ANNUAL REPORT

JUNE 30, 2020

DPF Deposit Protection Fund of Uganda
YOUR DEPOSITS ARE PROTECTED

ABBREVIATIONS

ACB	Audit Committee of the Board
BOU	Bank of Uganda
CI	Contributing Institution
CMA	Capital Markets Authority
DPF	Deposit Protection Fund of Uganda
DI	Deposit Insurer
ECL	Expected Credit Losses
EFU	Electricity, Fuel and Utilities
FIA	Financial Institutions Act
FIRMCB	Finance, Investment and Risk Management Committee of the Board
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GDP	Gross Domestic Product
GHRCB	Governance and Human Resource Committee of the Board
IADI	International Association of Deposit Insurers
IASB	International Accounting Standards Board
IESBA	International Ethics and Standards Board for Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
IRA	Insurance Regulatory Authority
MDI	Microfinance Deposit-Taking Institution
MOFPED	Ministry of Finance, Planning and Economic Development
OCI	Other Comprehensive Income
SCV	Single Customer View
SICR	Significant Increase in Credit Risk
TCDP	Technical Committee on Deposit Protection
UGX	Uganda Shillings
UMRA	Uganda Microfinance Regulatory Authority
URBRA	Uganda Retirement Benefits Regulatory Authority

Vision | Mission | Objectives | Values

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

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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

Custodian

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

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

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 macroeconomic environment. DPF contributes to financial stability by ensuring public confidence in financial system.

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.

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.

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.

International partners

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.

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, 2020 a total of 33 institutions were members of the DPF (24 commercial banks, 5 Credit Institutions and 4 Microfinance Deposit Taking Institutions).

Commercial Banks

- ABC Capital Bank Limited
- Bank of Africa Uganda Limited
- Bank of Baroda
- Bank of India
- Absa Bank Uganda Limited
- Cairo International Bank
- Centenary Bank Limited
- Citibank Uganda Limited
- DFCU Bank Limited
- Diamond Trust Bank
- Ecobank Uganda Limited
- Equity Bank Uganda Limited
- EXIM Bank Uganda Limited
- Finance Trust Bank
- Guaranty Trust Bank (Uganda) Limited
- Housing Finance Bank
- KCB Bank Uganda Limited
- NCBA
- Opportunity Bank (U) Ltd
- Orient Bank Limited
- Stanbic Bank Uganda Limited
- Standard Chartered Bank (U) Limited
- Tropical Bank Limited
- United Bank for Africa (U) Limited

Credit Institutions

- BRAC Uganda Bank Ltd
- Mercantile Credit Bank Ltd.
- PostBank(U) Ltd
- Top Finance Bank Ltd
- YAKO Microfinance Ltd

Microfinance Deposit taking Institutions

- EFC (U) Ltd
- FINCA (U) LTD
- PRIDE Microfinance Ltd (MDI)
- UGAFODE (U) Ltd

Chairman's Foreword

Preamble

On behalf of the Board and Management of the Deposit Protection Fund of Uganda (DPF), I am honoured to present the Annual Report and Financial Statements of the Fund for the financial year ended, June 30, 2020.

The year commenced on a promising note. However, towards the end, the globe was hit by the COVID-19 pandemic. This resulted in various lockdown measures which had a direct impact on economic activity. In order to ensure that DPF's operations continued in seamless manner, implementation of an online application tool was fast tracked to enable staff and the Board to continue working from home. As such, despite the measures which were instituted, the Fund was able to pull through and accomplish most of its planned activities. Staff later returned to office and a number of Standard Operating Procedures were put in place to ensure that they remained safe.

Major Achievements

During the financial year, the Fund was admitted to the Financial Sector Stability Forum as a member. The forum discusses matters which are pertinent to the financial sector and is constituted of members from the Ministry of Finance, Planning

Financial Sector Stability Forum	Fund got admitted as a member

and Economic Development, Bank of Uganda and regulators of the capital markets, pension, microfinance and insurance sectors amongst others.

Following the formulation of a public awareness policy and strategy, the Fund embarked on extensive public awareness campaigns on the mandate and the roles of the DPF. This included workshops with Contributing Institutions, radio and TV talk shows as well as newspaper articles. The same platforms were used to sensitize depositors on the need to up-date their personal records with their respective bankers.

On the International scene the Fund hosted the first ever International Conference on deposit insurance in Uganda. The event was organized in liaison with the International Association of Deposit Insurers and Bank of Uganda. The Conference whose theme was ***'Why Deposit Insurance'*** attracted participants from over twenty (20) countries from Africa and beyond. The Minister of Finance, Planning and Economic Development officiated at the event and the Governor, Bank of Uganda gave opening remarks.

In line with the strategic objective of building strategic partnerships, the Fund entered into a Memorandum of Understanding with the Kenya Deposit Insurance Corporation (KDIC). The agreement provides for information sharing and knowledge transfer between the two institutions.

As part of the operationalization process, the Fund continued to put in place several policies in the areas of Information Technology, Human Resource Management and Communications amongst others. Regulations to operationalize the Financial Institutions Act 2016, as amended were put in place.

Financial Strength

The financial performance of the Fund has continued to improve. A trend analysis reveals that the fund size has nearly doubled since 2017, when the operationalization process began. Total assets have grown from UGX 500 billion as at June 2017 to UGX 824 billion as at June 2020. Likewise, investments in Government of Uganda treasury bills and bonds have shot up from UGX 475 bn to UGX 811 billion in June 2017 and June 2020, respectively. It is anticipated that the fund size will grow further, when withholding tax on income derived from the Funds investments in treasury bills and treasury bonds is waived.

The Economy

Uganda's economic growth slowed down during the FY 2019/20, precipitated by the direct and indirect effects of measures taken to prevent the spread of COVID-19. Economic growth remained subdued, as real gross domestic product (GDP) grew by only 3.1 percent compared to 6.8 percent in FY 2018/19. On the demand side of the economy, domestic absorption significantly slowed down across all components of final consumption expenditure which contributed to the deceleration in real GDP. Investment spending reduced especially in the transport, information, communications, and technology equipment sectors. On the supply side, the slowdown in economic growth was driven by a drop in performance of the services and industry sectors which contribute significantly to the Gross Domestic Product of the country.

IADI DPF hosted the first ever International Conference on the deposit insurance in Uganda.

KDIC Memorandum of Understanding signed

Developments in the Banking Ecosystem

Total deposits in the banking sector grew by 24.8 percent from UGX 22 trillion in June 2019 to 27 trillion in June 2020. This was on account of an increase in the number of bank accounts which were opened, coupled with a slowdown in deposit withdrawals during the last quarter of the financial year, due to COVID-19 restrictions. The number of deposit accounts in the sector increased from 14 million to 16.7 million over the period thus posting a 20.3 percentage growth. At the revised deposit protection limit of UGX 10 million, 98 percent of these accounts had balances of UGX 10 million and below, meaning they are fully protected by the DPF.

With regards to developments in the regulatory space, the National Payments Systems Act was passed by Parliament and assented to by the President of the Republic of Uganda. Under this legal regime, protection will be accorded to mobile money subscribers should there be failure of a financial institution holding mobile money balances. Regulations are being drafted to operationalize the law.

Areas of Strategic Importance

The Fund is on course to achieving the goals spelt out in its 5 year (2017-2022) strategic plan. Emphasis is being placed on the development of an IT system based on the 'Single Customer View' concept. This will enable the Fund quickly compute the protected deposit per customer and effect payments using the most convenient means. It is against the background that the Fund is working closely with the Bank of Uganda to ensure customers up-date their records with the National ID and alternative mode of payment. It cannot be over emphasized that payment of protected deposits fast mitigates the risk of the public losing confidence in the financial system when a bank collapses.

Public awareness is a core strategic objective of the Fund. As such, the DPF will continue to finance and engage in extensive public awareness campaigns in order to appraise Ugandans on the mandate and role of the DPF. A baseline communications survey is planned and will inform the adjustments which may have to be made to the current public awareness strategy of the DPF.

At set-up stage, operational expenses are bound to steadily increase. However, the cost structure will continue to be monitored closely with a view to enhance financial performance at all times. Since the operationalization process commenced in June 2017, the Fund has operated well below the benchmark cost to income ratio of 25 percent.

Building strategic partnerships is key to the Fund. To this end, the DPF is in advanced stages of entering into an Memorandum of Understanding with the Nigeria Deposit Insurance Corporation. The agreement will provide for information sharing and knowledge transfer between the two institutions. It is anticipated that this arrangement and other training activities, will contribute to enhancing knowledge in deposit insurance at both staff and Board level.

Conclusion

Setting up a new organization is no doubt an uphill task. Nevertheless, the Fund has managed to achieve a lot in its first three (3) years of operation riding on the strong support from the Ministry of Finance, Planning and Economic Development, Bank of Uganda, the World Bank and sister Deposit Insurance Agencies especially those within the African Region. I therefore, take this opportunity to thank all parties who have continued to provide unwavering support to the Fund. I must express my sincere gratitude to the Board and staff of the Fund who have continued to exert themselves tirelessly to ensure that the strategic objectives of the Fund are achieved.

Ben Patrick Kagoro
Board Chairman

Message from the Chief Executive Officer

Preamble

During the financial year, the Fund continued to strive to achieve the targets spelt out in the annual work plan and five year strategy. This was despite the disruption occasioned by the COVID- 19 pandemic, during the last quarter of the year.

Financial Performance

DPF's balance sheet continued to grow over the period under review with total assets increasing by UGX 129 billion or 19 percent from UGX 695 billion to UGX 824 billion as at June 30, 2019 and June 30, 2020 respectively. The growth was largely financed by the 'surplus and reserve account' which increased by UGX 124 billion. In line with the Funds investment policy which places emphasis on capital preservation and maintenance of adequate liquidity, 98 percent of the total assets were invested in Government of Uganda treasury bills and treasury bonds. The surplus (profit) of the Fund increased by UGX 12 billion from UGX 112 billion to UGX 124 billion in the FY 2018/19 and FY 2019/20 respectively.

Total Assets ↑ 19% UGX 824Bn

Profit ↑ 9.6% UGX 124Bn

The Year Ahead

Despite the strides the Fund has made during its first three (3) years of operation, a lot remains to be accomplished. Following the issuance of the Regulations to operationalize the provisions relating to DPF under the Financial Institutions Act 2004, the DPF embarked on the process of recruiting 29 (twenty nine) staff. The activity was disrupted by the Covid -19 related measures, however the activity is back on course and new staff are expected to start reporting in January 2021. With an adequately staffed workforce, the Fund will be poised to take full charge of all its operations, including the management of its investment portfolio internally.

DPF has embarked on the process of installing its own core IT infrastructure. Once concluded, less reliance will be placed on the Bank of Uganda IT systems, which have supported the Fund in its formative years. Relatedly, the Fund is at the tail end of re-designing its web-site to provide a more engaging gateway through which the public can easily access information on the DPF.

In order to contribute more to financial sector stability, the DPF intends to expand its mandate to support resolution funding, albeit with strong safe guards to ensure that the primary mandate of providing deposit protection is not compromised. To this end, a Principles Paper to pave way for a stand alone DPF law will be drafted. The concept note will stipulate amongst others, the eligible instruments for investment, tax exemption of the Funds profits or income and mandate to inspect depositors records.

Deposit Insurance Agencies, are not expected to hold sufficient funds to pay depositors in the event of a financial crisis. This is in tandem with IADI Core Principle No.9 which emphasizes that deposit insurers must put in place emergency funding arrangements with their respective Governments, to maintain financial sector stability, in times of crisis. It is against this backdrop, that the Fund is working closely with the Government of Uganda through the Ministry of Finance, Planning and Economic Development, to agree on arrangements for such funding.

In line with the Memorandum of Understanding which was signed between the Fund and Bank of Uganda, the two institutions are in advanced stages of entering into a short-term funding arrangement. This will ensure that DPF accesses liquidity fast to pay depositors, without destabilizing the financial markets through 'fire sales' of government securities.

Concluding remarks

As I conclude, permit me to express my gratitude to the Board of Directors, for the strategic oversight provided in steering the DPF to where it is today. I am deeply thankful to the pioneer staff, who have remained focused despite the challenges which are associated with setting up a new institution. My appreciation is extended to the Ministry of Finance, Planning and Economic Development, Bank of Uganda and the World Bank for the continuous support rendered to the DPF.

Finally, I thank the International Association of Deposit Insurers (IADI) for the capacity building opportunities accorded to the Fund during the year. In the same spirit, I thank the members of the IADI Africa Regional Committee who have always provided support and guidance to the DPF as and when called upon.

On that note, I look forward to a more fruitful FY 2020/21.

Julia Clare Olima Oyet
Chief Executive Officer

Board of Directors and Members of Staff

Board of Directors

Sitting (L-R): Mr. I.K. John Byaruhanga, Mr. Ben Patrick Kagoro, Ms. Roy Nambogo, Dr. Andrew Obara

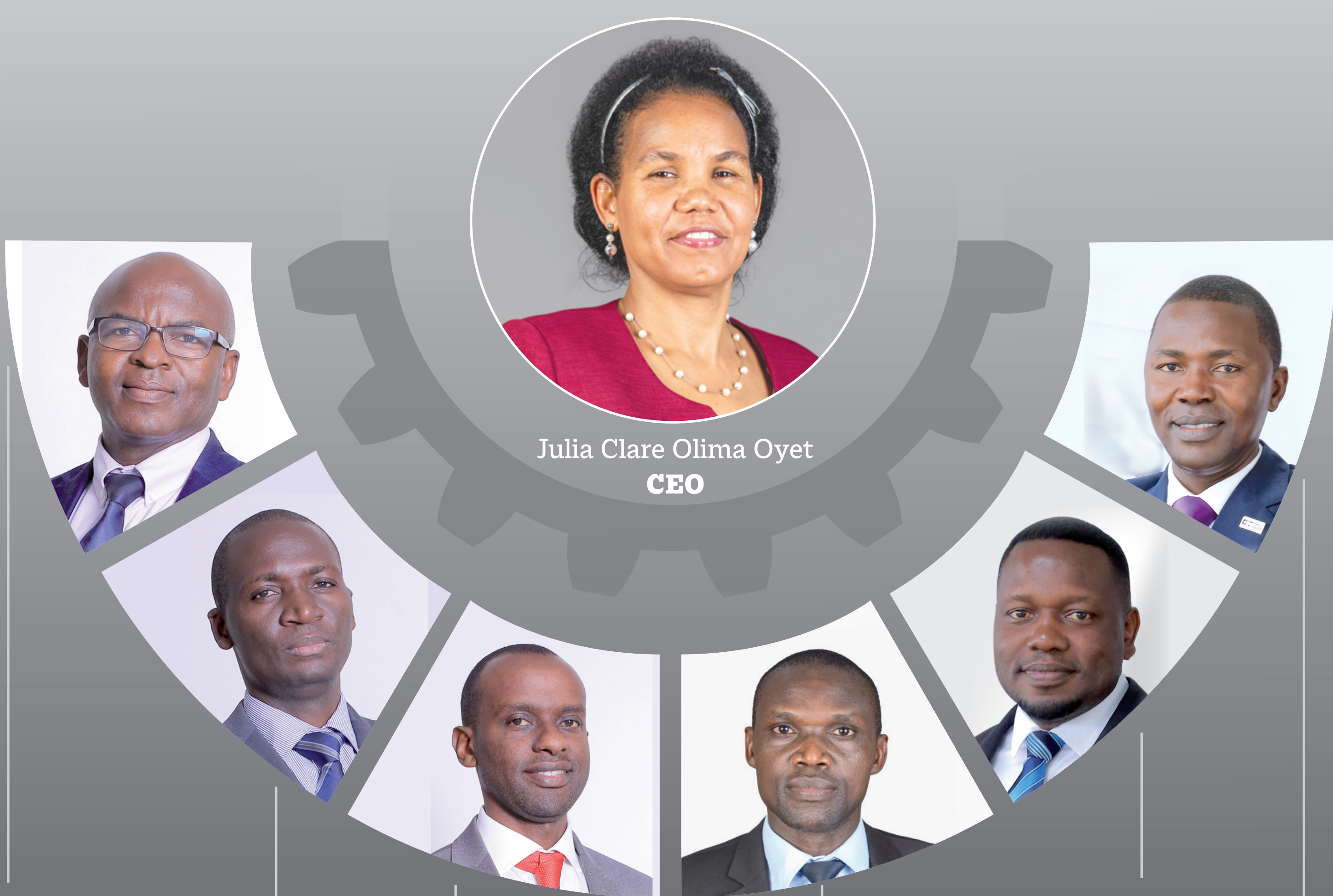
Standing (L-R): Mr. Emmanuel Kalema Musoke, Mr. Wilbrod Humphreys Owor, Mr. Solomon Osewe Oketcho

Members of Staff

Sitting (L-R): Joseph Luboyera, Justine Komugisha, Julia Clare Olima Oyet, Peter Mugisa

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

Management Structure



Balaam Ssempala
Head, Information Technology

Joseph Luboyera
Board Secretary and Head Legal

Peter Mugisa
Head, Investments

Moses Tamale
Ag. Head, Finance & Business Operations

Apell Moses
Odongo Head, Human Resources

Hashim Kirungi
Head, Communications

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 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 high level strategic plan put in place to drive the Fund over the period 2017 to 2022 is still in force and is to be reviewed in the Financial Year 2020/2021.

