Deposit Protection Fund

Annual Report 2012

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1 BOARD OF DIRECTORS AND OTHER INFORMATION

1.1 BANK OF UGANDA BOARD OF DIRECTORS

Name	Position	
Prof. Emmanuel Tumusiime-Mutebile	Governor	
Dr. Louis Kasekende	Deputy Governor	
Mr. C. Manyindo Kassami	Member of the Board	Reappointed on 11 November 2012
Dr. William S. Kalema	Member of the Board	Appointed on 11 November 2012
Mr. Ibrahim Kabanda	Member of the Board	Appointed on 11 November 2012
Mr. James Kahoza	Member of the Board	Appointed on 11 November 2012
Ms. Judy Obitre-Gama	Member of the Board	Appointed on 11 November 2012
Prof. J. Waswa Balunywa	Member of the Board	Retired on 04 June 2012
Mrs. Benigna Mukiibi	Member of the Board	Retired on 04 June 2012
Mr. Manzi Tumubweinee	Member of the Board	Retired on 04 June 2012

1.2 INVESTMENTS MANAGERS

African Alliance Uganda Limited (AAU) Contract ended on 08 May 2012
1st Floor Workers House
Pilkington Road
P. O. Box 70828
Kampala, Uganda

1.3 CUSTODIAN

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

1.4 AUDITORS

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

2 REPORT OF MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The management of Bank of Uganda presents the Deposit Protection Fund ('the Fund') report together with the audited financial statements of the Fund for the year ended 31 December 2012.

2.1 BACKGROUND OF THE FUND

The Deposit Protection Fund was established under the Financial Institutions Statute, 1993 Section 34(1), and replaced by Section 108(1) of the Financial Institutions Act, 2004 ('the Act'). The objective of the Fund is to make payments to depositors of financial institutions closed under an administration order by the Central Bank in accordance with Section 110(1) of the Act.

2.2 CONTRIBUTIONS AND FUNDING

Under section 109 (1) of the Act, every financial institution contributes to the Fund and pays such annual amounts as the Central Bank may determine. The Central Bank may from time to time issue statutory instruments varying the percentage and advising the basis of weighting.

Currently, financial institutions contribute not less than 0.2 percent of their average weighted deposit liabilities for the previous financial year.

During the year ended 31 December 2012, the Fund received contributions amounting to UShs 17,578 million (2011: UShs 14,164 million) from twenty three (23) Commercial Banks (2011: 22) and UShs 226 million (2011: UShs 172 million) from three (3) Credit Institutions (2011: 3)

Risk adjusted premiums amounting to Ushs. 1,326 million were charged to financial institutions that were rated marginal or unsatisfactory as in line with Section 109 (7) of the Financial Institutions Act, 2004, as per the quarterly off-site reports, within the period using the following basis:

- Marginal: 0.1% of the average weighted customer deposits
- Unsatisfactory: 0.2%of the average weighted customer deposits

The net assets of the Fund increased by UShs 31,213 million to UShs 157,468 million as at 31 December 2012 from UShs 126,225 million as at 31 December 2011. This was a 25 percent growth in the fund during the year. The growth was due to high interest rates obtained by the fixed income assets, increase in contributions by 24.1 percent (2011: 33.7 percent) and the receivable related to the Risk Adjusted Premium of Ushs 1,326 million.

2.3 INVESTMENTS

Section 108(6) of the Act stipulates that the money constituting the Fund be placed in an account with the Central Bank to be invested in such a manner as the Central Bank deems appropriate. The Bank has continued to invest the Fund monies in risk free Government Treasury Bills and Bonds.

By the end of the period 31 December 2012, UShs 72,297 million was invested in Treasury Bonds and Treasury Bills (2011: UShs 126,967 million). Treasury Bonds were 71.2 percent (2011: 55.8 percent) of the total fixed income assets, while Treasury Bills contributed 28.8 percent (2011: 44.1 percent).

On 8th May 2012, BOU exercised the option in the fund management service contract with African Alliance Uganda Limited to terminate the contract. By December 2012, new fund managers were appointed; PineBridge Investments Limited and Genesis Kenya Investments Management, and were to start operations on 1st January 2013.

