Deposit Protection Fund of Uganda
YOUR DEPOSITS ARE PROTECTED

ANNUAL REPORT & FINANCIAL STATEMENTS

AS AT JUNE 30, 2019

Your deposits are protected

Our Vision

Excellence in Deposit Protection for Public Confidence

Our Mission

To Foster Public Confidence in the Financial System through Protection of Depositors of Contributing Institutions

Our Values

- Transparency
- Integrity
- Excellence

Strategic Objectives

- Enhance Depositors Confidence
- Develop and Improve a System for Payment of Insured Deposits
- Increase Public Awareness
- Enhance Financial Performance
- Improve Efficiency of Processes
- Build Strategic Partnerships
- Improve Board and Staff Knowledge and skills

Key Highlights

Deposit insurance limit increased to UGX 10m

Conducted extensive research, benchmarking and stakeholder consultations to recommend a revision of the deposit insurance limit from UGX 3 million to UGX 10 million. The Statutory Instrument was subsequently gazetted in September, 2019.

Premium Control

The Fund took charge of premium computation, billing and monitoring.

Onsite Procedures

Put in place procedures for conducting on-site inspections and conducted a pilot onsite examination.

Single Customer View

Issued guidelines to Contributing Institutions on how to maintain depositor records in order to enable the Fund implement an IT system which generates a Single Customer View.

Public Awareness

Commenced public awareness activities. These included sensitisation activities with Contributing Institutions and the General public.

Contents

Corporate Information

Principal Place of Business & Registered Address

Deposit Protection Fund of Uganda (DPF)
AHA Towers
Plot 7, Lourdel Road
P. O. Box 37228
Kampala, Uganda

Investments Managers

Sanlam Investments East Africa Ltd
Plot 1 Pilkington Road
Workers House, 7th Floor
P. O. Box 9831
Kampala,Uganda

GenAfrica Asset Managers
Plot 7 Lourdel Road
AHA Towers, 6th Floor
P. O. Box 75200
Kampala, Uganda

Custodian

Bank of Uganda
Plot 37/45, Kampala Road
P. O. Box 7120
Kampala, Uganda

Auditors

The Auditor General
Office of the Auditor General
P. O. Box 7083
Kampala, Uganda

Delegated Auditors

SNG Sejjaaka Kaawaase & Co.
Certified Public Accountants
31 Bukoto Street Kololo
P. O. Box 7657
Kampala, Uganda

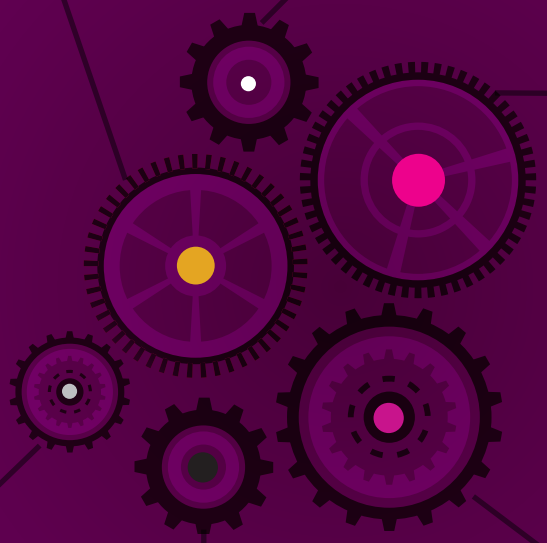
Our Stakeholders

Members of the public

- In order to build public confidence in the financial sector, the Fund must be able to pay depositors their protected deposit within a reasonable timeframe.
- Additionally, the Fund must disseminate relevant information about deposit protection to the public.

Contributing Institutions

- Contributing institutions benefit from operating in a financial system which is trusted by the public. This is because they will be able to attract savings thus having access to a larger pool of funds for financial intermediation.



Financial Sector Safety net players and Government agencies

- Safety net players like Bank of Uganda and DPF share a common interest in ensuring a stable and robust financial system. Ministries such as MOFPED strive to maintain solid economic growth under stable macro-economic environment. DPF contributes to the economic stability by ensuring public confidence in financial system.

Other International partners and relevant safety net players

- Other International partners such as IADI, other deposit protection entities in various jurisdictions have interests in supporting members to achieve their mandates through sharing knowledge and expertise.

Employees

- The employees of the Fund strive to ensure that the goals stipulated in the Strategic plan are achieved.

Service providers and strategic partners

- The Fund is expected to be transparent and fair in its dealings with all its strategic partners and service providers.

Member Institutions

Membership to the DPF is compulsory for all deposit taking institutions regulated by Bank of Uganda. These are:

a) Commercial banks
b) Credit Institutions
c) Microfinance Deposit Taking Institutions

As at June 30, 2019 a total of 34 institutions were members of the DPF (24 commercial banks, 5 Credit Institutions and 5 Microfinance Deposit Taking Institutions).

Chairman's Foreword

On behalf of the Board and Management of the Fund, I am delighted to present the Annual Report and Financial Statements of the Deposit Protection Fund of Uganda (DPF) for the financial year ended, June 30, 2019.

Key Achievements

DEPOSIT INSURANCE LIMIT

UGX 10m

98% of total deposits are covered

In order to contribute more to financial sector stability and to reflect the effects of macro-economic changes witnessed in the country over the past 20 years, the deposit insurance limit was increased from UGX 3 million to UGX 10 million effective September 09, 2019. At this limit, 98 percent of the total deposit accounts in the sector are fully insured. It is important to note that the upward revision in the insurance limit, did not result in additional premiums

being levied on Contributing Institutions.

The Fund put in place a communications policy, public awareness policy and strategy. DPF is therefore, poised to embark on extensive stakeholder engagements countrywide to assure depositors that their deposits are protected upto UGX 10 million. This is intended to increase public confidence in the financial sector, minimize the risk of 'bank runs' and ultimately promote financial inclusion.

The need to build strategic partnerships cannot be over emphasized. It is in this regard that the DPF entered into a Memorandum of Understanding with Kenya Deposit Insurance Corporation to provide for, among other things, cooperation and sharing of information relevant to the execution of their respective mandates.

Highlights of Financial Performance

TOTAL ASSETS
Increased by
UGX 112Bn
to **UGX 695Bn**

Total assets of the DPF increased by UGX 112 billion over the year, from UGX 583 billion to UGX 695 billion registered as at June 30, 2018 and June 30, 2019 respectively. The major contributor to this growth was the surplus and reserves which increased from UGX 538 billion in June 2018 to UGX 650 billion in June 2019. In line with the key objective of preserving capital and maintaining adequate liquidity levels, 99 percent of the Fund's assets were held in Government of Uganda treasury bills and treasury bonds.

Developments in the Banking Sector

Deposits in the banking sector grew from UGX 20 trillion as at June 30, 2018 to UGX 22 trillion as at June 30, 2019. This was supported by an increase in the number of deposit accounts from 11 million to 14 million over the same period.

The draft Microfinance Deposit-taking Institutions (Registered Society) Regulations (2019) were submitted to the Minister of Finance, Planning and Economic development for consideration. Once finalized, large Savings and Credit Corporatives (SACCOs), will be brought under the regulation of Bank of Uganda. Consequently, such SACCOs will automatically become members of the DPF.

Bank of Uganda commenced the process of verifying financial cards against National ID data held by the National Identification and Registration Authority (NIRA). This development will support the DPF in its drive to ensure that all customers of Contributing Instituions are identified using their National Identification numbers.

With effect from September 30, 2018, Bank of Uganda started implementing the Basel I Capital Accord in line with the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018. This is intended to further strengthen financial sector stability.

The Agent Banking model was rolled out during the year. This product has made a significant impact on the banking sector with the value of transactions processed in its first six (6) months of operation standing at UGX 5.74 trillion. It is envisaged that Agent Banking will steadily attract the unbanked into the formal financial sector.

State of the Economy and Outlook for the Next Financial Year

Growth in the Gross Domestic Product was at 6.1 percent in the year to June 2019 compared to 6.2 percent in the year to June 2018. The main driver for economic growth was the services sector. It is expected that the country's GDP will grow at 6.3 percent over the next financial year. The anticipated growth will be driven by increased lending to the private sector in line with the accommodative monetary policy, public investment in infrastructure and higher agricultural output due to favorable weather and Government efforts to improve agriculture.

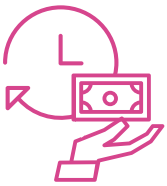
The Uganda Shilling depreciated by 2.1 percent during the financial year compared to a depreciation of 8.0 percent in the previous year. The shilling was generally stable throughout the financial year, supported by strong inflows mainly from offshore investors, NGOs inward remittances and exports.

During the FY 2018/19, inflation remained relatively subdued. Headline inflation averaged 3.1 percent compared to 3.4 percent in the previous year. This was mainly attributed to lower food crop prices. The outlook for the next financial year 2019/20 is for inflation to stabilize at around the 5.0 percent Bank of Uganda target.

It is anticipated that the projected growth in GDP will translate into growth of deposits in the sector, hence boost Fund growth.

Strategic Focus

In line with the 5 year strategic plan (2017-2022), the Board and Management will continue to put in place systems to further enhance confidence in the regulated banking sector. This will be achieved through the following:



a) Developing an efficient system for payment of insured depositors in case of failure of a contributing institution.
b) Putting in place a robust contingency plan and conducting simulation tests to ensure readiness to pay depositors when the need arises.
c) Increasing public awareness on the mandate and operations of DPF.
d) Building strategic partnerships with Bank of Uganda and other financial safety net players within the country and beyond.
e) Enhancing knowledge and skills in deposit protection.

With support from the Bank of Uganda, International Association of Deposit Insurers (IADI) and other deposit insurance institutions across the globe, the Deposit Protection Fund of Uganda, intends to steadily evolve and contribute more actively to financial sector stability.

Conclusion

I take this opportunity to thank the Ministry of Finance, Planning and Economic Development, Bank of Uganda, the World Bank, and other stakeholders for the unwavering support to the DPF. In the same vein, I express my gratitude to the Board Members and the Management team, who have continued to work tirelessly and diligently to ensure that the DPF is established on a firm foundation.

Ben Patrick Kagoro
Board Chairman

Message from the **Chief Executive Officer**

During the financial year 2018/19, the Fund posted significant achievements in terms of financial performance and operationalization of the five (5) year strategic plan.

Financial Results

The asset base of the Fund increased by UGX 112 billion over the period under review. The major growth was reflected in investments in treasury bills and bonds which increased by UGX 131 billion or 23 percent from UGX 558 billion to UGX 689 billion in June 2018 and June 2019 respectively. The major contributor to the asset growth was the fund surplus of UGX 112 billion which increased from UGX 77 billion registered during the year ended June 2018.

TOTAL INCOME

23%

The major sources of income to the Fund were interest earned on treasury instruments and contributions from financial institutions which accounted for 68 percent and 32 percent of total income respectively. Interest income stood at UGX 86 billion while contributions from financial institutions totaled to UGX 41 billion as at June, 2019.

In terms of expenses, the Fund spent UGX 24 billion compared to UGX 19 billion in the previous period. This rise in expenses was mainly on account of withholding tax levied on treasury bill and treasury bond income. Expenses are expected to gradually increase, as the DPF establishes its own operational structures and recruits staff.

Operationalisation of the Strategic Plan

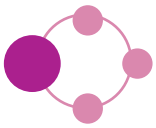
PLANNED ACTIVITIES

85%
Completed

In line with the approved five (5) year strategic plan, an annual workplan for the financial year 2018/19 was put in place. The Fund completed 85 percent of the planned activities.

DPF drafted the Financial Institutions (Deposit Protection Fund) Regulations to operationalize the provisions for DPF in the FIA 2004, as amended. These are before the First Parliamentary Counsel (FPC) for legislative drafting, after which they will be gazetted. Guidelines were issued to Contributing Institutions on how to maintain depositor records in order to enable the Fund implement an IT system which generates a Single Customer View. A number of policies in the areas of Human resources, Information Technology and Communication have been developed.

SINGLE CUSTOMER VIEW



In order to establish online presence, a DPF web-site was rolled out and a facebook page opened to facilitate information sharing with the public. This will support the traditional modes of communication with the public. The Fund took charge of premium computation, billing and monitoring, a function which was previously executed by Bank of Uganda.

The Year Ahead

In order to achieve the objectives spelt out in the strategic plan and contribute to enhanced public confidence in the financial sector, the Fund intends to accomplish a number of activities.
DPF will Draft a Principles Paper to support the formulation of a separate DPF Bill. The paper will provide for the DPF to participate in the resolution of troubled banks as and when deemed necessary. In order to pay depositors fast in the unlikely event that a Contributing

Institution is closed for outright liquiation, the Fund will work with an IT consultancy firm to develop a prototype which will support the development of robust pay-out system. In addition, the Fund will put in place its own IT infrastructure which includes servers and firewalls to ensure that DPF information is accessible and secure.

Deposit protection is a public good offered by the Government of Uganda to ensure that customer deposits are protected up to the insured limit. It is against this background that the Fund intends to enter into a backstop funding arrangement with the Government. This funding source will be accesed in the event that the Fund is depleted and there is need to pay depositors. In line with International best practice and in order to avoid moral hazard, such a facitlity will be paid back to the Government with interest.

During stakeholder engagements, the public will be sensitized on the need to update their bank records with their National Identification numbers. This will go a long way in supporting the Single Customer View Project. The process of recruiting staff to fill in the vacant positions within the Fund will commence immediately the DPF Regulations are gazetted.

The Fund will continue building capacity amongst its Board members and staff in various aspects of deposit insurance. Strategic partnerships with global bodies such as IADI, other Deposit Insurance Agencies, the World Bank and members of the financial sector safety net, will be strengthened further, during the year.

Conclusion

The task of establishing a new entity is both challenging and exciting. On account of the professional oversight provided by the Board, the dedication of staff and support from our key strategic partners, a number of milestones have been achieved. I therefore, take this opportunity to thank the Chairman of the Board and the entire Board of Directors for the enormous support and guidance provided during the year. I extend my deep appreciation to the staff who have continued to exert themselves beyond expectation in implementing the strategic plan of the Fund. I thank Bank of Uganda, the World Bank and Ministry of Finance, Planning and Economic Development, the International Association of Deposit Insurers (IADI) and sister deposit insurance agencies across the globe for their continued support.

I look forward to another fruitful financial year 2019/20.

Julia Clare Olima Oyet
Chief Executive Officer

Board of Directors and Members of Staff

DEPOSIT PROTECTION FUND OF UGANDA (DPF)
BOARD OF DIRECTORS - SEPTEMBER 2019

(L-R): I.K. John Byaruhanga, Wilbrod Humphreys Owor, Ben Patrick Kagoro,Roy Nambogo Kisaalu, Andrew Obara, Solomon Osewe Oketcho, Emmanuel Kalema Musoke

DEPOSIT PROTECTION FUND OF UGANDA (DPF)
MEMBERS OF STAFF - SEPTEMBER 2019

Sitting(L-R): Justine Komugisha, Julia Clare Olima Oyet, Rosette Muhimbise, Proscovia Namwanje

Standing(L-R): Hashim Kirungi, Peter Mugisa, Moses Apell Odongo, Balaam Ssempala, Moses Tamale, Felix R.Nsiimoomwe, Joseph Luboyera,

Management Structure

Balaam Ssempala
Head, Information Technology

Joseph Luboyera
Board Secretary and Head Legal

Julia Clare Olima Oyet
CEO

Peter Mugisa
Head, Investments

Rosette Muhimbise
Head, Business Operations & Finance

Hashim Kirungi
Head, Communications

Apell Moses Odongo
Head, Human Resources

Corporate Governance

Regulatory Framework

The Deposit Protection Fund (herein also referred to as the 'Fund' or 'DPF' or 'The Deposit Protection Fund of Uganda') was established under Section 34 (1) of the Financial Institutions Statute, 1993 which was later replaced by Section 108(1) of the Financial Institutions Act, 2004 ('FIA 2004'). In accordance with international best practice, the Financial Institutions Act, 2004 was amended in 2016 with the passing of the Financial Institutions (Amendment) Act No. 2 of 2016 to create the Deposit Protection Fund (DPF) as a separate legal entity. Section 110 of the FIA, 2004 as amended, vests the authority of the Fund in the Board of Directors. The purpose and functions of the Deposit Protection Fund are spelt out in section 109 of the FIA 2004 as amended.

Corporate Governance Statement

In pursuit of its Mission 'to foster public confidence in the financial system through protection of depositors of contributing institutions' and in compliance with the principles of good governance, the Deposit Protection Fund of Uganda executes its work through a properly constituted governance structure comprised of the Board of Directors, Board Committees and Management. The Fund operations are implemented and monitored through an Annual Work Plan and regular reporting to the appropriate governance structures.

The Deposit Protection Fund of Uganda upholds and is committed to upholding international best practice and highest standards of business integrity, ethical values and governance. As such, the Board of Directors subscribe to the provisions of the Board Charter and Code of Conduct which emphasise the need for: accountability, transparency, integrity, compliance, confidentiality, prudence, professionalism and excellence in managing the affairs of the Fund. The Board put in place a high level strategic plan to drive the Fund over the period 2017 to 2022.

This Corporate Governance Statement is comprehensive and is in line with International Best Practice on disclosure requirements. It contains: the profiles of Directors, information on composition of committees, Directorship/Chairmanship in other organisations and companies, information on attendance of the Board and Board Committee meetings, brief descriptions of the functions of the Board and each of the Board Committees, Remuneration of Directors and key achievements of the Board.

