

CENTENARY BANK AGRIFINANCE EXPERIENCE

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CENTENARY BANK UGANDA
28th – 30th March 2012
KAMPALA UGANDA**



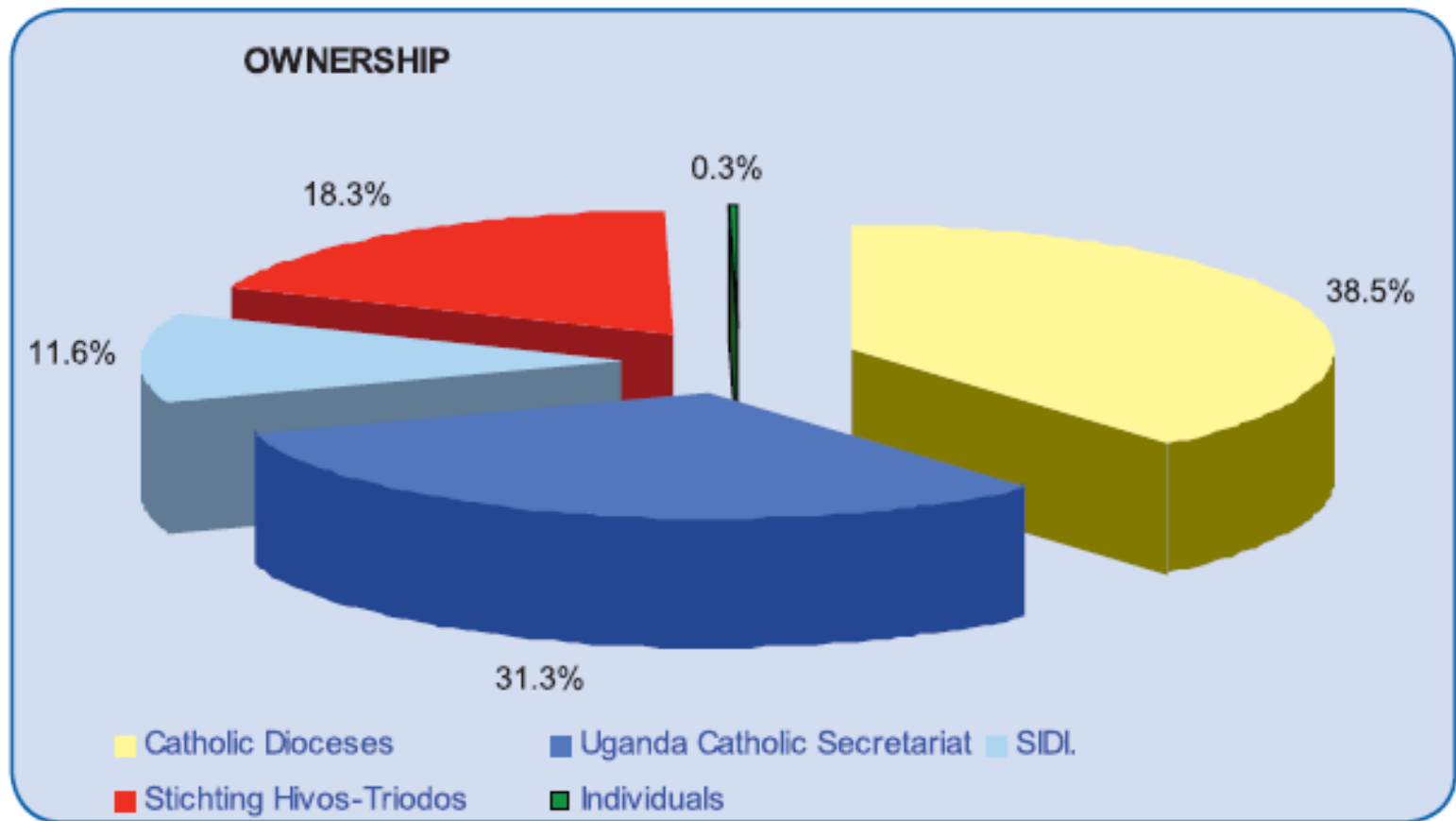
Outline

- Centenary Bank History
- Centenary Bank Performance
- Market Share
- Branch Network
- Types of Financial Services by CB
- Fin Performance
- Bank Ag Lending Methodology
- Ag Lending
- Ag Loan Products
- Linkages
- Challenges

History of CB & Why it Embraced Ag Lending?

