS 39 with effect from 1 January 2018 and brings about extensive changes to classification, measurement and impairment of financial assets. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, not recycling. The standard also introduces a new expected loss impairment model that will require more timely recognition of expected credit losses. This new model will apply to financial assets measured at either amortised cost or fair value through OCI, as well as loan commitments when there is present commitment to extend credit.

Management with the help of an external consultant has performed an impact assessment of the transition impact to the new standard and concluded that the impact would be a reduction in shareholders' equity ranging between 15% and

20% on 1 January 2018. A significant portion of this is driven by the adoption of the Expected Credit Loss model while other minor changes are due to classification and measurement changes.

The bank will take advantage of the option not to restate comparative information for the prior period with respect to classification and measurement including impairment changes. A transition impact assessment has been carried out and it is envisaged that there will be a reduction in the shareholder equity on 1 January 2018 by Shs 6.4 billion representing 1.3% of total capital and as a consequence, the core capital and total capital ratios will decrease from 29.1% and 30.1% to 28.9% and 29.7% respectively.

The bank's assessment shows that the impact on capital together with the anticipated increase in impairment and the costs of implementation will not affect the bank's business growth prospects as articulated in the five-year strategic plan. The increase in impairment cost is expected to be in the range of 17%-19% and the implementation cost estimate 0.17% of the total operating expenses.

With regard to classification and measurement of financial instruments, the assessment does not show any likely changes and impact thereof attributed to IFRS 9 implementation. In its assessment, management considered the objective of the business model, how performance is measured and how staff are remunerated among other factors.

Management and the directors will continue to refine the impairment model to take into account more economic factors and forward looking information, bank specific credit conversion rates and improvements in data quality. These refinements may lead to a change in the overall impact of adopting the standard.

In the table below is a comparison of the indicative loan provisions determined in accordance with IFRS 9 and the provisions established under IAS 39 and the Financial Institutions Act.

The IFRS 9 – Stage 1 provision amounts to Shs 12,800 million whereas the IFRS 9 – Stage 2 provision amounts to Shs 812 million.

As at 31 December 2017	FIA Shs '000	IAS 39 Shs '000	IFRS 9 Shs '000
Specific provision / IFRS 9 – Stage 3	31,604,988	27,743,332	29,125,744
General provision / IFRS 9 – Stage 1 and 2	14,193,229	8,584,857	13,611,890
	45,798,217	**36,328,189**	**42,737,634**

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The bank is in the process of assessing the impact of IFRS 15.

The standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognizing revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognized reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition.

IFRS 16,'Leases' After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standards is effective for annual periods beginning 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time.

Amendment to IAS 40 'Investment Property' – Transfers of investment property: These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The amendment is effective for annual periods beginning on or after 1 January 2018.

Annual improvements to IFRSs 2014-2016. The latest annual improvements, effective 1 January 2018, clarify:

- IFRS 1,' First-time adoption of IFRS', regarding the deletion of shortterm exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.

- IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL).
  The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

a. 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 amortised 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 its 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 recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

b. Fees and commission income

Fees and commissions are generally recognised 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 recognised as an adjustment to the effective interest rate on the loan.

Other fees and commissions include; Loan and lease processing fees, Commitment Fees Overdraft to Customers, commissions on Advance Payment Guarantees, bid bonds & Guarantees, drafts Payable, bills Payable, Inter-branch, RTGS /EFT Transfers, Cheques, uncleared effects and ledger fees.

c. 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 recognised in profit or loss.

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.

d. 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.

e. 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 or available-for-sale financial assets. 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 a line item in the statement of comprehensive income.

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 comprehensive income. The losses arising from impairment are recognised as a line item in the statement of comprehensive income. This category generally applies to loans and advances to customers 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 interest income in profit or loss. The losses arising from impairment are recognised in 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.

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 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 recognize the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognizes 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 recognized 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 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.

Derecognition

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 derecognition 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 currently enforceable 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.

a. 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:

- 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.

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 months and 6 months.

Assets carried at amortised 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 recognised 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 amortised 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 recognised in profit or loss. 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 collateralised 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 uncollectible, 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 included in other operating 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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

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 FI (Credit Classification and provisioning) Regulation, 2005 and Microfinance Deposit taking Institutions (Asset quality) regulation, 2004, as follows:

Commercial, Salary, Home Improvements and Micro finance loans above Shs 5 million

- Substandard loans with arrears period between 90 to 179 days – 20%
- Doubtful loans with arrears period between 180 to 364 days – 50%
- Loss with arrears period exceeding 364 days – 100% provision
- General provision of 1% of credit facilities less specific provision and suspended interest

Microfinance loans up to Shs 5 million

- Substandard loans with arrears period between 30 to 59 days – 25%
- Doubtful loans with arrears period between 60 to 89 days – 50%
- Loss with arrears period exceeding 90 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.

c) 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. 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 an impairment loss is determined, the loss is recognised through profit or loss.
- 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

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 capitalisati0n

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

d) 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.

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:

Leasehold land	Over life of lease
Buildings	Shorter of 50 years or lease period
Computer hard ware	3 years
Core Banking Hardware	5 Years
Furniture, fixtures and fittings	5 years
Motor vehicles	5 years
Motor 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.

(iv) Derecognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition or the asset (calculated as the different between the net disposal proceeds and the carrying amount of the asset) is recognized in other operating income in profit or loss in the year the asset is derecognised.

e) 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(d).

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.

f) Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Computer software

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 three years. The useful life of the Core Banking System (CBS) is 7 years.

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.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

g) Income tax

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. The deferred tax asset /liability is indicated in note 21.

Current income tax

Income tax expense is the aggregate of the charge to profit or loss 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 tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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.

Value Added tax

Value added tax is chargeable at a rate of 18%. Output VAT is the value added tax you calculate and charge on your own sales of goods and services if you are registered. Input VAT is the value added tax added to the price when you purchase goods or services liable to VAT. VAT payable arises when the output VAT is in excess of input VAT.The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

h) 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 a separate trustee administered fund, which is funded by contributions from both the Bank and employees. The Bank's contributions to the defined contributions schemes are charged to profit or loss in the year in which they relate.

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

i) Contingent liabilities and commitments

Contingent liabilities and commitments comprised of letters of credit, acceptances, guarantees and commitments to extend credit are included in note 36. They are accounted for as off-statement of financial position transactions and are disclosed as contingent liabilities and commitments.

j) 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.

k) 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 unrestricted balances with the Bank of Uganda, Treasury and other eligible bills, and amounts due from other banks.

l) Comparatives

No comparative figures have been adjusted.

m) 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 25 and 26.

n) 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 fulfillment 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).

3 Critical accounting estimates and judgments in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and accompanying disclosures, as well as the disclosure of contingent 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.

Impairment losses on loans and advances

The Bank reviews its loan portfolio 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 judgments 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. 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. The carrying amount of loans and advances is disclosed in note 18.

i) 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 amortised cost. The carrying amount of held-to-maturity investments is disclosed in note 16.

ii. 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. 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.

The fair value disclosures are included in note 4.

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 the 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 organisational structure, policies, and procedures, and appropriate staff training. Responsibility for risk management 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.
- **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
- Compliance risk
- Business risk
- Market risk
- Operational risk
- Reputation risk
- Strategic risk
- Liquidity 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.

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 counter-party 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 substandard, 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: 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: 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: 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.

Loans under the substandard, doubtful and loss categories are 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
- Trade and commerce
- Building and construction
- Manufacturing
- Transport and utilities
- 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:

	2017 Shs '000	2016 Shs '000
Credit risk exposure relating to statement of financial position items:		
Balances with Bank of Uganda (Note 14)	175,628,018	226,920,198
Deposits and balances due from other banks (Note 15)	64,425,658	56,630,549
Investment securities (Note 16)	751,252,754	427,925,642
Loans and advances (Note 18)	1,371,633,116	1,271,626,340
Other assets (Note 17)	35,596,650	37,006,187
	2,398,536,196	**2,020,108,916**
Credit risk exposures relating to off-statement of financial position items:		
- Letters of credit, guarantees and performance bonds (Note 36)	38,236,790	30,178,330
- Commitment to extend credit (Note 36)	20,135,169	8,255,036
	58,371,959	**38,433,366**
Total	**2,456,908,155**	**2,058,542,282**

The above table represents the worst case scenario of credit risk exposure to the Bank at 31 December 2017 and 31 December 2016; 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, 55.8% (2016: 61.8%) of the total maximum exposure is derived from loans and advances to banks and customers. Investment in debt securities represents 21.1% (2016: 20.8%) of the total maximum exposure.

The table below shows the collateral coverage for secured loans as at year-end. The type of collateral held includes land titles, motor vehicles and chattels.

As at 31 Dec 2017	Total loan portfolio Shs 000	Netting off agreements (cash accured) Shs000	Exposure after netting off Shs000	51-100% Shs 000	Collateral Coverage over 100%
Secured loans	969,033,301	9,999,292	959,034,008	139,788,118	819,245,890
Partly secured	402,599,815	-	402,599,815	-	-
Total	**1,371,633,116**	**9,999,292**	**1,361,633,823**	**139,788,118**	**819,245,890**

As at 31 Dec 2016	Total loan portfolio Shs 000	Netting off agreements (cash accured) Shs000	Exposure after netting off Shs000	51-100% Shs 000	Collateral Coverage over 100%
Secured loans	905,334,142	5,822,464	899,511,678	107,595,667	791,916,011
Partly secured	366,292,198	-	366,292,198	197,308,171	168,984,027
Total	**1,271,626,340**	**5,822,464**	**1,265,803,876**	**304,903,838**	**960,900,038**

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.
- 81.1% (2016: 90.2%) of the loans and advances portfolio are neither past due nor impaired.
- 100.0% (2016: 100.0%) of the investments in debt securities are government securities.