The Board of Directors

Roles and Responsibilities

The Board of Directors [the 'Board'] is accountable for the operations of the Fund. It is entrusted with the responsibility of setting the strategic direction of the Fund and ensuring that the checks and balances which are established to manage enterprise wide risks are effective. The Board provides oversight on management to ensure that the key strategic objectives are achieved within a reasonable time. These governance practices are subjected to continuous review and are periodically benchmarked against the provisions of the International Association of Deposit Insurers as well as other deposit insurance schemes.

Composition of the Board of Directors

The Board is comprised of seven Non-Executive Directors [NEDs], including the Chairman of the Board.

The Board members were appointed by the Honourable Minister of Finance, Planning and Economic Development. They include the Chairperson and representatives of the Governor of the Central Bank, Secretary to the Treasury, contributing institutions and the general Public. The seventh Board member was appointed by the Honourable Minister of Finance, Planning and Economic Development in August 2018. With the exception of the representatives of the Governor and the Secretary to the Treasury, all the other Members of the Board hold office for a term of five [5] years but are eligible for re-appointment for one further term. The Board members possess a wide range of professional knowledge, qualifications, skills and experience.

The profiles of each member of the Board along with the number of Committee Membership(s)/Chairmanship(s) and date of joining the Board are provided herein and summarized in a table on page 22.

Mr. Ben Patrick Kagoro

Mr. Kagoro is the Chairman of the Board of Directors.

He holds an MBA in Financial Management from University of Manchester, UK, Accountancy Training from London School of Accountancy. He is a member of Chartered Institute of Secretaries and Administrators (ACIS), Certified Public Accountant (U) – CPA and an Associate Member of Chartered Management Accountants (ACMA).

He has extensive experience in Central Banking Finances, Private Sector and Not for Profit Organisations. He has previously served as the President of the Institute of Certified Public Accountants of Uganda (ICPAU),and Chairman of the Public Accountants Examinations Board. In addition, he has over 25 years' experience of Central Banking having worked with Bank of Uganda where he served in different capacities and rose through the ranks to the level of Executive Director Finance, a position he held until retirement. Following his retirement, he was contracted by Bank of Uganda as an Advisor Operations and Accounts in charge of setting up the Accounting and Management of the Petroleum Investment Reserve Fund.

Before joining Bank of Uganda, he served as an Assistant Finance and Procurement Officer on Road Construction Projects for HP Gauff Consulting Engineers.

He is also the Chairperson of the Board of Directors Eagle Air Uganda Ltd, and Quality Assurance Board of the Institute of Certified Public Accountants of Uganda (ICPAU).

Mr. Solomon O. Oketcho

Mr. Oketcho is a Non-Executive Director and Chairperson of the Governance and Human Resource Committee of the Board. He is also a member of the Technical Committee on Deposit Protection.

He holds a Master of Science in Human Resource Management, Msc. (HRM) from University of Manchester, England. He also holds a Bachelor of Arts Social Work and Social Administration (Hons), (Upper Second) and Post Graduate Diploma in Computer Science from Makerere University, Kampala.

He joined Bank of Uganda in October, 1992 and has served in different capacities and rose through the ranks to the level of Executive Director Administration, a position he has held since 1st September, 2013. He has vast experience in Human Resource matters. Before joining Bank of Uganda, he served as Administrative Officer/Assistant Secretary office of the President, Assistant Secretary - Ministry of Local Government, Personnel & Administrative Officer - Foods and Beverages Ltd, Teaching Assistant - Department of Social Work and Social Administration, Makerere University.

He is also a Board Member at Fairways Primary School, Kireka, Alliance Global College, Arua, a member Board of Trustees of the Bank of Uganda Pension schemes i.e. Defined Benefit and Defined Contribution schemes.

Mr. I.K. John Byaruhanga

Mr. Byaruhanga is a Non-Executive Director, Chairperson of the Audit Committee of the Board and Member of the Governance and Human Resource Committee of the Board.

He holds a Master of Public Administration in Economic Policy Management, Columbia University, and a Bachelor of Sciences (Economics), Makerere University. He has wide experience in economic development policy formulation and implementation. He is currently the Acting Commissioner, Financial Services Department of the Ministry of Finance, Planning and Economic Development, which is responsible for designing and overseeing implementation of policies, legislations and programmes for financial sector development.

He has participated in a number of Projects including: Member of Core Technical Committee for Drafting the National Development Plan (NDP) 2009/10-2014/15; Member of Steering Committee for Makerere-SIDA Bilateral Research Program; MEFMI Regional Poverty Reduction Analyst Trainer for Debt Strategy; Research Team Leader and Core Researcher/Technical support person for the Uganda Participatory Poverty Assessment Process (UPPAP); Alternate National focal point person and Technical Committee Member for GOU/UNEP Poverty and Environment project; Member on Committee of Experts to Develop Modalities for Operationalisation of the East Africa Community (EAC) Climate Change Fund; and Short Term Consultant - Agriculture and Rural Development, the World Bank.

Mr. Byaruhanga is also a Member of the Board of Directors, Uganda Development Bank.

Mr. Andrew Obara

Mr. Obara is a Non-Executive Director and the Chairman of the Finance, Investment and Risk Management Committee of the Board and a member of the Technical Committee on Deposit Protection and Audit Committee of the Board.

He holds an MBA (Finance) from the Almeda College & University, Boise Idaho, USA, a Certified Diploma in Finance & Accounting from the Association of Chartered Certified Accountants and Bachelor of Arts (Economics) from Makerere University. He has over 26 years practical and senior level experience in the areas of banking/finance, microfinance capacity building, project/fund design and management, macroeconomic studies, feasibility studies, product development, market surveys, institutional assessment/diagnostic reviews, strategy development/ strategic planning, venture capital and SMME technical assistance. Andrew has led a number of diverse teams that have executed assignments.

He is the Managing Director of Friends' Consult Ltd which is a private firm providing Technical Assistance and Solutions in the financial and other economic sectors. He has previously served as Senior Microfinance Advisor for Chemonics International at the USAID funded Support for Private Enterprise Expansion and Development Project (SPEED), Uganda, Senior Manager, Centre for Micro-enterprise Finance (CMF), PRESTO (USAID Project), Chief Manager (Credit) –Nile bank Ltd, Loan Administration Manager, Nile Bank Ltd, Principal Operations Executive at DFCU, Ltd.

Mr. Wilbrod Humphreys Owor

Mr. Owor is the Chairperson of the Technical Committee on Deposit Protection and a member of the Finance, Investment and Risk Management Committee of the Board.

He holds an MBA majoring in Strategic Management from the East & Southern Africa Management Institute Arusha and Maastricht School of Management Netherlands (ESAMI/MSM) and a Bachelor of Commerce (Finance) from Makerere University.

He has over 25 years work experience, 20 of which at senior management level in banking, business development and consumer services institutions in East Africa. He is the Executive Director Uganda Bankers Association and a director in Fincon Africa LLC, a private financial advisory firm focused on creating value around investment opportunities in Africa. With regard to the Ugandan Banking system, he has served in different capacities including Managing Director, United Bank for Africa, Head, Consumer Banking DFCU Bank, Head of Liabilities & Channel Expansion (Retail) Barclays Bank of Uganda.

Mr. Emmanuel Kalema Musoke

Mr. Kalema is a member of the Finance, Investment and Risk Management Committee and the Audit Committee of the Board. He holds a Master of Business Administration from Makerere University, a Bachelor of Arts (Honors) in Economics and French from Makerere University and a Postgraduate Diploma in Development Economics from Manchester, United Kingdom.

Mr. Kalema has 22 years of Central Banking experience having worked with Bank of Uganda where he managed and evaluated different financing projects, lines of credit for government institutions including the World Bank, and loan sanctioning and disbursement. In addition, he worked with Co-operative Bank in the early 1980s for two years where he, among other things, served as a team leader for an in-depth research on growth opportunities and value addition for the bank.

He is the Chairman Finance and Development Committee & Vice Chairman, Board of Governors, St. Mary's College Kisubi. In addition, he is the Chairman, Board of Directors Better view School. He has previously taught at Uganda Institute of Bankers and Kenya Government Teaching Service Commission. Mr. Kalema has also previously served as the Chairman, Kampala Archdiocese Land Board.

Mrs. Nambogo Roy K.

Mrs. Kisaalu was appointed as Director in August 2018. She is a member of the Governance and Human Resource Committee, Technical Committee on Deposit Protection and Finance, Investment and Risk Management Committee of the Board.

She holds a Post Graduate Diploma in Legal Practice from Law Development Centre, Kampala and a Bachelor's Degree in Law from Uganda Christian University Mukono. She is an Advocate of the High Court of Uganda and all Courts surbodinate thereto, a member of the Uganda Law Society, a member of the East African Law Society and a member of the International Bar Association.

She has over 10 years' experience in the field of Banking and Finance attained since 2007 at the then Uganda Microfinance Limited (Now Equity Bank Uganda Limited) as a legal assistant rising through the ranks to Acting Head of Legal by 2010. As in house counsel, she was part of the team that saw the entry of Equity Bank Uganda Limited onto the Banking industry in Uganda. At Equity Bank, she served in positions of legal officer attached to credit, legal officer attached to debt recovery unit, senior legal officer and Acting Head of Legal Department.

In June 2010, she commenced private legal practice at the law firm of Nambogo & Co. Advocates which she co-founded and still serves as Managing Partner. She is also a Board member of Heart of Child Uganda and Environmental Alert Uganda; both Non-Governmental Organizations.

Composition and Membership of the Board

Name	Date of Appointment	Board Committees			
		ACB	FIRMCB	GHRCB	TCDP
Mr. Ben Patrick Kagoro	03- February-2017				
Mr. Solomon O. Oketcho	03- February-2017			Chairman	Member
Mr. I.K John Byaruhanga	03- February-2017	Chairman		Member	
Mr. Andrew Obara	23-February-2017	Member	Chairman		Member
Mrs. Nambogo Roy K.	20-August-2018		Member	Member	Member
Mr. Wilbrod Humphreys Owor	23-February-2017		Member		Chairman
Mr. Emmanuel Kalema Musoke	03- February-2017	Member	Member		

Secretary to the Board

The Board Secretary provides secretarial services and logistical support to the Board in order to facilitate and interface policy making with policy implementation. He also advises the Board on legal and corporate governance matters. In consultation with the Chairman and the Chief Executive Officer, the Secretary ensures good and timely information flow to the Board, the Board Committees and Management.

The Functions and Duties of the Board

The Board of Directors is vested with the authority to ensure that the Fund executes its mandate as stipulated in Section 109 of the Financial Institutions Act, 2004 as amended. This section states that the Fund:

- Shall be a deposit insurance scheme of customers of contributing institutions (deposit taking institutions regulated by Bank of Uganda).
- May act as a receiver or liquidator of a financial institution if appointed for that purpose by the Central Bank.
- May perform such other functions as may be conferred upon it by law.

The Board of Directors' Charter and Code of Conduct

The Board is committed to highest standards of integrity and ethical conduct in carrying out its duties and dealing with all stakeholders. This commitment is confirmed by the endorsement of the Board of Directors' Charter and Code of Conduct, an instrument which is referred to in the course of duty. The following are the obligations inferred from common law and articulated in the Charter and Code of Conduct:

a) Fiduciary obligation to act in the best interest of the Fund;
b) Duty to act within powers;
c) To promote the success of the Fund;
d) Exercise independent judgment;
e) Exercise reasonable care, skill and diligence;
f) Avoid conflicts of interest; and
g) Not to accept benefits from third parties.

Meetings of the Board

As per the Board Charter, the Board meets at least once a quarter. Adhoc and Special meetings are convened as and when required. In total, the Board and Committee meetings held during the period under review were twenty two (22) and the attendance was as indicated in the table below.

Attendance of the Board and Board Committees FY 2018/19

Board of Directors	Board Meeting	FIRMCB	GHRCB	TCDP	AUDIT
Mr. Ben Patrick Kagoro	8/8				
Mr. Solomon O. Oketcho	8/8	n/a	3/3	0/4	n/a
Mr. Andrew Obara	7/8	6/6	n/a	4/4	1/1
Mr. Wilbrod Humphreys Owor	8/8	4/6	n/a	4/4	n/a
Mr. Emmanuel Kalema Musoke	8/8	6/6	n/a	n/a	1/1
Mrs. Roy Nambogo Kisaalu	7/8	4/6	2/3	3/4	n/a
Mr. I.K. John Byaruhanga	5/8	n/a	3/3	n/a	1/1

Board Committees

In discharging its functions, the Board delegates some of its responsibilities to the Board Committees. The Committees which have been constituted are as follows:

a) Governance and Human Resource Committee of the Board (GHRCB).
b) Finance, Investment and Risk Management Committee of the Board (FIRMCB).
c) Audit Committee of the Board (ACB).
d) Technical Committee on Deposit Protection (TCDP).

Governance and Human Resource Committee of the Board (GHRCB)

The GHRCB is composed of three Non-Executive Directors. The Board Secretary is secretary to the Committee. The Chief Executive Officer attends the meetings, as an ex-officio, while other senior staff members may attend by invitation. The Committee is responsible for providing strategic direction to the Fund and building strategic partnerships across the globe. In addition, it considers the organisational structure, proposes human resource policies and oversees the recruitment, remuneration, promotion and capacity building processes. Meetings are held quarterly or as and when there is business to be discussed. The Committee reports to and makes recommendations to the Board.

Audit Committee (ACB)

The ACB is composed of three Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is Secretary to the Committee. The Chief Executive Officer attends the Committee meetings as an ex-officio. The terms of reference of the Committee are to provide assurance to the Board as to whether management is following the approved policies and procedures in achieving the Fund's objectives. The committee therefore, ensures implementation of the Audit Charter, reviews the internal audit plan and audit reports. ACB monitors the Fund's compliance to the laws of the land.

Finance, Investment and Risk Management Committee of the Board (FIRMCB)

FIRMCB is composed of Four Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is Secretary to the Committee. The Chief Executive Officer attends the Committee meetings as an ex-officio. The meetings are held at least on a quarterly basis. Special meetings are convened as and when necessary. The Committee considers and reviews proposed budgets and work plans, virements, business cases for new projects and the financial statements of the Fund. In addition, the committee reviews matters related to funding, liquidity, investment and enterprise wide risk management.

Technical Committee on Deposit Protection (TCDP)

The TCDP is composed of three Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is secretary to the Committee. The Chief Executive Officer attends the Committee meetings as an ex-officio.

The roles and responsibilities of the Committee include formulation, review and monitoring implementation of pay-out procedures as well as ensuring that the said procedures are in conformity with the IADI (International Association of Deposit Insurers) core principles. Additionally, the committee manages the formulation, review and ensuring implementation of the liquidity contingency plans and also the review and implementation of the legal framework of the Fund. It further formulates, reviews and monitors implementation of the publicity and awareness policy of the Fund and the periodic review of a summary report on on-site inspection findings by the Fund. The Committee also provides advice on risks to the Fund and reviews the report on trend of risk adjusted premiums. Meetings are held quarterly or as and when there is business to be discussed.

Remuneration of Directors

During the period July 2018 to June 2019, the Chairman was paid a monthly retainer fee of UGX 3,000,000 (Three Million Shillings) and UGX 1,000,000 (One Million shillings) as sitting allowance per meeting. The other Directors were each paid a monthly retainer fee of UGX 2,600,000 (Two Million Six Hundred Thousand Only) and sitting allowance of UGX 750,000 (Seven Hundred Fifty Thousand only) per meeting. All these figures are inclusive of taxes.

Senior Management

The Fund has an approved organisational structure and the overall responsibility for the day-to-day management of the Fund rests with the Chief Executive Officer (CEO). The CEO executes the strategy of the Fund as approved by the Board. She oversees the operations of six (6) departments namely: Finance and Operations, Board Secretariat and Legal Affairs, Investments, Information Technology, Communications and Human Resource and Administration. The total staff establishment of the Fund during the period under review stood at eleven (11). An overview of the mandates of the six (6) departments and staff profile are highlighted below:

Mrs. Julia Clare Olima Oyet, Chief Executive Officer

Mrs. Oyet was appointed the first CEO of the Deposit Protection Fund in June, 2017. The CEO works closely with the Board of Directors and Senior Mangement to ensure that the Fund achieves its strategic objectives.

Julia has over 20 years of experience in Central Banking. She is a seasoned bank supervisor and has worked in the Internal Audit and Accounts Departments of Bank of Uganda. On the International scene, Julia serves as Secretary to the African Regional Committee (ARC) of the International Association of Deposit Insurers (IADI).

Mrs. Oyet is currently pursuing a PhD in Business Administration at Herriot Watt University (UK) in the field of financial inclusion. She has a Master's Degree in Business Administration with a Distinction, from the same institution. She is a Fellow of the Association of Chartered Certified Accountants (ACCA) and holds a Bachelor's Degree in Business Administration and Management with specialization in Accounting and Finance from Uganda Martyr's University, Nkozi.

Mr. Balaam Ssempala, Head Information Technology

As Head of Information Technology, Mr. Ssempala is responsible for driving the functional and operational delivery of IT services in line with the Fund's strategic objectives. Prior to joining the Fund, Balaam served for over 20 years in Bank of Uganda within the Information Technology Department.

Balaam holds a Master's degree in Information Systems Management from the University of Phoenix (USA). He holds a Bachelor of Science Degree in Electrical Engineering from Makerere University (MUK). He is a certified IT Service Manager (ITIL), Project Manager (PRINCE2) and Information Security Officer (CCISO).

Ms. Rosette Muhimbise, Head Business Operations and Finance

Ms. Muhimbise oversees the Business Operations, Finance and Accounting aspects of the Fund. She is responsible for the technical aspects of deposit insurance which include: premium computation, payment of protected deposits ,liquidation and financial reporting amongst others. Rosette has over 10 years of working experience in the areas of banks supervision, financial reporting and deposit protection fund administration having worked in Finance, and Banks Supervision Directorates at Bank of Uganda.