An amount of UShs 104,968 million was held at Bank of Uganda (2011: Ushs 19,836 million) as at 31 December 2012; Of this amount Ushs 19,750 is pending settlement of claims by Government of Uganda which will be paid after the conclusion of the liquidation exercise.

2.4 PAYMENTS TO DEPOSITORS

The Fund's liability to eligible depositors arises when a Financial Institution is classified as insolvent. The amount payable to depositors is the protected deposit with the Deposit Protection Fund. This is the aggregate credit balance of any accounts maintained by a customer at a Financial Institution less any liability of the customer to the Financial Institution. The protected deposit is determined by the Minister of Finance, Planning and Economic Development, from time to time by order published in the Gazette, and is currently UShs 3 million. During the year ended 31 December 2012, the Fund made no payments to depositors since the financial institutions remained financially sound.

2.5 AUDITORS

Ernst & Young were appointed auditors of the Fund for three years ending 31 December 2012. They are therefore not eligible for reappointment.

2.6 APPROVAL OF THE FINANCIAL STATEMENTS BY MANAGEMENT

The financial statements were approved on ....17.......APRIL..........2013.

....

GOVERNOR

3 STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The management of the Fund is responsible for the preparation and fair presentation of the financial statements, comprising the statement of net assets as at 31 December 2012, and the statement of comprehensive income and statement of cash flows for the year then ended, 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.

Management is responsible for the internal control of the Fund. Standards and systems of internal control are designed and implemented by management 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 judgments 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.

Management accepts responsibility for the financial statements set out on pages 08 to 24, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS and the requirements of the Financial Institutions Act, 2004. Management is 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 year ended 31 December 2012. Management further accepts 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.

Management certifies 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 management on behalf of the Board of Directors on.......17.......APRIL..............2013 and signed by:

..................................Governor, Bank of Uganda

Louis Kasekende ....Deputy Governor, Bank of Uganda

..................................Executive Director Finance, Bank of Uganda

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

4.4 OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Deposit Protection Fund as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Ugandan Financial Institutions Act, 2004.

Ernst & Young

KAMPALA

Date: ....29..../..April..../2013

Ernst & Young

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4 REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE DEPOSIT PROTECTION FUND

4.1 REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the Bank of Uganda Deposit Protection Fund, which comprise the statement of net assets as at 31 December 2012, and the statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 08 to 24.

4.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

4.3 AUDITORS' RESPONSIBILITY

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

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

5 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

YEAR ENDED		Note	31-Dec-12 UShs '000	31-Dec-11 UShs '000
Contributions:	Commercial Banks	2	17,578,980	14,164,386
	Credit Institutions	2	226,630	172,494
	Risk Adjusted Premium	2	1,326,554	-
			19,132,163	14,336,879
Income from investments:	Interest on Government Treasury bills & bonds	3	10,013,009	7,891,690
	Income from secondary market trading	4	5,566,204	4,120,157
	Other Income		1,270	-
			15,580,483	12,011,847
Total income			34,712,646	26,348,726
Expenses	Audit fees	5	13,280	13,280
	Management fees	6	102,803	237,020
	Taxation	7	3,384,346	1,767,934
Total expenditure			3,500,429	2,018,234
Total comprehensive income for the year			31,212,217	24,330,492

6 STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2012

		Note	31-Dec-12 UShs '000	31-Dec-11 UShs '000
Assets	Investments in Government securities	8	72,297,421	126,967,215
	Receivables	9	1,339,779	13,225
	Bank and cash balances	10	104,968,528	19,835,553
Total Assets			**178,605,728**	**146,815,993**
Current liabilities	Creditors	11	19,760,392	19,760,392
	Unclaimed deposits	12	198,882	198,882
	Expenses payable	13	13,280	73,280
	Tax payable	7	1,165,543	528,025
Total Liabilities			**21,138,097**	**20,560,579**
Net Assets of the Fund			**157,467,631**	**126,255,414**
Represented by:				
Fund Balance		14	**157,467,631**	**126,255,414**