Loans and advances are summarised as follows:

	2017 Shs '000	2016 Shs '000
Neither past due nor impaired	1,112,291,198	1,147,243,023
Past due but not impaired	197,111,649	88,742,218
Impaired	62,230,269	35,641,099
Gross loans and advances	**1,371,633,116**	**1,271,626,340**
Less: Allowance for impairment	(36,328,189)	(23,923,555)
Net loans and advances	**1,335,304,927**	**1,247,702,785**

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:

	2017 Shs '000	2016 Shs '000
Standard	1,112,291,198	1,147,243,023

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:

	2017 Shs '000	2016 Shs '000
Past due up to 30 days	143,717,097	61,840,180
Past due 31-60 days	42,390,765	17,170,782
Past due 61-89 days	11,003,787	9,731,256
Total	**197,111,649**	**88,742,218**

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

Loans individually assessed for impairment by category

	2017 Shs '000	2016 Shs '000
Commercial loans	15,119,575	11,465,779
Micro loans	12,236,089	7,777,038
Home improvement loans	1,917,825	1,305,797
Agricultural loans	18,247,597	9,679,015
Salary loans	13,514,643	3,405,364
Overdrafts	1,194,540	2,008,106
	62,230,269	**35,641,099**

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

	2017 Shs '000	2016 Shs '000
Provision for impairment losses:		
Additional identified impairment	34,401,770	17,042,769
Additional unidentified impairment	425,816	1,313,337
	34,827,856	**18,356,106**
Reduction due to improved status:		
Identified impairment	(6,975,478)	(3,372,593)
Provisions for the year	34,827,846	18,356,106
Reductions in provision for impairment	(6,975,478)	(3,372,593)
Total statement of comprehensive income movement	**27,852,108**	**14,983,513**

Concentration of risk

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

	2017 Shs '000	%	2017 Shs '000 Credit commitments
Sector analysis by industry			
Agriculture	225,751,980	16.5	155,311
Manufacturing	7,726,597	0.6	238,617
Trade and commerce	208,874,328	15.2	31,202,373
Transport and utilities	23,513,122	1.7	2,457,342
Building and construction	267,033,796	19.5	6,458,434
Other services	638,733,293	46.6	17,859,883
	1,371,633,116	**100**	**58,371,960**

	2016 Shs '000	%	2016 Shs '000 Credit commitments
Sector analysis by industry			
Agriculture	218,648,695	17.2	1,136,636
Manufacturing	8,292,795	0.7	10,405
Trade and commerce	231,312,941	18.2	31,112,445
Transport and utilities	25,593,245	2.0	334,295
Building and construction	303,136,043	23.8	2,240,021
Other services	484,642,621	38.1	3,599,564
	1,271,626,340	**100**	**38,433,366**

As at 31 December 2017, the Bank had no loans and advances to a single borrower or group of related borrowers exceeding 25.0% of core capital (2016: Nil).

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 2017 or 31 December 2016. As an internal requirement, the forced sale value of the collateral security is over and above the amount of loans and advances disbursed.

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.

Sectoral analysis of loans and advances

	%	2017 Shs '000	%	2016 Shs '000
Sector Analysis				
Agriculture	16.4	225,751,980	17.2	218,648,695
Manufacturing	0.6	7,726,597	0.7	8,292,795
Trade and commerce	15.2	208,874,328	18.2	231,312,941
Transport and Utilities	1.7	23,513,122	2.0	25,593,245
Building and construction	19.5	267,033,796	23.8	303,136,043
Other services	46.6	638,733,293	38.1	484,642,621
	100	**1,371,633,116**	**100**	**1,271,626,340**

b) Market Risk

Market risk arises from decrease in the market value of a portfolio of financial instruments caused by adverse movements 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.

i) 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.

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	Non interest bearing Shs'000	TOTAL Shs'000
31 December 2017						
Financial assets						
Cash and short-term funds	60,060,837	-	-	-	230,736,796	290,797,633
Due from other banks	56,580,223	-	-	-	7,845,435	64,425,658
Investments	-	511,738,412	7,114,861	-	232,400,481	751,252,754
Loans and advances to customers	21,957,341	404,086,188	785,042,571	123,910,562		1,335,304,927
Other financial assets	-				35,596,650	35,596,650
Total financial assets	138,598,401	915,824,600	792,465,697	123,910,562	506,578,362	2,477,377,622
Non-financial assets						
Property & equipment and intangible assets	-	-	-	-	207,288,276	207,288,276
Other assets	-	-	-	-	21,614,172	21,614,172
Total non-financial assets	-	-	-	-	228,902,448	228,902,448
Total assets	**138,598,401**	**915,824,600**	**792,465,697**	**123,910,562**	**735,480,810**	**2,706,280,070**
Financial liabilities						
Due to customers and other banks	490,516,679	1,427,480,448	1,002,997	5,048	-	1,919,005,172
Managed/ borrowed funds	-	-	130,803,258	-	12,069,117	142,872,375
Other liabilities					24,216,649	24,216,649
Cap & Reserves					-	-
Total financial liabilities	**490,516,679**	**1,427,480,448**	**131,806,255**	**5,048**	**36,285,766**	**2,086,094,196**
Non-financial liabilities						
Other non-financial liabilities	-	-	-	-	62,404,727	62,404,727
Total liabilities	**490,516,679**	**1,427,480,448**	**131,806,255**	**5,048**	**98,690,493**	**2,148,498,926**
Net on-SOFP gap	(351,918,278)	(5,11,655,848)	660,659,442	123,905,515	636,790,317	557,781,144
Net off-SOFP gap	-	-	58,371,959	-	-	58,371,959
Total interest sensitivity gap	**(351,918,278)**	**(511,655,848)**	**719,031,401**	**123,905,515**	**636,790,317**	**616,153,103**

Interest rate risk exposure (continued)

	<1 mth Shs'000	1-12 mth Shs '000	1-5 Years Shs'000	Over 5 Years Shs'000	Non interest bearing Shs'000	TOTAL Shs'000
31 December 2016						
Financial assets						
Cash and short-term funds	140,139,726	-	-	-	173,959,656	314,099,382
Due from other banks	38,847,822	-	-	-	17,782,727	56,630,549
Investments	120,977,569	306,948,073	-	-	-	427,925,642
Loans and advances to customers	14,898,658	374,226,582	773,461,964	54,998,321	30,117,260	1,247,702,785
Other financial assets	-				37,006,187	37,006,187
Total financial assets	314,863,775	681,174,655	773,461,964	54,998,321	258,865,830	2,083,364,545
Non-financial assets						
Property & equipment and intangible assets	-	-	-	-	211,245,636	211,245,636
Other assets	-	-	-	-	21,139,130	21,139,130
Total non-financial assets	-	-	-	-	232,384,766	232,384,766
Total assets	**314,863,775**	**681,174,655**	**773,461,964**	**54,998,321**	**491,250,596**	**2,315,749,311**
Financial liabilities						
Due to customers and other banks	33,675,809	1,215,714,655	350,778	380,735,117	-	1,630,476,359
Managed/ borrowed funds	-	-	107,603,439	-	10,431,213	118,034,652
Other liabilities	-	-	-	-	25,560,242	25,560,242
Total financial liabilities	**33,675,809**	**1,215,714,655**	**107,954,217**	**380,735,117**	**35,991,455**	**1,774,071,253**
Non-financial liabilities						
Other non-Financial liabilities	-	-	-	-	56,661,089	56,661,089
Total Liabilities	**33,675,809**	**1,215,714,655**	**107,954,217**	**380,735,117**	**92,652,544**	**1,830,732,342**
Net on-SOFP gap	281,187,966	(534,540,000)	665,507,747	(325,736,796)	222,874,375	309,293,292
Net off-SOFP gap	-	-	38,433,366	-	-	38,433,366
Total interest sensitivity gap	**281,187,966**	**(534,540,000)**	**703,941,113**	**(325,736,796)**	**222,874,375**	**347,726,658**

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. The gap is the difference between the rate sensitivity of each asset and the rate sensitivity of each liability.

	Within 3 months Shs million	>3months but within 6 months Shs million	>6months but within 12 months Shs million	After 12 months Shs million
2017				
Interest rate sensitivity gap	(697,991)	105,690	364,169	920,942
Cumulative Interest rate sensitivity gap	(697,991)	(592,301)	(228,132)	692,810
Cumulative Interest rate sensitivity gap as a percentage of total assets	(26%)	(22%)	(8%)	102%
2016				
Interest rate sensitivity gap	(751,120)	170,559	327,209	828,110
Cumulative Interest rate sensitivity gap	(751,120)	(580,561)	(253,353)	574,757
Cumulative Interest rate sensitivity gap as a percentage of total assets	(32%)	(25%)	(11%)	25%

Interest sensitivity analysis

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

Impact on profit before tax:

	2017 Shs million	2016 Shs million
+ 500 bps rate shock	17,166	15,918
- 500 bps rate shock	(17,166)	(15,918)
+ 100 bps rate shock	3,433	3,183
- 100 bps rate shock	(3,433)	(3,183)

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 17,166 million whilst a parallel decrease in all yield curves would decrease the forecast net interest income for the next financial year by Shs 17,166 million. A parallel 100bps increase in all yield curves would increase the forecast net interest income for the next financial year by Shs 3,433 million whilst a parallel decrease in all yield curves would decrease the forecast net interest income for the next financial year by Shs 3,433 million.

Impact on equity:

	2017 Shs million	2016 Shs million
+ 500 bps rate shock	4,291	3,980
- 500 bps rate shock	(4,291)	(3,980)
+ 100 bps rate shock	858	796
- 100 bps rate shock	(858)	(796)

Assuming no management intervention, a parallel 500bps increase in all yield curves would increase the equity for the next financial year by Shs 4,291 million whilst a parallel decrease in all yield curves would decrease the equity for the next financial year by Shs 4,291 million. A parallel 100bps increase in all yield curves would increase the equity for the next financial year by Shs 858 million whilst a parallel decrease in all yield curves would decrease the equity for the next financial year by Shs 858 million.

(ii) 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 2017 and 31 December 2016. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency.

31 December 2017	GBP Shs '000	USD Shs '000	EUROS TZ & Kshs Shs '000	TOTAL Shs '000
Assets				
Cash and balances at the Central Bank	1,558,088	20,407,471	4,090,973	26,056,532
Due from other banks	428,607	2,981,665	6,726,870	10,137,142
Investments	-	47,421,827	9,158,396	56,580,223
Loans and advances to customers	-	34,041,968	-	34,041,968
Other accounts receivable	-	1,864,223	2,181	1,866,404
Total assets	**1,986,695**	**106,717,154**	**19,978,419**	**128,682,268**
Liabilities				
Customer deposits and balances due to other banks	1,059,797	95,589,554	19,839,951	116,489,302
Other accounts payable	2,653	10,553,144	5,459	10,561,256
Total liabilities	**1,062,450**	**106,142,698**	**19,845,410**	**127,050,558**
Net on-SOFP position	924,245	574,456	133,009	1,631,710
Net off-SOFP position	-	12,394,595	-	-
Overall net position	**924,245**	**12,969,051**	**133,009**	**14,026,305**
% of Net position over core capital	**0.20**	**2.78**	**0.03**	**3.00**

31 December 2016	GBP Shs '000	USD Shs '000	EUROS TZ & Kshs Shs '000	TOTAL Shs '000
Total assets	1,253,687	71,225,672	27,585,997	100,065,356
Total liabilities	623,233	69,153,459	16,549,296	86,325,988
Net on-SOFP position	630,454	2,072,213	11,036,701	13,739,368
Net off-SOFP position	-	10,922,416	-	-
Overall net position	**630,454**	**12,994,629**	**11,036,701**	**24,661,784**
% of Net position over core capital	**0.16**	**3.26**	**2.77**	**6.19**

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.