Rosette holds a Master's degree in Business Administration from Herriot Watt University (UK). She is a member of the Association of Chartered Certified Accountants (ACCA-UK), and a member of the Institute of the Certified Public Accountants of Uganda (ICPAU). She holds a Bachelor's Degree in Commerce –Accounting Option (First Class Honors) from Makerere University. She also holds a Diploma in Financial Services and Business Computing from Makerere University.

Mr. Peter Mugisa, Head Investments

As Head of Investments, Peter is charged with the responsibility of managing and monitoring all aspects of the Fund's portfolio of financial assets. He is an accomplished Financial Analyst with over 8 years' experience in financial markets operations. In addition, Peter has exposure in risk management and financial sector stability monitoring.

Peter holds a Master's of Science Degree in Finance from Illinois Institute of Technology, United States of America and a Bachelor's Degree in Quantitative Economics from Makerere University. He is also a Chartered Financial Analyst (CFA) and member of CFA Society of East Africa.

Hashim Kirungi, Head Communications

With creativity and drive, Hashim oversees the Fund's internal and external communications strategy both with emphasis on brand development and creating public awareness at this nascent stage of the DPF. Prior to joining the Fund in May, 2018, Hashim served in the Communictions Department of Bank of Uganda.

Hashim holds a Master's Degree in Business Administration from East and Southern Africa Management Institute (ESAMI). He holds a Bachelor's Degree in Mass Communication and Journalism from Islamic University in Uganda (IUIU). Hashim is an active member of the Public Relations Association of Uganda (PRAU).

Mr. Joseph Luboyera, Head Legal and Board Affairs

Joseph provides leadership of the Legal and Board Affairs Department of the Fund. He gives legal advice to the Board of Directors, the CEO and Heads of Department on matters pertaining to statutory mandate, regulatory matters, organizational actions and formal compliance of the Fund with laws. Joseph was appointed Head Legal and Board Affairs at the Fund in August, 2017. Prior to this, he served in various capacities within the Legal Department of Bank of Uganda.

Joseph holds a Master's of Laws Degree from the University of Cambridge (UK). He holds a Bachelor laws from Makerere University and a Diploma in Legal Practice from the Law Development Centre. He is a member of the Uganda Law Society, an advocate of the High Court of Uganda and was called to the Bar more than 13 years.

Mr. Moses Apell Odongo, Head Human Resources and Administration

Moses is responsible for designing the strategy for effective human resource management at the DPF. He is charged with the responsibility of developing and administering programs, policies and procedures which build a corporate culture that enhances achievement of the Fund's strategic goals and mandate.

Moses has 15 years experience in human resource management in the Bank of Uganda. He holds a Master's of Business Administration (distinction) with specialization in Finance from Uganda Martyr's University. He has a Bachelor's Degree in Economics and Computer Science (first class) from Uganda Martyrs University, and a Certified Strategic Human Resource Manager (CSHRM) certification.

Key Capacity Development Activities

The Board and employees are the key determinants of the Fund's success. As such, they must be well trained in order to have the capacity and capability to anticipate and actively respond to events affecting the operations of the Fund. Capacity development is therefore integral to the Fund's delivery of its mandate.

Capacity Development

During the period under review, the Fund supported activities to develop institutional and individual proficiency while building a repository of collective experiences that will guide in the execution of its mandate. The capacity development included the following:

a) Technical Updates

These are programs that enable participants keep abreast with current developments in the area of deposit Insurance. Technical update programs are usually organised by the International Association of Deposit Insurers (IADI) and stakeholders institutions.

During the financial year, a total of eight (8) staff attended technical update programs in various jurisdictions. The programs included the following amongst others:

- Open-house Program for the African region which is hosted by the Malaysia Deposit Insurance Corporation.
- The 101 Program which is hosted by the Federal Deposit Insurance Corporation for African countries.
- The annual training program organized by the Korean Deposit Insurance Corporation for countries that are establishing deposit insurance entities.
- Crisis management and preparedness organized by the Toronto Center in conjunction with the Central Bank of Sweden.
- IADI Technical workshop on effective payout systems held in Russia.

b) IADI Meetings and Conferences.

These provide a platform through which the internal processes of the DPF are systematically aligned to international standards and sound policies, procedures and processes.

During the year, one (1) Board member attended an IADI Conference on Effective Publicity for Deposit Insurance entities, and three (3) Board members attended Conferences on Corporate Governance. The Fund attended four (4) African Regional Committee meetings which are held during IADI EXCO meetings and conferences. Staff attended various meetings, conferences and workshops mainly organized by IADI. These included the IADI AGM and EXCO, IADI biennial research conference and IADI conference on information technology for crisis management in Bank Resolution.

c) Study Visits and Inter-agency Co-operation.

These programs are intended to enable participants obtain a better appreciation of the operations of different deposit insurance entities both within the region and internationally.

One (1) Board member and a staff member attended an attachement to Financial Services Compensation Scheme, which is the deposit insurance agency of the UK. Four (4) staff participated in study visits to the Singapore Deposit Insurance Corporation and the Canadian Deposit Insurance Corporation (CDIC).

d) Professional Development programs.

The Board members and staff attended a variety of specialized short training programs intended to improve their knowledge, competencies, skills and effectiveness in their specific professional fields and Corpotate . These programs enable staff accumulate points which are necessary for them to remain registered under their respective professional bodies. In addition, the Board att

During the period under review, five (5) staff attended professional programs in their relevant areas. The areas covered included cyber security, corporate communications, company secretary and administration. Three (3) staff attended the ICPAU Annual Seminar as part of their Continuous Professional Development (CPD) requirements.

e) Corporate Governance

As part of professional development in the area of Corporate Governance, three (3) Board members attended Conferences on Corporate Governance. This training was intended to equip them as they provide oversight to ensure accountability, fairness, and transparency in the Fund's relationship with its all stakeholders.

Risk Management

The Board of Directors have the overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is responsible for setting the risk appetite of the Fund. This involves developing appropriate risk management policies and procedures which facilitate the timely identification measurement monitoring and management of risk The Board is advised by the various technical committees which have been constituted to further enhance the risk management framework.

In its infancy, the DPF places reliance on the risk management systems within the Bank of Uganda to support its operations in areas such as: procurement, financial reporting and human resource management amongst others. Nevertheless, the Fund is in the process of putting in place an enterprise -wide risk management framework to identify, measure, monitor and manage the risks inherent in executing its core mandate. To this end, DPF conducted a pre-liminary risk assessment and observed that Fund is mainly exposed to the following risks:

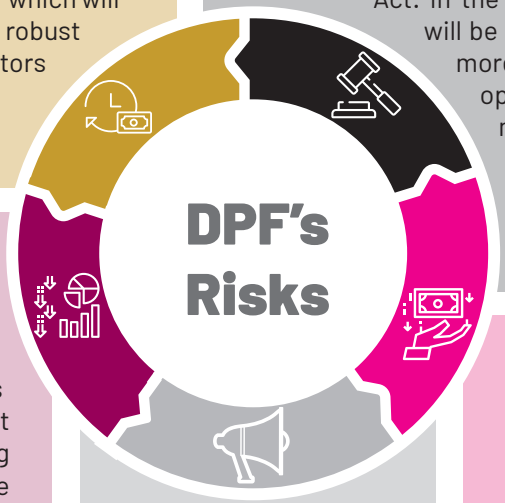
i. Pay Out risk
ii. Liquidity /Funding risk
iii. Interest rate risk
iv. Publicity related risk
v. Legal Risk

Pay Out risk

The Funds core mandate is to pay insured depositors in the event of a bank failure. Pay out risk is the risk that DPF will not be in position to pay off depositors within 90 days as stipulated in the FIA 2004 as amended. This risk has been mitigated to some extent with a well laid out procedures manual for handling the depositor pay-out process. In addition, the Fund is in the process of developing a 'single customer view' which will pave way for the development of a robust IT system, to ensure that depositors are paid in time.

Legal risk

This is the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to the way law applies to DPF business. In order to mitigate legal risk, regulations have been drafted to operationalize the DPF Provisions under the Financial Institutions Act, 2004 as amended. These regulations will go along way in providing clarity on the provisions of the Act. In the medium term, a DPF Act will be put in place to provide for more detailed aspects on the operations of the Fund. Other mitigants include seeking legal guidance from the Solicitor General and the DPF Legal Counsel.



Interest Rate Risk

This is the risk that the fund could lose value due to changes in interest rates. DPF invests most of its assets in interest bearing treasury instruments. As such, the Fund is exposed to interest risk because changes in interest rates could impact on the value of its treasury bond portfolio given that it is marked to market. An increase in interest rates for instance, would lead to a reduction in the value of the bond portfolio through unrealized losses. DPF manages this risk by conducting forecasts of interest rate movements and this informs the portfolio re-balancing strategy.

In addition to the risk of reporting unrealized losses, there is a risk that falling interest rates will affect the cash flow of the Fund if maturing bonds are reinvested at lower interest rates. DPF manages this risk by conducting forecasts of interest rate movements and investing its portfolio in the appropriate portion of the yield curve. For instance, when interest rates are falling, the Fund invests in the intermediate and long term portion of the yield curve where the reinvestment risk is lower.

Publicity related risk

This refers to the risk which arises when a significant percentage of the population is not aware of the role of DPF. Absence of information on deposit protection could cause the small and uniformed depositors to cause uneccesary bank runs in the event of unfounded market rumors. This could be detrimental to financial sector stability. DPF has put in place a public awareness policy and strategy and is now poised to engage in massive public awareness countrywide.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter challenges in meeting its financial obligations. This mainly relates to failure to fully pay insured depositors of closed contributing institutions due to limited size of the Fund. It also includes being unable to liquidate an asset at a reasonable price and within an appropriate time frame. In order to manage liquidity risk, the Fund ensures that it has sufficient funds maturing in the short term (less than one year) in order to meet its obligations as they fall due.

Additionally, the Fund is putting in place measures to access backstop funding from the Ministry of Finance, Planning and Economic Development, in the event that DPF is not in position to meet its obligations.

Achievements

Deposit insurance limit increased to UGX 10m

Conducted extensive research, benchmarking and stakeholder consultations to recommend a revision of the deposit insurance limit from UGX 3 million to UGX 10 million. The Statutory Instrument was subsequently gazetted in September, 2019.

DPF Financial Instuitutions Regulations drafted

Drafted the Financial Institutions (Deposit Protection Fund) Regulations to operationalize the provisions for DPF in the FIA 2004, as amended. These have been cleared by the First Parliamentary Council (FPC) and will be effective once they are gazetted.

Single Customer View

Issued guidelines to Contributing Institutions on how to maintain depositor records in order to enable the Fund implement an IT system which generates a Single Customer View.

Policy guidelines

Put in place a number of policies in the areas of Human resources,Information Technology and Communication.

Public Awareness

Commenced public awareness activities. These included sensitisation activities with Contributing Institutions, the Rotary Club Bugolobi and the General public.

Information sharing

A DPF web-site was rolled out and a facebook page opened to facilitate information sharing with the public.

Premium Control

The Fund took charge of premium computation, billing and monitoring.

Onsite Procedures

Put in place procedures for conducting on-site inspections and conducted a pilot onsite examination.

The Year Ahead FY2019/20

In line with the 5 year strategic plan and the annual workplan for the FY 2019/20, DPF intends to complete the following activities.

Draft a Principles Paper
Draft a Principals Paper to support the DPF Bill and hold various stakeholder engagements to discuss the proposals therein. This paper will provide for the expanded role of the DPF in contributing to financial sector stability.

Stakeholder Sensitization
Embark on massive stakeholder sensitization. This will be achieved through press engagements, conferences, town hall meetings and media briefings to increase public awareness on the DPF.

Staff Recruitment
Commence the process of recruiting staff to fill in the vacant positions in the Investment, Finance, Information Technology, Human Resources, Procurement and Internal Audit Departments amongst others.

Depositor pay-out system
Commence on the process of developing a depositor pay-out system. This includes developing Acceptance Test Plan, proof of concept and design and procurement of hardware license and support among others.

Policies and manuals
Develop policies and manuals in the areas of Information technology, Human resource, Communications and liquidation.

Backstop funding mechanisms
Put in place mechanisms for obtaining backstop funding from the Government of Uganda and accessing short term liquidity support from Bank of Uganda.

IT infrastructure
Implement infrastructure to support the IT and the communication system in the Fund. This will involve installation of servers and firewalls to ensure DPF information is accessible and secure.

Risk Management
Develop an Enterprise Wide Risk Management Framework for the Fund.

Strategy review
Carry out a mid-term strategy review of the DPF Strategic Plan (2017-2022) and conduct a Board performance assessment.

Website upgrade
Upgrade the DPF Website to be more interactive and captivating.

MoU
Enter into a Memorandum of Understanding with the Nigerian Deposit Insurance Corporation.

Macro-economic Developments and Prospects

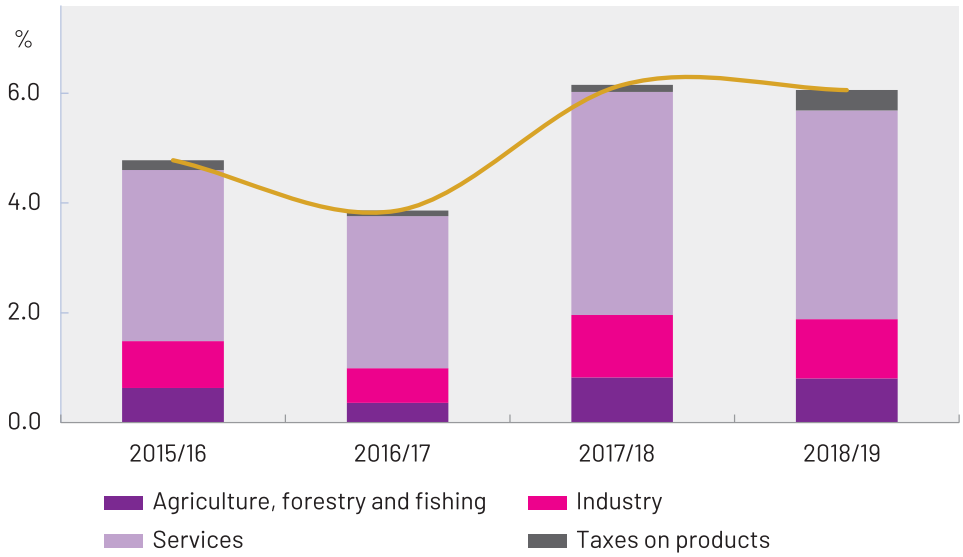
Economic Activity

According to the Uganda Bureau of Statistics (UBOS), the economy expanded at 6.1 percent in FY 2018/19 compared to the 6.2 percent registered in 2017/18. Economic growth was supported by an accommodative monetary policy stance and growth in private sector credit. The services sector contributed the most to the registered GDP growth.

Growth in final consumption expenditure more than tripled, mainly driven by final household consumption. However, real GDP growth was weighed down by a significant reduction in net exports. The fall in exports reflects a slowdown in global demand and thus demand for Uganda's exports whilst imports were supported by the buyout domestic demand.

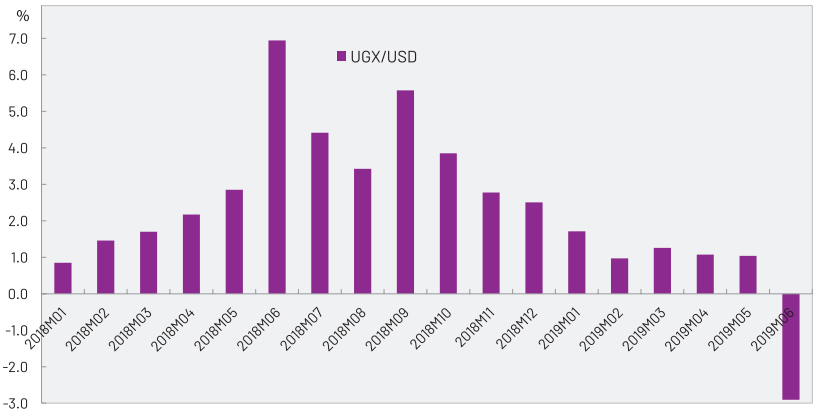
In the outlook, the economy is projected to grow at 6.3 percent in FY 2019/20 and stabilize between 6.5 and 7 percent in the medium term. This will be supported by public investment in infrastructure, higher agricultural output due to favorable weather and improved regional security especially in South Sudan and DRC which should boost the country's exports.

Chart 1: Growth in Economic activity



Exchange Rate

Chart 2: Development in Exchange rate

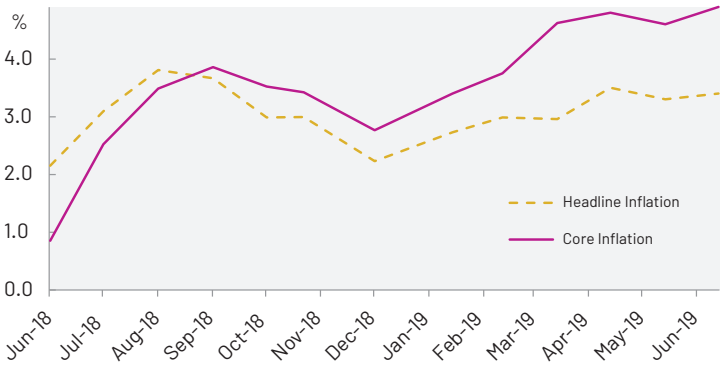


The Uganda Shilling was generally stable during the financial year depreciating by only 2.1 percent from the end of 2017/18. There were strong inflows from offshore investors, remittances from non-governmental organizations, and export proceeds mainly from coffee, tea and fish. This was counterbalanced by strong corporate demand for the dollar from manufacturing and oil firms which offset the inflows earlier mentioned.