The financial statements on pages 08 to 24 were approved by management on behalf of the Board of Directors on..17.......APRIL............2013 and were signed by:

.... Governor, Bank of Uganda

Louis Kasekende .... Deputy Governor, Bank of Uganda

.... Executive Director Finance, Bank of Uganda

7 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

Note	31-Dec-12 Ushs'000	31-Dec-11 Ushs'000
Cash flows from operating activities		
Contributions received	17,805,609	14,336,879
Management fees	(161,533)	(227,840)
Taxation	(2,746,828)	(1,727,433)
Audit fees	(13,280)	(13,280)
Net cash generated from operating activities	**14,883,968**	**12,368,326**
Cash flows from investing activities		
Investment income received-T Bills & Bonds	14,367,126	99,978,893
Decrease/(Increase) in investing activities	55,881,881	(114,116,437)
Net cash used in investing activities	**70,249,007**	**(14,137,544)**
Net Increase/(Decrease) in cash and cash equivalents	**85,132,975**	**(1,769,218)**
Movement in cash and cash equivalents:		
At the start of the year	19,835,553	21,604,771
Net decrease in the year	85,132,975	(1,769,218)
At the end of the year	**104,968,528**	**19,835,553**

8 NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

A. BASIS OF PREPARATION

i) Statement of compliance

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards and the requirements of the Financial Institutions Act, 2004.

ii) Basis of measurement

The financial statements have been prepared under the historical cost basis unless otherwise stated.

iii) Functional and presentation currency

The financial statements are presented in thousands of Uganda Shillings (UShs), which is the Fund's functional currency.

B. SIGNIFICANT ACCOUNTING POLICIES

i) Revenue recognition

Income comprises contributions levied from contributing Financial Institutions and is recognized in the period when it is recoverable. Such contributions are assessed at a rate of 0.2 percent of the average weighted deposit liabilities of the Financial Institutions for the previous financial year.

Income also comprises of the risk adjusted premium where the financial institutions which are rated marginal or unsatisfactory as per the quarterly off-site reports are charged an additional charge of 0.1 percent and 0.2 percent respectively of the average weighted liabilities on a quarterly basis.

Interest income is primarily earned on treasury bills and bonds and is recognized in the period in which it is earned taking into account the effective yield on the asset.

Interest income includes the amortization of any premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated using the effective interest rate method.

The effective rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

ii) Provision for payments to depositors

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.

iii) Financial instruments

The Fund's financial instruments are classified as follows:

- Government securities are classified as held-to-maturity and are accordingly carried at amortised cost.
- Bank balances and other receivables are classified loans and advances, and are accordingly carried at amortized cost.
- Creditors are carried at amortized cost.

iv) Recognition

Financial assets and liabilities are initially recognized on the trade date at which the Fund becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

v) Derecognition

The Fund de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability. The Fund de-recognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

vi) 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.

vii) Amortised cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

viii) Fair value measurement

Fair value is the price (exit price) that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available the Fund measures the value of an instrument using quoted prices in an active market for that instrument.

If a market for a financial instrument is not active, the Fund establishes fair value using a valuation technique. Valuation techniques include recent arm's length transactions between knowledgeable willing parties, reference to the current fair value of other instruments that are substantially the same and the discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates specific to the Fund. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

ix) Taxation

A final tax is charged on interest income earned on treasury bills and bonds in accordance with the Income Tax Act of Uganda. The rate was 15 percent for the period ended June 2012 and 20% effective July 2012

x) Payments to depositors

Payments to depositors are initially recognized as receivables from the liquidators of closed Commercial banks/Non-Banking financial institutions. Subsequently, any short fall in receivables not made good by the liquidator is written off in the statement of changes in net assets.

xi) Cash and bank

Cash and bank includes cash balances held with the central bank.

xii) Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted are consistent with those used in the previous financial year. Amendments resulting from the following new and revised standards and interpretations and improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the company:

- IAS 1 Financial statement presentation (Amendment) – 1 July 2012
- IAS 12 Income taxes (Amendment) – 1 January 2012
- IFRS 1 First-time Adoption of international Financial Reporting Standards (Amendment) – 1 July 2011
- IFRS 7 Financial Instruments: Disclosures (Amendment) – 1 July 2011

Standards issued but not yet effective

The standards and interpretations issued but not yet effective are listed below.