This Corporate Governance Statement is in line with International Best Practice on disclosure requirements and it contains the following: 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 responsible for the providing oversight, insight and foresight to the operations of the Fund towards achieving the long-term success of the Fund. It is entrusted with the responsibility of setting the strategic direction of the Fund and ensuring that the required checks and balances 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 core principles of the International Association of Deposit Insurers, other deposit insurance schemes as well as other key financial sector safety net players.

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 Chairman, representatives of the Governor of the Central Bank, Secretary to the Treasury, contributing institutions as well as the general Public. 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 and 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 Table 1.

a) 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 CPA (U) and an Associate Member of Chartered Management Accountants (ACMA).

Mr.Kagoro 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 become the 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 Systems of the Petroleum Investment Reserve Fund.

Prior to 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.

b) 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, UK. 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.

c) Ms. Roy Nambogo

Ms. Nambogo is a Non-Executive Director and 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 of Laws degree from Uganda Christian University Mukono. She is an Advocate of the High Court of Uganda and all Courts subordinate thereto. She is also a member of the Uganda Law Society, East African Law Society and, International Bar Association.

She has over 10 years' experience practicing Law in fields of Banking & Finance, Business & Corporate and, Land & Real Estate Law. She commenced private legal practice in June 2010 at the law firm of Nambogo & Co. Advocates which she co-founded and still serves as Managing Partner. She previously worked as inhouse counsel of Equity Bank Uganda Limited (Formerly Uganda Microfinance Limited) from March 2007 till March 2010 during which, she served in various positions starting off as a legal assistant who rose through the ranks to Acting Head of Legal by March 2010.

She is also a Board member of Heart of Child Uganda and Environmental Alert Uganda; both Non-Governmental Organizations.

d) Mr. I.K. John Byaruhanga

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

He holds a Master of Public Administration in Economic Policy Management, Columbia University, USA and a Bachelor of Sciences (Economics), Makerere University, Kampala. Mr. Byaruhanga has wide experience in economic development policy formulation and implementation. He is currently the Acting Commissioner, Tax Policy Department of the Ministry of Finance, Planning and Economic Development, which is responsible for initiating and formulating tax policies to achieve economic policy goals and objectives and raise domestic revenues to finance government budget.

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.

e) Dr. Andrew Obara

Dr. 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 a PhD from Washington International University. He also 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 30 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.

f) Mr. Wilbrod Humphreys Owor

Mr. Owor is a Non-Executive Director and 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.

g) Mr. Emmanuel Kalema Musoke

Mr. Kalema is a Non-Executive Director and 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, Board of Directors Better View School, Kampala. He has also served as the Chairman Finance and Development Committee & Vice Chairman, Board of Governors, St. Mary's College Kisubi. 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.

Table 1: Composition and Membership of the Board

Name	Date of Appointment	Board Committees			
		ACB	FIRMCB	GHRCB	TCDP
Mr. Ben Patrick Kagoro [C/M]	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
Ms. Roy Nambogo	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 provides independent and professional advice to 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.

a) 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 and adhered to in the course of duty. The following are the obligations inferred from common law and articulated in the Charter and Code of Conduct:

- Fiduciary obligation to act in the best interest of the Fund;
- Duty to act within powers;
- To promote the success of the Fund;
- Exercise independent judgment;
- Exercise reasonable care, skill and diligence;
- Avoid conflicts of interest; and
- Not to accept benefits from third parties.

b) 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:

Table 2: Attendance of the Board and Board Committees for the period July 01, 2019 – June 30, 2020

BOARD OF DIRECTORS	BOARD MEETING	FIRMCB	GHRCB	TCDP	AUDIT
Mr. Ben Patrick Kagoro	9/9	-	-	-	-
Mr. Solomon O. Oketcho	6/9	n/a	4/4	2/3	n/a
Mr. Andrew Obara	7/9	4/5	n/a	3/3	0/2
Mr. Wilbrod Humphreys Owor	6/9	5/5	n/a	3/3	n/a
Mr. Emmanuel Kalema Musoke	7/9	5/5	n/a	n/a	2/2
Ms. Roy Nambogo	8/9	4/5	4/4	3/3	n/a
Mr. I.K. John Byaruhanga	7/9	n/a	3/4	n/a	2/2

Board Committees

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

a) Governance and Human Resource Committee of the Board (GHRCB)

The GHRCB is composed of three Non-Executive Directors and 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 in areas of Human Resource management and administration. 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 and makes recommendations to the Board.

b) 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 once every quarter. 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.

c) **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 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.

d) **Technical Committee on Deposit Protection (TCDP)**

The TCDP 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 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 oversees the formulation, review and ensuring implementation of the liquidity contingency plans, and 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. In addition, the Committee reviews the report on trend of risk adjusted premiums and related risks. Meetings are held quarterly or as and when there is business to be discussed.

Remuneration of Directors

During the period July 2019 to June 2020, 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 Profile

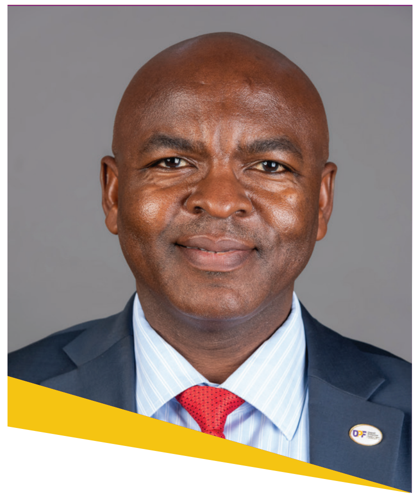
The Senior Management of the Fund comprises of the Chief Executive Officer and Heads of Department. They are members of the Executive Committee (EXCo), which provides strategic leadership and management to the Fund through the delegated mandate from the Board of Directors. The CEO leads the Management team in the day-to-day affairs of the Fund. Find below profiles of the Senior Management team.

a) **Julia Clare Olima Oyet,** Chief Executive Officer

Mrs. Oyet was appointed the first CEO of the Deposit Protection Fund in June 2017. As CEO, she works closely with the Board of Directors and Senior Management to ensure that the Fund achieves its mandate.

Julia started her working career with M/S Ernst & Young before joining Bank of Uganda as a bank supevisor. She served in the Bank Supervison Function for over ten (10) years, before joining the Internal Audit and Accounts Departments of Bank of Uganda. On the national scene, Julia has served as Chairperson of the Finance, Planning and Investment Committee of the Busitema University Council. In 2018, she assumed the role of General Secretary to the Africa Regional Committee which is the Regional chapter of the International Association of Deposit Insurers.

Mrs. Oyet is currently pursuing a Doctorate Degree in Business Administration at Herriot Watt University (UK) in the field of financial inclusion. She holds 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, UK (ACCA) and a member of the Institute of Certified Public Accountants of Uganda (ICPAU). Julia holds an upper second bachelor's degree in Business Administration and Management with specialization in Accounting and Finance from Uganda Martyr's University, Nkozi.



b) **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. Before joining the Fund in February 2018, Balaam had served for over twenty years in Bank of Uganda 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).

c) **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 eight years' experience in financial markets operations. Peter has gained experience in the areas of risk management and financial sector stability monitoring. Before joining the Fund in June 2017, Peter worked at the Bank of Uganda in different departments including Business Continuity & Risk Management, and Financial Stability departments.

Peter holds a Master 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.

d) **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. Before joining the Fund in May 2018, Hashim served in the Communications Department of Bank of Uganda where he had been for over ten years.

Hashim holds a master's degree in Business Administration from East and Southern Africa Management Institute (ESAMI) and 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).

e) **Joseph Luboyera,** Board Secretary and Head Legal 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 regulatory matters. Joseph was appointed as Head Legal and Board Affairs at the Fund in August 2017. Prior to joining the Fund he had served in various capacities within the Legal Department of Bank of Uganda. Joseph started his legal carrier as a private practitioner, before joining Centenary Bank.

Joseph holds a Master of Laws Degree from the University of Cambridge (UK). He holds a Bachelor law 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 ago.

f) **Moses Apell Odongo,** Head Human Resources and Administration

Moses is responsible for designing the strategy for effective human resource management at the Fund. 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' of experience in human resource management in the Bank of Uganda where he worked in different offices of the Human Resources department. Prior to joining Bank of Uganda he worked with Stanbic Bank. He holds a Master 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.

g) **Moses Tamale,** Ag. Head Finance and Business Operations

Moses joined the Fund in May 2018 as the Manager Investments. He was later appointed the Acting Head Finance and Business Operations Department, a position he currently holds.

Moses commenced his working career in M/s Pride Micro Finance as a credit officer and rose to the rank of Branch Accountant before joining Bank of Uganda in 2012. During his eight (8) year tenor at the Bank, he worked in the payroll, payments and budget sections.

Moses is a member of the Institute of the Certified Public Accountants of Uganda (ICPAU). He holds an Upper Second Bachelor of Commerce degree (accounting) from Makerere University, and a Diploma in Business Education. Moses is currently pursuing a Master of Business Administration from Herriot Watt University (UK).

Key Capacity Development Activities

Employee Capacity Building: Learning and Development Activities

The Fund provides the Board and staff with opportunities for personal and professional growth through learning and development activities. During the period from March to June 2020, several learning and development activities were either put on hold or cancelled due to the COVID-19 pandemic. However, by the time the lockdown was imposed, the Fund had managed to support some members of the Board and staff to participate in capacity building programs as highlighted below:

Meetings and Conferences

DPF is a member of the International Association of Deposit Insurers (IADI) which is a forum where Deposit Insurers from around the globe convene to share knowledge and expertise in various areas related to deposit insurance. IADI supports its members by providing training and conducting research on matters related to deposit insurance. Membership to IADI, has enabled the Fund build capacity in deposit insurance and streamline its processes to align with International Best Practice.

During the period under review, four (4) employees of the Fund were able to attend two (2) IADI activities including the 18th IADI AGM, and the 61st IADI EXCO Meeting & Africa Regional Committee Meeting. During the 18th IADI AGM, a conference was held on the theme "The current global financial landscape along with changes since the 2008 financial crisis". Topics that were discussed included early warning mechanisms, intervention systems and bank resolution processes.

Technical Assistance Workshops

Technical Assistance workshops enable participants to keep abreast with current developments in deposit Insurance. To this end, the Fund sent staff to participate in the following programs:

- An IADI Africa Regional Committee (ARC) Technical Assistance Workshop was hosted by the Ghana Deposit Protection Corporation (GDPC) and Bank of Ghana in Accra, Ghana, on 18 - 22 November 2019. The theme of the event was *"Deposit Protection - A Catalyst for Financial Stability"*. Two (2) staff from the Fund attended the workshop.

- Two staff attended the 6th PIDM Open House Forum on Deposit Insurance for the African Region that was held in Malaysia and hosted by the Malaysia Deposit Insurance Corporation (MDIC). Key topics covered in the Open House included MDIC's differential premium system framework, MDIC's target fund framework, crisis preparedness and resolution planning in Malaysia, intervention and failure resolution framework and PIDM's enterprise risk management framework.

Study Visits and Inter-agency Co-operation

Study visits and inter-agency co-operation enable deposit insurance institutions to benchmark and obtain a better appreciation of the operations of other entities both within the region and internationally.

During the period under review, two (2) staff were able to take part in a study visit hosted by M/s GenAfrica in Nairobi, Kenya. The visit was intended to equip particpants with fund management proficiencies. Topics covered included: investment philosophy, decision making & research, compliance, governance, risk management and controls.

Professional Development programs

Staff attended a range of specialized short training programs intended to improve their knowledge, competencies, skills and effectiveness in their specific professional fields.

During the period under review, five staff attended professional programs in their respective areas of expertise. These included investment management, procurement, portfolio management and database records management. As part of their Continuous Professional Development (CPD) requirements, one staff attended the 2nd ACCA Africa Member convention that was held in Kigali, Rwanda. Other programs supported by the Fund to build professional capacity were in the fields of leadership, management and board administration.

Corporate Governance

As part of professional development in the area of Corporate Governance, three (3) members of the Board of Directors attended conferences on Corporate Governance. The program equiped particpants with new perspectives on how organizations operate. This included distribution of duties to top-level management, procedures for making decisions at corporate level and the methodology of setting goals in an organization.

Risk Management

Governance structure

The overall responsibility for the establishment and oversight of the Fund's risk management framework, rests with the Board of Directors. 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 various technical committees, which have been constituted to further enhance the risk management framework. The Fund has put in place several policies and procedures in the areas of human resource, communication, investment and information technology. Nevertheless, reliance is placed on the risk management systems within the Bank of Uganda in the areas of procurement, information technology and internal audit amongst others.

During the FY 2019/20, the Fund put in place an Enterprise Risk Management Framework. The framework describes the risk universe and defines each risk. It provides for a risk matrix, which employs a multiplicative model. The likelihood of each risk and its potential impact to the Fund, is assessed in order to ascertain the overall level of risk. The direction of risk is assessed as either stable, increasing or decreasing, depending on various underlying factors. In addition, the trend of risk is monitored using an evolution chart.