	2017 Shs million	2016 Shs million
+500bps exchange rate change	719	587
-500bps exchange rate change	(719)	(587)
+100bps exchange rate change	144	117
-100bps exchange rate change	(144)	(117)

Assuming no management intervention, a parallel appreciation of the shilling by 500bps on all foreign currencies would increase the forecast earnings by Shs 719million whilst a fall or depreciation would reduce forecast earnings by Shs 719 million.

A 100bps appreciation of the shilling on all currencies would increase the forecast earnings for the next financial year by Shs 144 million whilst a full or depreciation shall reduce forecast earnings by Shs 144 million.

c) 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 of the bank's financial assets and liabilities by remaining contractual maturities at the reporting date.

2017	< 1month Shs '000	1-12 months Shs '000	1-5 years Shs '000	over 5 years Shs '000	Total Shs '000
Assets					
Cash and short-term funds	290,797,633	-	-	-	290,797,633
Due from other banks	64,425,658	-	-	-	64,425,658
Investments	232,399,481	511,738,412	7,114,861	-	751,252,754
Loans and advances at amortised cost	21,957,341	404,086,188	1,014,876,301	206,922,221	1,647,842,051
Other Financial assets	12,966,754	-	29,243,676	-	42,210,430
	622,546,867	**915,824,600**	**1,051,234,838**	**206,922,221**	**2,796,528,526**
Liabilities					
Due to customers and other banks	490,516,679	1,427,480,448	1,296,131	8,430	1,919,301,688
Managed funds	-	-	15,596,419	-	15,596,419
Borrowed funds	27,646,364	11,377,399	83,740,754	6,308,698	129,073,215
Other liabilities	-	25,359,263	-	-	25,359,263
	518,163,043	**1,464,217,109**	**100,633,305**	**6,317,128**	**2,089,330,585**
Net liquidity gap	**104,383,823**	**(548,392,509)**	**950,601,533**	**200,605,094**	**707,197,941**
Off balance sheet gap	**25,160,513**	**33,011,447**	**258,452**	**-**	**58,430,412**
Net liquidity gap	**129,544,336**	**(515,381,062)**	**950,859,985**	**200,605,094**	**765,628,352**

2016	< 1month Shs '000	1-12 months Shs '000	1-5 years Shs '000	over 5 years Shs '000	Total Shs '000
Assets					
Cash and short-term funds	314,099,382	-	-	-	314,099,382
Due from other banks	56,630,549	-	-	-	56,630,549
Investments	120,977,569	306,948,073	-	-	427,925,642
Loans and advances at amortised cost	18,778,631	471,684,290	958,854,965	182,598,049	1,631,915,935
Other financial assets	16,949,685	18,130	20,038,372	-	37,006,187
	527,435,816	**778,650,493**	**978,893,337**	**182,598,049**	**2,467,577,695**
Liabilities					
Due to customers and other banks	1,504,429,690	125,695,891	350,778	-	1,630,476,359
Managed funds	-	-	10,431,212	-	10,431,212
Borrowed funds	-	10,478,570	81,080,038	16,044,832	107,603,439
Other Financial liabilities	2,707,500	2,170,713	20,682,029	-	25,560,242
	1,507,137,190	**138,345,174**	**112,544,057**	**16,044,832**	**1,774,071,252**
Net liquidity gap	**(979,701,374)**	**640,305,319**	**866,349,280**	**166,553,217**	**693,506,443**
Off balance sheet gap	**-**	**-**	**38,433,366**	**-**	**38,433,366**
Net liquidity gap	**(979,701,374)**	**640,305,319**	**904,782,646**	**166,553,217**	**731,939,809**

The table below presents the cash flows of the bank's financial assets and liabilities at the net carrying amounts by remaining contractual maturities.

2017	**< 1month Shs '000**	**1-12 months Shs '000**	**1-5 years Shs '000**	**over 5 years Shs '000**	**Total Shs '000**
Assets					
Cash and short-term funds	290,797,633	-	-	-	290,797,633
Due from other banks	64,425,658	-	-	-	64,425,658
Investments	232,399,481	511,738,412	7,114,861	-	751,252,754
Loans and advances at amortised cost	21,957,340	404,086,188	785,350,836	123,910,563	1,335,304,927
Other assets	12,953,647	1,720,270	181,532,976	68,292,205	264,499,098
	622,533,759	**917,544,870**	**973,998,673**	**192,202,768**	**2,706,280,070**
Liabilities					
Due to customers and other banks	490,516,679	1,427,480,448	1,002,997	5,048	1,919,005,172
Managed funds	-	-	12,069,117		12,069,117
Borrowed funds	27,646,363	11,377,399	64,801,860	26,977,636	130,803,258
Other liabilities	16,906,856	69,714,523	-		86,621,379
	535,069,898	**1,508,572,370**	**77,873,974**	**26,982,684**	**2,148,498,926**
Net liquidity gap	**87,463,861**	**(591,027,500)**	**896,124,699**	**165,220,084**	**557,781,144**
Off balance sheet gap	**25,160,512**	**33,011,447**	**200,000**		**58,371,959**
Net liquidity gap	**112,624,373**	**(558,016,053)**	**896,324,699**	**165,220,084**	**616,153,103**

2016	**< 1month Shs '000**	**1-12 months Shs '000**	**1-5 years Shs '000**	**over 5 years Shs '000**	**Total Shs '000**
Assets					
Cash and short-term funds	314,099,382	-	-	-	314,099,382
Due from other banks	56,630,549	-	-	-	56,630,549
Investments	120,977,569	306,948,073	-	-	427,925,642
Loans and advances at amortised cost	15,267,180	383,483,163	779,556,882	69,395,560	1,247,702,785
Other assets	27,642,547	27,061,828	214,686,578	-	269,390,953
	534,617,227	**717,493,064**	**994,243,460**	**69,395,560**	**2,315,749,311**
Liabilities					
Due to customers and other banks	33,675,809	1,215,714,655	350,778	380,735,117	1,630,476,359
Managed funds	-	-	10,431,212	-	10,431,212
Borrowed funds	-	10,478,570	81,080,038	16,044,832	107,603,439
Other liabilities	8,709,395	6,982,677	66,529,260	-	82,221,332
	42,385,204	**1,233,175,902**	**158,391,288**	**396,779,949**	**1,830,732,342**
Net liquidity gap	**492,232,023**	**(515,682,838)**	**835,852,172**	**(327,384,389)**	**485,016,969**
Off balance sheet gap	**-**	**-**	**38,433,366**	**-**	**38,433,366**
Net liquidity gap	**492,232,023**	**(515,682,838)**	**874,285,538**	**(327,384,389)**	**523,450,335**

d) Fair value measurement

i) 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 analysed as follows:

	31 December 2017 Carrying Amount Shs '000	Fair Value Shs '000	31 December 2016 Carrying Amount Shs '000	Fair Value Shs '000
Assets				
Loans and receivables				
C Cash and short-term funds	290,797,633	290,797,633	314,099,382	314,099,382
Due from other banks	64,425,658	64,425,658	56,630,549	56,630,549
Loans and advances at amortised cost	1,335,304,927	1,647,842,051	1,247,702,785	1,631,915,935
Other financial assets	35,596,650	42,210,430	37,006,187	45,140,224
(Financial assets at fair value through profit or loss or OCI)				
Investments	150,680,187	150,680,187	90,784,201	90,784,201
Held to maturity investments				
Government securities and other investments	600,572,567	600,572,567	337,141,441	337,141,441
	2,477,377,622	**2,796,528,526**	**2,083,364,545**	**2,475,711,732**
Liabilities				
Financial liabilities measured at amortised cost				
Due to customers and other banks	1,919,005,172	1,919,301,688	1,630,476,359	1,630,618,748
Managed funds	12,069,117	15,596,419	10,431,212	14,665,481
Borrowed funds	130,803,258	167,815,336	107,603,439	151,282,153
Other Financial liabilities	25,359,263	25,359,263	25,560,242	33,955,554
	2,087,36,810	**2,128,072,706**	**1,774,071,252**	**1,830,521,936**

Fair value hierarchy

At 31 December 2017	Level 1	Level 2	Level 3	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Assets measured at fair value				
Government securities at fair value	-	150,680,187	-	**150,680,187**
Assets and liabilities not measured at fair value for which fair values have been disclosed:				
Loans and advances	-	-	1,647,842,051	**1,647,842,051**
Government securities held to maturity	-	600,572,567	-	**600,572,567**
Other Assets	-	-	42,210,430	**42,210,430**
Managed funds	-	-	15,596,419	**15,596,419**
Borrowed funds	-	-	167,815,336	**167,815,336**
Other liabilities	-	-	25,359,263	**25,359,263**

At 31 December 2016	Level 1	Level 2	Level 3	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Assets at fair value				
Government securities at fair value	-	90,784,201	-	**90,784,201**
Assets and liabilities not measured at fair value for which fair values have been disclosed:				
Loans and advances	-	-	1,631,915,935	**1,631,915,935**
Government securities held to maturity	-	337,141,441	-	**337,141,441**
Other Assets	-	-	45,140,224	**45,140,224**
Managed funds	-	-	14,665,481	**14,665,481**
Borrowed funds	-	-	151,282,153	**151,282,153**
Other liabilities	-	-	33,955,554	**33,955,554**

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 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.

- Fair value of the government securities is estimated by discounting future cash flows using observable market rates currently available for securities on similar terms, 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 2016 was assessed to be insignificant.

Financial instruments not measured at fair value

(i) Loans and advances

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Government securities and investments held-to-maturity

The fair value for these held-to-maturity assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The carrying amount of investment securities is a reasonable approximation of fair value.

(iii) Deposits due to customers and other banks

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand and this is the carrying amount. The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amounts are a reasonable approximation of this.

(iv) Borrowings and managed funds

The interest rates charged on borrowings held by the bank based on WACC or other bases for determining market interest rates. The interest rates are variable and in line with market rates for similar facilities. The fair values of such interest bearing borrowings not quoted in an active market is based on discounted cash flows using interest rates for similar facilities.