- IAS 19 Post employee benefits (Amendment)
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- IFRS 1 time Adoption of international Financial Reporting Standards (Amendment) - Government Loans
- IFRS 1 Government Loans — Amendments to IFRS 1
- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities

- IFRS 10 Consolidated Financial Statements – Investment entities (Amendment)
- IFRS 13 Fair Value Measurement
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
- Improvements to IFRSs – 2009 – 2011 Cycle (issued in 2012 effective for annual periods beginning on or after 1 January 2013)
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments);
- IAS 1 Presentation of Financial Statements (Amendments)
- IAS 16 Property, Plant and Equipment (Amendment)
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

The above standards are not expected to have an impact on the performance and financial position of the Fund although some may have an impact on the presentation and disclosures in the financial statements.

2 CONTRIBUTIONS

	31-Dec-12 USh s '000	31-Dec-11 UShs '000
A) Commercial Banks		
ABC Capital Bank Ltd	11,707	7,860
Bank of Africa Uganda Ltd	526,651	387,411
Bank of Baroda (Uganda) Ltd	758,217	609,739
Barclays Bank Uganda Ltd	1,802,500	1,561,884
Cairo International Bank Ltd	126,385	103,955
Centenary Bank Uganda Ltd	1,348,892	1,080,269
Citi Bank Uganda Ltd	788,131	730,792
Crane Bank Uganda Ltd	1,359,663	991,548
DFCU Bank Limited	1,083,352	814,275
Diamond Trust Bank Uganda Ltd	609,815	436,473
Ecobank Uganda Ltd	161,012	115,653
Equity Bank Uganda Ltd	318,866	206,658
Fina Bank Uganda Limited	105,889	65,948
Global Trust Bank Uganda Ltd	87,631	66,486
Housing Finance bank Ltd	408,487	281,205
Imperial Bank Uganda Limited	38,343	-
Kenya Commercial Bank Uganda Ltd	394,550	217,490
National Bank of Commerce	21,203	22,862
Orient Bank Limited	626,927	491,149
Stanbic Bank Uganda Ltd	3,787,605	3,335,798
Standard Chartered Bank Uganda Limited	2,883,882	2,346,100
Tropical Bank Limited	187,107	199,885
United Bank of Africa Uganda Ltd	142,165	90,946
	17,578,980	**14,164,386**
B) Credit Institutions		
Merchantile Cedit Bank Limited	22,704	18,887
Opportunity Uganda Ltd	9,400	4,683
PostBank Uganda Limited	194,525	148,923
	226,629	**172,493**
Total contribitions	**17,805,609**	**14,336,879**

	31-Dec-12 UShs '000	31-Dec-11 UShs '000
C) Risk Adjusted Premium		
ABC Capital Bank Ltd	10,717	-
Bank of Africa Uganda Ltd	73,367	-
Cairo International Bank Ltd	26,699	-
Ecobank Uganda Ltd	85,584	-
Equity Bank Uganda Ltd	175,884	-
Fina Bank Uganda Limited	103,734	-
Global Trust Bank Uganda Ltd	85,899	-
Housing Finance bank Ltd	154,549	-
Imperial Bank Uganda Limited	45,398	-
Kenya Commercial Bank Uganda Ltd	166,473	-
Orient Bank Limited	168,438	-
Tropical Bank Ltd	98,314	-
United Bank of Africa Uganda Ltd	122,416	-
Credit Institutions		
Merchantile Cedit Bank Limited	2,608	-
Opportunity Uganda Ltd	6,474	-
Total Risk Adjusted Premium	1,326,554	-

3 INTEREST ON GOVERNMENT TREASURY BILLS AND BONDS

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Treasury bills	6,434,467	3,886,173
Treasury bonds	3,578,542	4,005,517
Interest from securities	**10,013,009**	**7,891,690**

Interest on government treasury bills and bonds relates to government securities purchased on the primary market.