Risk Matrix

The Fund prepares a risk matrix on a semi-annual basis. According to the risk assessment that was conducted as of June 30, 2020, the highest risks to the Fund were: reinvestment risk, payout risk and the Covid -19 health risk. See risk matrix below:

Table 3: Risk Matrix as of June 30, 2020

Risk	Likelihood (1 - 3)	Impact (1 - 3)	Overall Risk (L x I)	Direction
Reinvestment risk	3	3	9	↑
Interest Rate risk	1	1	1	↓
Credit risk	2	3	6	↑
Inflationary risk	1	3	3	↑
Foreign Exchange Rate risk	2	2	4	↔
Liquidity risk	2	3	6	↑
Receivership/Liquidation management risk	1	3	3	↓
Pay out risk	3	3	9	↔
Policies and procedures risk	1	3	3	↔
Information Technology risk	2	3	6	↔
People risk	2	3	6	↑
Legal risk	1	3	3	↔
Strategic risk	2	3	6	↑
Reputational risk	2	3	6	↔
Risk of Fire	1	3	3	↔
Risk of floods	1	3	3	↔
Physical Security risk	1	3	3	↔
Political risk	1	3	3	↔
Covid 19 health risk	3	3	9	↑

Key: ■ High ■ Moderate ■ Low

a) Reinvestment risk

This is the risk that falling interest rates will affect the cash flow and profits of the Fund as maturing treasury bills and bonds are reinvested at lower interest rates. Over the last financial year 2019/2020, interest rates on government securities dropped at both the short end (less than one year) and long end (greater than 5 years) of the yield curve. The outlook is for a further decrease in interest rates especially in second half of 2020 given the high liquidity in the market for government securities. This may lead to a decline in interest earned by the Fund and thus affect fund growth. In view of the outlook, reinvestment risk is expected to increase. The Fund is managing this risk by investing in longer term securities in line with the strategic allocation limits prescribed by the Investment Policy.

b) Pay out risk

Pay out risk is the risk that DPF may not be in position to pay off depositors within 90 days as stipulated in the FIA 2004 as amended. Although the risk is high, it has been mitigated to some extent with comprehensive procedures manual for handling the depositor pay-out process. In addition, the Fund is spearheading the process of ensuring that depositors update their personal records with their respective financial institutions. This includes providing their bankers with their National ID information and alternative modes of payment in the unlikely event of a bank closure. As of June 30, 2020, approximately 60 percent of individual account holders had up-dated their personal information. It is anticipated that compliance levels will improve significantly by December 2020. Furthermore, the Fund has embarked on the process of procuring a pay-out system which will generate a 'Single Customer View' to facilitate faster payment of protected deposits. In view of the highlighted developments, the direction of payout risk is stable.

c) Covid -19 Health risk

Coronavirus disease 2019 (COVID-19) is defined as illness caused by a novel coronavirus. It was initially reported to the World Health Organisation on December 31, 2019, and declared global pandemic in March 2020.

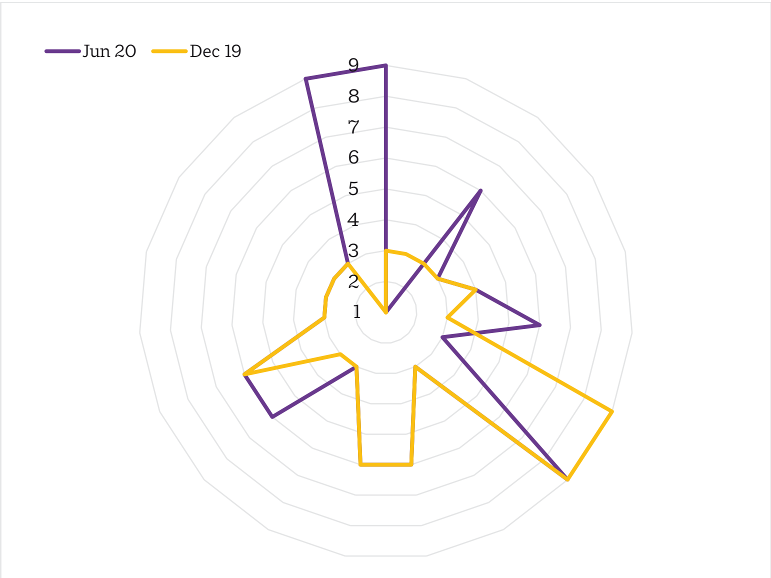
DPF has put in place measures to contain the spread of the virus. This includes a rotational work schedule so that all members of staff are not working from office at the same time. Online meetings are encouraged such that physical contact is minimized. Staff have been advised to wear protective masks and wash their hands using sanitizer. The security guards have temperature guns to record the temperature of staff and visitors entering the DPF offices. A register of all visitors and contractors who access the premises the premises is maintained. This will assist with contact tracing when necessary. Despite the measures taken by the DPF to combat the disease, the likelihood of catching the virus is high given the lack of vaccine and the increasing number of cases in Uganda. The COVID -19 health risk is expected to increase until the national curve is flattened.

Evolution of Risk

The overall rating of most of the key risks remained unchanged since December 31, 2019. However, interest rate risk and liquidation management risk reduced, while reinvestment, credit and liquidity risks increased. New risks to the Fund were those related to the COVID-19 health pandemic.

Reinvestment risk increased due to a decline in interest rates, while credit risk was deemed to increase slightly on account of the COVID-19 pandemic which led to a drop in economic growth from 6.8 percent in FY 2018/2019 to 3.2 percent in FY 2019/2020. Likewise, liquidity risk edged upwards due to the increased risks to the financial sector arising from the impact of COVID-19.

Figure 1: Evolution of overall risk score



Source: DPF

The diagram above illustrates the evolution of risk over a six (6) months period, from December 2019 to June 2020. The yellow and purple lines represent the risk levels as at December 2019 and June 2020 respectively. An outward movement in the purple line indicates an increase in risk, while the reverse reflects a reduction in risk levels. Where there is no movement, it means the risk level remained unchanged. For instance, the diagram shows that reinvestment risk increased from a low (3) rating in December 2019, to a high (9) rating in June 2020. This was due to a drop in interest rates during the period, as explained above.

DPF ANNUAL REPORT 2020

Achievements

The Fund posted several achievements during the financial year 2019-20 in line with the five (5) year strategic plan and the annual work plan FY 2019/20.

Deposit Insurance Limit increased to UGX 10m

Proposed a review of the deposit insurance limit from UGX 3 million to UGX 10 million. The new insurance limit became effective on September 9, 2019 after the Statutory Instrument was gazetted.

Financial Institutions Regulations, 2019

Finalised the Financial Institutions (Deposit Protection Fund) Regulations, 2019 which became effective on November 15th, 2019 following their publication in the Uganda Gazette.

IADI Conference

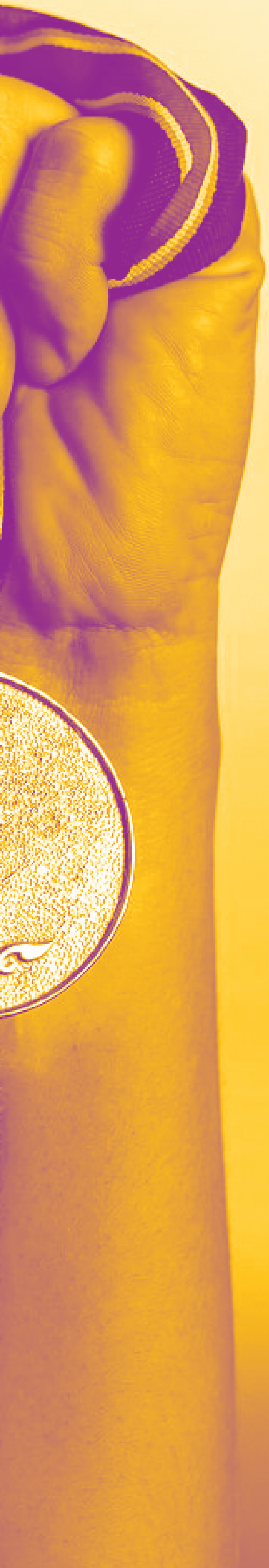
Successfully hosted the first ever IADI Conference to be held in Uganda. The event took place from September 15 – 19, 2019 at Lake Victoria Serena Golf Resort & Spa, Kigo and attracted participants from more than 15 African countries. The theme of the Conference was 'Why Deposit Insurance?'.

Principles Paper approved by the Board

The Principles Paper to support the drafting of the DPF Bill was approved by the Board. The paper provided for the mandate of the Fund, tax exemptions, applicable premiums and exemption from the long and protracted procurement processes among others.

MoU signed

Signed a Memorandum of Understanding with the Kenya Deposit Insurance Corporation.
The agreement provided for information sharing and knowledge transfer between the two institutions.



Public awareness campaigns

Embarked on extensive public awareness campaigns. These included sensitization meetings with members of Contributing Institutions radio & TV talk shows, newspaper publications and a press conference officiated by the Minister of Finance, Planning and Economic Development. Educational materials such as posters, stickers and brochures were prepared and displayed in the banking halls and ATMs of Contributing Institutions.

IT & HR related policies approved

The Board approved a number of IT and Human Resource related policies. Other policies which were finalised included a Media Relations Policy, Corporate Social Responsibility Policy, Enterprise Risk Management Policy and IFRS 9 policy for staff loans. Additionally, the Board approved the brand manual of the Fund.

IT systems implemented

Implemented a number of IT systems. These included the Cloud Infrastructure for E-mail services, video conference services (use of Microsoft Teams) and an HR Recruitment Management System. Also Procedures on IT Asset Management, payment processing, imprest and budget management were approved by EXCO.

Technical workshop

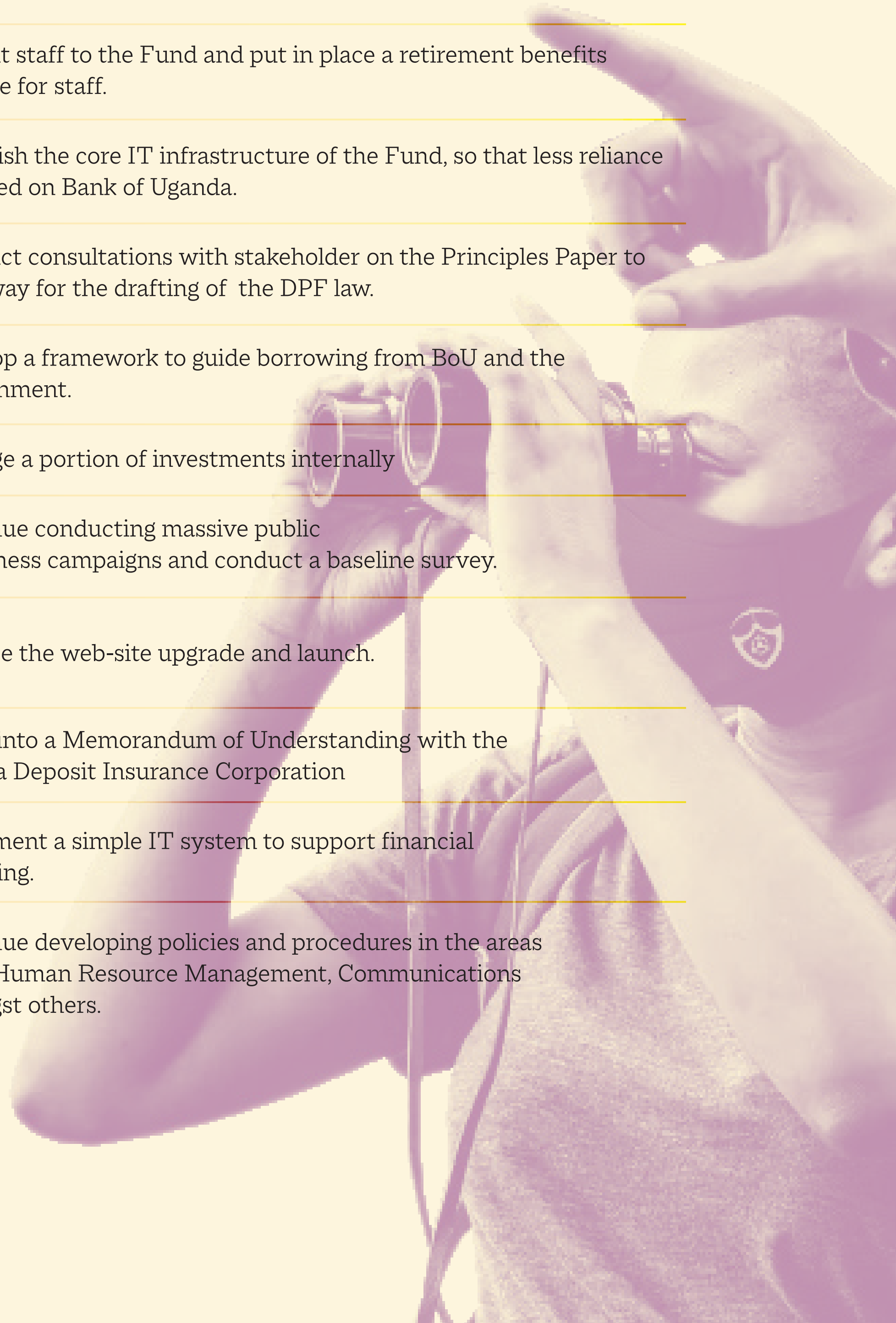
Organized a Technical Workshop facilitated by speakers from the World Bank on the proposed expanded mandate of the DPF. Officials from Bank of Uganda and the Ministry of Finance, Planning and Economic Development participated in the event.

In addition, the World Bank shared basic concepts of effective contingency planning for financial safety net players in dealing with a financial sector crisis. Officials from MOFPED, UMRA, URBRA, CMA, IRA and BOU were in attendance.

The Year Ahead FY2020/21

In line with the 5 year strategic plan and the annual workplan for the FY 2020/21, DPF intends to accomplish a number of activities as highlighted below. It is worth noting that a few of these have been rolled from the last year, due to the challenges presented by COVID-19 pandemic during the last quarter of the financial year 2019/20.

Up-dated Depositor Records	Conduct extensive public awareness and liaise with Contributing Institutions to ensure depositor records are up-dated.
IT Pay-out system	Design a prototype for the IT payout system to support the Single Customer View Project.
Staff matters	Recruit staff to the Fund and put in place a retirement benefits scheme for staff.
IT Infrastructure	Establish the core IT infrastructure of the Fund, so that less reliance is placed on Bank of Uganda.
DPF Principles Paper	Conduct consultations with stakeholder on the Principles Paper to pave way for the drafting of the DPF law.
Back stop funding	Develop a framework to guide borrowing from BoU and the Government.
Investment Management	Manage a portion of investments internally
Public Awareness	Continue conducting massive public awareness campaigns and conduct a baseline survey.
Web-site upgrade and launch	Finalise the web-site upgrade and launch.
Strategic Partnerships	Enter into a Memorandum of Understanding with the Nigeria Deposit Insurance Corporation
Accounting system	Implement a simple IT system to support financial reporting.
Policies and procedures	Continue developing policies and procedures in the areas of IT, Human Resource Management, Communications amongst others.



Macro-Economic Developments and Prospects

Economic Activity

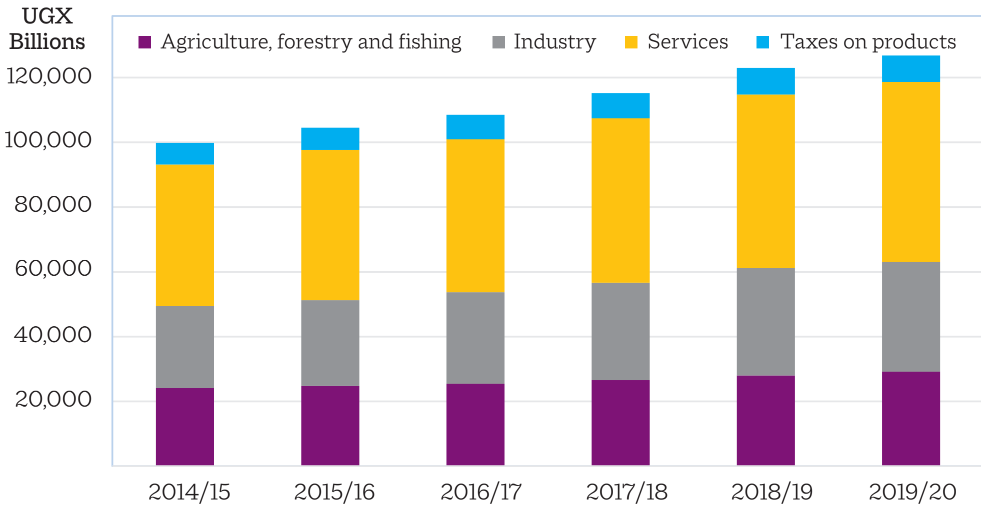
According to Uganda Bureau of Statistics, Uganda's economy significantly slowed in FY 2019/20, precipitated by the direct and indirect impacts of lockdown measures to prevent the spread of COVID-19. Economic growth remained subdued, as real gross domestic product (GDP) grew by 3.1 percent compared to 6.8 percent in FY 2018/19. On the demand side of the economy, domestic absorption significantly slowed down across all components of final consumption expenditure which contributed to the deceleration in real GDP. Investment spending also slowed most especially in the transport, information, communications and technology equipment sectors.