The tables below show the current and non-current assets and liabilities as at 31 December 2017 and 2016 respectively:

Current and non-current assets and liabilities as at 31 December 2017

	Note	Not more than 12 months after the reporting period	More than 12 months after the reporting period	Total
		Shs '000	Shs '000	Shs '000
Assets				
Cash and balances with Bank of Uganda	14	290,797,633	-	290,797,633
Placements with other banks	15	64,425,658	-	64,425,658
Government securities	16	679,073,289	72,179,465	751,252,754
Loans and advances to customers	18	398,750,343	936,554,584	1,335,304,927
Other assets	17	12,966,754	44,244,068	57,210,822
Property & equipment and intangible assets	19 & 20	32,192,193	175,096,083	207,288,276
Total assets		**1,478,205,870**	**1,228,074,200**	**2,706,280,070**
Liabilities	22	1,910,129,846	1,008,045	1,911,137,891
Customer deposits	23	7,867,281	-	7,867,281
Deposits from other banks	24	-	-	-
Inter-bank borrowing	25	1,637,905	10,431,212	12,069,117
Managed funds	26	23,199,819	107,603,439	130,803,258
Borrowed funds	27	3,483,328	-	3,483,328
Current income tax payable	21	822,360	-	822,360
Deferred grants	29	240,748	158,166	398,914
Other liabilities	27	74,109,964	6,632,600	80,742,564
Provision for litigation	28	1,174,213	-	1,174,213
Total liabilities		**2,022,665,464**	**125,833,462**	**2,148,498,926**

Current and non-current assets and liabilities as at 31 December 2016

	Note	Not more than 12 months after the reporting period Shs '000	More than 12 months after the reporting period Shs '000	Total Shs '000
Assets				
Cash and balances with Bank of Uganda	14	314,099,382	-	314,099,382
Placements with other banks	15	56,630,549	-	56,630,549
Government securities	16	416,531,736	11,393,906	427,925,642
Loans and advances to customers	18	429,612,877	818,089,908	1,247,702,785
Other assets	17	32,684,265	21,580,813	54,265,078
Finance lease on leasehold land	19	-	2,134,831	2,134,831
Property and equipment	19	-	204,890,816	204,890,816
Intangible assets	20	-	4,219,989	4,219,989
Deferred income tax asset	21	-	3,880,239	3,880,239
Total assets		**1,249,558,809**	**1,066,190,502**	**2,315,749,311**
Liabilities		1,504,429,690	122,184,475	1,626,614,165
Customer deposits	22	3,862,194	-	3,862,194
Deposits from other banks	23	-	-	-
Inter-bank borrowing	23	657,000	9,774,212	10,431,212
Managed funds	25	12,942,864	94,660,575	107,603,439
Borrowed funds	26	6,607,864	-	6,607,864
Current income tax payable	13	144,855	246,877	391,732
Deferred grants	29	69,888,036	2,347,078	72,235,114
Other liabilities	27	2,986,622	-	2,986,622
Total liabilities		**1,601,519,125**	**229,213,217**	**1,830,732,342**

f) 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 requirements 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 filed with Bank of Uganda on a quarterly basis.

Bank of Uganda requires each bank to:

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

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

Tier 1 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 1 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 2017 and 31 December 2016. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2017 Shs '000	2016 Shs '000
Core Capital (Tier 1)		
Permanent equity	25,116,624	25,116,624
Share premium	1,138,927	1,138,927
Retained earnings	496,787,520	422,951,664
	523,043,071	**449,207,215**
Core banking system-WIP	-	(43,013,433)
Computer software	(47,369,472)	(4,219,989)
Deferred income tax asset	-	(3,880,239
Fair value gain on held for trading securities	(1,240,095)	(2,396,994)
Unrealised foreign exchange gains	(13,684)	-
Tier 1 Capital	**474,419,820**	**395,696,560**
Supplementary Capital (Tier 2)		
Unencumbered general provisions for losses	14,193,229	13,097,163
Tier 2 Capital	**14,193,229**	**13,097,163**
Total Capital (Tier 1+Tier 2)	**488,613,049**	**408,793,723**

The increase of the regulatory capital in the year 2017 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.

For purposes of the risk weighted assets calculation, the analysis of loans and advances to customers (net of those secured by cash) is as below:

	2017 Shs '000	2016 Shs '000
Loans and advances to customers		
Overdrafts	34,454,148	36,025,021
Commercial loans	496,417,264	469,621,690
Micro finance loans	778,352,551	706,234,139
Finance leases	24,389,120	26,118,092
Staff loans	38,020,033	33,627,398
Gross loans and advances	**1,371,633,116**	**1,271,626,340**
Add/(Less):		
Off-market loan discount	20,922,733	19,035,552
Cash secured loans	(663,694)	(900,705)
Specific provisions	(25,063,555)	(15,070,799)
Interest in suspense	(6,541,433)	(3,971,530)
Net loans and advances	**1,360,287,167**	**1,270,718,858**

	Nominal amounts 2017 Shs '000	2016 Shs '000		Risk weighted amounts 2017 Shs '000	2016 Shs '000
Assets					
Notes, coins & other cash assets	115,169,615	87,179,184	0%	-	-
Balances with Bank of Uganda	175,628,018	226,920,198	0%	-	-
Due from commercial banks in Uganda	56,132,710	20,013,356	20%	11,226,542	4,002,671
Due from commercial banks outside Uganda					
(1) Rated AAA to AA (-)	-	-	20%	-	-
(2) Rated A (+) to A (-)	8,102,588	25,584,306	50%	4,051,294	12,792,153
(3) Rated A (-) and non-rated	190,359	11,032,887	100%	190,359	11,032,887
Investment securities	751,252,754	427,925,642	0%	-	-
Loans and advances to customers					
(net of those secured by cash)	1,360,287,167	1,270,718,858	100%	1,360,287,167	1,270,718,858
Other accounts receivable	68,204,037	58,302,478	100%	68,204,037	58,302,478
Property and equipment	148,925,588	202,988,247	100%	148,925,588	202,988,247
Off-statement of financial position items					
Contingencies secured by cash collateral	4,794,959	8,654,347	0%	-	-
Guarantees & acceptances	17,329,380	9,726,846	100%	17,329,380	9,726,846
Performance bonds	6,018,142	3,568,036	50%	3,009,071	1,784,018
Documentary credits (trade related)	10,094,310	8,229,101	20%	2,018,862	1,645,820
Other commitments	20,135,169	8,255,036	50%	10,067,585	4,127,519
Total risk-weighted assets	**2,742,264,796**	**2,369,098,522**		**1,625,309,885**	**1,577,121,497**

	2017 Shs '000	Ratio	2016 Shs '000	Ratio
Capital ratios				
Tier I Capital (Core)	474,419,820	29%	395,696,560	25%
Tier I + Tier 2 Capital (Total)	488,613,049	30%	408,793,723	26%
FIA 2004 minimum ratio capital requirement				
Core capital	8%			8%
Total capital	**12%**			**12%**

5 Interest income

	2017 Shs '000	2016 Shs '000
Interest on loans	311,859,031	287,573,689
Interest on treasury bills held to maturity	44,417,866	63,289,753
Interest on treasury bills available for sale	2,317,443	-
Interest on inter-bank placements	24,383,423	7,542,782
	382,977,763	**358,406,224**

6 Interest expense

	2017 Shs '000	2016 Shs '000
Savings accounts	21,448,366	18,082,515
Current accounts	1,038,695	832,720
Fixed deposit accounts	17,103,072	16,675,854
Managed/borrowed funds	11,055,006	10,218,134
Other financial costs	-	106,373
Inter-bank borrowings	471,973	901,688
	51,117,112	**46,817,284**

7 Fee and commission income

	2017 Shs '000	2016 Shs '000
Loan processing fees and commitment fees on overdrafts	23,459,167	18,903,526
Ledger fees	31,047,378	23,870,187
Other commissions and fees	38,632,804	33,432,653
	93,139,349	**76,206,366**

8 Net trading income

	2017 Shs '000	2016 Shs '000
Interest on treasury bills held for trading	5,994,644	4,504,958
Interest on treasury bonds held for trading	5,492,850	2,282,474
Fair value gain/(loss) on held for trading securities	1,240,095	2,396,994
Gain on sale of securities	1,771,388	51,061
Foreign currency trading commission	7,834,526	4,670,640
Realised revaluation (loss)/gain	(2,046,108)	2,607,332
Unrealised revaluation (loss)/gain	13,684	(220,146)
Charges on T-bills/Bonds secondary market	19,835	
	20,320,914	**16,293,313**

9 Other operating income

	2017 Shs '000	2016 Shs '000
Income from bullion van hire	-	80
Recovery of written off loans	7,131,325	4,469,236
Sale of ATM cards & banking stationery	5,135,330	5,485,366
Release of unutilized accruals	2,895,121	1,486,789
Grant income	116,783	144,855
Uncollected ATM cards	43,604	498,265
Other income	3,023,581	866,258
	18,345,744	**12,950,849**

10 Employee benefits expense

	2017 Shs '000	2016 Shs '000
Staff salaries	91,894,086	80,580,373
Staff bonuses	23,924,996	19,630,928
NSSF contributions	10,709,115	9,373,656
Retirement plan contributions	7,298,756	6,442,052
	133,826,953	**116,027,009**

11 Impairment losses on loans and advances

	2017 Shs '000	2016 Shs '000
Credit losses impairment-Identified	27,426,292	13,670,175
Credit losses impairment-Unidentified	425,816	1,313,338
	27,852,108	**14,983,513**

12 Operating expenses

	2017 Shs '000	2016 Shs '000
Auditors' remuneration	304,195	364,006
Software maintenance and license costs	19,967,459	13,194,017
Premises costs (rent, maintenance and utilities)	19,568,283	17,279,188
Insurance	9,997,191	9,193,702
Security	4,132,141	3,942,822
Staff welfare, equipment maintenance and other office expenses	20,281,151	16,611,555
Equipment lease expenses	5,586,493	5,182,384
Motor vehicle & cycle expenses	2,935,003	2,605,923
Telephone, telex, internet and postage	7,167,396	7,875,797
Corporate Social Responsibility (CSR)	1,069,286	952,797
Advertising and marketing	6,070,467	6,591,992
Directors' fees and other expenses	3,938,038	3,644,606
Consultancy and legal fees	2,514,212	1,749,141

	2017 Shs '000	2016 Shs '000
Recruitment and training	3,785,092	3,440,460
Staff transfer	1,555,058	1,053,688
Seminars & conferences	14,768	262,801
Subscription	858,500	752,680
Stationery	5,056,812	5,185,546
Transport & travel	8,263,148	7,546,797
Bank charges	5,423,925	886,093
Cash shortages and other losses	1,899,109	3,054,679
Other operating expenses	2,111,273	1,714,494
	132,499,000	**113,085,168**