The outlook is for a relatively stable exchange rate in the short-term supported by subdued dollar demand due to tax obligations and outstanding dividend payments. However in the medium term, the exchange rate is likely to depreciate faster on account of strong domestic demand for the US dollar. There is also the possibility of heightened volatility in the global financial markets resulting from further escalation of trade disputes and uncertainty surrounding Brexit. This could accentuate flight to safety by investors from frontier markets leading to pressure on currencies including the Uganda Shilling.

Inflation

Chart Trend of Headline and Core Inflation



In this FY2018/19, Headline inflation averaged 3.1 percent which is slightly lower than the average of 3.4 percent for the previous financial year 2017/18. This was mainly as a result of favourable weather conditions throughout the year. Core inflation rose to an average of 3.8 percent in FY 2018/19 from an average of 2.7 percent in 2016/17. The Central Bank managed to hold headline and core inflation below the medium term target of 5.0 percent.

Core inflation is projected to rise slightly in the near future but stay close to the 5 per cent target in the course of next four quarters before peaking to 6.4 percent in the third quarter of 2021. Similarly, headline inflation is expected to rise slightly in the near term before returning to 5 percent in the medium term. The figure below depicts the trend of headline and core inflation.

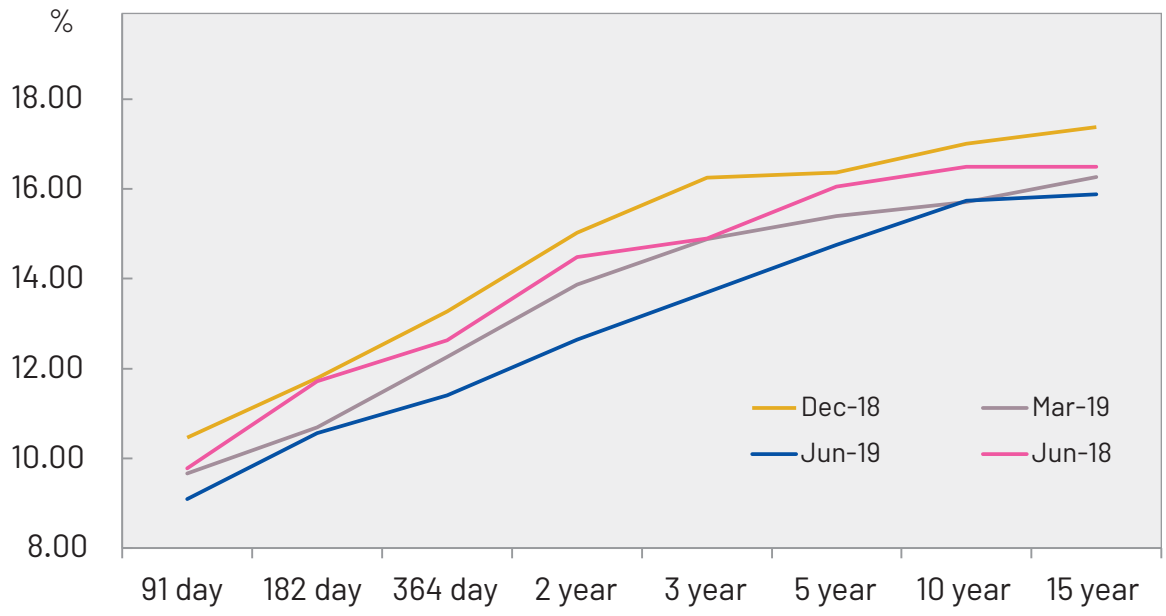
Interest Rates

The Central Bank rate remained unchanged at 9.0 percent in the first quarter of the year but was slightly raised to 10 percent in the second quarter until the end of FY 2018/19. This was as a result of a fairly stable 12-month inflation forecast/outlook. The CBR has been maintained at this level since October 2018.

Interest rates on Treasury-bills declined over the period under review. The 91 –day T-Bill yield decreased from 9.8 per cent in June 2018 to 9.1per cent in June 2019. Likewise, the 364-day T-Bill yield fell from 12.6 per cent in June 2018 to 11.4 per cent in June 2019, while the 182-day T-Bill yield dropped from 11.7 percent to 10.6 per cent. Similarly, yields on the treasury bonds rose across the board to 14.7 percent, 15.6 percent, 16.0 percent, 16.6 percent and 17.1 percent for the benchmark 2-year, 3- year, 5-year, 10-year and 15-year T-bonds, respectively up from 11.7 percent, 12.3 percent, 13.2 percent, 14.2 percent and 14.7 percent, respectively in the previous financial year. The rise in yields is in line with the increase in net domestic borrowing to UGX 2,163.4 billion in FY 2018/19 from UGX 2,132.6 billion in FY 2017/18. The graph below depicts the yield curve in the FY 2018/19.

In the outlook, money markets are expected to remain relatively liquid which may lead to a further decline in interest rates. However, government domestic borrowing is likely to continue increasing and this could precipitate higher yields in the medium term.

Chart 4: Yield Curve in FY 2018/19



Banking sector Performance and Developments

Total deposits

8.9%

UGX 20 trillion

Number of deposit accounts

26.4%

Approx. 14million

The performance of Uganda's banking sector improved over the year. This was fostered by positive economic growth, improvement in domestic financing conditions, increased public settlement of domestic arrears and investment in energy and infrastructure.

In the year to June 2019, there was continued recovery in lending activity, improving asset quality as well as increased capital and liquidity buffers. Aggregate industry total capital and core capital adequacy ratios were well above the minimum requirements. In addition, the sector continued to register profits, largely on account of increased interest income.

Total deposits within the banking sector grew by 8.9 percent from UGX 20 trillion in June 2018 and to 22 trillion in June 2019. The number of deposit accounts increased from 11 million to approximately 14 million over the period thus posting a 26.4 percentage growth.

Commercial Banks

The total assets of the banking sector increased by 10.5 percent, from UGX 27.4 trillion in June 2018 to UGX 30.3 trillion in June 2019. Asset growth was mainly on account of an increase in total industry gross loans and holdings of treasury instruments which grew by 11.2 percent and 14.7 percent respectively.

The sector was adequately capitalized with the aggregate industry total capital & core capital adequacy ratios at 22.1 percent and 20.3 percent above the minimum capital adequacy requirements of 12 percent and 10 percent respectively. In addition, the banking industry maintained adequate liquidity buffers, with the ratio of liquid assets to deposit standing at 45.5 percent as at end of June 2019, also well above the minimum statutory requirement of 20 percent.

Asset quality of the banking sector continued to improve during the period under review. As at June 30, 2019, the aggregate industry NPL ratio (Non-performing loans and advances to gross loans and advances) stood at 3.8 percent, an improvement from 4.4 percent in June 2018.

Capital Adequacy

Credit Institutions

As at the end of June 2019, all five Credit Institutions held adequate capital and liquidity buffers. The subsector's aggregate core capital and total capital to risk weighted assets ratios were 21.8 percent and 23.5 percent, respectively.

Total assets held by the subsector grew by 56.3 percent to UGX 963.0 billion at the end of June 2019. Similarly, net loans and advances increased by 76.6 percent while total deposits rose by 5.8 percent over the period under review. Growth in total assets in the subsector was partly attributed to the licensing of BRAC Uganda Bank Limited as a Tier II financial institution.

Microfinance Deposit-taking Institutions

As at the end of June 2019, all the five Microfinance Deposit-taking Institutions (MDIs) were adequately capitalized with aggregate core and total capital adequacy ratios at 41.8 percent and 45.0 percent, respectively.

Total assets held by the sub-sector increased by 16.6 percent to UGX 562.2 billion. The increase was on account of an increase in gross loans of UGX 55.2 billion, increased investment in the fixed assets of UGX 14.9 billion and growth in balances held with financial institutions of UGX 5.5 billion as at end June 2019.

Deposit Protection Activities

Introduction

Deposit Protection also known as deposit insurance is widely adopted across the globe and constitutes an integral part of the financial safety net provided to the banking system. During the global financial crisis, a number of countries introduced deposit insurance schemes or extended the scope and coverage of existing schemes to restore confidence and avert potential contagious runs on their banking sectors.

In Uganda, following the amendment to the Financial Institutions Act 2004, the Deposit Protection Fund was transformed into a legal entity. DPF protects a large percentage of retail depositors. It creates confidence in the financial sector by ensuring that customers are paid their deposits in time in the event a contributing institution is closed. Contributing institutions endeavor to put in place adequate risk management systems in order to avoid penalties levied by the DPF.

Payments to Depositors

On closure of a Contributing Institution, DPF is obliged to pay depositors up to a tune of the insurance limit of UGX 10 million. The amount payable is the insured aggregate credit balance per depositor per contributing institution at the time of closure. The deposit insurance limit is determined by the Minister of Finance, Planning and Economic Development, from time to time by Statutory Instrument published in the Gazette.

Deposit Coverage

Total deposits within the banking sector grew by 8.9 percent from UGX 20 trillion in June 2018 to 22 trillion in June 2019. The number of deposit accounts increased from 11 million to approximately 14 million over the period which is 26.4 percent growth. At the revised insurance limit of UGX 10 million, approximately 98 percent of these accounts had balances of UGX 10 million and below, meaning they were within the insured limit.

A study of a five year period indicates that deposits in the sector have consistently grown. In June 2015 total deposits stood at UGX 15 trillion compared to UGX 22 trillion registered as at June 2019. In addition, number of deposit accounts in the formal financial sector has grown substantially from 6 million in June 2015 to about 14 million in June 2019. This notable growth is attributed to increase in literacy levels, economic activity as well as concerted efforts to promote financial inclusion.

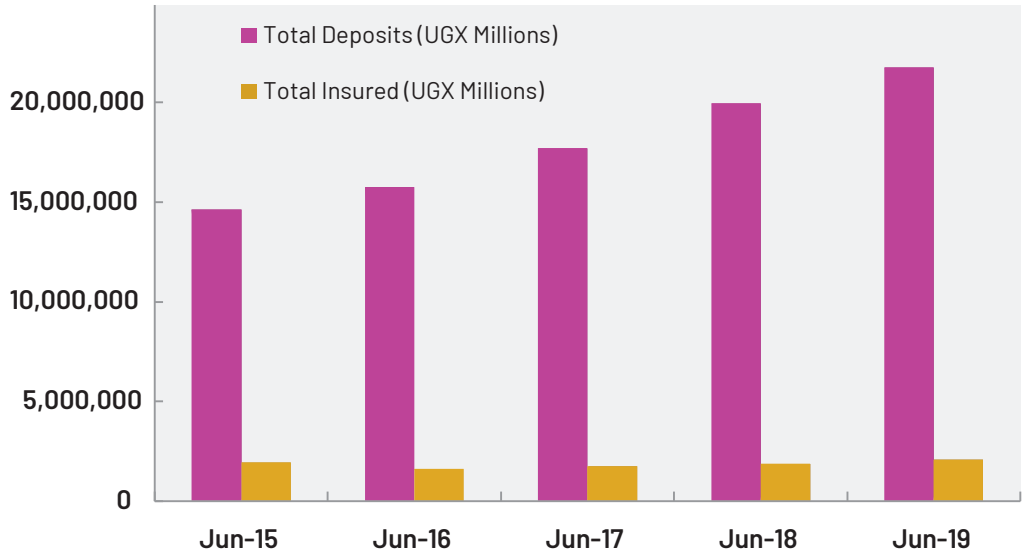
According to the International Association of Deposit Insurers (IADI) core principle No.8 which states that the coverage level should cater for a large majority of depositors but also leave a substantial amount of deposits subject to market discipline. At the revised insurance limit of UGX 10 million, approximately 17 percent of the total deposits in the sector are protected compared to 9.4 percent that was covered at the insurance limit of UGX 3 million. The table and graph below contains statistics on deposit coverage when the insurance limit was UGX 3 million.

Trends in Deposit Coverage

Period	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Total Deposits (UGX Millions)	14,629,803	15,758,506	17,723,894	19,977,196	21,762,730
Total Insured (UGX Millions)	1,936,720	1,629,066	1,749,222	1,876,636	2,054,744
Total No. of accounts	6,031,861	6,064,360	9,314,365	10,968,273	13,866,830
Accounts fully covered	5,770,494	5,786,376	9,006,967	10,633,791	13,502,409

Source: DPF

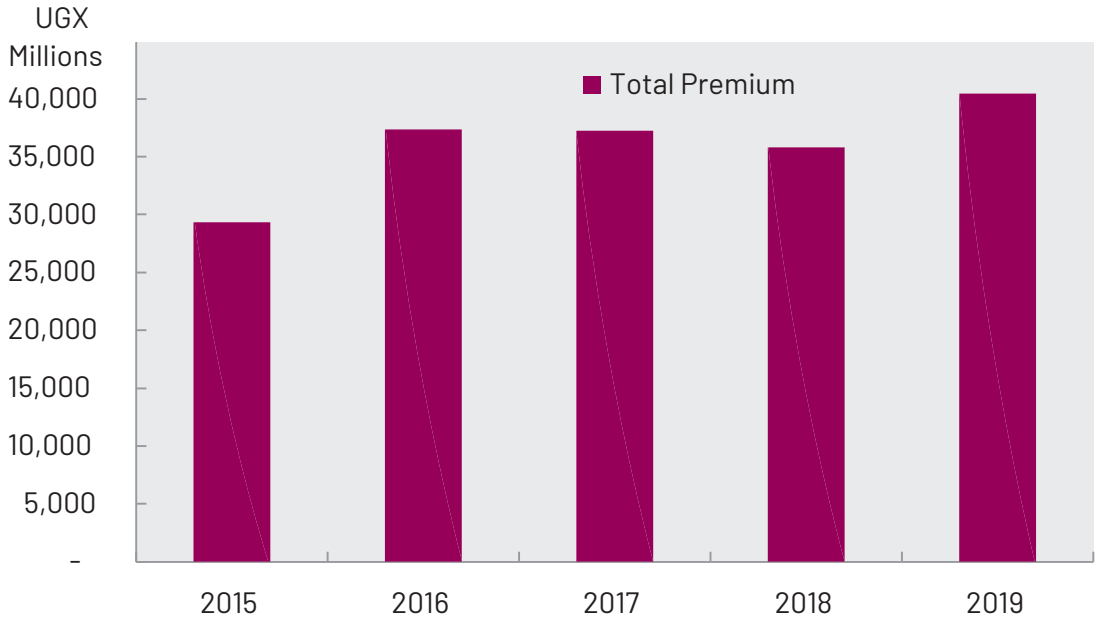
Chart 5: Trends in deposit coverage



Trend of Premium Contributions

Deposit Taking Institutions regulated by Bank of Uganda are required to contribute annual premiums to the Fund. This premium is currently charged at 0.2 percent of the average weighted deposit liabilities of the institution in the previous financial year. Risk adjusted contributions based on quarterly ratings resulting from Bank of Uganda's offsite surveillance reports are also charged. An institution rated marginal pays an additional charge of 0.1 percent of average weighted deposit liabilities while an institution rated unsatisfactory pays an additional charge of 0.2 percent of the average weighted deposit liabilities in addition to annual premium. Premiums have grown steadily since 2017 due to growth in deposits as below.

Chart 6: Trend of Deposit Premiums



East African Community Monetary Affairs Committee

The Crisis Management Working Group of the East African Community (EAC) Monetary Affairs Committee (MAC) met twice during the financial year in November 2018 and May 2019. The areas of discussion were: establishing an optimum target fund size, determining the optimum insurance coverage in terms of deposit accounts and total deposits in the banking sector, and exploring strategies to protect users of mobile money.

After conducting a detailed analysis, the Crisis Management Working Group of EAC recommended that the following targets should be achieved by each jusrisdiction within the next 7 years:

a) A minimum target fund size equivalent to 20 percent of total insured deposits.
b) At least 90 percent of the total deposit accounts should be fully insured.
c) At least 10 percent of the total deposits in the sector should be protected.

With regards to mobile money, member countries were requested to continue exploring means of protecting mobile money users in the event that the bank in which the escrow balance was held, closes.

International Association of Deposit Insurers (IADI)

DPF is a member of the International Association of Deposit Insurers (IADI) which is a global standards setting body on Deposit insurance. The DPF has participated in some IADI technical seminars and capacity building covering areas related to public awareness, information technology systems for payout and deposit insurance coverage.

DPF serves as Secretariat to the African Regional Committee (ARC) which is constituted of all African IADI members. This committee meets on a quaterly basis to devise means of strengthening deposit insurance across Africa. The priority of the ARC is to promote capacity building and grow the number of IADI members substancially.

During the period under review, IADI continued to encourage members states to devise creative means of conducting public awareness. This was deemed critical given that confidence in the financial sector can only be built if the public is aware of the benefits of deposit protection.

Member states were further encouraged to ensure that the reimbursement of depositors is conducted as fast as possible. As such, jurisdictions were tasked to put in place mechanisms to easily identify depositors and develop pay-out systems to pay depositors fast. It is against this background that the DPF has requested Contributing Instituions to identify their customers using the National Identification Number.

IADI advised member states to establish appropriate deposit coverage limits such that the majority of depositor accounts in the banking system are fully covered, while a substantial amount of deposits are subjected to market discipline. This was one of the reasons behind the decision to increase the deposit insurance limit from UGX 3 million to UGX 10 miilion.

World Bank Technical Assistance

During the financial year the Fund received two (2) World Bank mission teams under the Program of Strengthening Financial Stability in Uganda. The team provided guidance on the development of the Single Customer View guidelines which were circulated to Contributing Institutions. DPF received technical input on the major components of an effective Communication and Public Awareness policy.