On the other hand, net exports contributed positively to aggregate demand after the drop in services imports exceeded the decline in service exports. This contrasts the previous two years where net exports have been contributing negatively to real GDP growth. On the supply side, the slowdown in economic growth was due to a drop in performance of Services and Industry sectors which contribute significantly to Gross Domestic Product as shown in the diagram below.

Table 4: Percentage growth of GDP at Market Prices

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
GDP growth (%)	5.2	4.8	3.8	6.2	6.8	3.1

Figure 2: Gross Domestic Product by economic activity



Source: Uganda Bureau of Statistics

The economy is expected to recover going forward at the back of monetary and fiscal stimulus, the gradual easing of the lockdown and the recovery of external demand. Bank of Uganda has reduced the Central Bank Rate from 10.0 percent as of end of last FY 2018/19 to 7.0 percent at the end of FY 2019/20 in order to boost economic activity. The economy is projected to grow in the range of 3-4 percent in FY2020/21. The main downside risk to this projection is the emergence of the second wave of Covid 19, prompting the reinstatement of the lockdown measures.

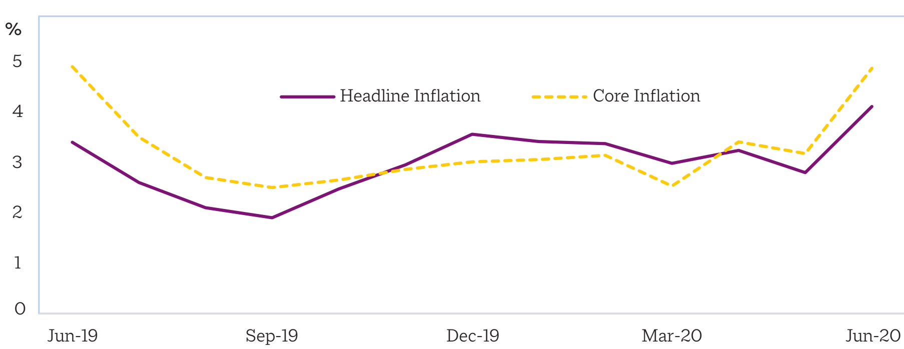
Inflation

Inflation remained subdued with headline and core inflation averaging 3.0 percent and 3.1 percent, respectively below the 5 percent target. Headline inflation continued a downward trajectory since FY 2015/16 largely driven by the drop in the core component, which is targeted by the Central Bank.

Core inflation declined to 3.1 percent from 3.8 percent in FY2018/19, reflecting declining prices for services inflation which dropped to 1.9 percent in FY2019/20 from 4.3 percent in FY2018/19. Core inflation has been low owing to sluggish aggregate demand at the back of a stable exchange rate, and negative imported inflation. Headline inflation decreased due to the drop in EFU inflation to 6 percent from 7.5 percent in FY2018/19 precipitated by a sharp decline in international oil prices during the FY2019/20.

In the outlook, the path for inflation will largely reflect the influence of containment measures particularly on the cost of public transport and increases in prices of imported consumer goods. The capacity restrictions on public transportation could persist for some time until the COVID-19 vaccine is discovered and thus exert upward pressure on inflation.

Figure 3: Trend of Headline and Core Inflation



Source: Uganda Bureau of Statistics

Exchange Rate

The Uganda Shilling depreciated against the US Dollar by 1.0 percent during the FY2019/20. The Shilling appreciated in the first seven months of FY2019/20 but weakened thereafter. The appreciation trend ending January 2020 is attributed to strong inflows from offshore investors and export receipts amidst relatively subdued demand. Depreciation pressures however emerged in February 2020, largely driven by panic on account for the COVID-19 pandemic which led to exit of offshore institutional investors.

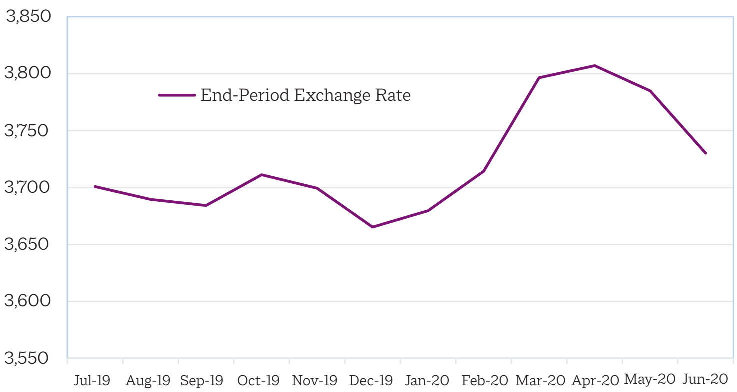
The outlook for the Uganda Shilling over the next 12 months is for a depreciation due to the reduction in remittances from Ugandans working abroad and decline in tourism receipts especially in the second half of the calendar year. Lower incomes are also expected from Uganda's traditional exports due to decreased global demand and this will also negatively impact the local currency going forward.

Table 5: Developments in the exchange rate

Period	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
End Period Exchange Rate	3,694.8	3,684.2	3,665.2	3,796.4	3,730.1

Source: Bank of Uganda

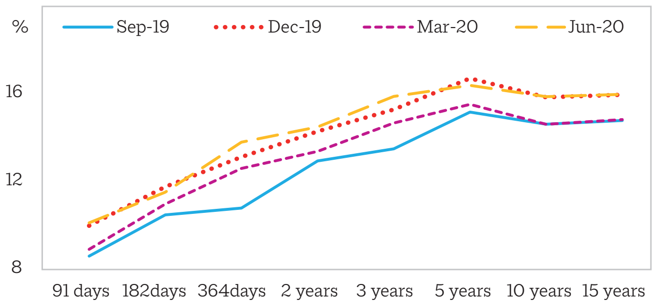
Figure 4: Developments in the Exchange Rate



Interest Rates

In the FY2019/20, interest rates at the short end of the yield curve decreased due to increased liquidity in the money markets. Yields on government securities for the 91-day, 182-day and 364-day Treasury bills declined to 9.2 percent, 11.0 percent and 12.2 percent, respectively, compared to 10.3 percent, 11.7 percent and 12.7 percent, respectively in FY2018/19. The yields on the Treasury bonds declined to 13.5 percent, 14.9 percent, 15.1 percent and 15.1 percent for the 2-year, 3-year, 10-year and 15-year T-bonds, respectively down from 14.5 percent, 15.7 percent, 16.5 percent and 16.7 percent, respectively in the previous financial year. However, the 5-year T-bond rose slightly to 15.9 percent from 15.7 percent. Withholding tax on long term bonds (10 year and 15 year) was reduced from 20 percent in previous financial year to 10 percent in FY 2019/20. This contributed to the decline in long term yields as investors are willing to accept slightly lower yields due to the tax differential.

Figure 5: Yield curve in FY2019/20



Source: Bank of Uganda

Banking Sector Performance and Developments

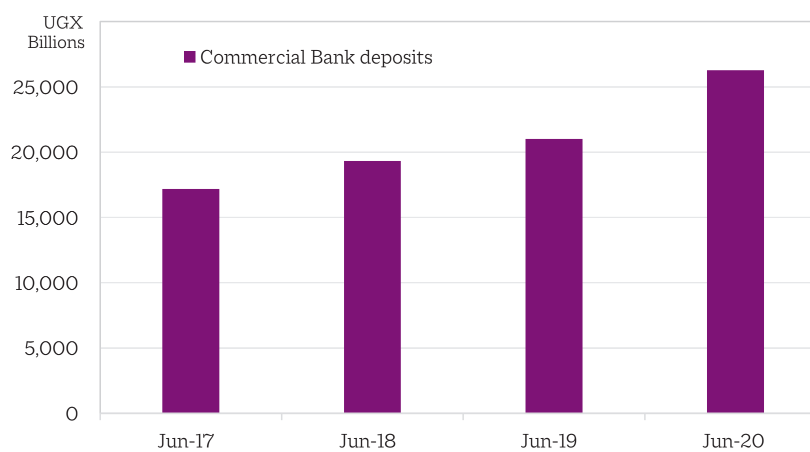
Commercial Banks

The total assets of the banking sector increased by 18.3 percent, from UGX 30.3 trillion in June 2019 to UGX 35.8 trillion in June 2020. Asset growth was mainly on account of a rise in gross loans and advances by 14.0 percent from UGX 13.6 trillion in June 2019 to UGX 15.5 trillion in June 2020. Total commercial bank deposits grew by 25 percent over the last one year, from UGX 21.0 billion to UGX 26.3 billion. This growth rate was much higher than the rates posted in previous periods as depicted in Figure 6 below. The high growth rate in deposits was mainly due to reduced withdrawals following a slump in economic activity during the lockdown period.

The banking sector was adequately capitalized with the aggregate industry total capital to risk weighted assets ratio and core capital to risk weighted assets ratios at 22.9 percent and 21.2 percent, respectively. In addition, the banking industry maintained adequate liquidity buffers, with the ratio of liquid assets to deposits standing at 49.1 percent as at end of June 2020 and well above the regulatory minimum of 20 percent.

The asset quality of commercial banks deteriorated over the year ended June 2020 with the aggregate industry ratio of non-performing loans to gross loans rising from 3.8 percent to 5.8 percent over the financial year. This was partly driven by the slowdown in economic growth, and shocks to households and businesses from the COVID-19 pandemic.

Figure 6: Growth in commercial bank deposits



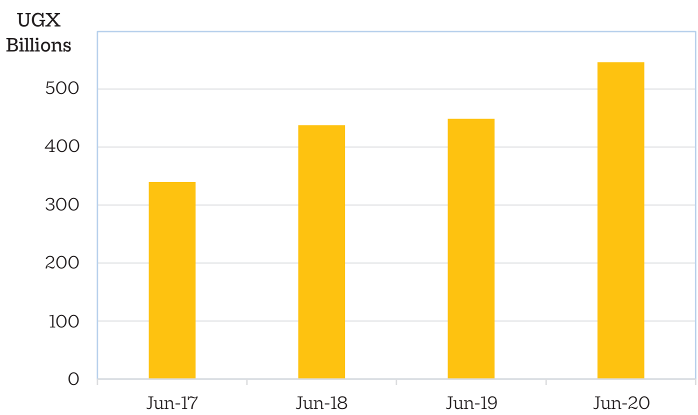
Source: DPF

Credit Institutions

All credit institutions, except for one institution, held adequate capital and liquidity buffers. The subsector's aggregate core capital and total adequacy ratios were 22.3 percent and 24.0 percent, respectively. Growth in total assets and deposits in the subsector was partly attributed to M/s Yako Bank Uganda Limited which was issued a license as a Credit Institution. Total deposits at Credit Institutions grew by 27.1 percent from UGX 449 billion as of June 30, 2019 to UGX 546 billion as of June 30, 2020.

Total assets were unchanged at UGX 963.4 billion as of June 30, 2020. On the other hand, the net loans and advances dropped by 10.4 percent while total deposits grew by 18.9 percent over the same period.

Figure 7: Growth in deposits at Credit Institutions



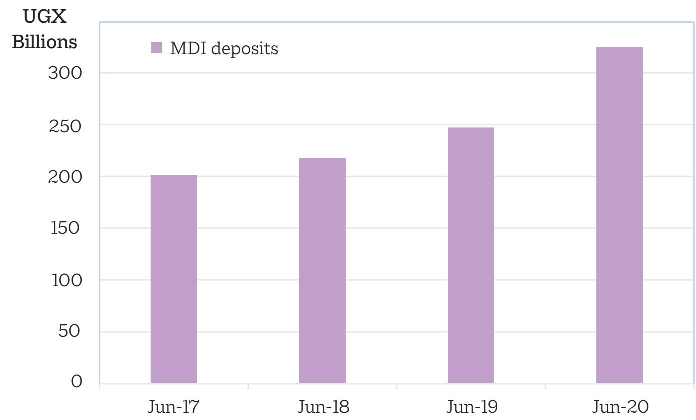
Source: DPF

Microfinance Deposit-taking Institutions

All microfinance deposit taking institutions, except one, were adequately capitalized as of June 30, 2020. The core and total capital adequacy ratios for the industry at 37.1 percent and 40.0 percent, respectively.

The total assets of Microfinance Deposit-taking Institutions grew by 22.0 percent due to increase in gross loans of UGX 53.7 billion, increase in fixed assets of UGX 7.9 billion and a growth in balances held with financial institutions of UGX 80.2 billion as of June 30, 2020. Total deposits at Micro Finance Deposit Taking Institutions grew by 31.4 percent from UGX 247 billion as of June 30, 2019 to UGX 325 billion as of June 30, 2020.

Figure 8: Growth in deposits at Micro Finance Deposit Taking Institutions (MDI's)



Source: DPF

Legal and Regulatory Developments

The National Payments Systems Bill was passed by Parliament in May 2020. It was assented to by the President on July 29, 2020 and is awaiting publication in the Uganda Gazette. Under this regime, it is envisaged that protection will be accorded to mobile money subscribers should there be failure of a financial institution holding mobile money balances. The mobile money balances held in those institutions shall not be attached, assigned, or transferred for the purposes of satisfying any debts or claim to that institution.

Regulations are being drafted to operationalize the Bill. This includes general regulations, regulations for operators of payment systems, payment service providers and issuer of payment instruments, agency regulations, and a framework for sandbox operations.

Deposit Protection Activities

Introduction

Deposit Deposit Protection Fund of Uganda (DPF) which is also referred to as the Fund was established as a separate legal entity, following the amendment to the Financial Institutions Act 2016. DPF protects a large percentage of retail depositors which provides confidence in the financial sector by ensuring that customers are paid their deposits in time in the unlikely event that a contributing institution is closed.

Payments to Depositors

The Fund's liability to eligible depositors arises when a Contributing Institution is closed for outright liquidation. DPF is obliged to pay each depositor up to the deposit protection limit of UGX 10 million per Contributing Institution. The amount payable is the aggregate credit balance per depositor per contributing institution at the time of closure less any non-performing liabilities owed by the depositor to that institution. The deposit protection limit is determined by the Minister of Finance, Planning and Economic Development, from time to time by statutory instrument published in the Gazette.

Deposit Protection Limit
UGX 10 million

98%
of deposit accounts fully covered

IADI
DPF has been actively participating in IADI technical seminars and capacity building activities.

Deposit Coverage

Total deposits within the banking sector grew by 24.8 percent from UGX 22 trillion in June 2019 to 27 trillion in June 2020. The number of deposit accounts increased from 14 million to approximately 16.7 million over the period which is a 20.3 percent growth. At the revised deposit protection limit of UGX 10 million, approximately 98 percent of these accounts had balances of UGX 10 million and below, meaning they were fully protected by the DPF.

A study of a five-year period indicates that deposits in the sector have consistently grown. In June 2016 total deposits stood at UGX 15.8 trillion compared to UGX 27.2 trillion registered as of June 2020. In addition, number of deposit accounts in the formal financial sector has grown substantially from 6 million in June 2016 to about 16.7 million in June 2020. This notable growth is attributed to an increase in literacy levels, economic activity as well as concerted efforts to promote financial inclusion.