13 Income tax expense

	2017 Shs '000	2016 Shs '000
Current income tax	32,353,760	39,287,878
Deferred tax charge/ (credit) (Note 21)	4,667,215	(1,332,189)
	37,020,975	**37,955,689**

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

	2017 Shs '000	2016 Shs '000
Profit before income tax	137,296,403	147,864,461
Tax calculated at 30.0% (2016: 30.0%)	41,188,920	44,359,338
Tax effect of:		
- Expenses not deductible for tax	1,512,316	1,408,982
- Income not subject to tax: interest on government securities	(16,736,330)	(21,023,156)
- Prior year adjustment under provision- deferred tax	(208,427)	(804,912)
- Prior year adjustment under provision- current tax	(380,064)	-
- 20% final tax on government securities	11,644,560	14,015,437
Income tax expense	**37,020,975**	**37,955,689**
The movement in current income tax payable was as follows:		
At 1 January	6,607,864	5,137,889
Under provision in prior year tax	(380,064)	-
Current income tax expense	32,353,760	39,287,878
Income tax paid during year	(35,098,232)	(37,817,903)
At 31 December	**3,483,328**	**6,607,864**

14 Cash and balances with Bank of Uganda

	2017 Shs '000	2016 Shs '000
Coins and notes	115,169,615	87,179,184
Balances with Bank of Uganda	115,581,169	86,780,472
Bank of Uganda repurchase agreements (repos)	60,046,849	140,139,726
	290,797,633	**314,099,382**

Balances on hand and with the Central Bank are non-interest bearing and include the minimum cash reserve requirement. The Bank of Uganda deposit auction amounting to Shs 232 billion has been disclosed under government securities (Note 16). The minimum cash reserve requirement as at 31 December 2017 was Shs 152,130 million (2016: Shs 128,930 million). 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.

15 Deposits and balances due from other banks

	2017 Shs '000	2016 Shs '000
Balances with local banks	-	-
Balances with foreign banks	7,845,435	17,782,727
Placements with local banks	56,132,710	20,013,356
Placements with foreign banks	447,513	18,834,466
	64,425,658	**56,630,549**

The weighted average effective interest rate on placement with other banks was 10.7% (2016:12.0%).

16 Government securities

	2017 Shs '000	2016 Shs '000
Government securities - held for trading:	141,544,714	90,784,201
- Treasury bills	12,772,011	79,390,295
- Treasury bonds	128,772,703	11,393,906
	141,544,714	**90,784,201**
Government securities - held to maturity:		
- Treasury bills	368,187,074	337,141,441
Government securities - available for sale:		
- Treasury bills	9,135,473	-
Other securities		
- Bank of Uganda Deposit Auction	232,385,493	-
	751,252,754	**427,925,642**

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 8.9% (2016: 16.7%) and 13.6% (2016: 17.4%) respectively.

17 Other assets

	2017 Shs '000	2016 Shs '000
Cheques in transit	116,596	-
Staff advances	13,107	18,130
Accrued late fee payment	1,707,163	1,002,820
Prepaid expenses	13,372,619	10,318,676
Western Union commission receivable	716,975	414,531
Outward and inward clearing	1,819,174	1,124,409
Mobile float	12,953,647	14,241,764
Deferred staff expenses	20,922,733	19,035,552
Unsettled interbank trading deals	-	2,707,921
Value Added Tax recoverable	324,806	839,661
Other sundry assets	5,264,002	4,561,616
	57,210,822	**54,265,078**

18 Loans and advances to customers

	2017 Shs '000	2016 Shs '000
Overdrafts	34,454,148	36,025,021
Commercial loans	496,417,264	469,621,690
Micro finance loans	778,352,551	706,234,139
Finance leases	24,389,120	26,118,092
Staff loans	38,020,033	33,627,398
Gross loans and advances	**1,371,633,116**	**1,271,626,340**
Provision for loan impairment – identified losses	(27,743,332)	(15,764,514)
Provision for loan impairment – unidentified losses	(8,584,857)	(8,159,041)
Net loans and advances	**1,335,304,927**	**1,247,702,785**

In the table below is a detailed analysis of finance leases:

	2017 Shs '000	2016 Shs '000
Finance leases		
Gross investments in finance leases		
No later than 1 year	3,829,363	7,651,716
Later than 1 year but no later than 5 years	25,656970	23,196,188
Later than 5 years	-	635,733
	29,486,333	**31,483,637**
Unearned future finance income on finance leases	(5,097,213)	(5,365,545)
Net investment in finance leases	**24,389,120**	**26,118,092**

Analysis of net investment in finance leases

	2017 Shs '000	2016 Shs '000
No later than 1 year	3,433,565	6,121,998
Later than 1 year but no later than 5 years	20,955,555	19,606,620
Later than 5 years	-	389,474
	24,389,120	**26,118,092**

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 7 years depending on the type of equipment financed and the anticipated cash flows. The average interest rate on these facilities for 2017 was 20.6% for Ushs facilities and 9.6% for USD facilities (2016: 22.0% and 9.0 % respectively).

The movement in provisions for impairment of loans and advances was as follows:

	Overdraft Shs'000	Commercial Loans Shs '000	Microfinance Loans Shs'000	Leasing Portfolio Shs'000	Staff Loans Shs'000	Total Shs'000
Non-performing loans - Identified loss:						
At 1 January 2017	649,299	2,901,829	11,777,423	433,900	2,063	15,764,514
Impaired accounts written off	(572,498)	(4,956,677)	(12,327,435)	(160,765)	-	(18,017,375)
Additional identified impairment	584,837	5,257,108	28,304,974	254,851	-	34,401,770
Impairments released due to improved status	(536,255)	(783,586)	(5,242,182)	(411,645)	(1,810)	(6,975,478)
Movement in interest suspended during the year	49,118	173,615	2,347,421	-	(253)	2,569,901
At 31 December 2017	**174,501**	**2,592,289**	**24,860,201**	**116,341**	**-**	**27,743,332**
Performing loans - Unidentified loss:						
At 1 January 2017	297,011	1,574,272	5,432,712	181,308	673,738	8,159,041
Net provisions raised	15,501	82,160	283,531	9,462	35,162	425,816
At 31 December 2017	**312,512**	**1,656,432**	**5,716,243**	**190,770**	**708,900**	**8,584,857**
Total	**487,013**	**4,248,721**	**30,576,444**	**307,111**	**708,900**	**36,328,189**
Non-performing loans - Identified loss:						
At 1 January 2016	41,569	708,984	11,918,444	142,388	80,980	12,892,365
Impaired accounts written off	-	(3,843,046)	(7,141,836)	(35,488)	(242,972)	(11,263,342)
Additional identified impairment	618,604	5,606,653	10,268,278	364,248	184,986	17,042,769
Impairments released due to improved status	(10,875)	(185,467)	(3,117,819)	(37,248)	(21,184)	(3,372,593)
Movement in interest suspended during the year	-	614,706	(149,644)	-	253	465,315
At 31 December 2016	**649,298**	**2,901,830**	**11,777,423**	**433,900**	**2,063**	**15,764,514**
Performing loans - Unidentified loss:						
At 1 January 2016	267,604	1,182,292	4,843,239	159,508	393,060	6,845,703
Net provisions raised	29,407	391,980	589,473	21,800	280,678	1,313,338
At 31 December 2016	**297,011**	**1,574,272**	**5,432,712**	**181,308**	**673,738**	**8,159,041**
Total	**946,309**	**4,476,102**	**17,210,135**	**615,208**	**675,801**	**23,923,555**

19 Property and equipment

	Finance Lease Shs '000	Buildings Shs '000	Motor Vehicles & Cycles Shs '000	Computer Equipment & Accessories Shs '000	Furniture Fixtures & Equipment Shs '000	Work In Progress (WIP) Shs '000	Work in Progress (Core Banking System) Shs '000	Total Shs '000
Cost								
At I Jan 2017	2,536,543	102,043,516	11,026,405	61,155,547	95,019,723	1,902,569	43,013,433	316,697,735
Additions	-	-	-	-	-	26,566,435	-	26,566,435
Disposals	-	(44,545)	(1,350,343)	(421,869)	(969,870)	-	-	(2,786,627)
Transfer from WIP	-	42,228	1,744,966	4,741,613	5,594,741	(19,565,086)	(43,013,433)	(50,454,970)
At 31 Dec 2017	**2,536,543**	**102,041,199**	**11,421,028**	**65,475,292**	**99,644,594**	**8,903,917**	**-**	**290,022,573**
Depreciation								
At I January 2017	401,712	7,876,098	9,573,087	40,377,418	51,443,774	-	-	109,672,089
Charge for the Period	45,532	2,054,462	818,822	8,746,762	11,532,780	-	-	23,198,359
On disposals	-	(44,545)	(1,334,940)	(421,265)	(965,928)	-	-	(2,766,678)
At 31 Dec 2017	**447,244**	**9,886,015**	**9,056,969**	**48,702,915**	**62,010,626**	**-**	**-**	**130,103,769**
Net carrying amount								
At 31 Dec 2017	**2,089,299**	**92,155,184**	**2,364,059**	**16,772,377**	**37,633,968**	**8,903,917**	**-**	**159,918,804**

The finance lease relates to costs incurred when acquiring the leasehold land on plot 2 Burton street. The costs are being amortised on a straight line basis over the life of the lease agreement The lease agreement for plot 2 Burton Street became effective November 2009 for ninety-nine years. As at 31 December 2017 the remaining lease period is 91 years.