The World Bank reviewed the draft DPF regulations that will operationalize the function of DPF especially in regards to governance, legal protection for Board and staff, payout procedures, eligible investment instruments among others.

Public Awareness

The Deposit Protection Fund of Uganda (DPF) recognises that public awareness on the benefits of deposit insurance is vital in contributing to confidence in the financial sector. This is becasuse depositors will rest assured that their deposits are protected upto the insured limit.

In order to effectively perform its responsibilities, as enshrined in its mandate, the DPF incorporated public awareness as one of the key objectives of it's Strategic Plan 2017-2022. In this regard DPF regularly engages in public awareness activities to ensure effective discharge of its mandate, stimulate confidence in the banking sector and contribute to the stability of the financial system. To this end, the Fund implemented a number of Public Awareness Activities as discussed below.

Public Awareness through Contributing Institutions and Stakeholdeers

The DPF conducted a workshop with technical and management teams of all Contributing Institutions (CIs) in May 2019. The objective of the program was to sensitize CIs on the role of DPF in ensuring financial sector stability and provide clarity on the public awareness related provisions which are contained in the Financial Institutions Act, 2004 as amended. CIs were advised to continously sensitize their depositors on the benefits of deposit insurance.

DPF management and members of Contributing Institutions after a sensitisation workshop.

A knowledge sharing session was held with the Senior Management and staff of Bank of Uganda. The Deputy Governor graced the occasion. DPF deseminated information on the mandate, roles, mission, vision and strategic objectives of the DPF.

Some of the participants at the knowledge sharing session with Bank of Uganda.

Deputy Governor Bank of Uganda, Dr. Louis Kasekende

Deputy Governor Bank of Uganda, Dr. Louis Kasekende (centre) with DPF management team after a knowledge sharing session.

World Savings Day

The DPF engaged in World Savings Day events which were held across the country during the year between August – November 2018. The theme of the program was "My money". The public was educated on the importance of saving in formal financial instituions and investing for the future. The event provided DPF with an opportunity to interface with people from different sectors of the economy. In addittion, a number of talk shows were held in the up-country towns of Jinja, Mbale, Arua and Fortportal amongst others.

The Rotary Society
During the year, DPF organized a sensitization meeting with the Rotary Society of Bugolobi under the theme "Protection of depositors in the Uganda banking sector". The sensitization was in line with DPF's strategic objective of enhancing depositor confidence and building strategic partnerships with key stakeholders.

Website
A website is an important tool for an effective public awareness campaign. The Fund setup a website and a facebook page to increase the awareness on deposit protection in Uganda. Such social media platforms facilitate information sharing, inquiries and online feedback from the public on the deposit protection system. This enables the Fund to reach the intended target audiences and to sustain an effective level of connection with the public.

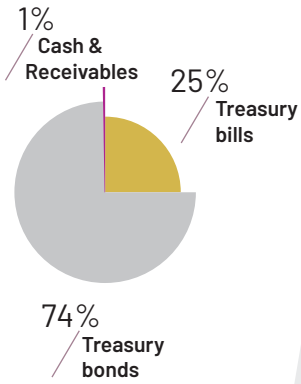
The role of public awareness in promoting confidence within the banked and unbanked population, cannot be over emphasized. Enhanced public confidence will not only improve financial sector stability but will steadily contribute to enhanced levels of financial inclusion which is a catalyst for economic growth.

Financial and Operational Highlights

TOTAL ASSETS

19%

UGX 695Bn



Assets and Liabilities

Total assets grew by 19 percent from UGX 583 billion in June 2018 to UGX 695 billion in June 2019, with investments in Government of Uganda treasury bills and treasury bonds totaling to UGX 689 billion up from UGX 558 billion posted previously. Treasury bonds and treasury bills constituted 74 percent and 25 percent of total assets respectively. The cash held at Bank of Uganda and receivables from contributing institutions amounted to UGX 6 billion or 1 percent of total assets.

Total liabilities remained stable at UGX 45 billion during the period under review. Nevertheless deferred income increased from UGX 17 billion to UGX 19 billion as at June 2018 and June 2019 respectively. This income relates to annual premiums which had to be apportioned for the half year, in line with accrual based accounting principles. Other items classified as liabilities include an amount worth UGX 20 billion which relates to monies received by the Fund when Greenland Bank, Co-operative Bank and International Credit Bank were closed. This liability will be settled after the conclusion of the liquidation exercise. In addition, the fund has a liability of UGX 198 million in respect of unclaimed deposits payable to insured depositors.

Fund Surplus and Reserves

The fund surplus and reserves increased from UGX 538 billion to UGX 650 billion over the Financial Year 2018/19. The increase was due to a surplus worth UGX 112 billion earned during the period largely on account of income from investments and premium contributions from member institutions.

The Fund received total contributions amounting to UGX 41 billion compared to UGX 36 billion received in the FY 2017/2018. Out of the total contributions, UGX 37 billion was annual premium while risk adjusted premiums amounted to UGX 4 billion. Additionally, the Fund received contributions amounting to UGX 196 million as penalties charged to financial institutions that failed to pay the premium within the period stipulated under the law.

In terms of investments, the Fund realized income from Government of Uganda Treasury Bills and Treasury Bonds amounting to UGX 86 billion compared to UGX 60 billion earned in the previous period. The increment is mainly due to capital growth. Additionally, there were minimal changes in fairvalue due to adoption IFRS 9 –Financial Instruments.

On the expenses side, the Fund incurred expenses amounting to UGX 24 billion compared to UGX 19 billion registered in the previous period. Withholding tax accounted for 75 percent or UGX 18 billion of total expenses. DPF paid 20% withholding tax on interest income received from investments in Government of Uganda Treasury bills and Treasury bonds. Other expenses related to fund management fees and administrative expenses.

FUND SURPLUS

UGX 650Bn

TOTAL CONTRIBUTIONS

UGX 41Bn

ANNUAL PREMIUM
UGX 37 Bn

RISK ADJUSTED PREMIUMS
UGX 4Bn

INCOME
(TREASURY BILLS AND TREASURY BONDS)

UGX 86Bn

EXPENSES

UGX 24Bn
UGX 18Bn - WITHHOLDING TAX

Trend of financial performance

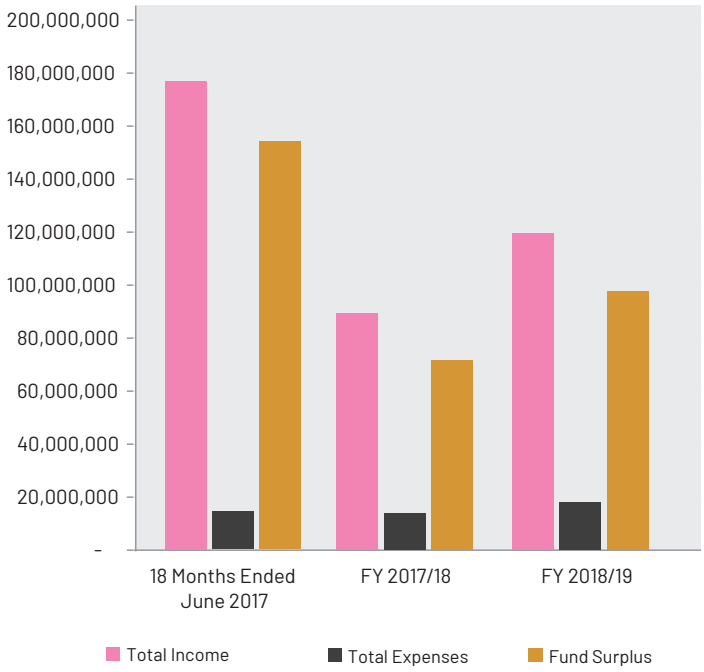
Over the last three years, the Fund's total assets have grown by 39 percent from UGX 500 billion to UGX 695 billion as at June 30, 2017 and June 30, 2019 respectively. The growth was largely reflected in treasury instruments which increased from UGX 475 billion as at June 30, 2017 to UGX 689 billion over the same period. Liabilities remained relatively stable over the period under review. Total expenses depict an increasing trend over the past three (3) years. These are expected to increase further as the Fund recruits staff and puts in place IT systems to support its core functions.

The trend analysis depicts a decline in total income and fund reserves between the financial years ended June 2017 and June 2019. This is due to that fact that the year ended June 30, 2017 covered a period of 18 months rather than 12 months. When a comparison is made between the FY 2017/18 and FY 2018/19, there has been notable growth in both income and fund reserves as discussed above.

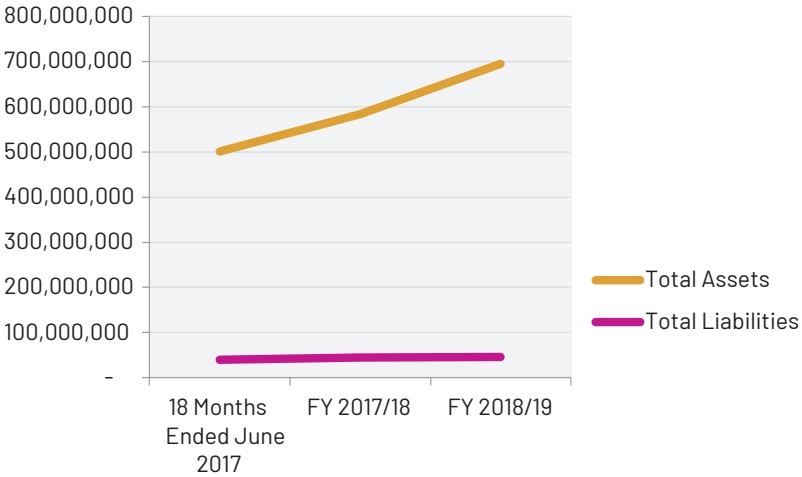
Trend of key financial performance indicators UGX'000

Particulars	FY 2018/19	FY 2017/18	18 Months Ended June 2017
Total Assets	694,730,629	583,049,819	500,416,081
Total Liabilities	45,097,714	45,034,484	39,632,369
Total Income	126,979,545	96,206,723	182,528,546
Total Expenses	24,164,058	18,975,099	21,691,805
Fund surplus	102,815,487	77,231,624	160,836,741

Comparative trend of Income Expenses and Reserves (UGX'000)



Trend of Total Assets Vs Liabilities UGX'000



Performance against Budget FY 2018/19

During the financial year 2018/19, the Fund earned total income worth UGX 107,493 million while actual expenditure amounted to UGX 6,432 million. This was against period projections of UGX 94,100 million and UGX 9,309 million for income and expenditure respectively. The net operating surplus for the period amounted to UGX 101,061 million compared to a projection of UGX 84,791 million. The cost to income ratio stood at 6 percent which was well within the acceptable 25 percent limit.

a) Income

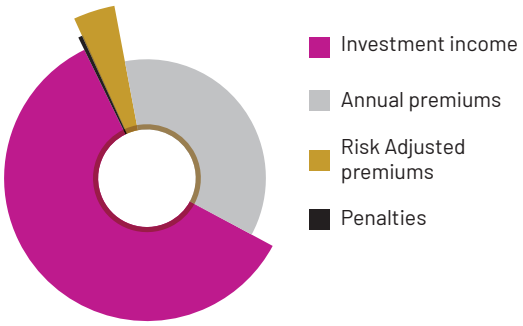
In terms of total income, the Fund generated higher earnings than anticipated. Total income stood at UGX 107,493 million compared to the budgeted UGX 94,100 million. The Fund received more interest income and risk adjusted premiums than anticipated. Additionally, the Fund earned income from penalties.

Budget Performance for the FY 2018/19

Sources of Income	Approved Budget 2018/19 UGX 'M	Actual to 30-June-19 UGX 'M	Variance %
Investment Income	54,400	64,412	18%
Risk Adjusted Premiums	2,000	4,107	105%
Annual Premium	37,700	38,778	3%
Penalties	-	195	-
Total Income	94,100	107,493	14%

NB: Investment Income is net of withholding Tax

Sources of Income for the FY 2018/19



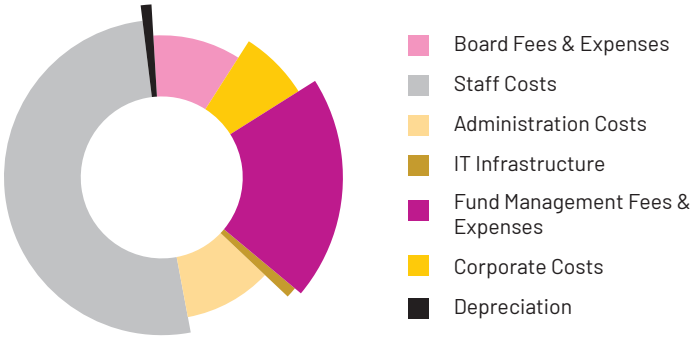
b) Expenses

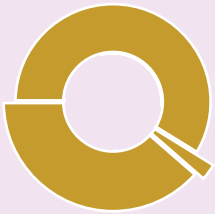
During the period under review, DPF operated well within the approved budget. Total expenses stood at UGX 6,432 million compared to the budgeted UGX 9,309 million. The lower than expected expenditure was mainly because Bank of Uganda continued to provide support in areas such as rent, water and electicity amongst others during the first (7) months of the period under review. The major expenses were staff and administration costs.

Budget Performance for the FY 2018/19

Description	Approved Budget 2018/19 UGX 'M	Actual to 30-June-19 UGX 'M	Variance %
Board Fees & Expenses	1,034	609	41%
Staff Costs	3,648	3,228	12%
Administration Costs	1,195	729	49%
IT Infrastructure	425	40	91%
Fund Management Fees & Expenses	1,820	1,293	29%
Corporate Costs	1,003	454	55%
Supervisory & Regulatory Costs	12	0.2	98%
Depreciation	172	80	54%
Total Expenditure	9,309	6,432	31%

Expenses for the Financial Year





Budget for the FY 2019/20

The budget for the FY 2019/2020 was in line with the 5 year strategic plan and the annual work plan. During the year, the Fund anticipates to earn income worth UGX 108.8 million and incur expenses amounting to UGX 12,674million. As such, the Fund will operate within a cost to income ratio of 11 percent which is well within the acceptable limit of 25%.

a) Income Budget

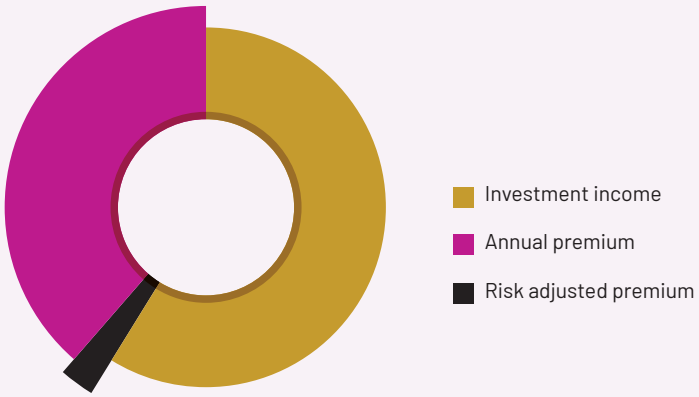
The projected income budget for the FY 2019/20 stands at UGX 108,800 million compared to UGX 94,100 million projected for the previous financial year. It is constituted of annual premium, risk adjusted premium and investment income as presented below.

Projected Income

Source of Income	Approved Income Budget 2018/19	Income Budget FY 2019/20 UGX in Millions	Change Compared to 2018/2019	Variance %
Annual Premium	37,700	42,000	4,300	11%
Risk Adjusted Premium	2,000	2,800	800	40%
Investment Income	54,400	64,000	9,600	18%
Total Income				**16%**

NB: Investment Income is net of Withholding tax

Distribution of Income



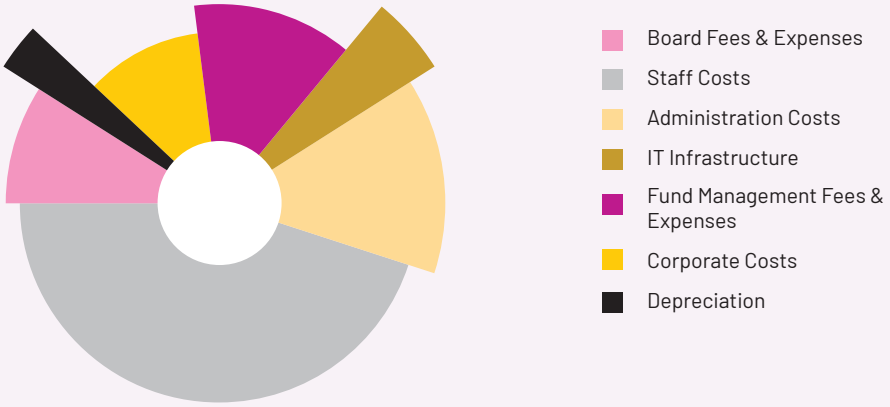
b) Expenditure Budget

The recurrent expenditure budget for the FY 2019/20 amounted to UGX 12,674 million up from UGX 9,309 million budgeted for the FY 2018/19. In addittion to the effects of inflation and depreciation of the local currency, the budget inceased to enable the Fund: host the 2019 International Association of Deposit Insurerers, meet the remuneration expenses of staff to be recruited into the Fund, engage in various capacity building activities for Board Members and Staff, and start the process of developing a depositor pay out system.