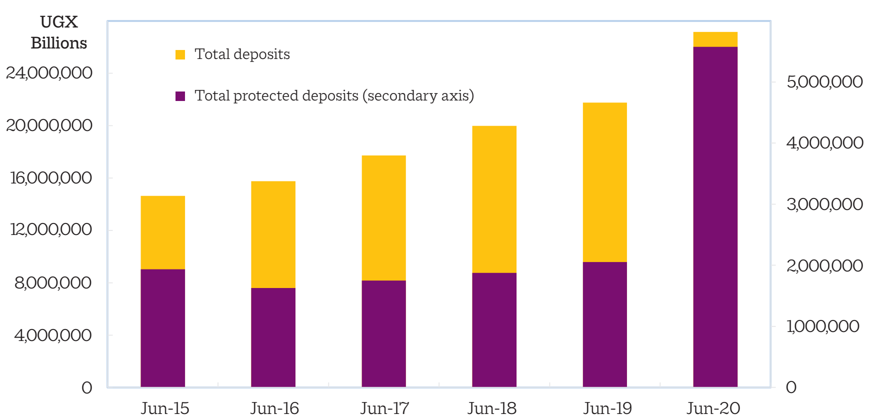
The International Association of Deposit Insurers Core Principle No.8, states that the deposit coverage level should cater for a large majority of depositors but also leave a substantial amount of deposits subjected to market discipline. At the revised deposit protection limit of UGX 10 million, approximately 20 percent of the total deposits in the sector are protected compared to 9 percent that was covered at the deposit protection limit of UGX 3 million. The table and graph below show statistics on deposit coverage at the deposit protection limit of UGX 10 million.

Table 6: Trends in Deposit coverage

Period	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Total deposits (UGX millions)	15,758,506	17,723,894	19,977,196	21,762,730	27,158,732
Total protected deposits (UGX Millions)	1,629,066	1,749,222	1,876,636	2,054,744	5,575,440
Total No. of accounts	6,064,360	9,314,365	10,968,273	13,866,830	16,682,703
Accounts fully covered	5,786,376	9,006,967	10,633,791	13,502,409	16,298,132

Source: DPF

Figure 9: 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 premiums are based on quarterly ratings from Bank of Uganda. An institution rated marginal pays an additional charge of 0.1 percent of average weighted

Premium contributions

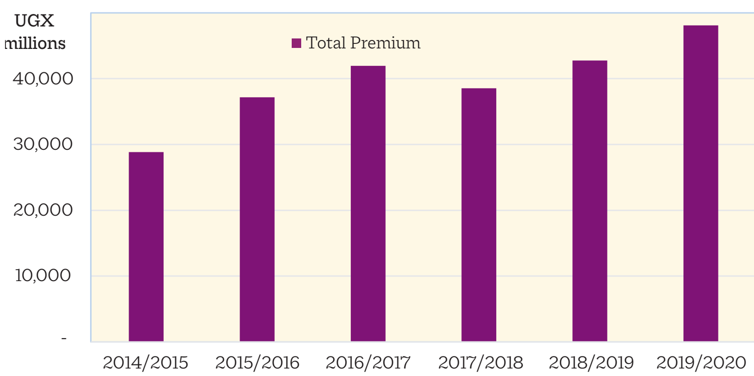
0.2%

of average weighted deposit liabilities

FSSF

DPF admitted as a member to the Financial Sector Stability Forum 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. It is worth noting, that due to the effects of the COVID-19 pandemic, a few institutions faced challenges with remitting their premium payments in time. Premiums have continued to grown steadily since 2017 due to growth in deposits as below.

Figure 10: Trend of Deposit Premiums



Bank of Uganda

In line with the Memorandum of Understanding which was signed between the Fund and Bank of Uganda, a taskforce was constituted to put in place a framework for obtaining short term liquidity support from the Bank. The need for a prior arrangement is necessary to ensure that the DPF accesses funds fast if protected deposits are to be paid out. Furthermore, the arrangement would enable the Fund access liquidity without resorting to a fire sale of government securities, given that such an action could send out negative signals and destabilize the financial markets.

Ministry of Finance, Planning and Economic Development (MoFPED)

The DPF is working on an arrangement to access backstop funding from the Government of Uganda through the Ministry of Finance, Planning and Economic Development. The purpose of these funds is to pay protected deposits in the event of a systemic financial crisis or failure of a very large contributing institution. This practice is in line with IADI Core Principle No.9 which emphasizes that deposit insurers must have emergency funding arrangements with their respective Governments, to maintain financial sector stability. The funding arrangement could be through lending or by way of a Government guarantee.

Financial Sector Stability Forum

During the year, the DPF was admitted as a member of the Financial Sector Stability Forum. This Committee is constituted of financial sector regulators and financial safety net players. The members are the Ministry of Finance, Planning and Economic Development, Bank of Uganda, Insurance Regulatory Authority, Capital Markets Authority, Uganda Retirement Benefits Regulatory Authority, and the Uganda Microfinance Regulatory Authority. The aim of the Forum is to enhance cooperation among members for the proper coordination of financial sector activities and for effective crisis management. During the FY 2019/2020, the Working Group developed key elements of a crisis management framework drawing from the work of the G20 and Financial Stability Board (FSB).

East African Community Monetary Affairs Committee

The Crisis Management Working Group of the East African Community (EAC) Monetary Affairs Committee (MAC) met once during the financial year in November 2019. The major tasks for the Group were to study the respective national Crisis Management Frameworks with the view of developing a regional Cross-border Crisis Management Framework.

During this meeting, the Crisis Management Working Group observed that the East African Protocol, limits Central Banks from providing funding to government entities. This could affect the ability of DPF and indeed other Deposit Insurance Agencies within the region from borrowing from the Central Bank. The working group escalated this matter within the East African Protocol structures, with a view of having the necessary amendments effected.

Public Education & Awareness

Hosting the IADI Africa Regional Committee (ARC) Annual General Meeting and Conference

The Deposit Protection Fund of Uganda (DPF) and Bank of Uganda hosted the first ever International Deposit Insurance event to be held in Uganda. The Africa Regional Committee (ARC) which is the African Chapter of the International Association of Deposit Insurers (IADI) held its Annual General Meeting and Conference at the Lake Victoria Serena Golf Resort & Spa from September 15-19, 2019. The theme of the Conference was 'Why Deposit Insurance'

The Conference was officiated by Honourable Minister of Finance, Planning and Economic Development (MoFPED) of the Republic of Uganda, Hon. Matia Kasaija (MP). The Governor Bank of Uganda and the Secretary General of IADI gave opening remarks at the memorable event.

Policy makers and deposit insurers from over twenty (20) countries, together with representatives from the International Association of Deposit Insurers (IADI), the world Bank and other development partners, attended the Conference.

The main purpose of the Conference was to share regional and global experiences on how effective deposit insurance schemes contribute to enhanced public confidence in the financial sector and ultimately financial stability.

During the Annual General Meeting, the Region resolved to start the process of establishing an African Center for Studies of Deposit Insurance Systems (ACSDIS) in Abuja, Nigeria. This is intended to strengthen deposit insurance systems across the Region.

Pictorial

IADI Africa Regional Committee (ARC) 2019 Annual General Meeting and Conference

1. Signing of Memorandum of Understanding between DPF Uganda & KDIC
2. IADI - ARC team
3. Peter Mugisa, Head Investments, DPF
4. Participants during ARC Conference
5. Minister of Finance Planning & Economic Development, Hon. Matia Kasaija and Governor Bank of Uganda, Prof. Emmmanuel Tumusiime Mutebile
6. Chairman ARC, Alhaji Umaru Ibrahim
7. CEO, DPC Zimbabwe, Vusi Vuma and Executive Director Supervision (BoU), Dr. Tumubweine Twinemanzi.
8. DPF CEO & Secretary General IADI during conference
9. Secretary General IADI with DPF Board Chairman.
10. Executive Director Operations - Nigeria Deposit Insurance Corporation, Prince Aghatise Erediauwa
11. KDIC CEO, Mohamud Ahmed Mohamud and DPF Board member, Emmanuel Kalema Musoke
12. BoU Director NBFI, Charles Owinyi Okello with Ms Chun Hwei Ng from Toronto Center.
13. Nicola, Reserve Bank of South Africa & Ms Violeta Krasniqi, former CEO of Deposit Insurance Fund of Kosovo.
14. Assistant Board Secretary, Felix Nsiimomwe
15. Mudashiru Mustafa, NDIC board member
16. Participants during ARC conference

Launch of the DPF and Increase of the Deposit Insurance Limit

The Minister of Finance, Planning and Economic Development (MoFPED), Hon. Matia Kasaija, presided over the launch of the Deposit Protection Fund of Uganda (DPF) at the Uganda Media Centre on September 3, 2019.

During the launch, Ugandans were enlightened about the mandate of the Fund. At the same event, the Hon Minister:

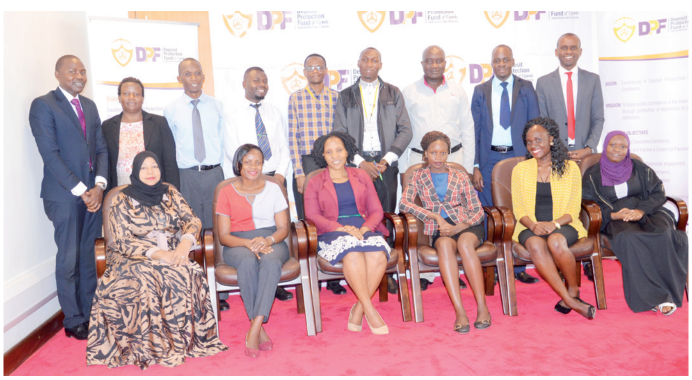
a. Announced the policy decision to increase the deposit insurance limit from UGX 3 million to UGX 10 million.
b. Unveiled the DPF's Board of Directors and the Chief Executive Officer.
c. Unveiled the DPF logo or brand.
d. Announced the hosting of the first ever IADI event in Uganda.

Sensitization Meetings with Contributing Institutions (CIs)

During the period December 2019 to January 2020, the Fund conducted a series of sensitization meetings, targeting members of Contributing Institutions (CIs) and Bank of Uganda staff at Regional Currency Branches. The branches that were visited included; Masaka, Mbarara, Kabale, Fort-Portal, Jinja, Mbale, Lira, Gulu and Arua.

The main objective of the meetings was to engage and share public awareness materials with CIs at regional level and with Bank of Uganda staff.

The participants obtained knowledge on the mandate and other activities of the Fund.



Participation of DPF in the World Savings Day Celebrations

In order to enhance public awareness and improve stakeholder engagement, the Fund participated in the World Savings Day. The event was hosted by Bank of Uganda and the M/S Innovations & Creativity Expos (U) Ltd from October 28 – 31, 2019.

The event offered a great opportunity for the Fund to interact and engage with numerous stakeholders, in addition to sharing public awareness materials on the mandate of the Fund.

The major theme of the event was "Save with a plan". The DPF used the activity to sensitise the public on the need to up-date their customer records with their respective banks.

Mass Media Outreach Programs

The Fund conducted an aggressive mass media campaign, targeting all stakeholders, using radio, TV and print media channels on the Single Customer View project (SCV).

The project was aimed at informing customers of all Commercial Banks, Credit Institutions and Microfinance Deposit-taking institutions (MDIs) regulated by BoU to update their personal information with their respective financial institutions.

The DPF requires this information in order to ensure timely and convenient payment of protected deposits to customers in the unlikely event of closure of a financial institution for outright liquidation.

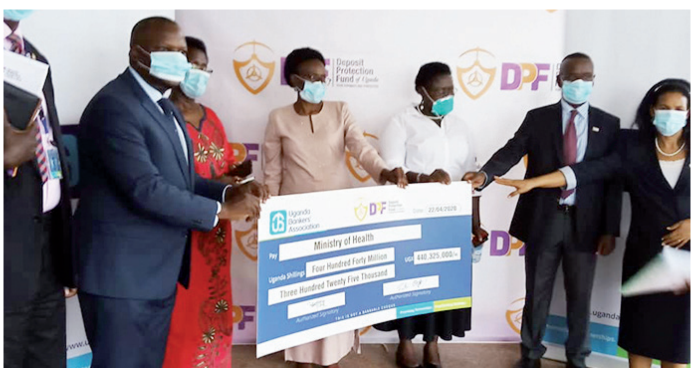
In addition, a number of radio and TV talk shows were held to explain the mandate and role of the DPF.

Donation Towards the Fight Against Corona Pandemic.

In response to the national call to support the fight against the COVID-19 pandemic, the Deposit Protection Fund of Uganda (DPF) and the Uganda Bankers Association (UBA) contributed UGX 440 million.

The donation was handed over to the Ministry of Health on April 22, 2020. The Funds were to be utilized as follows:

- UGX 240 million for Procurement of Personal Protective Equipment for the Health Workers at the frontline in this effort against COVID-19 under the Ministry of Health.
- UGX 200 million for Financial Support to Makerere University's Department of Immunology & Molecular Biology, College of Health Sciences who are in the advanced stages of producing rapid test kits for COVID-19.



Highlights of Financial Statements

Annual Performance

a) Assets, Liabilities and Reserves

According to the financial statements, total assets increased by 19 percent or UGX 129 billion from UGX 695 billion in June 2019 to UGX 824 billion in June 2020, with investments in Government of Uganda treasury bills and treasury bonds totalling to UGX 811 billion up from UGX 689 billion posted previously. Treasury bonds and treasury bills constituted 98 percent of total assets. This is in tandem with the provisions of the investment policy which place emphasis on preservation of capital and availability of liquidity. The cash held at Bank of Uganda and receivables from contributing institutions amounted to UGX 12 billion or 2 percent of total assets.

Total liabilities increased slightly from UGX 45 billion to UGX 50 billion in June 2019 and June 2020 respectively. This was mainly due to increased deferred income and withholding tax. Deferred income increased by UGX 3 billion from UGX 19 billion to UGX 22 billion. This income relates to annual premiums which had to be apportioned for the half year, in line with accrual-based accounting principles. Withholding tax on the other hand increased by UGX 1 billion due to higher income earned from treasury bills and treasury bonds.

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

Total Assets 19%
UGX 824Bn

Total Income 17%
UGX 148Bn

Overall total asset growth over four years 64%

deposits payable to insured depositors.

The 'fund surplus and reserves' account increased from UGX 650 billion to UGX 774 billion over the Financial Year 2019/20. The increase was due to a surplus worth UGX 124 billion earned during the period largely derived from investment income and premium contributions from member institutions.

b) Income, Expenses and Surplus (Profit)

Total income increased from UGX 127 billion to UGX 148 billion or 17 percent mainly due to income from investments and premium contributions. Income from invetsments increased by UGX 16 biilion while that from premium contributions grew by UGX 5 billion.

The Fund incurred expenses amounting to UGX 27 billion in year ended June 2020 compared to UGX 24 billion utilised the previous year. The increase was mainly reflected in withholding tax on income derived from treasury bills and bonds which accounted for 70 percent or UGX 19 billion of total expenses. The other expenses such as fund management fees and administrative expenses, remained relatively stable.

The Fund's surplus (profit) increased by UGX 12 billion from UGX 112 billion to UGX 124 billion as at June 2019 and June 2020 respectively. The increase was largely on account of growth in interest income and annual premium contributions. The growth in interest income was due to an increase in the size of the investment portfolio while the increased deposit levels in the banking sector resulted in higher annual premiums remitted to the Fund.

Trend of financial performance

a) Assets, liabilities and reserves

Over the past four (4) years, the Fund's total assets have grown by 64 percent from UGX 500 billion to UGX 824 billion as at June 30, 2017 and June 30, 2020 respectively. The growth has been largely reflected in treasury instruments which increased from UGX 475 billion to UGX 811 billion over the same period. Likewise, liabilities have increased, albeit at a slower pace. Total liabilities increased by UGX 10 billion from UGX 40 billion to UGX 50 billion. The increase was on account of a steady increase in deferred income arising from higher annual premium collections from the Contributing Institutions. The 'fund surplus and reserves' account grew substantially by UGX 124 billion over the period under review, mainly on account of the surplus for the year.

b) Surplus (Profit) and Expenses

The trend analysis depicts a decline in surplus levels between the financial years ended June 2017 and June 2020. This is due to that fact that the year ended June 30, 2017 covered a period of 18 months rather than 12 months. However, when a comparison is made between the FY 2017/18 and FY 2019/20, there has been a gradual growth in surplus levels from UGX 77 billion to UGX 124 billion over the period.