	Finance Lease Shs '000	Buildings Shs '000	Motor Vehicles & Cycles Shs '000	Computer Equipment & Accessories Shs '000	Furniture Fixtures & Equipment Shs '000	Work In Progress (WIP) Shs '000	Work in Progress (Core Banking System) Shs '000	Total Shs '000
Cost								
At I Jan 2016	2,536,543	83,311,505	10,607,443	47,664,773	97,512,698	1,801,287	48,728,661	292,162,910
Additions	-	-	-	-	-	21,697,907	13,400,729	35,098,635
Transfers from deferred capital expenditure	-	-	868,826	5,370,269	10,048,781	(16,287,876)	-	
Disposals	-	-	(449,864)	(1,690,675)	(1,355,576)	-	-	(3,496,115)
Transfer from WIP	-	4,440,985	-	12,916,026	-	(5,308,750)	(19,115,957)	(6,199,902)
Reclassification	-	14,291,026	-	(3,104,846)	(11,186,180)	-	-	-
At 31 Dec 2016	**2,536,543**	**102,043,516**	**11,026,405**	**61,155,547**	**95,019,723**	**1,902,568**	**43,013,433**	**316,697,735**
Depreciation								
At I Jan 2016	358,097	5,456,084	8,820,884	34,569,729	41,323,248	-	-	90,528,042
Charge for the year	43,615	1,943,994	1,202,067	7,824,700	11,976,366	-	-	22,990,724
On disposals	-	-	(449,864)	(1,672,028)	(1,344,694)	-	-	(3,466,586)
Reclassification	-	476,020	-	(344,983)	(511,146)	-	-	(380,109)
At 31 Dec 2016	**401,712**	**7,876,098**	**9,573,087**	**40,377,418**	**51,437,774**	**-**	**-**	**109,672,089**
Net carrying amount								
At 31 Dec 2016	**2,134,831**	**94,167,418**	**1,453,318**	**20,778,129**	**43,575,949**	**1,902,568**	**43,013,433**	**207,025,647**

20 Intangible assets

	2017 Shs '000	2016 Shs '000
Cost		
At 1 January	13,660,350	9,015,178
Additions	-	1,289,830
Disposals	(33,365)	-
Transfer from WIP	52,143,048	3,355,342
At 31 December	**65,770,033**	**13,660,350**
Amortisation		
At 1 January	9,440,361	7,351,786
Charge for the year	8,993,835	2,088,575
Disposal	(33,635)	-
At 31 December	**18,400,561**	**9,440,361**
Net carrying amount		
At 31 December	**47,369,472**	**4,219,989**

21 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:

	2017 Shs '000	2016 Shs '000
At 1 January	(3,880,239)	(2,548,050)
Prior year under provision	(208,427)	(804,912)
Charge/ (credit) to statement of comprehensive income (Note 13)	4,875,642	(527,277)
Charge to other comprehensive income	35,384	-
At 31 December	**822,360**	**(3,880,239)**

	1 Jan 2017 Shs '000	Charge to SCI Shs '000	Charge to OCI Shs '000	31 Dec 2017 Shs '000
Deferred income tax liability				
Accelerated tax depreciation	5,321,412	4,250,094	-	9,571,506
Fair value adjustments	158,040	695,126	35,384	888,550
	5,479,452	**4,945,220**	**35,384**	**10,460,056**
Deferred income tax asset				
Provisions	(3,343,698)	(11,822)	-	(3,355,520)
Deferred income	(6,015,993)	(266,183)	-	(6,282,176)
	(9,359,691)	**(278,005)**	**-**	**(9,637,696)**
Net deferred tax asset	**(3,880,239)**	**4,667,215**	**35,384**	**822,360**

Deferred income tax (continued)

	1 Jan 2016 Shs '000	Charge to SCI Shs '000	31 Dec 2016 Shs '000
Deferred income tax liability			
Accelerated tax depreciation	5,493,095	(171,683)	5,321,412
Fair value adjustments	(561,058)	719,098	158,040
	4,932,037	**547,415**	**5,479,452**
Deferred income tax asset			
Provisions	(2,545,897)	(797,801)	(3,343,698)
Deferred income	(4,934,190)	(1,081,803)	(6,015,993)
	(7,480,087)	**(1,879,604)**	**(9,359,691)**
Net deferred tax asset	**(2,548,050)**	**(1,332,189)**	**(3,880,239)**

22 Customer deposits

	2017 Shs '000	2016 Shs '000
Current accounts	473,944,838	376,871,220
Savings accounts	1,227,375,000	1,090,019,614
Time deposits	209,818,053	159,723,331
	1,911,137,891	**1,626,614,165**

The weighted average effective interest rate on customer deposits was 2.0% (2016: 2.0%). Customer deposit balances are due within one year.

23 Deposits and balances due to other banks

	2017 Shs '000	2016 Shs '000
Balances from local banks	5,709,127	2,655,771
Other finance institutions	2,158,154	1,206,423
	7,867,281	**3,862,194**

24 Inter-bank borrowing

The bank had no Interbank borrowings by close of years 2016 and 2017.

25 Managed funds

	2017 Shs '000	2016 Shs '000
ACF-BOU	346,471	612,187
GoU - Youth Venture Capital Fund	8,309,614	5,688,249
KCCA Fund	3,010,896	3,126,505
Managed Funds UECC	402,136	1,004,271
	12,069,117	**10,431,212**

ACF-BOU

The Government of Uganda through the central bank in partnership with commercial banks, Uganda Development Bank Ltd and micro-deposit taking institutions (MDIs) created the Agricultural Credit Facility. The facility was created for the provision of medium term credit facilities to agriculture and agro-processing projects on more favorable terms as opposed to the open market. The credit facilities are advanced to customers at an interest rate of 12%. The other objectives of the facility include the promotion of commercial agriculture, increasing access to finance by agribusinesses, increased agricultural production thus food security as well as boosting the confidence of financial institution in lending to agriculture.

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 31st December 2017 the fund stood at Shs 8.3 billion (2016: Shs 5.7 billion). In 2017, the Bank received Shs.2.9bn being transfer of unutilized funds from DFCU bank.

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 residing and working in Kampala District.

UECC

In 2016, the bank received funding of USD 650,000 from Uganda Energy Credit Capitalisation Company (UECCC). The facility is a line of credit to commercial enterprises and household (sub-borrowers) interested in connecting to any electricity distribution network anywhere in Uganda. The principal was to be refunded back to UECC in five equal instalments. The facility was effectively utilized and as per the agreement, in 2017 the Bank made 3 installments and by close of year 2017, there was Shs 402 million outstanding.

In the table below is a movement analysis of managed funds:

	UECC Shs'000	BOU - ACF Shs'000	KCCA Shs'000	Youth Venture Shs'000	Total Shs'000
At start of year	1,004,271	612,187	3,126,505	5,688,249	10,431,213
Additions	-	-	-	2,939,091	2,939,091
Repayments	(602,136)	(265,717)	-	-	(867,852)
Amount utilised	-	-	(115,609)	(317,726)	(433,334)
At end of year	**402,136**	**346,471**	**3,010,896**	**8,309,614**	**12,069,117**

26 Borrowed funds

	2017 Shs '000	2016 Shs '000
EIB ECA PEFF	67,314,970	55,159,268
Agribusiness Business Initiative Trust	23,549,189	27,495,332
EADB	20,460,027	-
EAC MF Loan ("EIB")	15,379,529	20,536,153
European Investment Bank (EIB PEFF)	3,733,143	3,973,006
Solar loan (UECCC)	366,400	439,680
	130,803,258	**107,603,439**

EIB PEFF (Private Enterprise Finance Facility) I & II

This was a global loan facility extended to a group of financial institutions in Uganda from Cotonuo Investment facility resources. The facility was used to finance private enterprises in agro industry, fishing, construction, food processing, and manufacturing, tourism, health and education sectors and services provided to these sectors. Repayments are made semiannually and interest is computed on reducing balance. The interest rate charged on this facility was not fixed or uniform but was dependent on the tenure of the loan for which it was disbursed.

EIB EAC (European Investment Bank, East African Community) Microfinance facility

This is a Global Facility from the Cotonou Investment Facility which is used by East African Community banks for the financing of micro credit projects. This was a bullet disbursement (in 2014) of the UGX equivalent of EURO 8M. The loan tenure is 7 years at a fixed interest rate of 10.008%.

EIB ECA PEFF
(European Investment Bank, East and Central Africa Private Enterprise Finance Facility)

The loan agreement was signed in December 2014 for an agreed maximum amount of the UGX equivalent of EURO 20M. The loan agreement allows for minimum and maximum tenures of 4 years and 7 years respectively. Rates vary by tenure but not exceeding 10%. By close of year 2016, EURO 9.1M had been drawn down. EIB disbursed the remaining funds in December 2017.

Solar Loan

Centenary Bank signed a Solar Refinance facility of USD 250,000 with Uganda Energy Credit Capitalisation Company on 12th July 2012. The refinance facility is denominated in Uganda Shillings 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. In 2014, there was an additional funding of Shs 255.9 million. There was no additional funding under this project for the years 2015 to 2017.

Agri Business Initiative (aBi) Finance Limited

As at close of year 2017, the bank had 4 lines of credit from aBi Finance Limited totaling to UGX 23.5BN (gross with accrued interest) with the latest maturity date in 2022. These lines target mainly the agribusiness sector and SMEs. Interest rate on these facilities range between 11.25% - 12.5%.

East African Development Bank (EADB)

The Bank entered into an agreement with EADB for a line of credit worth the UGX equivalent of EURO 5M. This facility is majorly targeted for on lending to agri-business and other rural based medium, small and micro enterprises in Uganda. The tenure of the facility is 5 years starting from the date of disbursement in 2017 with an interest rate of 13.5% fixed for the life of the loan.

In the table below is a movement analysis of borrowed funds:

	EIB Shs'000	aBi Shs'000	EADB Shs'000	UECC Shs'000	Total Shs'000
At start of year	79,668,427	27,495,332	-	439,680	107,603,439
Additions	22,169,737	13,000,000	19,767,486	-	54,937,223
Interest accrued	6,501,490	2,842,989	1,742,189	34,281	11,120,949
Repayments	(21,912,012)	(19,789,132)	(1,049,648)	(107,561)	(42,858,353)
At end of year	86,427,642	23,549,189	20,460,027	366,400	130,803,258

27 Other liabilities

	2017 Shs '000	2016 Shs '000
Bills payable	1,128,962	1,083,120
Unearned fees on late payments	1,172,850	628,720
Unearned fees	20,940,586	20,053,309
Guarantees - Cash collateral	2,103,213	2,170,713
Contract staff (Terminal benefits)	999,646	954,154
Accrued expenses	12,696,351	12,495,505
Centemobile service charge	2,265,033	2,915,119
Unsettled Interbank Trading Deals	-	2,707,500
Accounts payable	4,809,076	2,801,249
Uganda Revenue Authority collections clearing	16,659,195	13,557,586
Excise duty on bank charges	579,080	507,681
Real Time Gross Settlement clearin	1,851,502	132,970
Mortgage fees payable	1,117,978	-
Interswitch funds payable	1,568,236	-
Other taxes payable	8,149,348	8,323,231
Other payables	4,701,508	3,904,257
	80,742,564	**72,235,114**

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28 Provisions

	2017 Shs '000	2016 Shs '000
Outstanding legal cases	929,524	1,437,954
Defalcations and expected losses	244,689	1,548,668
	1,174,213	**2,986,622**

The Bank is a defendant in various legal actions arising from normal day-to-day banking activities. In the opinion of the directors, after taking appropriate legal advice, the provisions made are sufficient to cover any loss that may arise from such actions.