4 INCOME FROM SECONDARY MARKET TRADING

	31-Dec-12 UShs '000	31-Dec-11 UShs '000
Sales/ Redemption value	925,006	-
Ammortised Cost of securities traded	919,736	-
Profit on trading	**5,269**	-
Interest on treasury bills and bonds bought on the secondary market	5,560,935	4,120,157
Total income from secondary market trading	**5,566,204**	**4,120,157**

5 AUDIT FEES

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Fees for the year	13,280	13,280
	13,280	**13,280**

6 MANAGEMENT FEES

Management fees were 0.2 percent (twenty basis points) per annum of the market value of the portfolio at the end of each relevant quarter as per Section 9 (1)(2) (i) of the investment management agreement between African Alliance Uganda Limited ("the investment Manager") and Bank of Uganda (as the manager of the Deposit Protection Fund).

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Fees for the year	102,803	237,020
	102,803	**237,020**

7 TAXATION

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Withholding Tax at 15% & 20%	3,121,808	1,767,934
Less: Reversal of WHT on interest accrued on sold treasury bills & bonds	-	29,574
Under provision of Withholding Tax in prior years due to change of tax rate	14,896	-
Reversal of Withholding Tax charged on bonds at premium	238,521	-
Extra Withholding Tax paid due to change of tax rate	9,121	-
	3,384,346	**1,797,508**
Add: Tax payable brought forward	528,025	457,950
Less: Withholding tax paid at 15% & 20%	(2,746,828)	(1,727,433)
Tax payable carried forward	**1,165,543**	**528,025**

A final tax of 15 percent and 20 percent was charged on interest income earned on Treasury Bills and Treasury Bonds in accordance with Section 122 of the Ugandan Income Tax Act for the period January 2012, and July 2012 to December 2012 respectively.

During the years ended 31 December 2010 and December 2011, withholding tax was accrued for on the premium on purchased bonds. This led to an understated of the accrual for withholding tax of approximately Ushs 238 million and this has been corrected in these financial statements.

8 INVESTMENTS IN GOVERNMENT SECURITIES

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Treasury bills	20,843,849	56,057,107
Treasury bonds	51,453,572	70,910,108
	72,297,421	**126,967,215**

The treasury bills and bonds are further analyzed as follows:

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Treasury bills (at cost)	18,015,915	53,344,845
Interest accrued	2,827,934	2,712,262
Total	20,843,849	56,057,107
Treasury bonds (at cost)	49,238,723	69,822,553
Interest accrued	2,214,849	1,087,555
Total	51,453,572	70,910,108

Maturity analysis of the government securities:

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Treasury Bills		
Maturity within 91 days	18,451,729	13,774,856
Maturity after 91 days & before 181 days	2,392,120	23,212,974
Maturity after 182 days	-	19,069,276
	20,843,849	56,057,107
Treasury Bonds		
Maturity within 2 years	35,083,138	49,384,930
Maturity after 2 years and within 3 years	12,296,654	11,952,941
Maturity after 3 years and within 4 years	556,880	9,039,703
Maturity after 4 years	3,516,900	532,535
Total	51,453,572	70,910,108

The weighted average effective discount rate on treasury bills for the year was 15.53 percent (2011: 13.53 percent).

9 RECEIVABLES

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Risk Adjusted Premiums	1,326,554	-
System price alteration on T-bill 45220-T-BILL-91-15-SEP-11	13,225	13,225
	1,339,779	13,225

During the year, financial institutions which were rated marginal or unsatisfactory as per the quarterly off-site reports were charged an additional charge of 0.1 percent and 0.2 percent respectively of the average weighted liabilities on a quarterly basis as per Section 109(7) of the Act.

Refer to note 2.

10 CASH AND BANK BALANCES

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Cash at Bank of Uganda	104,968,528	19,835,553
	104,968,528	**19,835,553**

Included in the cash held at Bank of Uganda is UShs 19,750 million payable to the Government of Uganda. This will be disbursed after the conclusion of the liquidation exercise of the closed banks; (Greenland Bank, Cooperative Bank, and International Credit Bank).