Total expenses have increased by UGX 5 billion or 22 percent since the operationalization process begun in 2017. Expenses are expected to increase further as the Fund recruits staff and establishes its own IT systems. Although expenses are bound to increase, the Fund will continue to monitor its cost structure to ensure that expenditure is maintained below the acceptable cost to income ratio of 25 percent. Table 7 and Figure 11 & 12 below depict the trend of key financial performance indicators.

Table 7: Trend of key financial performance indicators *UGX (Millions)*

Particulars	18 Months Ended June 2017	FY 2017/18	FY 2018/19	FY 2019/2020
Total Assets	500,416	583,049	694,730	823,641
Total Liabilities	39,632	45,034	45,097	49,714
Surplus and Reserves	460,783	538,015	649,632	773,927
Surplus (Profit)	160,836	77,231	111, 690	124,294
Total Expenses	21,691	18,975	24,164	27,196

Figure 11: Four Year Trend of Total Assets, Liabilities and Reserves

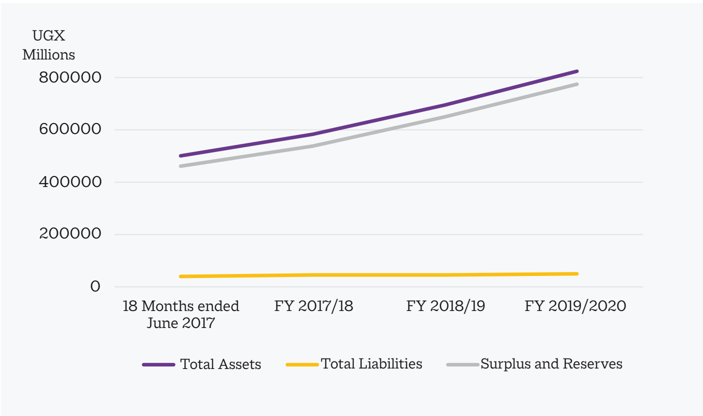
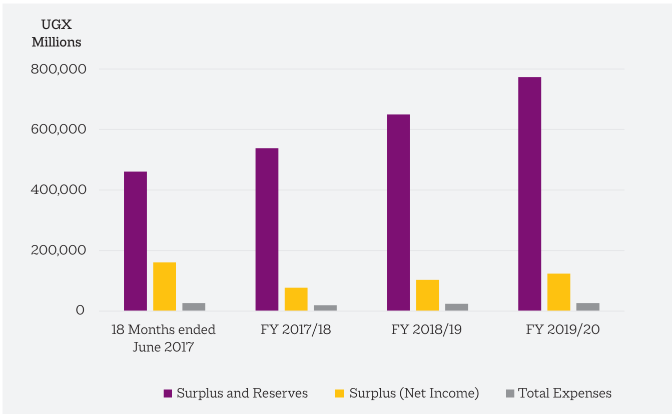


Figure 12: Four Year Trend of Income, Expenses and Surplus (Profit)



Budget Performance

In line with the 5 year strategic plan, the Board approves annual work plans and financial budgets which are implemented by Management. Quaterly reports on performance against the approved annual workplan and budget are presented to the Board for monitoring purposes. In view of the fact that these are management accounts, it is expected that there may be a few variances between the figures reported in the budget performance reports and those reflected in the audited financial statements.

Annual Performance

During the financial year 2019/20, the Fund earned total income worth UGX 129 billion while actual expenditure amounted to UGX 8 billion (exclusing withholding tax). This was against period projections of UGX 109 billion and UGX 13 billion for income and expenditure respectively. The net operating surplus for the period amounted to UGX 116 billion compared to a projection of UGX 96 billion. The cost to income ratio stood at 6 percent which was well within the acceptable 25 percent limit. It is worth noting, that for management purposes, withholding taxes are deducted from income.

a) Income

The Fund generated higher earnings than anticipated. Total income stood at UGX 129 billion compared to the budgeted UGX 109 billion. Most of the income was derived from interest income.

Cost to Income ratio 6%

Total Income 17%

UGX 129Bn

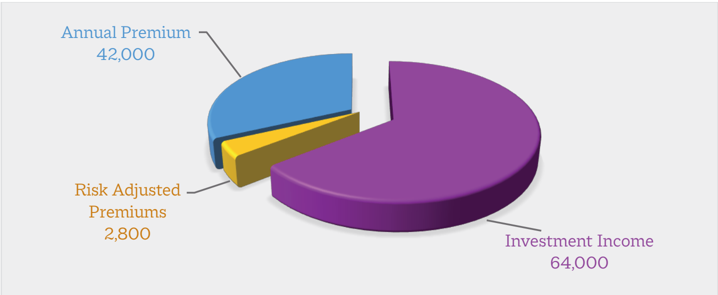
Table 8 below provides a breakdown of the budget performance with respect to income, while Figure 13 illustrates the various components of income

Table 8: Income Performance for the FY 2019/20 – Income *(UGX millions)*

Sources of Income	Approved Budget 2019/20	Actual to 30-June-20	Variance %
	A	**B**	**(B-A)/A**
Investment Income	64,000	83,146	22.6%
Risk Adjusted Premiums	2,800	4,645	59.9%
Annual Premium	42,000	41,102	-2.1%
Penalties	-	165	N/A
Total Income	**108,800**	**129,058**	**19%**

NB: Investment Income is net of withholding Tax

Figure 13 : Sources of Income for the FY 2019/20 *(UGX millions)*



b) Expenses

During the period under review, DPF operated well within the approved budget. Total expenses stood at UGX 8 billion compared to the budgeted UGX 13 billion. The lower than expected expenditure was mainly because the process of recruiting staff was not concluded. In addition, a number of activities could not be carried out due to the effects of the COVID-19 pandemic. Activities which were mostly affected were those related to public awareness, IADI meetings and capacity building at both Board and management level.

Table 9 below, contains a breakdown of the budget performance while Figure 14 depicts the structure of the Funds' expenses.

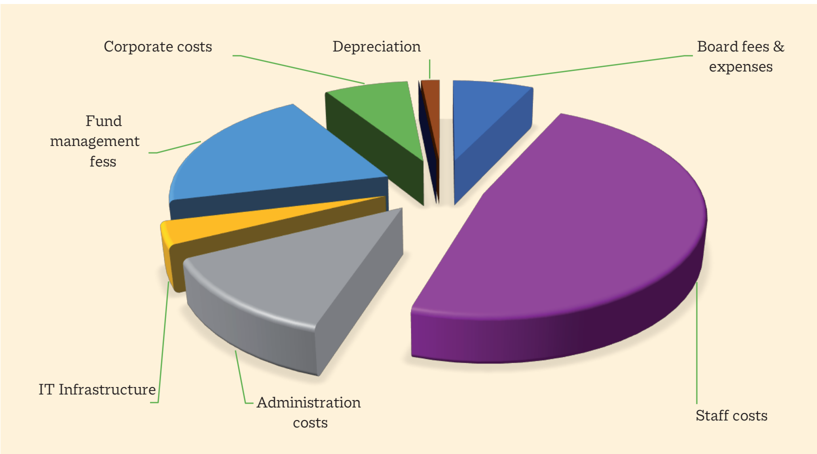
Total Income Variance +19%

Total Expenditure Variance +36%

Table 9: Breakdown of Expenses for the FY 2019/20 *(UGX millions)*

Description	Approved Budget 2019/20	Actual 30-Jun-20	Variance %
	A	B	(A-B)/A
Board Fees & Expenses	1,124	541	52%
Staff Costs	5,509	3,686	33%
Administration Costs	1,941	764	61%
IT Infrastructure	653	274	58%
Fund Management Fees	1,629	1,436	12%
Corporate Costs	1,444	882	39%
Supervisory & Regulatory Costs	12	-	0%
Depreciation	362	517	-43%
Total Expenditure	**12,674**	**8,100**	**36%**

Figure 14: Composition of Expenses for the FY 2019/20



Trend Analysis of Budget Performance

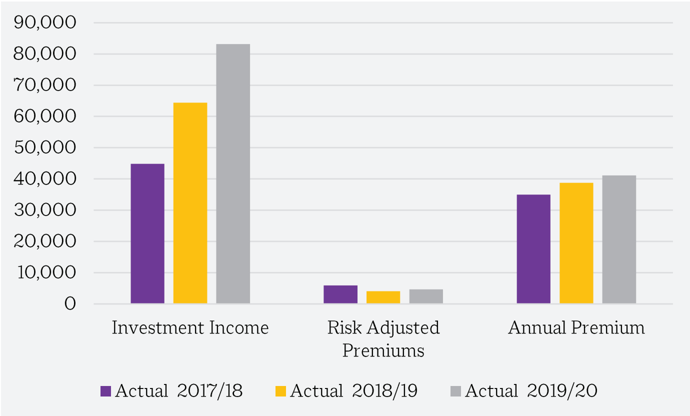
a) Income

The Fund started preparing budgets in the FY 2017/18, when a Board and Management team was appointed. During the first three (3) years of operation, DPF has generated slightly more income than budgeted across all revenue streams (See table 10 below). In terms of actual performance, except for income derived from Risk Adjusted Premiums which has remained relatively stable, there has been an increasing trend in income derived from premium and investment income which are the major sources of revenue to the Fund as depicted in the figure 15 below.

Table 10: Actual versus budgeted income for the last three years *(UGX millions)*

Sources of Income	Actual 2017/18	Approved Budget 2017/18	Actual 2018/19	Approved Budget 2018/19	Actual 2019/20	Approved Budget 2019/20
Investment Income	44,857	60,450	64,412	54,400	83,146	64,000
Risk Adjusted Premiums	5,939	10,000	4,107	2,000	4,645	2,800
Annual Premium	34,979	32,400	38,778	37,700	41,102	42,000
Penalties	257	-	195	-	37	-
Total Income	**86,032**	**102,850**	**107,492**	**94,100**	**128,930**	**108,800**

Figure 15: Trend of income generated over the past 3 years *(UGX millions)*



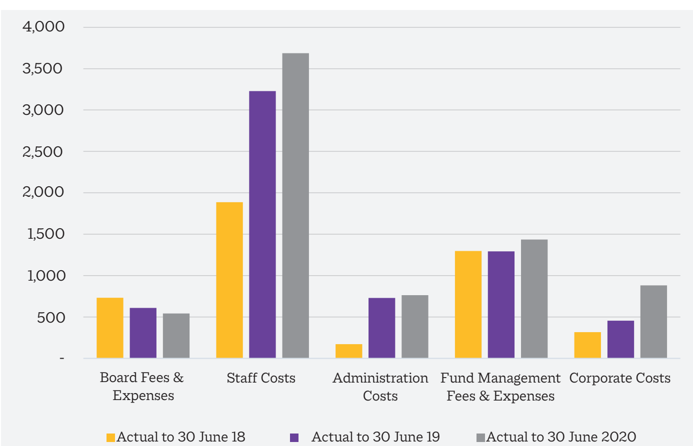
b) Expenditure

DPF has operated well within the approved expenditure limits over the last three (3) years as illustrated in table 11 below. Costs have been controlled to ensure they remain below the acceptable cost to income ratio of 25 percent. In terms of actual expenditure, Board fees and expenses have declined slightly while fund management fees have remained relatively stable. As expected, staff, administration and corporate costs have steadily edged upwards, as the operationalization process is concluded (See figure 16 below).

Table 11: Expenditure for the last three years (UGX millions) – FY 2017/18 to FY 2019/20

Description	Approved Budget 2017/18	Actual 2017/18	Approved Budget 2018/19	Actual 2018/19	Approved Budget 2019/20	Actual 2019/20
Board Fees & Expenses	1,026.0	731.5	1,034	609	1,124	541
Staff Costs	2,403.0	1,887.6	3,648	3,228	3,665	3,686
Administration Costs	637.8	171.8	1,195	729	1,941	764
IT Infrastructure	64.6	0.3	425	40	653	274
Fund Management Fees & Expenses	1,886.8	1,297.9	1,820	1,293	1,629	1,436
Corporate Costs	362.0	315.7	1,003	454	1,444	882
Supervisory & Regulatory Costs	12.0	-	12	0.2	12	-
Depreciation	150.0	14.7	172	80	362	517
Total Expenditure	**6,542**	**4,420**	**9,309**	**6,433.2**	**12,674**	**8,100**

Figure 16: Actual expenditure over the last three years *(UGX Millions)*



Budget for the Year Ahead (FY 2020/21)

The budget for the FY 2020/21 was aligned to the five (5) year strategic plan and the annual work plan. During the year, the Fund anticipates to earn income worth UGX 109 billion and incur expenses amounting to UGX 13 billion. As such, the Fund will operate within a cost to income ratio of 11 percent which is well within the acceptable limit of 25%.

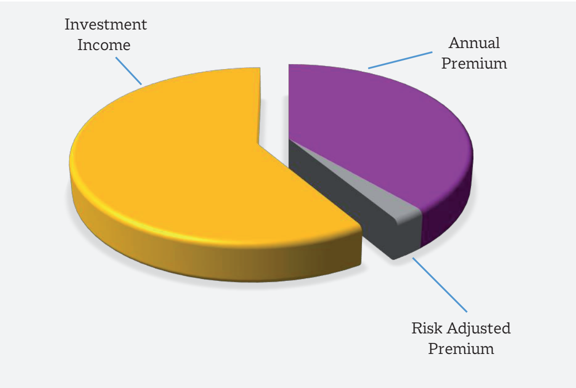
a) Income Budget

The projected income budget for the FY 2020/21 stands at UGX 138 billion compared to UGX 109 billion projected for the previous financial year. The biggest driver of the anticipated growth is reflected in investment income, which is expected to increase by UGX 27 billion as the investment portfolio continues to grow. See Table 12 and Figure 17 below:

Table 12: Comparison of income budgets (UGX millions)

Source of Income	Budget FY 2018/19	Budget FY 2020/21	Change	Percentage Change(%)
Annual Premium	42,000	45,000	3,000	7%
Risk Adjusted Premium	2,800	2,800	-	0%
Investment Income	64,000	91,000	27,000	42%
Total Income	**108,800**	**138,800**	**30,000**	**28%**

Figure 17: Distribution of Income Budget – FY 2020/21



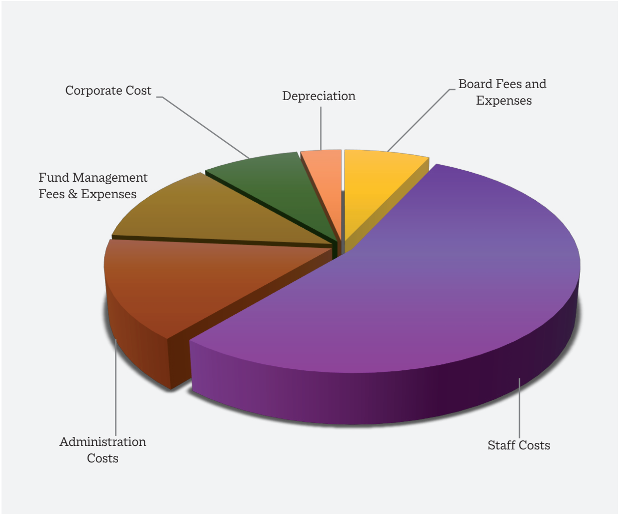
b) Expenditure Budget

The recurrent expenditure budget for the FY 2020/21 amounted to UGX 16 billion up from UGX 13 billion budgeted the previous year. The budget increased mainly due to a projected rise in staff and administration costs, as the Fund continues to operationalise. In addition, the anticipated effects of inflation and depreciation of the local currency pushed up the budgeted expenditure. Table 13 and Figure 18 below provides a breakdown of the budgeted expenses.