- CB started as an initiative of the Uganda Lay Apostolate in 1983 as a Credit Trust.
- Operations began in 1985, registered as Commercial Bank in 1993.
- Objective to serve the rural poor and contribute to development of the country.
- Ag lending fully augmented their vision and mission of being the best provider of microfinance services to people in rural areas in a sustainable way.

Centenary Bank Ownership



Bank Market Share – Dec 2010

Item	Banking Industry	Centenary Bank	Percentage	Rank
Total Number of Accounts	3,500,000	1,025,000	29	1 st
Total Borrowers	400,000	120,000	60	1 st
Branch Network	400	42*	10	2 nd
ATM Network	620	80	13	2 nd
Deposits	8,250 Bn	660 Bn	8	6 th
Gross Loans	5,753 Bn	420 Bn	7.3	6 th
Assets	11,400 Bn	855 Bn	7.5	5 th

PERFORMANCE OF CENTENARY BANK

- One of the fastest growing Commercial Banks in Uganda with **1,133,707 depositors** and over **127,129 borrowers**,
- Large branch network with **41 branches and 7 service centres** networked countrywide, **90 ATMs** and employing over **1,500 staff**
- Volume is **\$ 211,913,061** funded by a deposit base of **\$ 283,251,232**,
- **70 %** of the LP are micro loans, with **18%** Ag portfolio and NP of **1.96%**



Types of Financial Services

- CB provides both deposit/savings and credit products
- Deposit products include;
 - Savings accounts
 - Current accounts
 - Fixed Deposit Accounts
 - Phone Mobile Money
 - SMS & PC Banking
 - Automated Teller Machines
 - Mobile Banking Unit

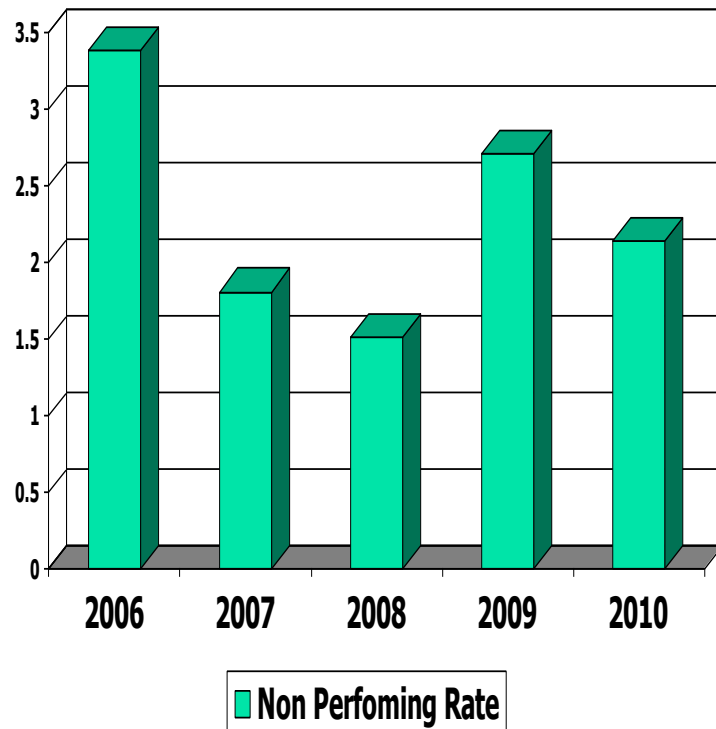
Mobile Banking Unit

- Donated by USAID and started operating September 2011
- Offers real time ATM transactions
- Fully staffed with cashiers, credit officers and sales executives
- One of the most effective tools in deposit mobilization