Recurrent Budget for FY 2019-2020

Description	Recurrent Budget 2018/2019 UGX 'Million	Proposed Recurrent Budget 2019/2020 UGX 'Million	Change Compared to 2018/2019	Variance %
Board Fees and Expenses	1,034	1,124	90	9%
Staff Costs	3,648	5,720	2,072	57%
Administration Costs	1,195	1,767	572	48%
IT Infrastructure	425	653	228	54%
Supervisory and Regulatory Costs	12	12	0	0
Fund management fees & Expenses	1,820	1,629	(191)	-10%
Corporate Costs	1,003	1,406	403	40%
Depreciation	172	362	190	110%
Total				**36%**

Distribution of expenses



Directors' Report

The Directors are pleased to present the Report and Audited Financial Statements of the Deposit Protection Fund, for the year ended 30 June 2019.

Incorporation

The Deposit Protection Fund was established as a body corporate under section 108 the Financial Institutions Act, 2004 as amended by Act No.2 of 2016 (Financial Institutions Act, 2004 as amended). As per the said law, the Fund is governed by board members who were appointed by the Honourable Minister of Finance, Planning and Economic Development. They include the Chairperson and representatives of the Governor of the Central Bank, Secretary to the Treasury, contributing institutions and the general public.

Principal Activities

As per Section 109 of the Financial Institutions Act, 2004 as amended, the principal activity of the Fund is to act as the deposit insurance scheme for customers of contributing institutions (deposit taking institutions regulated by Bank of Uganda). The Fund may act as a receiver or liquidator of a financial institution, if appointed for that purpose by Bank of Uganda and may perform such other functions as may be conferred upon it by law.

Operating Financial Results

The Directors present the financial statements for the period ended 30 June 2019 as set out on pages 58 to 95 of this report. Total assets of the DPF increased by UGX 112 billion over the period from UGX 583 billion in June 30, 2018 to UGX 695 billion as at June 30, 2019. This growth was financed by reserves which grew from UGX 538 billion in June 2018 to UGX 650 billion in June 2019, on account of the Surplus derived from investments and contributions from financial institutions. Fund expenses increased from UGX 19 billion to UGX 24 billion largely because of an increase in taxation expenses by UGX 3 billion.

Directors

The Directors who held office at the date of this report were: Mr. Ben Patrick Kagoro (Chairman), Mr. Solomon O. Oketcho, Mr. I.K. John Byaruhanga, Mr. Andrew Obara, Mrs.Roy Nambogo Kisaalu, Mr. Wilbrod Humphreys Owor and Mr. Emmanuel Kalema Musoke.

Auditors

In accordance with Section 111D, of the Financial Institutions Act 2004 as amended, the financial statements shall be audited once every year within four months after the close of each financial year, and an annual report of the operations of the Fund submitted to the Minister and contributing institutions.

In accordance with the provisions of section 23 of the National Audit Act, the Auditor General appointed M/s SNG Sejjaaka, Kaawaase & Company, Certified Public Accountants, to audit the financial statements on his behalf. This will enable him report to Parliament in accordance with Article 163 (4) of the Constitution of the Republic of Uganda.

Approval of the Financial Statements by Management

The financial statements were approved on 17th October 2019.

.....

BOARD CHAIRMAN

Statement of Director's Responsibilities

The Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at June 30, 2019, and the statement of profit or loss and statement of cash flows for the period ended June 2019, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Financial Institutions Act 2004.

The Directors are responsible for the internal control of the Fund. Standards and systems of internal control are designed and implemented by the Directors to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Fund's assets. Appropriate accounting policies supported by reasonable and prudent judgements and estimates, are applied on a consistent basis and using the going concern basis. These systems and controls include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The Directors accept responsibility for the financial statements set out on pages 58 to 95, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS and the requirements of the Financial Institutions Act 2004 as amended. The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and of the disposition of its assets and liabilities for the period ended June 30, 2019. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. The Directors certify that to the best of their knowledge and belief the information furnished to the auditors for the purposes of the audit was correct and is an accurate representation of the Fund's financial transactions in every respect.

The financial statements were approved by the Board of Directors on 17th October 2019 and signed by:

Chairman	Director	Director

Report of the Auditor General to Parliament

Opinion

I have audited the accompanying financial statements of the Deposit Protection Fund (DPF) which comprise the Statement of Financial Position as at 30th June 2019 and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Deposit Protection Fund as at 30th June 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and requirements of the Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act 2016.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report. Iam independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report, and Statement of directors' responsibilities, but does not include the financial statements and my auditors'opinion thereon.
My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this other information; Iam required to report that fact. I have nothing to report in this regard.

Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Financial Institutions Act 2004 as amended bt the Financial Institutions (Amendment) act 2016 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditors' report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Fund's 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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, lam required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditors' report. However, future events or conditions may cause the Fund 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.

I 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 I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with normal audit procedures, it is required that in carrying out my audit I consider and report to you on the following matters. I confirm that:

- I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
- In my opinion, proper books of account have been kept by the Fund, so far as appears from my examination of those books; and
- The Fund's Statement of financial position and comprehensive income are in agreement with the books of account.

John F.S. Muwanga
AUDITOR GENERAL

KAMPALA
30th October 2019.

Statement of Profit or Loss and other Comprehensive Income

		Note	Year ended 30 Jun 2019 UGX '000	Year ended 30 Jun 2018 UGX '000
Contributions:				
	Commercial Banks	3(a)	35,716,976	31,272,018
	Credit Institutions	3(a)	741,370	602,471
	Microfinance Deposit Taking Institutions	3(a)	420,574	397,184
	Risk Adjusted Premium	3(b)	3,970,580	3,536,784
	Penalties	3(c)	196,248	260,171
	Other Income		162	
			41,045,910	**36,068,628**
Income from investments:	Interest on Government treasury bills & bonds	4	85,373,459	69,182,176
	Income from secondary market trading	5	599,616	2,625,732
	Impairement credit on financial assets	19	(39,440)	-
	Fair value (loss)/gain	10	-	(11,669,813)
			85,933,635	**60,138,095**
Expenses	General and administration costs	6	5,102,609	2,967,311
	Fund Management Fees	8	1,188,768	1,319,042
	Taxation	9a)	17,756,104	14,637,168
	Depreciation	14	79,818	14,818
	Audit fees		36,760	36,760
Total expenditure			**24,164,058**	**18,975,099**
Total surplus for the period			**102,815,487**	**77,231,624**
Other Comprehensive Income				
Net Change in fair Value		20	9,104,188	-
Net amount transferred to profit or loss		20	(253,089)	
ECL Adjustments at FVOCI		20	23,847	-
Total Other Comprehensive Income			**8,874,945**	**77,231,624**
Total Comprehensive income for the year			**111,690,432**	**77,231,624**

The notes set out on pages 61 to 91 form an integral part of the financial statements.

Statement of Financial Position

		Note	Year ended 30 Jun 2019 UGX '000	Year ended 30 Jun 2018 UGX '000
Assets				
	Bank balances	11	4,566,673	22,385,540
	Receivables	12	1,179,956	2,361,020
	Financial Assets at amortised cost	13	171,780,829	-
	Financial Assets at fair value through OCI	13	516,839,008	-
	Treasury bills held to maturity		-	177,302,890
	Treasury bonds at fair value		-	380,619,167
	Property, plant and equipment	14	364,163	381,202
Total Assets			**694,730,629**	**583,049,819**
Liabilities	Deferred income	3(d)	19,389,071	17,489,849
	Creditors	15	19,750,479	19,760,392
	Unclaimed deposits	16	198,882	198,882
	Expenses payable	17	441,746	2,768,193
	Tax payable	9b)	5,317,536	4,817,168
Total Liabilities			45,097,714	45,034,484
Fund surplus			111,690,432	77,231,624
Fund reserves			537,942,483	460,783,711
Total Fund Surplus and Reserves		**18**	**649,632,915**	**538,015,335**
Represented by:				
Fund Liabilities,Surplus & Reserves			**694,730,629**	**583,049,819**

The notes set out on pages 61 to 91 form an integral part of the financial statements.
The financial statements were approved by the Board of Directors on 17th October 2019 and signed on its behalf by:

Chairman **Director** **Director**

Statement of Cashflows

		Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Cash flows from operating activities			
	Contributions received -commercial banks	37,519,775	33,914,176
	Credit institutions	823,302	659,438
	Microfinance Deposit Taking Institutions	435,065	406,083
	Risk adjusted premium	3,699,528	7,353,152
	Penalties	196,248	260,171
	Other Income	162	-
	Operational expenses	(6,412,804)	(4,648,683)
	Taxation	(17,225,736)	(14,388,376)
Net cash used in operating activities		**19,035,541**	**23,555,961**
Cash flows from investing activities			
	Investment income received-T bills & bonds	101,975,998	71,496,953
	Decrease/increase in investing activities	(138,830,407)	(93,105,118)
Net cash used in investing activities		**(36,854,409)**	**(21,608,165)**
Net Increase/ decrease in cash and cash equivalents		**(17,818,868)**	**1,947,796**
Movement in cash and cash equivalents:			
	At the start of the year	22,385,540	20,437,744
	Net Decrease in the year	(17,818,868)	1,947,796
At the end of the period		**4,566,673**	**22,385,540**

The notes set out on pages 61 to 91 form an integral part of the financial statements.

Notes to the Financial Statements

1. Reporting Entity

The Deposit Protection Fund of Uganda (Fund) as established under Section 34 (1) of the Financial Institutions Statute, 1993 which was later replaced by Section 108(1) of the Financial Institutions Act, 2004 ('FIA 2004') and then amended by the Financial Institutions Act, 2016 shall be the reporting entity.

2. Principal Accounting Policies

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

2.1 Basis of Preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Financial Institutions Act, 2004 as amended. The Fund has adopted IFRS 9, Financial Instruments with dates of initial application of July 1, 2018.

2.1.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the following material items in the statement of net assets, which are measured at fair value:

1) Financial assets at fair value through other comprehensive income (applicable from July 1, 2018),
2) Financial instruments at fair value through profit or loss (applicable before July 1, 2018).

2.1.3 Functional and presentation currency

The financial statements are presented in Uganda Shillings (UGX), which is the Fund's functional

currency and all values are rounded to the nearest thousand Shillings, except when otherwise indicated.

2.1.4 Use of estimates and judgement

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period. The estimates and associated assumptions are based on historical experiences, the results of which form the basis of making the judgements about the carrying values and liabilities that are not readily apparent from other sources. Actual results ultimately may differ from these estimates.

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

Judgements

Effective July 1 2018, Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements include the following:

1) Business model assessment: The classification of financial assets is based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.
2) Impairment models and assumptions used: The Fund uses various models and assumptions in measuring fair value of financial assets as well as in estimating Expected Credit Losses (ECL). Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.
3) Determining significant increase in credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition.

IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased. The Fund takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Assumptions and Estimates of Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended June 30 2019 is included in the following circumstances;

1) **Impairment of financial instruments in accordance with IFRS financial instruments** The assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses
2) **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.
3) **Recognition and measurement of provisions and contingencies:** key assumptions about the likelihood and magnitude of an outflow of resources.
4) **Impairment of financial instruments** key assumptions used in estimating recoverable cash flows.

2.2 Significant Accounting Policies

The Fund has consistently applied the following accounting policies to all periods presented in these financial statements.

2.2.1 New and Amended Standards and Interpretations

2.2.1.1 New and revised pronouncements, interpretations and amendments which became effective and adopted during the year

IFRS 9 Financial Instruments: Effective for annual periods beginning on or after 1 January 2018

IFRS 9 introduces new requirements which include an expected credit loss (ECL) impairment model, new requirements for the classification and measurement of financial assets and hedge accounting; IFRS 9 impacted the Fund's results upon transition and impacted the Fund's accounting policies.

2.2.1.2 New and revised pronouncements, interpretations and amendments which became effective but not adopted

A number of new standards are also effective from 1 July 2018 but they do not have a material effect on the Fund's financial statements.

New Standard or amendments	Effective for annual periods beginning on or after
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 2018

2.2.1.3 New or revised pronouncements, interpretations and amendments which are not yet effective

The Fund does not plan to adopt these standards early. These are summarised below;

New Standard or amendments	Effective for annual periods beginning on or after
IAS 12 Income taxes	1 January 2019
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 1and IAS 8 definition of material	1 January 2020
Amendments to IFRS 3	1 January 2020

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity). Of those standards that are not yet effective, IAS 12, IFRIC 23, amendments to IAS 19, amendments to IAS 1 are expected to have an effect on the Funds financial statements in the period of initial application.

IAS 1 and IAS 8 Definition of Material

The amendment refines the definition of Material to make it easier to understand and aligning the definition across IFRS Standards and the Conceptual Framework.

The amendment includes the concept of 'obscuring' to the definition, alongside the existing references to 'omitting' and 'misstating'. Additionally, the amendment also adds the increased threshold of 'could influence' to 'could reasonably be expected to influence' as below.

> *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*

However, the amendment has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier.

The Fund is assessing the potential impact on its financial statements resulting from the application of the refined definition of materiality.

2.3 Revenue recognition

Revenue is defined as income arising in the course of an entity's ordinary activities. Income is recognised in the period in which it is earned. Income is recognised to the extent that it is probable that economic benefits will flow to the Fund and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised

2.3.1 Contributions

Annual Contributions and other contributions like risk adjusted premiums are accounted for in the period in which they fall due.

2.3.2 Interest income

Interest income is recognised in the statement of changes in net assets for all interest bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned from fixed income investments.

The 'Effective interest rate' is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument to:

1) The gross carrying amount of the financial assets; or
2) The amortised cost of the financials liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit- impaired assets, the Fund estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received between parties of the contract that are an integral part of the effective

interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Fair value gains and losses on realised debt financial instruments, including amounts reclassified from OCI in respect of financial assets, and excluding those classified as trading assets, are included in investment income.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Presentation

Interest income presented in the statement of profit or loss and Other Comprehensive income includes;

1) Interest on financial assets measured at amortized cost calculated on an effective interest basis;
2) Interest on debt instruments measured at FVOCI calculated on an effective interest basis

The presentation of interest income in the statement of profit or loss applicable before January 1 2018 included:

1) Interest on financial assets measured at amortized cost calculated on an effective interest basis;
2) Interest income on financial assets carried at Fair Value through Profit or Loss.

2.3.3 Net gain/ loss on De-recognition of Financial Assets Measured at Amortised cost or FVOCI

Net gain/loss on de-recognition of financial assets measured at amortised cost includes loss (or income) recognized on sale or de-recognition of financial assets measured at amortised costs or at fair value through other comprehensive income and is calculated as the difference between the book value (including impairment) and the proceeds received.

2.4 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions for payments to protected depositors are recognized in the financial statements in the period the contributory institution is placed under liquidation. Any payments that exceed the provisions made are taken into account in determining the operating results for the year. Provisions that relate to unclaimed protected deposits are written back to income on expiry of the statutory period.

2.5 Taxation

Taxes comprise of withholding tax deducted at source on income earned from investment securities. The withholding tax rate applicable during the year ended 30 June 2019 was 20 percent.

2.6 Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. 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 asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Computer equipment, vehicles, furniture, equipment and plant & machinery are subsequently shown at their market values, based on valuations by external independent valuers. The Fund revalues computer equipment, vehicles, furniture, equipment and plant & machinery after every five years. Increases in the carrying amounts arising on revaluation are recognised in other comprehensive income and accumulated in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve while all other decreases are charged to profit or loss. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus. All assets are carried at cost or revalued amount less accumulated depreciation and impairment losses.

The release of the revaluation surplus to the revenue reserve is set to coincide with the useful life of the asset.

Depreciation is calculated on a straight-line basis to write off their cost or revalued amount of such assets to their residual values over the estimated useful lives.

The Fund's assets are depreciated over the term of their estimated useful lives at the following principal annual rates:

Major Category	Minor Category	Useful Life (Yrs.)	Depreciation Rate	Salvage Value
Computer Hardware	Fixed computer equipment and Laptops	5	20%	1.00%
	Mobile devices	3	33%	1.00%
	Processing peripherals	5	20%	1.00%
Equipment	Office e.g. Shredder	8	13%	2.00%
Vehicles	Executive & Pool	5	20%	10.00%

The Directors and Management review the residual value, useful life and depreciation method of an asset at the year end and any change in accounting estimate is recorded through profit or loss.

Subsequent, expenditures are capitalized only when it is probable that the future economic benefits will flow to the Fund. Expenditure incurred to replace a component of item of property and equipment is accounted for separately and capitalized while the major replaced component is derecognized.

All other expenditure items which do not meet the recognition criteria are recognized in profit or loss as expenses as they are incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any loss or gain on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income or general and administration costs in profit or loss in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

2.7 Payments to depositors

Payments to depositors are initially recognized as receivables from the liquidators of closed contributing institutions. Subsequently, any shortfall in receivables not made good by the liquidator is written off in the statement of changes in net assets.

2.8 Financial Instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the Fund include treasury bonds and bills, cash and bank balances Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio

every reporting date to ensure that all financial instruments are appropriately classified.

2.8.1 Recognition and initial measurement

All financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, in case of an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

2.8.2 Classification

2.8.2.1 Financial Assets

Prior to July 1, 2018, the Fund classified its financial assets into one of the following categories:

1) Held to maturity;
2) At Fair value through profit or loss for assets held for trading.

Policy from July 1, 2018, on initial recognition, a financial asset is classified as measured at: amortized cost or Fair value through other comprehensive income (FVOCI)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at Fair value through profit or loss:

1) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

1) The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model Assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

1) The investment policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
2) How the performance of the portfolio is evaluated and reported to the Fund's management;

3) The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
4) How investment managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
5) The Business model score that takes into account the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets. There were no changes to any of the Fund business models during the current year. (Prior year: Nil).

2.8.2.2 Financial Liabilities

The Fund classifies its financial liabilities, as measured at amortised cost. The Fund's financial liabilities include tax obligations, creditors and other liabilities.