Table 13 : Comparison of expenditure budgets *(UGX Million)*

Description	Budget 2019/2020	Proposed Budget 2020/2021	Change Compared to 2019/2020	Percentage Change (%)
Board Fees and Expenses	1,124	1,039	-85	-8%
Staff Costs	5,509	8,039	2,530	46%
Administration Costs	1,941	2,249	308	16%
IT Infrastructure	653	901	248	38%
Fund Management Fees & Expenses	1,629	1,815	186	11%
Corporate Costs	1,444	1,192	-252	17%
Supervisory and Regulatory Costs	12	0	-12	-100%
Depreciation	362	496	134	37%
Total	**12,674**	**15,731**	**3,057**	**24%**

Figure 18: Distribution of expenditure budget - FY 2020/2021



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 2020.

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 June 30, 2019 as set out on pages 60 to 89 of this report. Total assets increased by UGX 129 billion or 19 percent from UGX 695 billion to UGX 824 billion as at June 30, 2019 and June 30, 2020 respectively. The growth was largely financed by the 'surplus and reserves account' which increased by UGX 124 billion. In line with the Funds investment policy which places emphasis on capital preservation and maintenance of adequate liquidity, 98 percent of the total assets were invested in Government of Uganda treasury bills and treasury bonds.

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, Ms.Roy Nambogo, 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 21 October 2020.

....

BOARD CHAIRMAN

Statement of Directors' 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, 2020, and the statement of profit or loss and statement of cash flows for the period ended June 2020, 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 87, 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, 2020. 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 21 October 2020 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 set out on pages 60 to 89, which comprise the statement of Financial Position as at 30th June, 2020 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 our opinion, the accompanying financial statements give a true and fair view of the financial position of the Deposit Protection Fund as at 30th June, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Financial Institutions Act, 2004 as amended.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the Deposit Protection Fund. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Deposit Protection Fund. 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. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Implementation of IFRS 9 – Financial Instruments	How the Audit handled the KAM
The date for compulsory full adoption of IFRS 9, Financial Instruments, was 1st January 2018. IFRS 9 requires all Financial Instruments classified and measured at Amortized Cost and those measured at Fair Value Through Other Comprehensive Incomes (FVTOCI) to be subjected to a prudential Expected Credit Loss (ECL) assessment even when there are clearly no risks of default at the very inception. And subsequently, Levels 2 and 3 ECL computations when the Financial Instruments experience continuous risk deterioration. The financial statements in notes 11, 12 and 13, include Risk Adjusted Premiums (RAPS) Receivables, Staff Loans and Advances and Investments in Governments Securities amounting to; UGX 2,648,174,000, UGX 212,336,000 and UGX 810,594,825,000 respectively.	My Procedures in relation to managements application of IFRS 9 Included: • Examining the requirements IFRS 9 and nature of DPF Business Models, and thereafter related support documents and environments surrounding the financial instruments listed above. • Assessing management's computations thereof and the appropriateness of the key assumptions against the requirements of the respective standards and general practices in the financial sector. I report that: i. The Financial Instruments were subjected to the required IFRS 9 Classification and Measurement criteria. ii. The Financial Instruments were subjected to the appropriate "Expected Credit Loss tests" or calculations as required by IFRS 9. And that necessary elections as to particular ECL models were made and thus applied to different Financial Instrument types. iii. The necessary disclosures have been made in the financial statements. iv. IFRS 9 requires periodic assessment and documentation of the risk and parameters leading to the expected credit losses (ECL) especially, forecasted risk benchmarks for levels 2 and 3. DPF is yet to fully meet this requirement. I have advised management to carry out periodic assessment and documentation of the risk and parameters leading to the expected credit loss for levels 2 and 3, as required by IFRS 9. I have nothing further significant to report on this matter.
Implementation of IFRS 16 – Leasing and subsequent amendment on Rent Concessions (2020) due to COVID-19	**How the Audit handled the KAM**
The date for compulsory full adoption of IFRS 16, Leasing, was 1st January 2019 and the amendments due to COVID-19, was 1st June 2020.	My procedures in relation to management's implementation of IFRS 16 Included: • Examining the requirements of IFRS 16 "Leasing" and IFRS 16 'COVID-19 Rent Concessions' as well as the Lease Rental Agreement. • Assessing management's computation thereof and reviewing the disclosures made in the financial statements.

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is less than 12 months or the underlying asset has a low value (less than 5,000 united states dollars). A contract is, or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee may elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that applies the exemption, accounts for COVID-19-related rent concessions as if they were not lease modifications.	I report that: i- DPF elected to 'grand-father' the existing lease contract and applied IFRS 16 prospectively from 1st July 2019 as per the requirements of the standard. ii- DPF recognized the "Right to Use" Asset and the related Operating Lease Liabilities and made the necessary disclosures. iii- DPF had no rental concession offers from the Lessor as a result of COVID 19 therefore, it was not necessary to apply IFRS 16 amendment.
DPF recognized a Non- Current Asset of UGX 789,288,000 (note 14) and Operating Lease Liabilities of UGX 673,939,000 (Notes 24). The foregoing items relate to rent agreement for office premises on Floor 3, AHA Towers, with two years left to expiry date.	I have nothing further significant to report on this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and the statement of directors' responsibilities, but does not include the financial statements and my auditor's opinion 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, I am required to report that fact. I have nothing to report in this regard.

Directors' 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, 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 directors either intend to liquidate the Fund or to cease operations, or have 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 auditor's 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, I am required to draw attention in my auditor's 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 auditor's 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 we identify during our audit.

Other Reporting Responsibilities

In accordance with Section 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements that the activities, financial transactions, and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

John F.S. Muwanga

AUDITOR GENERAL

23rd October, 2020

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended June 30, 2020

Year ended	Note	30 Jun 2020	30 Jun 2019
		UGX '000	UGX '000
Contributions:			
Commercial banks	3(a)	39,885,749	35,716,976
Credit institutions	3(b)	753,534	741,370
Microfinance deposit taking institutions	3(c)	462,910	420,574
Risk adjusted premium	3(d)	4,645,620	3,970,580
Penalties	3(e)	164,509	196,248
Other income		465	162
		45,912,786	**41,045,910**
Income from investments:			
Interest on Government treasury bills & bonds	4	99,850,750	85,373,459
Income from secondary market trading	5	2,276,933	599,616
Interest on loans and advances to staff	19	24,758	-
Credit loss on financial assets	20	(92,437)	(39,440)
		102,060,004	**85,933,635**
Expenses:			
General and administration costs	6	(5,922,784)	(5,102,609)
Fund management fees	8	(1,436,829)	(1,188,768)
Taxation	9	(19,281,800)	(17,756,104)
Depreciation	14	(517,694)	(79,818)
Audit fees		(36,760)	(36,760)
Total expenditure		**(27,195,867)**	**(24,164,058)**
Total surplus for the year		**120,776,923**	**102,815,487**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value for debt instruments at fair value through OCI	21	4,912,216	9,104,188
Net amount reclassified to profit or loss for debt instruments at fair value through OCI	21	(1,400,429)	(253,089)
Net change in impairment for debt instruments at fair value through OCI	21	5,097	23,847
Other comprehensive income for the year		**3,516,885**	**8,874,945**
Total comprehensive income for the year		**124,293,808**	**111,690,432**

The notes set out on pages 61 to 87 form an integral part of the financial statements.

Statement of Financial Position as at June 30, 2020

As at	Note	30 June 2020	30 June 2019
		UGX '000	UGX '000
Assets			
Cash and cash equivalents	10	8,950,008	4,566,673
Receivables	11	2,647,421	1,179,956
Loans and advances to staff	12	212,336	-
Debt instruments at amortised cost	13	251,192,225	171,780,829
Debt instruments at fair value through OCI	13	559,402,601	516,839,008
Property, plant and equipment	14	1,236,144	364,163
Total assets		**823,640,735**	**694,730,629**
Liabilities			
Deferred income	3(f)	21,713,122	19,389,071
Creditors	15	19,750,479	19,750,479
Unclaimed deposits	16	198,882	198,882
Expenses payable	17	615,599	441,746
Tax payable	9	7,087,565	5,317,536
Lease liabilities	24	348,365	-
Total liabilities		**49,714,012**	**45,097,714**
Fund surplus	18	124,293,808	111,690,432
Fund reserves	18	649,632,915	537,942,483
Fund surplus and reserves		**773,926,723**	**649,632,915**
Represented by:			
Fund liabilities, surplus and reserves		**823,640,735**	**694,730,629**

The notes set out on pages 61 to 87 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 21 October 2020 and signed on its behalf by:

Chairman **Director** **Director**

Statement of Cash Flows for the Year Ended June 30, 2020

Year ended	Note	30 June 2020	30 June 2019
		UGX '000	UGX '000
Cash flows from operating activities			
Net surplus for the year		120,776,923	102,815,487
Depreciation		517,694	79,818
Finance cost on lease liability		22,790	-
Credit loss on financial assets		92,437	39,440
		121,409,844	**102,934,745**
(Increase)/ decrease in receivables		(1,657,366)	1,236,685
Increase in loans and advances to staff		(212,560)	-
(Increase)/ decrease in debt instruments at amortised cost		(79,423,959)	5,522,061
Increase in debt instruments at fair value through OCI		(39,051,806)	(127,512,809)
Increase in deferred income		2,324,051	1,899,222
Decrease in creditors		-	(9,913)
Increase/ (decrease) in expense payable		173,853	(2,326,447)
Increase in tax payable		1,770,029	500,368
Net cash from/ (used) in operations		**5,332,086**	**(17,756,088)**
Cash flows used in investing activities			
Purchase of property plant and equipment	14	(600,387)	(62,779)
Net cash used in investing activities		**(600,387)**	**(62,779)**
Cash flows used in financing activities			
Payment of interest on lease liabilities		(22,790)	-
Principal payment of leases		(325,575)	-
Net cash used in financing activities		**(348,365)**	**-**
Increase/ (decrease) in cash and cash equivalents		4,383,335	(17,818,867)
Add: Cash and cash equivalents at the beginning of the year	10	4,566,673	22,385,540
Cash and cash equivalents at 30 June 2020	**10**	**8,950,008**	**4,566,673**

The notes set out on pages 61 to 87 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 Deposit Protection Fund of Uganda, and therefore the reporting entity.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

2.1.1 Statement of compliance

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Financial Institutions Act, 2004 as amended.

2.1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for debt instruments at fair value through other comprehensive income.

2.1.3 Functional and presentation currency

The financial statements are presented in Uganda Shillings (UGX), which is the functional currency of the Fund and all values are rounded to the nearest thousand Shillings (UGX'000), except as 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

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:

a) 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.

b) 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.

c) 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.

d) 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, 2020 is included in the following circumstances;

1) **Impairment of financial instruments in accordance with IFRS 9, 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 accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by the Fund.

2.2.1 New standards, amendments and interpretations

2.2.2.1 New standards, amendments and interpretations effective and adopted during the year

A number of new standards were effective from January 1, 2019 but they do not have a material effect on the Bank's financial statements except for IFRS 16: Leases.

IFRS 16 Leases

IFRS 16 Leases was issued by the IASB on January 13, 2016 and is effective for periods beginning on or after January 1, 2019. IFRS 16 replaces the following standards and interpretations: IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Fund applied IFRS 16 using the modified prospective approach (second option) by recognizing a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17 and right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position before the date of initial application.

The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

a. Definition of a lease

Previously, the Fund determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an arrangement contains a lease. The Fund now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Fund elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Fund applied IFRS 16 only to contracts that were previously identified as leases.

Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after July 1, 2019.

b. As a lessee

As a lessee, the Fund leases office premises. The Fund previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Fund. Under IFRS 16, the Fund recognises right-of-use assets and lease liabilities for most of these leases in the statement of financial position.

At commencement or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

c. Leases classified as operating leases under IAS 17

Previously, the Fund classifed property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Fund's incremental borrowing rate as at July 1, 2019.

Right-of-use assets are measured at:

i) their carrying value as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rate at the date of initial application; the Fund applied this approach to its lease liabilities.

ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Fund has tested its right of use assets for impairment on the date of transition, and has concluded that there is no indication that the right of use assets are impaired.

The Fund used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Fund:

i) relied on its assessment of whether leases are onerous under IAS 37 immediately before date of initial application as an alternative to performing an impairment review;

ii) did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

iii) excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

iv) used hindsight when determining the lease term.

d. Impact on financial statements.

On transition to IFRS 16, the Fund recognised right-of-use assets, and lease liabilities.

The impact on transition is summarised below:

July 1, 2019	UGX '000
Right-of-use assets – office premises	789,288
Lease liabilities	673,939

When measuring lease liabilities for leases that were classified as operating leases, the Fund discounted lease payments using its incremental borrowing rate at July 1, 2019. The weighted-average rate applied is 7 percent.

e. IFRS 16 COVID-19-Related Rent Concessions Amendment

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions take a variety of forms, including payment holidays and deferral of lease payments which results in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

However, the Fund has not negotiated for any rent concession as aresult of COVID-19 pandemic.

2.2.2.2 New standards, amendments and interpretations issued but not adopted

The following amended standards are also effective from July 1, 2019 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
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of material (Amendments to IAS 1 and IAS 8)	1 January 2020
Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 June 2020

2.2.2.3 New standards, amendments and interpretations issued but not effective

At the date of authorization of the financial statements of Bank of Uganda for the year ended June 30, 2020, the following standards and interpretations were in issue but not yet effective:

New Standard or amendments	Effective for annual periods beginning on or after
IFRS 17 insurance contracts	1 January 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2023
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 17 – Insurance contracts	1 January 2023

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the Fund). The standard that is expected to have an impact to the Fund is Definition of material (Amendments to IAS 1 and IAS 8).

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 January 1, 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.

2.3.3. 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.

2.3.4. 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.

2.3.5. 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. A withholding tax rate of 20% is imposed on interest from government securities whose maturity period does not exceed 10 years, while a 10% rate is charged on government securities whose tenure is at least ten(10) years.

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	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%
Furniture & fittings	Fittings	8	13%	2%
	Office furniture	10	10%	2%
Plant & machinery	Engineering	15	7%	1%

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

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.

2.8.2.2 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.
6) 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.

2.8.2.3 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).

2.8.2.4 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

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.

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

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.

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.

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

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.

2.8.8 Investment Securities

The Fund holds the following investment securities as at June 30, 2020:

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.