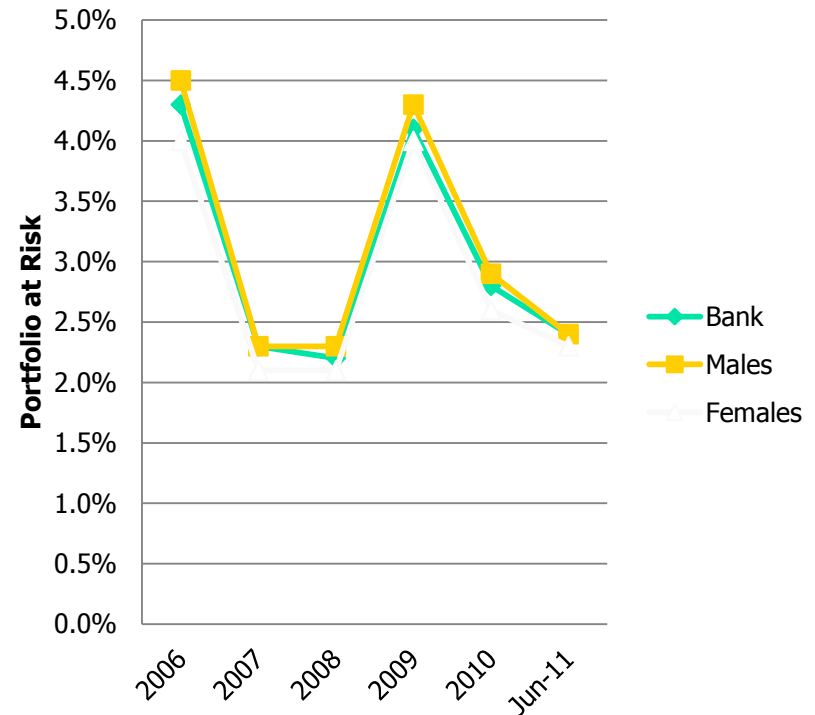
Quality of the Bank Portfolio

Performance in Recovery



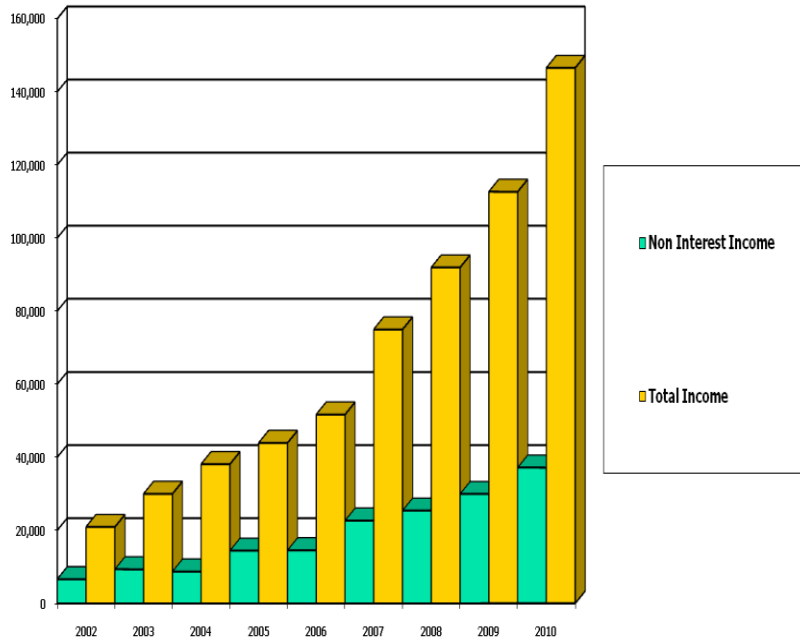
Trends in Quality

Trends of default rates

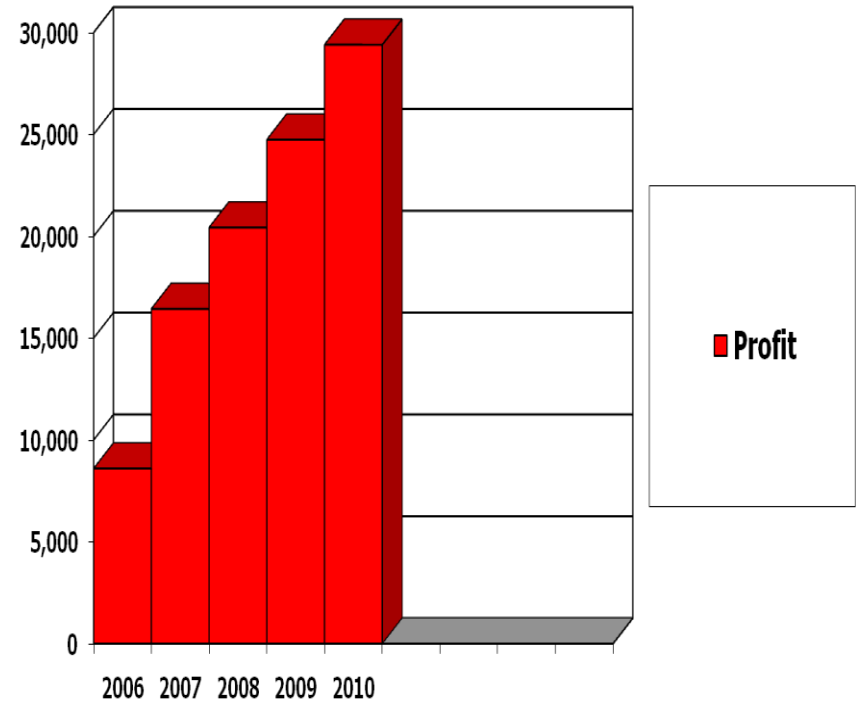


Financial Performance

Interest Income Vs Others – 2002 - 2010



Profit After Tax



Centenary Bank Approach to Agric Lending

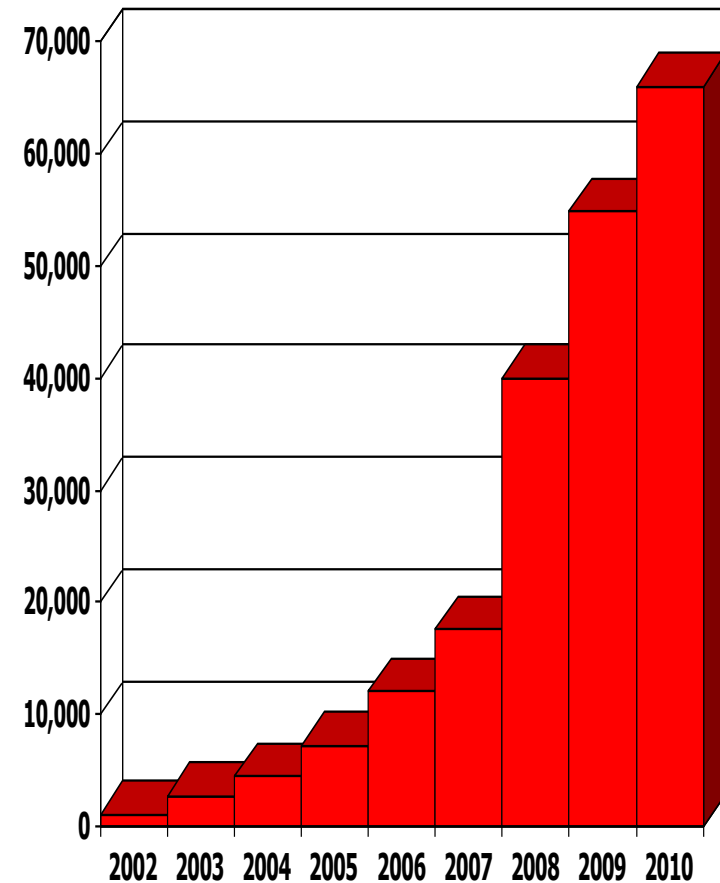
- Focus on commercially oriented farmers
- Holistic approach in credit appraisal by considering all sources of income of the household
- Combination of securities & collateral substitutes
- Using well trained credit officers with a background of agricultural academic qualifications.
- Quick turn around time in Ag loan processing, 3-5 days
- Proper structuring of Ag Loans with grace periods depending the client's cash flows
- Diversification of the agricultural portfolio and Bank portfolio,
- Using an efficient back office credit mgt system to monitor the portfolio growth and quality.