2.8.3 De-recognition

2.8.3.1 Financial Assets

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset

(or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

2.8.3.2 Financial Liabilities

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.8.4 Modifications of financial assets and financial liabilities

2.8.4.1 Financial Assets

If the terms of a financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

Effective July 1, 2018, if the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower/financial institution, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Prior to July 1, 2018, If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

2.8.4.2 Financial liabilities

The Fund derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

2.8.5 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of net assets when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Fund's trading activity.

2.8.6 Fair Value Measurement

Subsequent to initial recognition all trading instruments and all financial assets at fair value through other comprehensive income are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

The determination of fair values of financial assets is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

For all other financial instruments, fair value is estimated by using valuation techniques. Valuation techniques include net present value, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Financial assets for which fair value is measured or disclosed in the financial statements are categorized 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 financial assets that are recognised in the financial statements at fair value on a recurring basis, the Fund 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.

2.8.7 Impairment

Impairment provisions effective 1 July 2018

The Fund recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

1) Financial assets that are debt instruments (investment in government securities)
2) Receivables.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the Debt investment securities that are deemed to have low credit risk at the reporting date; and

for which they are measured as 12-month ECL:

The Fund uses a three stage approach to impairment that reflects the general pattern of the deterioration in credit risk of a financial instrument that ultimately defaults. At each reporting period, the Fund assesses which stage a financial instrument that is subject to impairment testing falls into.

Stage 1: The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset whose remaining lifetime is less than 12-months).

Stage 2: A loss allowance over the full lifetime of the financial asset is required if the

credit risk of that financial instrument has increased significantly since initial recognition.

Stage 3: A lifetime measurement period is applied to all credit impaired exposures.

On initial recognition of the financial asset, the Fund recognizes loss allowances equal to 12 months expected losses (Stage 1). The interest revenue is calculated on the gross carrying amount for financial assets in stage 1.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

The lifetime expected credit losses represent all possible default events over the expected life of a financial instrument.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

1) Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive);
2) Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows;

1) If the expected restructuring will not result in de-recognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
2) If the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-Impaired Financial Assets

At each reporting date, the Fund assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

1) Significant financial difficulty of the borrower or issuer; the issuing respective East African Governments fails to honour its obligations in accordance with the terms of the

specific contract,

2) Objective assessments indicate that the repayments will be in doubt even when the obligation is not due,

In making an assessment of whether an investment in debt securities is credit-impaired, the Fund considers the rating agencies' assessments of creditworthiness.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

1) Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
2) Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon de-recognition of the assets.

Write-offs

Financial Instruments are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Fund determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due as approved by the Board.

Impairment provisions applicable before July 1, 2018

At each reporting date the Fund assessed whether there was objective evidence that financial assets not carried at fair value through profit or loss were impaired. Financial assets were impaired when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset, and that the loss event had an impact on the future cash flows of the asset that could be estimated reliably.

Objective evidence that financial assets were impaired included indications that a debtor or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation and observable data indicating that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

2.8.8 Investment Securities

The Fund holds the following investment securities as at June 30, 2019:

1) Financial instruments at amortized cost that comprise of treasury bills
2) Debt instruments at FVOCI that comprise of Government of Uganda treasury bonds,

For debt securities measured at FVOCI, gains and losses are recognized in OCI.

Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

Investment Securities Provisions prior to July 1, 2018

Investment securities were initially measured at fair value plus, in the case of investment securities not at FVTPL, incremental direct transaction costs, and subsequently accounted for depending on their classification as held-to-maturity, loans and receivables, FVTPL or available-for-sale.

Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated as at FVTPL or as available-for-sale.

Held-to-maturity investments were carried at amortized cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

1) Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
2) Sales or reclassifications after the Fund has collected substantially all of the asset's original principal; and
3) Sales or reclassifications that are attributable to non-recurring isolated events beyond the Fund's control that could not have been reasonably anticipated.

Fair Value through Profit or Loss

A financial asset at fair value through profit or loss is one that the Fund acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. A financial asset at FVPL was measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables were measured at amortised cost.

2.9 Changes in Accounting Policies

Except for the changes below, the Fund has consistently applied the accounting policies as set out in Note 2.9 to all periods presented in these financial statements.

2.9.1 IFRS 9: Financial Instruments (IFRS 9)

The Fund has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of July 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are embedded in the Fund's IFRS 9 Accounting policy and transition guidelines and are summarized below:

2.9.2 Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The Fund applied IFRS 9's classification and measurement requirements based on the facts and circumstances at 1 July 2018 in determining the transition adjustment. As at 1 July 2018, the Fund determined the classification of financial assets on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. An assessment of the instrument's contractual terms was performed to determine whether the terms give rise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding (referred to as SPPI).

For debt financial assets that meet IFRS 9's business model (held to collect or held to collect and sell) and the SPPI tests are to be classified as amortised cost or at fair value through OCI.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

1) The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
2) The remaining amount of change in the fair value is presented in profit or loss.

2.9.3 Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the Fund. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Financial assets measured at amortized cost and at fair value through OCI are all within the scope of the ECL impairment requirement. ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL. However, where the lifetime is less than 12 months, lifetime ECL will be measured for the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.

2.9.4 IFRS 9 –Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

1) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at July 1, 2018. Accordingly, the Fund's previously reported financial results up to 30 June 2018 are presented in accordance with the requirements of IAS 39 and from July 01 2018, and future reporting periods, are presented in terms of IFRS 9.
2) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
   - The determination of the business model within which a financial asset is held.
   - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVOCI.
3) If a debt instrument had low credit risk at the date of initial application of IFRS 9, then the Fund has assumed that credit risk on the asset if it had not increased significantly since its initial recognition to the date of initial application.

2.9.5 IFRS 9's ECL requirements

The most material IFRS 9 transition impact for the Fund is that of IFRS 9's new ECL requirements which results in the earlier recognition of credit impairment provisions primarily as a result of the drivers outlined in the table below. This impact was solely as a result of the adoption of IFRS 9 and is not as a result of changes in the credit quality of the Fund's investment securities. IFRS 9 introduces a three stage approach to impairment that reflects the general pattern of the deterioration in credit risk of a financial instrument that ultimately defaults.

12-month ECL (stage 1)	IFRS 9 contains a minimum 12-month ECL for exposures for which there has not been a significant increase in credit risk (SICR), whereas IAS 39 required credit impairments to be recognized only following the identification of objective evidence of impairment.
Significant increase in credit risk (SICR) (stage 2)	A lifetime ECL is recognized for all exposures for which there has been a SICR, being a material change in the probability of default, since origination.
Lifetime model work out requirement	In terms of determining ECL for stage 1 and 2 exposures where there is a probability of default, the potential loss from a lifetime perspective is considered, which would include the probability of recovery post default and subsequent re-default. For stage 3 exposures, being exposures that are either in default or where default is imminent, this would include consideration of cures and subsequent re-default.
Forward looking economic expectations	IFRS 9 requires an adjustment for forward looking economic expectations in the determination of SICR and in the measurement of the ECL

3. Contributions

		Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
A)	**Annual Contributions 2018- 2019**		
	Commercial Banks		
1	ABC Capital Bank Ltd	47,529	38,033
2	Bank of Africa Uganda Ltd	1,096,341	974,834
3	Bank of Baroda (Uganda) Ltd	2,356,741	2,138,098
4	Bank of India (Uganda) Ltd	279,670	220,035
5	Barclays Bank of Uganda Ltd	3,130,304	2,690,324
6	Cairo International Bank Ltd	135,722	120,312
7	Centenary Bank Uganda Ltd	3,903,567	3,211,965
8	Citibank Uganda Ltd	1,161,516	1,142,708
9	Commercial Bank of Africa Uganda Ltd	184,693	137,268
10	DFCU Bank Ltd	3,667,198	2,728,567
11	Diamond Trust Bank Uganda Ltd	2,338,013	2,249,532
12	Ecobank Uganda Ltd	510,982	444,565
13	Equity Bank Uganda Ltd	1,314,648	973,882
14	Exim Bank Uganda Ltd	497,209	510,566
15	Finance Trust Bank Ltd	252,502	194,299
16	Guaranty Trust Bank	258,040	192,357
17	Housing Finance Bank Ltd	742,387	725,175
18	KCB Bank Uganda Ltd	1,020,437	1,035,085
19	NC Bank	221,981	159,870
20	Orient Bank Ltd	1,062,461	911,089
21	Stanbic Bank Uganda Ltd	6,923,166	6,081,052
22	Standard Chartered Bank Uganda Ltd	3,977,148	3,879,649
23	Tropical Bank Ltd	335,013	299,078
24	United Bank of Africa Uganda Ltd	299,708	213,675
		35,716,976	**31,272,018**
	Credit Institutions		
1	Merchantile Credit Bank Ltd	72,746	58,563
2	Opportunity Bank Uganda Ltd	82,533	49,317
3	PostBank Uganda Ltd	556,253	480,308
4	Top Finance Bank Uganda Ltd	29,838	14,283
		741,370	**602,471**
	Microfinance Deposit Taking Institutions		
1	EFC Limited	7,584	6,269
2	Finca Uganda Limited	149,588	173,528
3	Pride Microfinance Limited	226,862	184,548
4	Ugafode Microfinance Limited	32,985	30,655
5	Yako Microfinance Limited	3,556	2,184
		420,574	397,184
	Total Contributions	**36,878,920**	**32,271,673**

Every Contributing Institution contributes annually 0.2% of average deposit liabilities. Please note that the newly licensed Credit Institution , M/s BRAC has not been included on the list, because it had not started making premium contributions.

B)	Risk Adjusted Premium	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
1	Commercial banks	3,663,403	3,377,955
2	Credit Institutions	289,364	117,189
3	Microfinance Deposit Taking Institutions	17,813	41,640
	Total Risk Adjusted Premium	**3,970,580**	**3,536,784**

C)	Penalties for late payment	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
1	Commercial banks	194,413	260,133
2	Credit institutions	650	38
3	Microfinance Deposit Taking Institutions	1,186	-
	Total Penalties	**196,248**	**260,171**

During the period ended June 30, 2019, financial institutions that did not pay their contributions to the Fund within the specified period were charged a civil penalty interest charge of 0.5 per cent of the unpaid amount for every day outside the notice period on which the amount remained unpaid as per Section 111(3) of the Financial Institutions 2004 as amended.

D)	Deferred Contributions	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
	Commercial Banks		
1	ABC Capital Bank Ltd	26,802	20,727
2	Bank of Africa Uganda Ltd	582,535	513,806
3	Bank of Baroda (Uganda) Ltd	1,245,167	1,111,574
4	Bank of India (Uganda) Ltd	152,900	126,770
5	Barclays Bank Uganda Ltd	1,638,307	1,491,997
6	Cairo International Bank Ltd	70,323	65,399
7	Centenary Bank Uganda Ltd	2,147,609	1,755,958
8	Citibank Uganda Ltd	543,547	617,969
9	Commercial Bank of Africa Uganda Ltd	104,020	80,673
10	DFCU Bank Ltd	1,904,040	1,763,158
11	Diamond Trust Bank Uganda Ltd	1,176,119	1,161,894
12	Ecobank Uganda Ltd	274,304	236,678
13	Equity Bank Uganda Ltd	766,107	548,541
14	Exim Bank Uganda Ltd	273,474	223,735
15	Finance Trust Bank Ltd	148,366	104,136
16	Guaranty Trust Bank	139,900	118,140
17	Housing Finance Bank Ltd	352,722	389,664
18	KCB Bank Uganda Ltd	503,711	516,726
19	NC Bank	128,859	93,122
20	Orient Bank Ltd	560,893	501,568
21	Stanbic Bank Uganda Ltd	3,641,685	3,281,481
22	Standard Chartered Bank Uganda Ltd	2,003,580	1,973,568
23	Tropical Bank Ltd	177,010	158,003
24	United Bank of Africa	197,909	101,800
		18,759,889	**16,957,088**
	Credit Institutions		
1	Mercantile Credit Bank Ltd	43,655	29,091
2	Opportunity Bank Uganda Ltd	53,989	28,544
3	PostBank Uganda Ltd	294,203	262,050
4	Top Finance Bank Uganda Ltd	19,803	10,035
		411,650	**329,720**
	Microfinance Deposit Taking Institutions		
1	EFC Limited	5,327	2,257
2	Finca Uganda Limited	73,977	75,611
3	Pride Microfinance Limited	119,751	107,111
4	Ugafode Microfinance Limited	16,617	16,368
5	Yako Microfinance Limited	1,861	1,695
		217,533	**203,042**
	Total Deffered Contributions	**19,389,071**	**17,489,850**

Deferred income relates to financial institutions'annual contributions paid into the Fund. Given that annual contributions relate to a calendar year, there is need to apportion the contributions in line with accrual based accounting principles.

4. Interest on Government Treasury Bills and Bonds

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Treasury bills	16,060,558	12,185,859
Treasury bonds	69,312,901	56,996,317
Interest from securities	**85,373,459**	**69,182,176**

During the period, Investment income earned increased by 23% due increased capital and favourable interest rate movements.

5 . Income from Secondary Market Trading

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Sales proceeds	20,107,866	26,575,535
Original cost of sale	19,508,250	24,124,658
Profit on trading	**599,616**	**2,450,877**
Interest accrued on securities	-	174,855
Income for the year from secondary market trading	**599,616**	**2,625,732**

During the year ended 30 June 2019, the Fund realised UGX 599 million from the sale of treasury bonds in the secondary market. Treasury bonds were sold to take advantage of interest rate movements and to ensure the asset allocation limits are in compliance with the investment policy.

6. Administrative Expenses

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Board Fees & Expenses	609,652	651,804
Staff related costs (note 7)	3,349,010	1,816,504
General & Administration costs	619,012	222,004
Corporate costs	524,935	280,700
	5,102,609	**2,971,011**

During the year, Administrative expenses increased because the Fund moved from Bank of Uganda Premises to own rented premises at AHA Towers Lourdel Road,Kampala.
In addition staff and Board members undertook capacity building programs to gain skills and exposure in a relatively new area of deposit insurance.

7. Staff costs

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Salaries & wages	2,442,739	1,318,798
Projects and training	361,270	204,030
Defined benefit scheme contributions	311,464	171,968
NSSF contributions	219,273	121,707
Other Staff Costs	14,265	-
	3,349.010	1,816,504

The Fund caters for pension contributions for all its employees. The pension obligation for members on the defined benefits scheme currently rests with the Central Bank of Uganda as the members are still employees of the Bank but seconded to carry out the Deposit Protection Fund mandate. All pension contributions for employees under the defined contribution scheme accrue to the members who bare the ultimate risks and rewards under the scheme.

8. Fund Management Fees

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Fund Management Fees	1,188,768	1,319,042
	1,188,768	**1,319,042**

M/s. Sanlam Investments East Africa Ltd and GenAfrica Asset Managers continued to perform their duties as the Fund's investment managers during the period. The Management fees are based on the market value of the portfolio at the end of each relevant quarter as per the investment management agreement signed between the Fund and each of the Fund Managers i.e. M/s Sanlam Investments East Africa Ltd and GenAfrica Asset Managers.

9. Taxation

		Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
9a)	Withholding Tax at 20%	17,808,092	14,638,352
	WHT written off on premium bond	(51,988)	(1,184)
	Adjusted Tax for the period	**17,756,104**	**14,637,168**
	Add: Tax payable brought forward	4,817,168	4,568,376
	Less: Withholding tax paid at 20%	17,255,736	(14,388,376)
9b)	**Tax payable carried forward**	**5,317,536**	**4,817,168**

A final tax of 20 percent was charged on interest income earned on Treasury Bills and Treasury Bonds for the period ended 30 June 2019 in accordance with Sections 117 and 122 of the Income Tax Act.

10. Fair Value Movement on Treasury Bonds

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Fair value (loss)/gain at 30 June	-	(4,256,344)
Reclassification of FV from FVPL to FVOCI	4,256,344	
Fair value gain/(loss) at 1 July	(4,256,344)	7,413,469
Fair value movement on Treasury bonds	**-**	**(11,669,813)**

The investments in Treasury bonds were previously classified under fair value through profit and loss.They have been reclassified and treated as fair value through Other Comprehensive Income (OCI) in accordance with IFRS 9 –Financial Instruments.

11. Cash and Bank Balances

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Bank Balances	4,566,673	22,385,540
	4,566,673	**22,385,540**

The cash balance of period ended June 30, 2018 included bank balance held at Bank of Uganda of UGX 19,750 million payable to the Government of Uganda. This will be utilized after the conclusion of the liquidation exercise of the closed banks; (Greenland Bank, Co-operative Bank, and International Credit Bank). Any residual amount will be paid back to the Government. The bank balance amount reduced significantly, because the Board took a decision to invest these funds in Governmnet of Uganda treasury bills while the liquidation process was being concluded. This is included in the treasury bills reported in the Statement of Financial Position.

12. Receivables

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Risk Adjusted Premiums	1,056,800	841,370
Prepaid Office Rent	115,349	-
Investment income receivable	-	1,519,050
Other receivables	7,807	-
Tax on health club allowances	-	600
	1,179,956	**2,361,020**

During the year, contributing institutions which were rated marginal or unsatisfactory as per the Bank of Uganda quarterly off-site reports were charged an additional 0.1 percent and 0.2 percent respectively of the average weighted liabilities on a quarterly basis as per Section 111

of the FIA 2004 as amended. UGX 1,056Million relate to risk adjusted premium that was not yet received by end of financial year.
During the year,the Fund paid office rent which covered a one year period up to November 2019. Office rent receivable refers to the rent that covers the period July to November 18, 2019 that was not yet utilized by the end of the financial year.