29 Deferred grants

	2017 Shs '000	2016 Shs '000
At start of year	391,732	536,587
Additions	227,550	-
Refund of unutilised funds	(103,585)	-
Transfers to statement of comprehensive income	(116,783)	(144,855)
At end of year	**398,914**	**391,732**

Deferred grants (continued)

In the table below is a movement analysis of deferred grants:

	aBi Super woman Shs'000	AGRIFIN Shs'000	GIZ Shs'000	aBi Adjumani Shs'000	Total Shs'000
At start of year	-	34,906	24,086	332,740	391,732
Additions	227,550	-	-	-	227,550
Refunds	-	-	-	(103,585)	(103,585)
Amount utilised	-	(34,906)	(17,727)	(64,149)	(116,783)
At end of year	**227,550**	**-**	**6,359**	**165,005**	**398,914**

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, Village Savings and Loan Association (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. There is no unfulfilled condition as at the year end.

aBi Trust

In July 2015, the bank partnered with Abi Trust to set up a service centre in Adjumani. The aim of this was to transform the social and economic livelihoods of Adjumani district through offering affordable financial services to the people in the West Nile and the surrounding areas. The agreement was to support the bank with a total contribution of Shs 404 million. This was 47% of the total budget cost of Shs 852 million. In 2017, the Bank received an additional grant of Shs 228 million form aBi Trust for the purpose of boosting one of the bank's products (SupaWoman product).

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

	2017 Shs '000	2016 Shs '000
Net income	100,275,428	109,908,772
Dividends to preference shareholders	(116,624)	(116,624)
Net income attributable to ordinary shareholders	100,158,804	109,792,148
Weighted average number of ordinary shares (No.)	25,000,000	25,000,000
Basic earnings per ordinary share (shilling per share)	**4.006**	**4.392**

31 Share capital

	2017 Shs '000	2016 Shs '000
Authorized		
28,825,356 ordinary shares (2016: 28,825,356) of Shs 1,000 each	28,825,356	28,825,356
150,000 non-redeemable preference shares of Shs 1,000 each	150,000	150,000
At end of year	**28,975,356**	**28,975,356**
Issued and fully paid		
25,000,000 ordinary shares (2016:25,000,000) of Shs 1,000 each	25,000,000	25,000,000
116,624 preference shares (2016: 116,624) of Shs 1,000 each	116,624	116,624
	25,116,624	**25,116,624**

The issued number of shares as at year end was 25,000,000 ordinary shares and 116,624 preference shares (2016: 25,000,000 ordinary shares and 116,624 preference shares). All issued shares are fully paid. Share premium as at the start and end of year amounted to Shs 1,139 million.

The holders of ordinary shares are entitled to receive dividend from time to time and are entitled to one vote per share at meetings of the Bank. Holders of preference shares receive a non-cumulative coupon of 100.0% and they do not carry the right to vote. All shares rank equally with regard to the Bank's residual assets except that the preference shareholders have prior.

32 Proposed dividends

	2017 Shs '000	2016 Shs '000
Preference – 100.0%	116,624	116,624
Ordinary – 25% of net profit after tax (2016: 25%)	25,068,857	27,447,193
	25,185,481	**27,593,817**
Dividend per ordinary share (Shs)	**1,002.75**	**1,099.09**

The directors recommend the payment of a dividend of Shs 1,002.75 per share (2016: 1,099.09 per share) totalling Shs 25.2 billion (2016: Shs 27.6 billion). 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.

33 Regulatory reserve

	2017 Shs '000	2016 Shs '000
At start of year	8,215,937	5,239,369
Transfer from retained earnings	1,254,091	2,976,568
At end of year	**9,470,028**	**8,215,937**

34 Available for sale revaluation reserve

	2017 Shs '000	2016 Shs '000
At 1 January	-	-
Fair value gain on available for sale financial assets	117,948	-
Deferred income tax thereon	(35,384)	-
Gain on available for sale financial assets, net of tax	**82,564**	**-**
At 31 December	**82,564**	**-**

35 Cash and cash equivalents

	2017 Shs '000	2016 Shs '000
Caash and balances with Bank of Uganda (Note 14)	290,797,633	314,099,382
Cash reserve requirement	(152,130,000)	(128,930,000)
Balances with other financial institutions (Note 15)	64,425,658	56,630,549
Government securities < 90 days (Note 16)	316,164,973	92,924,383
	519,258,264	**334,724,314**

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with Bank of Uganda, treasury bills and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Uganda.

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

	2017 Shs '000	2016 Shs '000
Guarantees and performance bonds		
Acceptances and letters of credit	10,094,310	8,229,101
Performance bonds	7,270,790	6,315,138
Bid securities bond guarantees	20,871,690	15,634,091
Commitments to extend credit	20,135,169	8,255,036
At end of year	**58,371,959**	**38,433,366**
Commitments		
Undrawn loan commitments	**89,708,592**	**-**

With the new core banking system, the bank is able to approve loan limits for clients who obtain loans in phases. This strategy was aimed at improving the turnaround time since the customer does not have to go through the entire loan approval process to acquire additional funds. By the end of the year 2017, undrawn funds committed were Shs 89.7 billion.

Operating lease commitments - Bank as a lessee

The Bank 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 operating leases as at 31 December 2017 were Shs 5,863 million within one year (2016: Shs 5,182 million).

37 Related party transactions and balances

(i) Directors' remuneration

	2017 Shs '000	2016 Shs '000
Fees to non-executive directors	823,050	726,311
Emoluments to executive directors:		
-Short-term employee benefits	1,911,978	1,813,736
-NSSF contribution	214,397	212,192
-Gratuity	347,953	308,189
	3,297,378	**3,060,428**
Other expenses – non-executive directors	640,660	584,178
Other expenses - executive directors	63,647	132,976
	4,001,685	**3,777,582**

(ii) Loans and advances to related parties

	2017 Shs '000	2016 Shs '000
At 1 January	39,750,177	39,603,797
Advanced during the year	16,331,549	16,305,813
Repaid during the year	(14,083,789)	(16,159,432)
At 31 December	**41,997,937**	**39,750,178**

The loans and advances to related parties are credit facilities issued to shareholders and key management personnel of the bank

(iii) Key management compensation

	2017 Shs '000	2016 Shs '000
Directors' emoluments	4,001,685	3,777,582
Short-term employee benefits	6,610,764	6,195,519
NSSF Contribution	798,063	736,495
Gratuity	1,302,229	1,169,430
	12,712,741	**11,879,026**

(iv) Substantial shareholders (>5% of shareholding)

	2017 %	2016 %
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
	66.5	**66.5**

(v) Loans to shareholders and guarantees by shareholders

	2017 Shs '000	2016 Shs '000
Catholic Diocese of Kotido	-	30,000
Catholic Diocese of Gulu	13,000	33,573
Catholic Diocese of Kasese	24,970	17,362
Catholic Diocese of Tororo	79,204	88,825
Catholic Diocese of Mityana	93,088	127,720
Catholic Diocese of Jinja	116,088	286,002
Catholic Diocese of Nebbi	218,040	-
Catholic Diocese of Soroti	240,887	262,449
Catholic Archdiocese of Lira	378,208	469,310
Catholic Diocese of Kasana Luweero	510,963	594,730
Catholic Diocese of Arua	967,996	1,043,266
Catholic diocese of Mbarara	1,354,237	1,707,808
Catholic Diocese of Kabale	1,526,316	1,093,273
Catholic Diocese of Fortportal	2,041,557	322,231
Hoima Catholic Diocese	2,463,172	2,420,692
Catholic Diocese of Lugazi	3,840,522	2,372,280
Masaka Catholic Diocese	5,558,504	6,227,598
Catholic Archdiocese of Kampala	18,191,076	16,326,094
Total	**37,617,828**	**33,423,214**
Executive directors	172,031	369,288
Non-executive directors	3,266,625	5,132,022
Other key management personnel	941,453	825,654
	4,380,108	**6,326,964**
	41,997,937	**39,750,178**

Below is a table showing the collateral, interest income, average tenor and provisions for bad and doubtful debts as at 31 December 2017 and 31 December 2016 for:

(i) Loans and advances to shareholders

	2017 Shs '000	2016 Shs '000
Average interest rates (%)	**19.4**	21.5
Collateral (Shs'000)	**402,318,076**	319,051,562
Interest income (Shs'000)	**8,414,366**	7,335,631
Average tenor (months)	**58**	53

Provisions for bad and doubtful debts

	2017 Shs '000	2016 Shs '000
- At year end	**318,205**	87,652
- (Credit)/ charge for the year	**(230,552)**	(18,096)

(ii) Loans and advances to key management personnel

	2017 Shs '000	2016 Shs '000
Average interest rates (%)	8.0	9.5
Collateral (Shs'000)	3,772,000	6,054,000
Interest income (Shs'000)	172,562	164,829
Average tenor (months)	35	48

No provision for bad and doubtful debts was made with regard to loans and advances to key management personnel (2016: Nil).

38 Prior year adjustment

For purposes of the statement of cash flows, cash and cash equivalents have reduced by Shs 90,784 million to exclude government securities with more than 90 days maturity from the date of acquisition and government securities classified as held for trading.

The net impact of the above reclassification to retained earnings is nil. The impact is summarised in the table below:

Statement of cash flows (extract)

	31 December 2016 Shs'000	Increase/ (decrease) Shs'000	Restated 31 December 2016 Shs'000
Cash and cash equivalents at end of year	**425,508,515**	**(90,784,201)**	**334,724,314**

Branch and ATM Network

In order to improve the overall service experience of our customers

we integrated our Call Centre and Social Media platforms to the Customer Relationship Management system.