Working Capital Loan Products

Products	Features	Target Clientele	Terms/Conditions
Micro and Small Agric Production Credit	Short term loans to assist farmers pay for labor and buy inputs, Animal Traction Loan, Micro Leasing,	Small Holder Farmers Farmers Groups; CBOs, SACCOs, Cooperatives, Companies & others	Period – 2 years Max LM - \$ 8,500 Interest – 2.5 – 3.8 pm Grace periods up to 8 Months. Collateral – chattels, land, guarantors and substitutes
Micro and Small Ag Business Credit	Short term bridge up finance; loans, overdraft	Stockiest, Produce Traders, processors and other service providers,	As above but with no grace periods
Commercial Credit	Short term credit which includes; loans, overdrafts, line of credit, Trade finance, bid guarantees Micro Leasing	Large Scale farmers Produce dealers Input dealers Processors Exporters Importers	Max Period – 3 Years Max LM - \$ 1.3 M Interest - 1.9%

Quality of Ag Portfolio

- Started in 1998 as a pilot test targeting small holder farmers through financial assistance by USAID under ACIDI/VOCA.
- This was mainly a grant for TA by IPC-Gmbh and providing other logistics.
- Focus was mainly on commercially oriented farmers located in rich agricultural regions,



Linkages & Wide Branch Network

- CB is constantly forming and maintaining linkages with:
 - Farming associations, co-operatives, processors and Exporters
 - Informal financial institutions like MFIs, SACCOS and VSLAs
 - Development partners like GIZ, ABI Trust(DANIDA), SNV, TechnoServe, World Bank
- Having a wide branch network extending in rural areas
- Reducing operational costs by opening smaller branches(Service Centers)
- Using Branchless Banking like E – Banking and Mobile Banking Unit

Major Business Partners

No	Organization	Intervention	Period	Remark
1	World Bank	AgriFin Project worth \$ 2.1 M for Up scaling Agric Lending	2011 - 2012	Major partner
2	Agric Business Initiative – Trust	Guaranteed Ag Portfolio = \$ 6.4 m Financial Literacy	2006 – to date	Assist Ag clients with poor collateral
3	GIZ	Product Development and Roll Out	2008 - to date	Products include; ANT & Micro Leasing
4	USAID Funded Projects i.e. USAID Leads	Capacity building Rural Outreach	1999 – to date	Training of staff MBU



Challenges and Solutions

Challenges	Solution	Remarks
Most of the farmers and other clients in the value chain lack acceptable collateral.	Combination of securities Collateral Substitutes like loan guarantees, personal guarantors, Finance land registration, Contract Financing	One of the major challenge.
Small loans, with widely dispersed clients in rural areas	Clustering of clients Big case loads Wide branch network and branch less banking	Need to upscale its Branch less products like MBU and E – Products.
High costs of Training for Agricultural Loan Officers	Grants from the business partners, In house training by TOT	Need to have its own training unit which can be used by other FIs.
Lack of skills by Ag Clients	Wise selection of clients with experience and commercially oriented	Need for Financial Literacy. Value Chain Analysis of the sectors financed.



Thanks