13. Investments in Government Securities

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Treasury bills held to maturity	171,780,829	177,302,890
Treasury bonds at fair value	516,839,008	380,619,167
	688,619,837	**557,922,057**

The treasury bills and bonds are further analyzed as follows:

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Treasury bills held to maturity		
Treasury bills (at cost)	165,301,526	170,486,496
Interest accrued	6,479,304	6,816,394
Total Treasury bills	**171,790,829**	**177,302,890**
Treasury bonds at FVOCI		
Treasury bonds (at cost)	499,669,125	374,959,674
Interest accrued	12,575,129	9,915,837
Fair value (loss)/gain	4,594,754	(4,256,344)
Total treasury bonds	**516,839,008**	**380,619,167**
Total treasury Bills & Bonds	**688,619,837**	**557,922,057**

Total investment in Treasury Bills and Bonds increased to UGX 688 billion during the year from UGX 557 billion registered in the previous year due to capital growth resulting from investment income and premiums from contributing institutions.

Maturity analysis of the Government securities:

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Treasury Bills		
Maturity within 91 days	42,205,016	43,646,864
Maturity after 91 days & before 182 days	38,803,311	50,210,581
Maturity after 182 days	90,772,502	83,445,445
	171,780,829	**177,302,890**
Treasury Bonds		
Maturity within 2 years	183,656,690	135,818,163
Maturity after 2 years and within 3 years	107,009,832	61,359,842
Maturity after 3 years and within 5 years	77,198,028	74,891,023
Maturity after 5 years and within 10 years	80,801,259	74,809,025
Maturity after 10 years	68,173,199,	33,741,114
	516,839,008	**380,619,167**

During the year, the yields on the medium to long end of the yield curve were attractive. More investments were skewed to the treasury bonds in order to take advantage of market movements and earn reasonable returns.

The treasury bills for the financial year ended June 2019 have been classified as financial assets at amortised cost.These were previously classified as held to maturity under IAS 39.

On the other hand, treasury bonds for the financial year ended June 2019 have been classified as debt instruments at fair value through other comprehensive income.The securities were previously classified as investments held for trading under IAS 39.

14 Property, plant and equipment

	Computer Hard Ware UGX '000	Equipment UGX '000	Motor Vehicle UGX '000	Furniture & Fittings UGX '000	Plant & Machinery UGX '000	Totals UGX '000
Cost of valuation						
As at 01 July 2018	86,926	3,304	305,790	-	-	396,020
Additions	15,302	28,695	-	9,527	9,254	62,779
As at 30 June 2019	**102,228**	**31,999**	**305,790**	**9,527**	**9,254**	**458,799**
Depreciation						
As at 01 July 2018	14,637	181	-	-	-	14,818
Charge for the year	28,207	1,262	49,664	628	57	79,818
As at 30 June 2019	**42,844**	**1,443**	**49,664**	**628**	**57**	**94,636**
Net carrying amount						
As at 30 June 2019	**59,385**	**30,556**	**256,126**	**8,899**	**9,197**	**364,163**
As at 30 June 2018	72,289	3,123	305,790	-	-	381,202

15 Creditors

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Total insured depositors	41,152,210	41,152,210
Claim by Deposit Protection Fund	(3,299,997)	(3,299,997)
Claim by Government of Uganda	**37,852,213**	**37,852,213**
Refund to Government	(10,000,000)	(10,000,000)
Balance from Coop Bank A/C & Other Assets	(8,101,734)	(8,101,734)
Amount payable to Government	**19,750,479**	**19,750,479**
Amount payable to Bank of Uganda	-	9,913
	19,750,479	**19,760,392**

The amount payable to Government and Bank of Uganda relates to their contribution for settlement of claims in the liquidation exercise of the closed banks. During the year UGX 9.9 million due to Bank of Uganda was paid off. The amount to Government will be paid after the conclusion of the liquidation exercise.

16 Un-Claimed Deposits

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
At 1 July and the end of the period	198,882	198,882
	198,882	**198,882**

The balance constitutes unclaimed deposits payable to insured depositors of closed banks.

17 Expenses Payable

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Audit fees	36,760	36,760
Fund Management fees	326,000	355,019
Investment purchases	-	2,374,248
Administrative expenses	78,986	2,166
	441,746	**2,768,193**

During the period, administrative expenses increased because the Fund moved from Bank of Uganda premises to rented premises at AHA Towers Lourdel road, Kampala. The administrative expenses payable relate to costs whose invoices were yet to be presented to the Fund for payment.

During the period, Bank of Uganda (BoU) incurred some expenses on behalf of DPF. These expenses are expected to be paid as per the Memorandum of Understanding between the

two institutions. DPF considers these expenses as a contingent liability. The actual amount outstanding will be recognized in the financial statements once DPF receives a debit advice note from BOU.

18 Fund Surplus and Reserves

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
At 1 July (Adjusted)	537,942,483	460,783,711
Total Surplus for the period	111,690,432	77,231,624
At the end of the period	**649,632,915**	**538,015,335**

The fund surplus and reserves increased mainly due to increased surplus earned from investment income and contributions from Contributing Institutions. Opening fund reserves as at July 01,2018 reduced by UGX 72 million to UGX 537 billion from the closing fund reserves of UGX 538 billion as at June 30,2018 mainly due the impact of adopting IFRS 9.

19 Impairment Credit on Financial assets

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Expected Credit loss on treasury bills and bonds	16,181	-
Expected Credit loss on receivables	(55,621)	-
	(39,440)	**-**

The expected credit loss charges on financial instruments for the year ended June 30,2019 have been made in accordance with the impairment provisions of IFRS9-financial Instruments. There was no impairement charge recognised on financial instruments for the year ended June 2018.

20 Other Comprehensive Income

	Year Ended 30 Jun 2019 UGX '000	Year Ended 30 Jun 2018 UGX '000
Fairvalue movement for financial assets at FVOCI	9,104,188	-
Net amount transferred to P/L on derecognised assets at FVOCI	(253,089)	-
ECL Adjustments for financial assets at FVOCI	23,847	
	8,874,945	-

Other Comprehensive income financial year ended June 2019 resulted from classification of debt instruments at fair value through other comprehensive income in accordance with IFRS9.

21 Interest Rate Risk

21.1 Exposure to interest rate risk

The Fund's operations are exposed to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest levels consistent with the Fund's business strategy. Interest rate monitoring is done by the Board of Directors, the Head Investments and External Fund managers.

The table below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities categorized by maturity dates;

Interest rate Risk

	30-Jun-19 UGX '000	**Matured** UGX '000	**Up to 3 months** UGX '000	**4 to 12 months** UGX '000	**1 to 5 years** UGX '000	**Over 5 years** UGX '000
Assets						
Bank balances	4,566,673	4,566,673	-	-	-	-
Investments in treasury bills	171,780,829	-	42,205,016	129,575,813	-	-
Investments in treasury bonds	516,839,008	-	-	-	367,864,550	148,974,458
Receivables	1,179,956	-	1,064,607	115,349	-	-
Total assets	**694,366,466**	**4,566,673**	**43,269,623**	**129,691,162**	**367,864,550**	**148,974,458**
Liabilities						
Creditors	19,750,479	-	-	19,750,479	-	
Unclaimed deposits	198,882	-	-	-	-	198,882
Expenses payable	441,746	-	441,746	-	-	-
Tax payable	5,317,536	-	648,655	964,808	2,427,747	1,276,326
Total liabilities	**25,708,643**	**-**	**1,090,401**	**20,715,287**	**2,427,747**	**1,475,208**
Liquidity gap						
As at 30 June 2019	**668,657,823**	**4,566,673**	**42,179,222**	**108,975,875**	**365,436,803**	**147,499,250**

Interest bearing assets were more than the interest bearing liabilities which reflects less interest risk exposure to the Fund.

21.2 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations. It includes the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. In addition, liquidity risk can arise due to inability of the Fund to fully pay out the insured depositors of a contributing institution due to limited size of the Fund. In order to manage liquidity risk, the Fund spreads its investments over the government securities time horizon to ensure availability of funds to meet its obligations as they fall due.

The Fund has access to Funds raised from premiums paid by contributing institutions. DPF assesses liquidity risk by identifying and monitoring changes in funding required to meet the targets stipulated in the Investment Policy.

Exposure to liquidity risk

	30-Jun-19 UGX '000	**Matured** UGX '000	**Up to 3 months** UGX '000	**4 to 12 months** UGX '000	**1 to 5 years** UGX '000	**Over 5 years** UGX '000
Assets						
Bank balances	4,566,673	4,566,673	-	-	-	-
Investments in treasury bills	171,780,829	-	42,205,016	129,575,813	-	-
Investments in treasury bonds	516,839,008	-	-	-	367,864,550	148,974,458
Receivables	1,179,956	-	1,064,607	115,349	-	-
Total assets	**694,366,466**	**4,566,673**	**43,269,623**	**129,691,162**	**367,864,550**	**148,974,458**
Liabilities						
Creditors	19,750,479	-	-	19,750,479	-	
Unclaimed deposits	198,882	-	-	-	-	198,882
Expenses payable	441,746	-	441,746	-	-	-
Tax payable	5,317,536	-	648,655	964,808	2,427,747	1,276,326
Total liabilities	**25,708,643**	**-**	**1,090,401**	**20,715,287**	**2,427,747**	**1,475,208**
Liquidity gap						
As at 30 June 2019	**668,657,823**	**4,566,673**	**42,179,222**	**108,975,875**	**365,436,803**	**147,499,250**

The key measure used by the Fund for managing liquidity risk is the asset mix limits.

Details of the asset mix at the reporting date were as shown in the table below.

Asset Class Limits

Asset Class	**30 Jun 2019 Value** UGX'000	**30 Jun 2019** %	**Strategic Allocation** %	**Tactical Range** %	**30 Jun 2018 Value** UGX'000	**30 Jun 2018** %
Cash and cash equivalents	5,746,629	1%	0%	0% -1. 5%	24,746,560	4%
Treasury bills held to maturity	171,780,829	25%	50%	25% - 75%	177,302,890	30%
Treasury bonds at fair value	516,839,008	74%	50%	5% - 50%	380,619,167	65%
Total	**694,366,466**	**100%**	**100%**		**582,668,617**	**100%**

During the period the fund asset mix complied with both the strategic and tactical asset allocation ranges in line with the investment policy.

22 Current and Non-Current Assets and Liabilities

The current and non-current assets and liabilities as at June 30, 2019 are as highlighted below;

		Statement of fiancial position amount 30-Jun-19 UGX '000	Note	Not more than 12 months after the reporting date UGX '000	More than 12 months after the reporting date UGX '000	Total UGX '000
Assets						
	Bank balances	4,566,673	11	4,566,673	-	4,566,673
	Receivables	1,179,956	12	817,408	-	817,408
	Investments in government securities	688,619,838	13	171,780,829	516,839,008	688,619,837
	Property, plant and equipment	364,163	14	-	364,163	364,163
Total Assets		**694,730,630**		**177,164,910**	**517,203,171**	**694,368,081**
Current liabilities	Deferred income	19,389,071	3(d)	19,389,071	-	19,389,071
	Creditors	19,750,479	15	19,750,479		19,750,479
	Unclaimed deposits	198,882	16	-	198,882	198,882
	Expenses payable	441,746	17	558,429	-	558,429
	Tax payable	5,317,536	9	1,302,426	4,015,110	5,317,536
Total Liabilities		**45,097,715**		**41,000,405**	**4,213,992**	**45,214,397**

A large part of assets are due in a period of more than 12 months after the reporting date while most of the liabilities fall due in the period of less than one year after the reporting date. It should be noted that the assets that fall within a period of one year are sufficiently matched with the corresponding liabilities.

23 Related Party Transactions

The Deposit Protection Fund of Uganda and Bank of Uganda ('the Bank') work on various aspects of financial stability and perform duties of deposit protection and supervision of contributing institutions respectively.

No trading is carried on with Bank of Uganda. The Bank of Uganda staff members who were seconded to the Fund are fully paid by DPF.

Consumer Education

The Deposit Protection Fund of Uganda (DPF), which is also referred to as the Fund, was established as a legal entity following the enactment of the of the Financial Institutions (Amendment) Act, 2016. The process of operationalizing the Fund commenced in April 2017 with the inauguration of the Board of Directors by Honorable Minister of Finance, Planning and Economic Development.

1)	**What is the Deposit Protection Fund of Uganda (DPF)?**	The DPF is a legal entity created by the Government of Uganda to ensure that depositors are paid their protected deposits in the event of failure of a contributing institution.
2)	**What is the mandate of the DPF?**	Ω To contribute to financial sector stability by ensuring that protected deposits are paid on time in the event of failure of a contributing institution, hence building public confidence in the financial sector. Ω To act as a receiver or liquidator of any closed contributing institution if appointed by Bank of Uganda. Ω To perform such other functions as may be conferred upon it by law.
3)	**What is a contributing institution?**	A contributing institution is one which is licensed by Bank of Uganda and periodically makes a financial contribution to the DPF. These include: Commercial Contributing Institutions, Micro finance Deposit Taking Institutions and Credit Institutions.
4)	**How is the DPF funded?**	Ω Annual Premium. All contributing institutions make an annual premium payment to the DPF. Ω Investment Income. The contributions are invested in risk free Government of Uganda treasury instruments and this helps to increase the fund size.

5)	**How does the DPF compute and collect the annual premiums?**	Ω Annually, DPF serves contributing institutions with a notice specifying the expected annual premium amount and the period within which it should be paid. Ω The annual premium is at least 0.2 per cent of the average weighted deposit liabilities of the contributing institution over the previous financial year. Ω The annual premium should be paid to the Fund in the period not more than twenty-one days after the date of service of the notice. Ω A contributing institution which for any reason fails to pay its premium to the Fund within the period of 21 days is liable to pay a civil penalty interest of one half per cent of the unpaid amount for every day outside the notice period on which the amount remains unpaid.
6)	**How does the DPF compute and collect the Risk Adjusted Premiums?**	Ω If the Central Bank ascertains that the affairs of a contributing institution are being conducted in a manner which is detrimental to the interests of depositors, it may, by notice, increase the contributions of that contributing institution beyond the annual contribution stated above. Ω The increased contributions are referred as Risk Adjusted Premiums. These are based on the quarterly ratings resulting from the BoU's quarterly off-site financial analysis reports. Ω A Contributing institution whose overall performance shows an unsatisfactory or marginal rating shall be charged on a quarterly basis as follows: • Marginal: additional charge of 0.1 percent of the average weighted deposit liabilities on top of the annual contribution. • Unsatisfactory: additional charge of 0.2 percent of the average weighted deposit liabilities on top of the annual contribution

7) **Where does the DPF keep the money it receives from contributing institutions?**	Ω The money received from contributing institutions is deposited in an account held at Bank of Uganda. Ω These monies are then invested in assets with minimal risks such as government of Uganda treasury bills and treasury bonds. Income from the investment is reinvested. Ω In the event of failure of a Contributing Institution, and subsequent receivership, a depositor of that Contributing Institution can lodge a claim with DPF. Claim forms will be readily available to the public.
8) **Who are covered by the Deposit Protection Fund?**	Ω All depositors of contributing institutions. Ω The coverage is per depositor per contributing institution. Ω Joint accounts holders are treated as separate persons for the purposes of payment of insured deposits.
9) **Are all financial institutions in Uganda members of the Deposit Protection Fund?**	No. Only those financial institutions licensed and supervised by Bank of Uganda are members of the DPF.
10) **How much compensation am I entitled to when a contributing institution closes?**	Ω Currently it's up to ten million shillings per depositor per contributing institution. Ω It should be noted that DPF determines the 'protected deposit' for payment purposes, by getting the total deposits of an individual in a particular contributing institution and deducting any liability of that individual to the institution.
11) **How soon can the customer get his money from a contributing institution which has been closed?**	According to the Financial Institutions Act, 2004 as amended, depositors will be paid within ninety (90) days of closure of the contributing institution. DPF will nevertheless, ensure that depositors get their money earlier than the time period provided for in the law.
12) **Do depositors need to pay money to the Deposit Protection Fund of Uganda?**	No. It is only contributing institutions that are required to pay money to the DPF.
13) **How do I know if my deposits are insured?**	As long as your deposits are with a contributing institution which is regulated by Bank of Uganda and the amount is within the current protected limit of ten million shillings, they are protected.

14) **What happens to the rest of my money?**	Deposits above the insured limit will be paid by the liquidator after the assets of the closed institution have been sold off. The amount paid out will depend on the recoveries made.
15) **What kinds of deposits are covered by the Deposit Protection Fund of Uganda?**	Ω All types of deposits received by a contributing institution in the normal course of business are protected. These include savings, current accounts and fixed deposits. Ω It also includes foreign currency deposits though these will be converted to Uganda shillings using BoU determined closing exchange rate on the day the institution was closed.
16) **How does the DPF contribute to financial sector stability?**	Ω DPF protects a large percentage of retail depositors. More than 90 percent of the depositors in the sector are fully covered by the UGX 10,000,000 limit. Ω DPF creates confidence in the financial sector by ensuring that customers are paid their deposits in time in the event a contributing institution is closed. Ω Contributing institutions endeavor to put in place adequate risk management systems in order to avoid penalties levied by the DPF.
17) **At what point might DPF be called upon to pay insured deposits?**	In ensuring financial sector stability, the DPF works closely with the Bank of Uganda. BoU has a range of options it can use to ensure that contributing institutions exit the sector without inconveniencing depositors. As such, the Bank of Uganda would advise DPF to pay depositors out of the fund, as the very the last option. This is in line with the International Best Practice.

AHA Towers, Plot 7 Lourdel Road, Kampala
P.O. Box 37228 Kampala
+256 417 302 136
info@dpf.or.ug
Deposit Protection Fund of Uganda
www.dpf.or.ug