Branch Network

Mapeera House Branch
Plot 44/46, Kampala Road
Plot 2, Burton Street
P. O. Box 1892 Kampala
Tel: +256 317 202287

Apac Branch
Plot 22 Akokoro Road
Apac Town
Tel: +256 414 663211

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

Adjumani Branch
Lrv 3176 Folio 18
Plot 20 Manyi Road
Adjumani

Bugiri Branch
Plot 117, Grant Street
Iganga-Tororo Highway
P. O. Box 137 Bugiri
Tel: +256 434-250074

Bundibugyo Branch
Plot Ii, Block D,
Bundibujyo Town Council,
Fort Portal Road Highway

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

Bwera Branch
Plot 102, Bukonjo Block 26
Bwera Town Council
Kasese District
Tel: +256 317-201521

Entebbe Road Branch
Plot 7, Entebbe Road
P.o Box 1892
Kampala
Tel: +256 414 232456

Entebbe Road Annex
Plot 18/20 Entebbe Road
P.o Box 1892
Kampala
Tel: +256 414 233456

Fort Portal Branch
Plot 8-10 Kyebambe Road
Fort Portal Town
Tel: +256 4834 22791/0772 751730

Gulu Branch
Plot 426, Gulu Street
P. O. Box 957 Gulu
Tel: +256 471-432572

Gulu Market Branch
Plot 2 Oliya Road
Gulu Town
P.o Box 1892

Hoima Branch
Plot 17 Right Road
P.o Box 427 Hoima
Tel: 4654 40375/0392 751733

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

Iganga Branch
Plot 43 Main Street, Iganga Town
Po Box 101 Iganga
Tel: +256 434242143

Isingiro Branch
Plot 5A High Street
Isingiro Town Council
Isingiro
Tel.: +256 317-205701

Ishaka Branch
Plot 9, Cell C – Ward Iv,
Rukungiri Road,
Ishaka Town

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

Kabalagala Branch
Plot 429 Block 245
Kampala
Tel.: +256 317-206251

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

Kagadi Branch
Plot 69 Prime House
Fort Portal- Kyenjojo Road
Kagadi Town Council
P.o. Box 35 Kagadi
Tel: +256 392 892372

Kamuli Branch
Plot 4, Kitimbo Road
Kamuli Town Council
P. O. Box 168
Tel:+256 414 663226

Kanungu Branch
Busingye Road
Kanungu Town Council
Kanungu

Kasese Branch
Plot 213, Portal Street
P. O. Box 87 Kasese
Tel: +256 483 444041

Kapchorwa Branch
Plot 1, Market Street
P. O. Box 286 Kapchorwa
Tel: +256 414 663208

Kawuku Branch
Plot 309, Immaculate Heart Of
Mary Reparatrix Building
Tel: +256 417 206281

Kawempe Branch
Plot 125, Block 204
Kawempe Town
P.o Box 1892 Kampala
Tel. +256 31720

Kayabwe Branch
Plot 69, Kayabwe, Masaka
P.o Box 1892
Tel.: +256 317-204021

Kayunga Branch
Block 123, Plot 300,
Main Street, Kayunga Central
P.o Box 18257, Kayunga
Tel: +256 414 663207

Kiboga Branch
Plot 101, Hoima Road
P. O. Box 28 Kiboga
Tel: +256 414 663224

Kikuubo Branch
1St Floor, Unifam Plaza
Plot 15, Nakivubo Road
P. O. Box 1892 Kampala
Tel: +256 414 258795/91

Kireka Branch
Plot 1653, Kireka
Tel: +256 414 663193

Kitgum Branch
Plot 7/8, Ogwok Road
P. O. Box 147 Kitgum
Tel: +256 414 663200

Kisoro Branch
Block 29 Plot 79 Karumena
Tel: +256 486 430026
Kisoro

BRANCH AND ATM NETWORK (continued...)

Koboko Branch
Plot 19, Central Road, Koboko Town
P. O. Box 194 Kampala
Tel: +256 414598648

Kotido Branch
Block 20, Moroto Road, Kotido Town
P.o Box 88 Kotido
Tel: +256 392751796

Kumi Branch
Plot 31, Ngora Road, Kumi
Po Box 1892, Kampala
Tel: +256 414 663222

Kyenjojo Branch
Plot 2/6, Nyantungo Road
P. O. Box 1077 Kyenjojo
Tel: +256 414 663196

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

Lira Branch
Obote Avenue
Plot 4-7 Obote Avenue, Soroti Rd.
P.o Box 81 Lira
Tel: +256 4734 20125/0772 422695

Lugogo Branch
Plot 3A2 & 3A3 Sports Lane
Forest Mall, Ground Floor,
Unit G3 Lugogo
P. O. Box 1892 Kampala
Tel: +256 414 663220

Lyantonde Branch
Block 76, Plot 990, Main Street
Lyantonde Town Council
Tel.: 0317-206051

Makerere Branch
St. Augatine's Student Centre
P. O. Box 1892 Kampala
Tel: +256 (0) 414 535750

Masaka Branch
7 Mawogola Road
P.o Box 1063 Masaka
Tel: 4814 20406

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

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

Mbarara Corporate Branch
Plot 28 Masaka Road
P.O Box 662, Mbarara Municipality
Tel: +256 4854 20624

Masindi Branch
Plot 48, Commercial Street
Masindi Town, Masindi
Tel: +256 317-207101

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

Moroto Branch
Plot 25, Lira Street.
Moroto Town
Tel: +256 414 663202

Mpigi Branch
Plot 106, Butambala Road
Mpigi Town
Tel: +256 414 664508

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

Mukono Branch
Jinja Road
P. O. Box 790 Mukono
Tel: +256 414-291618/9

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

Nakivubo Road Branch
Mukwano Arcade
(Opposite St. Balikudembe
Market)
P. O. Box 6171Kampala
Tel: +256 414-507047/6

Namirembe Road Branch
Plot 16 Namirembe Road
P.o Box 1892
Kampala
Tel: 0414 258221

Nansana Branch
Plot 2536, Nansana Town
Wakiso District

Nateete Branch
Plot 1147 Block 20 & Plot 1396 Block
18, Nateete
P.o Box 1892
Tel: +256 317203801

Ntinda Branch
Plot 36 - 38
Ntinda Capital Shoppers Building
Ntinda-Nakawa Road
Tel: +256 414289844

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

Nebbi Branch
Plot 1/3/5, Bishop Orombi Road
P. O. Box 179 Nebbi
Tel: +256 414598643

Paidha Branch
Plot 6 Arua Road
Paidha Town Council

Pallisa Branch
Plot 38, Outa Road,
Paliisa Town Council

Rubaga Branch
Rubaga Cathedral
Admission Block
Po Box 1892 Kampala
Tel:+256 414 271453

Rukungiri Branch
Plot 32 Rukungiri Rd
P.o Box 353 Rukungiri
Tel: 04864 42177

Soroti Branch
Plot 36, Gweri Road
P. O. Box 420 Soroti
Tel: +256 414 663205

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

Wakiso Branch
Plot 249, Wakiso District
Headquaters Road
P. O. Box 69 Wakiso
Tel: +256 414-380501

Wobulenzi Branch
Kasana Luweero Diocese
(Kaludo) House
Plot 249, Gulu Road
P. O. Box 186 Wobulenzi
Tel: +256 414 620006

OFF SITE ATMs

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

Bugolobi
Spring Road,
Middle East Hospital &
shopping complex building
Bugolobi

Bugembe
Bugembe Town Council

Busia
Customs Road,
Busia town

Bweyogerere
UPET Petrol station
Bweyogerere town,
Kampala-Mukono highway

Dokolo
Angwenchibange Parish
Akaidebe Zone, Parcel
Dokolo Town

Entebbe –Kitooro
Kitooro Trading Centre

Ggaba
Ggaba Trading Centre

Gulu
Lacor Hospital, Juba Road

Gulu
Gulu University

Gulu
Andrea Olal Road
Opposite Shell petrol Station

Gayaza
Near Mirembe
Supermarket,
Gayaza Road

Iganga
Main Street,
Iganga town

Jinja Road
Coffee Development
building, Kampala

Kasubi
Petrol City Fuelling Station
Kasubi town

Kabalagala
Shell Petrol Station,
Kabalagala, Kampala

Kabwohe
Sheema Kabwohe,
Bushenyi district

Kajjansi
Opp. Kajjansi market

Kakiri
Kakiri Town

Kalerwe
Gayaza Road next to
Pearl Micro Finance

Kalisizo
Ziladamu building,
New Masaka Road

Kamwokya
Boxing Supermarket
Kamwokya Market

Kasana Luweero
Gulu highway next to
Diocesan Cathedral

Katwe
Kibuga
Opposite Total Petrol
Station, Katwe

Kisenyi
Mwanga II Road, Kisenyi,
Kampala.

Kirinya
Kirinya Trading Centre

Kyabakuza
Kyabakuza Trading Centre

Kyengera
Devine Mercy Arcade,
Masaka Road

Lira
Gapco Petrol station
Olwol Roads

Lugazi
Jinja Road. Lugazi

Lukaya
Mutuba IIBuddu, Lukaya

Luzira
Next to Bishop Cyprian
Kihangire SS, Port Bell Road

Makindye
SIM Towers,
Makindye opposite
Makindye Military Barracks

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

Matugga
St. Francis of Assis Catholic
Parish

Mbale (2 ATMs)
Canos Guest House,
Naboa Road

Mbarara
Masaka Road
Mbarara Town

Mengo Masengere
Mengo, Kampala

Mpigi
Mpigi Town Council
Butabala Road
Park village, Mpigi

Mulago
Business Centre near
Hospital Chapel,
Mulago Hospital

Mini Price (2 ATMs)
Ben Kiwanuka Street

Mukwano Shopping Mall (3 ATMs)
Mukwano Arcade Buiding

Najeera
Najeera II Stage

Nakawa
Jinja Road
Shell Petrol station

Nakawa MUBS
Quality Supermarket

Nakulabye
Road Master Hotel,
Balintuma Road

Nalumunye
Lebron Supermarket

Namugongo (2 ATMs)
Namugongo Road towards
the Uganda Martyrs Catholic
Shrine

Ndeeba
Nsike at Christine Motel

Ntinda
Ntinda Road Trading
Centre, Opposite the mosque

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

Oasis Mall
Nakumatt Shopping Mall,
Yusuf Lule Road, Kampala

Rushere
Plot 18 Rushere,
Kiruhura

Rwebikona
Fort Portal Road

Seeta
Seeta Trading Centre,
Mukono District.

Sironko
Kapchorwa Road
Sironko town

Wandegeya (2 ATMs)
Next to Hotel
Catherine Wandegeya.
Kampala

Centenary Bank Branch Network

"Networked Countrywide..."

Centenary Bank Head Office: Mapeera House,Plot 44-46, Kampala Road, P. O. Box 1892 Kampala

Toll free line: 0800 200555 **E-mail:** info@centenarybank.co.ug

Website: http://www.centenarybank.co.ug

Your Notes

Your Notes

Centenary Rural Development Bank Limited.
Head Office: Mapeera House,Plot 44-46, Kampala Road, P. O. Box 1892 Kampala
Toll free line: 0800 200555 **E-mail:** info@centenarybank.co.ug
Website: http://www.centenarybank.co.ug

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