11 CREDITORS

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '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)
Bal. 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	9,913
	19,760,392	**19,760,392**

12 UN-CLAIMED DEPOSITS

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
At 1 January	198,882	198,882
Un-claimed deposits paid in the year	-	-
	198,882	**198,882**

The balance constitutes unclaimed deposits by insured depositors.

13 EXPENSES PAYABLE

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
Audit fees	13,280	13,280
Management fees	-	60,000
	13,280	**73,280**

14 FUND BALANCE

	31-Dec-12 Ushs '000	31-Dec-11 Ushs '000
At 1 January	126,255,414	101,924,922
Total comprehensive income for the year	31,212,216	24,330,492
At 31 December	**157,467,630**	**126,255,414**

15 RISK MANAGEMENT

Introduction and overview

The Deposit Protection fund has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Liquidity risk

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk. The Fund does not have material exposure to credit risk as all its investments are in government securities. The Fund operates wholly within Uganda and all its assets and liabilities are reported in local currency. It does not carry out any transactions in foreign currencies hence there is no currency risk.

Risk management framework

The Bank of Uganda Board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is responsible for developing and monitoring the risk management policies. The Board is responsible for identifying and analyzing the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

A. INTEREST RATE RISK

The Funds are invested in Government of Uganda Treasury bills and bonds. The interest rate risk exposure was managed by the Fund Manager, African Alliance Uganda Limited for the period ended May 2012.

Exposure to interest rate risk

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;

	Up to 3 months UShs '000	3 to 6 months UShs '000	6 to 12 months UShs '000	1 to 5 years UShs '000	Non-interest bearing UShs '000	Total 2012 UShs '000	Total 2011 UShs '000
Assets							
Cash at bank	-	-	-	-	104,968,527	104,968,527	19,835,553
Investments in treasury bills	18,451,729	2,392,120	-	-	-	20,843,849	56,057,107
Investments in treasury bonds	-	-	-	51,453,572	-	51,453,572	70,910,108
Receivables	-	-	-	-	1,339,779	1,339,779	13,225
	-	-	-	-	-	-	-
Total assets	18,451,729	2,392,120	-	51,453,572	106,308,306	178,605,727	146,815,993
Liabilities							
Creditors	-	-	-	-	19,760,392	19,760,392	19,760,392
Unclaimed deposits	-	-	-	-	198,882	198,882	198,882
Expenses payable	-	-	-	-	13,280	13,280	73,280
Tax payable	-	-	-	-	1,165,542	1,165,542	528,025
Total liabilities	-	-	-	-	21,138,096	21,138,096	20,560,579
Net interest rate gap	18,451,729	2,392,120	-	51,453,572	85,170,210	157,467,631	126,255,414

	Up to 3 months UShs '000	3 to 6 months UShs '000	6 to 12 months UShs '000	1 to 5 years UShs '000	Non-interest bearing UShs '000	Total 2011 UShs '000	Total 2010 UShs '000
Assets							
Cash at bank	-	-	-	-	19,835,553	19,835,553	21,604,772
Investments in treasury bills	13,774,857	23,212,974	19,069,276	-	-	56,057,107	31,824,378
Investments in treasury bonds	-	-	-	70,910,108	-	70,910,108	68,977,096
Receivables	-	-	-	-	13,225	13,225	-
	-	-	-	-	-	-	-
Total assets	13,774,857	23,212,974	19,069,276	70,910,108	19,848,778	146,815,993	122,406,246
Liabilities							
Creditors	-	-	-	-	19,760,392	19,760,392	19,760,392
Unclaimed deposits	-	-	-	-	198,882	198,882	198,882
Expenses payable	-	-	-	-	73,280	73,280	64,100
Tax payable	-	-	-	-	528,025	528,025	457,950
Total liabilities	-	-	-	-	20,560,579	20,560,579	20,481,324
Net interest rate gap	13,774,857	23,212,974	19,069,276	70,910,108	(711,801)	126,255,414	101,924,922

Fair value versus carrying amounts

The fair values of the financial assets and financial liabilities included in the statement of net assets are analyzed as below:

	31-Dec-12 Fair value	Carrying Amount	31-Dec-11 Fair value	Carrying Value
Cash at bank	104,968,527	104,968,527	19,835,553	19,835,553
Investments in bills	20,843,849	20,843,849	56,057,107	56,057,107
Investments in Treasury bonds	51,453,572	51,453,572	70,910,108	70,910,108
Receivables	1,339,779	1,339,779	13,225	13,225
Creditors	(19,760,392)	(19,760,392)	(19,760,392)	(19,760,392)
Unclaimed deposits	(198,882)	(198,882)	(198,882)	(198,882)
Expenses paybale	(13,280)	(13,280)	(73,280)	(73,280)
Tax payable	(1,165,542)	(1,165,542)	(528,025)	(528,025)
	157,467,631	**157,467,631**	**126,255,414**	**126,255,414**

B. LIQUIDITY RISK

The Fund has a medium exposure to liquidity risk. However, the rating of the liquidity risk will improve to low level when the Fund builds up sufficient resources through investments and premiums.

Management of liquidity risk

The Fund has access to funds raised from deposit protection premiums paid by financial and non-financial institutions annually. The Fund continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Fund strategy in the Investment Policy.

Exposure to liquidity risk

	Up to 1 month UShs '000	1 to 3 months UShs '000	3 to 12 months UShs '000	1 to 5 years UShs '000	Total 2012 UShs '000	Total 2011 UShs '000
Assets						
Cash at bank	104,968,527	-	-	-	104,968,527	19,835,553
Investments in treasury bills	-	-	20,843,849	-	20,843,849	56,057,107
Investments in treasury bonds	-	-	-	51,453,572	51,453,572	70,910,108
Receivables	1,339,779		-	-	1,339,779	13,225
Total assets	**106,308,306**	-	**20,843,849**	**51,453,572**	**178,605,728**	**146,815,993**
Liabilities						
Creditors	-	-	-	19,760,392	19,760,392	19,760,392
Unclaimed deposits	-	-	-	198,882	198,882	198,882
Expenses payable	13,280	-	-	-	13,280	73,280
Tax payable	1,165,542	-	-	-	1,165,542	528,025
Total liabilities	**1,178,822**	-	-	**19,959,274**	**21,138,096**	**20,560,579**
Liquidity gap As at 31 December 2012	**105,129,484**	-	**20,843,849**	**31,494,298**	**157,467,632**	**126,255,414**

	Up to 1 month UShs '000	1 to 3 months UShs '000	3 to 12 months UShs '000	1 to 5 years UShs '000	Total 2011 UShs '000	Total 2010 UShs '000
Assets						
Cash at bank	19,835,553	-	-	-	19,835,553	21,604,772
Investments in treasury bills	-	-	56,057,107	-	56,057,107	31,824,378
Investments in treasury bonds	-	-	-	70,910,108	70,910,108	68,977,096
Receivables	13,225		-	-	13,225	-
Total assets	**19,848,778**	-	**56,057,107**	**70,910,108**	**146,815,993**	**122,406,246**
Liabilities						
Creditors	-	-	-	19,760,392	19,760,392	19,760,392
Unclaimed deposits	-	-	-	198,882	198,882	198,882
Expenses payable	73,280	-	-	-	73,280	64,100
Tax payable	528,025	-	-	-	528,025	457,950
Total liabilities	**601,305**	-	-	**19,959,274**	**20,560,579**	**20,481,324**
Liquidity gap As at 31 December 2011	**19,247,473**	-	**56,057,107**	**50,950,834**	**126,255,414**	**101,924,922**

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

16 RELATED PARTY TRANSACTIONS

The Deposit Protection Fund and Bank of Uganda ('the Bank') are related parties performing duties of deposit protection and bank supervision respectively.

No trading is carried on with Bank of Uganda. The following takes place between the Bank and the Fund.

1. The staff working on the Fund are employees of the Bank, and it is the Bank that fully meets their salaries.
2. The Fund's operations are carried out within the Central Bank premises.