3. CONTRIBUTIONS

a) **Commercial Banks**	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
1 ABC Capital Bank Ltd	49,946	47,529
2 Bank of Africa Uganda Ltd	1,144,708	1,096,341
3 Bank of Baroda (Uganda) Ltd	2,579,170	2,356,741
4 Bank of India (Uganda) Ltd	351,492	279,670
5 Absa Bank Uganda Ltd	3,549,004	3,130,304
6 Cairo International Bank Ltd	169,973	135,722
7 Centenary Bank Uganda Ltd	4,517,631	3,903,567
8 Citibank Uganda Ltd	1,192,779	1,161,516
9 Commercial Bank of Africa Uganda Ltd	250,096	184,693
10 DFCU Bank Ltd	3,853,217	3,667,198
11 Diamond Trust Bank Uganda Ltd	2,435,290	2,338,013
12 Ecobank Uganda Ltd	633,081	510,982
13 Equity Bank Uganda Ltd	1,740,926	1,314,648
14 Exim Bank Uganda Ltd	532,459	497,209
15 Finance Trust Bank Ltd	301,912	252,502
16 Guaranty Trust Bank	279,461	258,040
17 Housing Finance Bank Ltd	901,651	742,387
18 KCB Bank Uganda Ltd	1,007,525	1,020,437
19 NC Bank	291,478	221,981
20 Orient Bank Ltd	1,221,751	1,062,461
21 Stanbic Bank Uganda Ltd	7,858,789	6,923,166
22 Standard Chartered Bank Uganda Ltd	4,039,778	3,977,148
23 Tropical Bank Ltd	381,285	335,013
24 United Bank of Africa Uganda Ltd	477,343	299,708
25 Opportunity Bank Uganda Ltd	125,004	82,533
	39,885,749	**35,799,509**

b) **Credit Institutions**	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
1 Merchantile Credit Bank Ltd	89,045	72,746
2 Yako Microfinance Limited	3,851	3,556
3 PostBank Uganda Ltd	611,244	556,253
4 Top Finance Bank Uganda Ltd	41,072	29,838
5 BRAC Uganda Ltd	8,322	-
	753,534	**662,393**

c) **Microfinance Deposit Taking Institutions**	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
1 EFC Limited	24,406	7,584
2 Finca Uganda Limited	149,472	149,588
3 Pride Microfinance Limited	250,339	226,862
4 Ugafode Microfinance Limited	38,693	32,985
	462,910	**417,019**

Each Contributing Institution contributes annually 0.2% of average deposit liabilities.

d) **Risk adjusted premium**	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
1 Commercial banks	4,266,797	3,663,403
2 Credit institutions	357,285	289,364
3 Microfinance deposit taking institutions	21,539	17,813
Total Risk Adjusted Premium	**4,645,620**	**3,970,580**

e) **Penalty for late payment**	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
1 Commercial banks	140,224	194,412
2 Credit institutions	22,377	650
3 Microfinance deposit taking institutions	1,908	1,186
Total Penalties	**164,509**	**196,248**

During the period ended June 30, 2020, Contributing Institutions that did not pay their premiums to the Fund with in 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. A few institutions faced challenges with timely payments during the COVID-19 lockdown period.

f) **Defered Contributions**	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Commercial Banks		
1 ABC Capital Bank Ltd	23,144	26,802
2 Bank of Africa Uganda Ltd	562,174	582,535
3 Bank of Baroda (Uganda) Ltd	1,334,002	1,245,167
4 Bank of India (Uganda) Ltd	198,592	152,900
5 Absa Bank Uganda Ltd	1,910,697	1,638,307
6 Cairo International Bank Ltd	99,650	70,323
7 Centenary Bank Uganda Ltd	2,370,022	2,147,609
8 Citibank Uganda Ltd	649,232	543,547
9 Commercial Bank of Africa Uganda Ltd	146,076	104,020
10 DFCU Bank Ltd	1,949,177	1,904,040
11 Diamond Trust Bank Uganda Ltd	1,259,170	1,176,119
12 Ecobank Uganda Ltd	358,777	274,304
13 Equity Bank Uganda Ltd	974,819	766,107
14 Exim Bank Uganda Ltd	258,985	273,474
15 Finance Trust Bank Ltd	153,546	148,366
16 Guaranty Trust Bank	139,561	139,900
17 Housing Finance Bank Ltd	548,929	352,722
18 KCB Bank Uganda Ltd	503,814	503,711
19 NC Bank	162,621	128,859
20 Orient Bank Ltd	660,858	560,893
21 Stanbic Bank Uganda Ltd	4,217,104	3,641,685
22 Standard Chartered Bank Uganda Ltd	2,036,199	2,003,580
23 Tropical Bank Ltd	204,275	177,010
24 United Bank of Africa	279,434	197,909
25 Opportunity Bank Uganda Ltd	71,014	53,989
	21,071,872	**18,813,878**
Credit Institutions		
1 Mercantile Credit Bank Ltd	45,390	43,655
2 Yako Microfinance Limited	1,990	1,861
3 PostBank Uganda Ltd	317,041	294,203
4 Top Finance Bank Uganda Ltd	21,268	19,803
5 BRAC Uganda Ltd	8,322	-
	394,011	**359,522**
Microfinance Deposit Taking Institutions		
1 EFC Ltd	19,079	5,327
2 Finca Uganda Limited	75,495	73,977
3 Pride Microfinance Limited	130,589	119,751
4 Ugafode Microfinance Limited	22,076	16,617
	247,239	**215,672**
Total Deferred contributions	**21,713,122**	**19,389,071**

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

Please note that M/s NC Bank Limited and M/s Commercial Bank of Africa merged to form NCBA Bank Limited in June 2020. M/s Yako Microfinance Limited and M/s BRAC Uganda Limited were elevated to Credit Institution status during the year.

4. INTEREST ON GOVERNMENT TREASURY BILLS AND BONDS

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Debt instruments at amortised cost	23,693,197	16,060,558
Debt instruments at fair value through OCI	76,157,553	69,312,901
Interest from Securities	99,850,750	85,373,459

During the period under review, income from investments increased by 17% due growth of the investment portfolio and favourable interest rate movements .

5. INCOME FROM SECONDARY MARKET TRADING

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Sales Proceeds	48,112,154	20,107,866
Original Cost of Sale	45,448,271	19,508,250
Profit on trading	**2,663,883**	**599,616**
Interest accrued on Securities	**386,950**	**-**
Income for the year from secondary market trading	**2,276,933**	**599,616**

During the year ended 30 June 2020, the Fund realised UGX 2,277 million from the sale of treasury bonds in the secondary market. Treasury bonds were sold to ensure the Fund remained compliant with the strategic alloaction risk limits stipulated in the Invetsment Policy.

6. ADMINISTRATIVE EXPENSES

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Board fees and expenses	541,393	609,652
Staff related costs	3,646,326	3,349,010
General and administrative costs	764,955	619,012
Corporate costs	922,562	524,935
IFRS 16 Lease interest	22,790	-
Deferred staff benefit	24,758	-
Total administrative expenses	**5,922,784**	**5,102,609**

Corporate costs increased by UGX 397 million mainly because the Fund hosted the first ever IADI Conference in Uganda. However, DPF was reimbursed UGX 38 million by the International Association of Deposit Insurers (IADI) as a contribution towards the conference costs.

The lease interest is in respect of rent the Fund paid for office premises at AHA towers as per IFRS 16.

7. STAFF COSTS

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Salaries & wages	2,775,704	2,442,739
Projects & training	214,158	361,270
Defined benefit scheme contributions	337,673	311,464
NSSF Contributions	252,028	219,273
Other Staff Costs	66,763	14,265
Total staff costs	**3,646,326**	**3,349,010**

As at June 30, 2020, the total number of staff at DPF was sixteen (16). The Fund caters for salaries of both DPF staff and Bank of Uganda seconded staff. During the period, staff related expenses increased by UGX 297million. Payments to BoU seconded staff are processed by Bank of Uganda and reimbursed by DPF, as stipulated in the Memorandum of Understanding between the two institutions.

Expenses related to training reduced by UGX 147 million mainly because a number of capacity bulding programs were not held due to the COVID-19 pandemic restrictions.

Pension contributions constitute both the Defined Contribution (DC) for DPF staff and Defined Benefits (DB) contributions for BoU seconded staff. This expenditure increased in tandem with the salaries.

The 'Other staff costs' account is constituted of; gratuity to contract staff, canteen expenses, medical expenses and security provision to staff amongst others. This expense increased by UGX 52 million because the Fund recruited a few temporary staff to support the Fund as the recruitment process was not finalized.

8. FUND MANAGEMENT FEES

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Fund Management Fees	1,436,829	1,188,768
	1,436,829	**1,188,768**

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.

Fund management fees increased due to growth in the investment portfolio from UGX 669,292 million to UGX 786,869 million as at June 30, 2019 and June 30,2020 respectively.

9. TAXATION

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Withholding Tax at 20%	19,691,143	17,808,092
WHT written off on Premium Bond	(409,343)	(51,988)
Adjusted tax for the period	**19,281,800**	**17,756,104**
Add: Tax Payable brought forward	5,317,536	4,817,168
Less: Withholding tax paid at 20%	17,511,772	17,255,736
Tax payable carried forward	**7,087,565**	**5,317,536**

A withholding tax rate of 20% is imposed on interest from government securities whose maturity period does not exceed 10 years and 10% for government securities whose tenure is atleast ten(10) years in accordance with Sections 117 and 122 of the Income Tax Act. Witholding tax increased in tandem with interest income which increased from UGX 85,373 million as at June 30, 2019 to UGX 99,851 million as at June 30, 2020.

10. CASH AND CASH EQUIVALENTS

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Cash held at bank	8,949,963	4,566,673
Cash at hand	45	-
Cash and cash equivalents	**8,950,008**	**4,566,673**

Cash and cash equivalents for the period ended June 30, 2020 included bank balances held at Bank of Uganda and Centenary Bank worth UGX 8,950 million. The Fund had planned to execute a number of activities as per the FY 2019/2020 annual workplan, however, some of these were not executed due to the COVID-19 pandemic restrictions. Additionally, it was anticipated that a number of procurements would be concuded by year end, however, the procurement process was disrupted by COVID-19 lockdown measures.

11. RECEIVABLES

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Risk adjusted premiums	2,648,174	1,112,421
Penalty on late payments	128,862	-
Prepaid office rent	-	115,349
Other receivables	559	7,807
Less: Allowance for ECL	(130,174)	(55,621)
Total Receivables	**2,647,421**	**1,179,956**

a) Risk Adjusted Premiums

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. As such, UGX 2,648 million relates to risk adjusted premium that was not yet received by end of financial year. The Risk Adjusted Premium receivable increased by UGX 1,536 million over the period under review. The substantial increase was because the notices to pay the March 2020 premiums were sent out at the end of the financial year, after extensive consultations had been made at all levels, including the Board. The consultations were deemed necessary in light of the effects of the COVID-19 pandemic on the financial sector.

b) Penalties on late payment

Penalties are charged on Contributing Institutions that pay their respective Premiums twenty one (21) days after receipt of demand notices. The penalty is 0.5% of the outstanding amount per day of default.

c) Expected credit loss

All the receivables have been subjected to impairment review according to guidelines setout in the DPF impairment policy and IFRS 9 leading to an Expected Credit Loss (ECL) of UGX 130 million.

12. LOANS AND ADVANCES TO STAFF

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Staff loans and advances at amortised cost	136,745	-
Deferred staff cost	75,815	-
Staff loans and advances at cost	212,560	-
Less: Allowance for ECL	(223)	-
Total loans and advances to staff	**212,336**	**-**

The Deposit Protection Fund grants loans and advances to its staff at interest rates below the market rates. The rates range from 0 percent to 3 percent, depending on the loan type. The loans and advances maturity terms range between 6 months and 20 years, depending on the staff employment terms. These loans and advances are marked to market and the fair value adjustment is deferred over the loan repayment periods. The multi-purpose advances are secured while annual salary advance is unsecured.

During the year, the Fund granted salary advances to its staff and as at end of 30 June 2020 the loans and advances balance was UGX 213 million. According to IFRS 9, these have been subjected to impairment review leading to an ECL of UGX 0.2 million and interest income of UGX 24.8 million.

13. DEBT INSTRUMENTS (INVESTMENTS IN GOVERNMENT SECURITIES)

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Debt instruments at amortised cost	251,192,225	171,780,829
Debt instruments at FVOCI	559,402,600	516,839,008
	810,594,825	**688,619,837**

The Fund invests in Government Treasury Bills and Bonds. Total investment in Treasury Bills and Bonds increased to UGX 811 billion during the year from UGX 689 billion registered in the previous year due to capital growth resulting from investment income, premiums and penalties from contributing institutions.

The treasury bills and bonds are further analyzed as follows:

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Debt instruments at amortised cost		
Treasury bills (at cost)	238,525,449	165,334,349
Interest accrued	12,712,164	6,479,304
Less: allowance for ECL	(45,388)	(32,824)
Total debt instruments at amortised cost	251,192,225	171,780,829
Debt instruments at FVOCI		
Treasury bonds (at cost)	536,743,092	499,669,125
Interest accrued	14,552,966	12,575,129
Fair value gain	8,106,542	4,594,754
Total debt instruments at FVOCI	**559,402,600**	**516,839,008**
Total debt instruments	**810,594,825**	**688,619,837**

Maturity analysis of the Government securities:

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Debt instruments at amortised cost		
Maturity within 91 days	47,607,034	42,237,840
Maturity after 91 days & before 182 days	47,661,795	38,803,311
Maturity after 182 days	155,968,784	90,772,502
Less: allowance for ECL	(45,388)	(32,824)
	251,192,225	171,780,829
Debt instruments at FVOCI		
Maturity within 2 years	242,469,278	183,656,690
Maturity after 2 years and within 3 years	61,379,278	107,009,832
Maturity after 3 years and within 5 years	89,148,747	77,198,028
Maturity after 5 years and within 10 years	**92,167,821**	**80,801,259**
Maturity after 10 years	74,237,476	68,173,199
	559,402,600	516,839,008

During the year, there was increased investment in the intermediate section of the yield curve (1 – 5 years) due to attractive interest rates prevailing in the market. This enabled the Fund to earn a reasonable return in line with the investment objectives of safety and liquidity.

14. PROPERTY, PLANT AND EQUIPMENT

	Computer Hardware UGX '000	Equipment UGX '000	Motor Vehicle UGX '000	Furniture & Fittings UGX '000	Plant & Machinery UGX '000	Work in Progress UGX '000	Buildings UGX '000	Total 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			62,778
As at 30 June 2019	102,228	31,999	305,790	9,527	9,254	-	-	458,799
								-
As at 01 July 2019	102,228	31,999	305,790	9,527	9,254	-	-	458,798
Recognition of right of use assets on initial application of IFRS 16	-	-	-	-	-	-	789,288	789,288
Adjusted balance as at 01 July 2019	102,228	31,999	305,790	9,527	9,254	-	789,288	1,248,086
Additions	257,307	85,314	-	-	-	257,766	-	600,387
Disposals	-	-	-	-	-	-	-	-
As at 30 June 2020	359,535	117,313	305,790	9,527	9,254	257,766	789,288	1,848,473
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
								-
As at 01 July 2019	42,844	1,443	49,664	628	57	-	-	94,636
Charge for the year	55,650	7,441	58,100	1,196	662	-	394,644	517,693
Disposal	-	-	-	-	-	-	-	-
As at 30 June 2020	98,494	8,884	107,764	1,824	719	-	394,644	612,329
Net carrying amount								
As at 30 June 2020	261,041	108,429	198,026	7,703	8,535	257,766	394,644	1,236,144
As at 30 June 2019	59,384	30,556	256,126	8,899	9,197	-	-	364,163

Work in progress worth UGX 258 million relates to office partitioning works by Roko Construction Limited expected to be completed in the first quarter of FY 2020/2021. The buildings value of UGX 789 million under property, plant and equipment schedule relate to the right of use asset as a result of subjecting the prepaid rent to IFRS 16.

15. CREDITORS

	30 Jun 2020 UGX '000	30 Jun 2019 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 Cooperative Bank A/C and other Assets	(8,101,734)	(8,101,734)
Amount payable to Government	19,750,479	19,750,479

The amount payable to Government relates to their contribution for settlement of claims in the liquidation exercise of the closed banks. The amount will be paid after the conclusion of the liquidation exercise. As at 30 June 2020, the amount payable to Government of Uganda stood at UGX 19,750 million which is being invested in Government securities.

16. UN-CLAIMED DEPOSITS

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Unclaimed deposits payable to closed banks' insured depositors	198,882	198,882
	198,882	198,882

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

17. EXPENSES PAYABLE

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Audit fees	36,760	36,760
Fund management fees	372,516	326,000
Administrative expenses	107,744	78,986
Mortagage fees	97,079	-
PAYE taxes	1,500	-
Total expenses payable	615,599	441,746

Expenses payable increased slightly over the period under review due to an increase in PAYE taxes deducted from staff salaries in the month of June 2020.

18. FUND SURPLUS AND RESERVES

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
As at 1 July 2019	649,632,915	537,942,483
Total comprehensive income for the year	124,293,808	111,690,432
Total Fund surplus and reserves	773,926,723	649,632,915

The Fund surplus and reserves increased mainly due to increased surplus earned from investment income and payments from Contributing Institutions.

19. INTEREST ON LOANS AND ADVANCES

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Interest on loans and advances to staff	24,758	-
	24,758	-

This relates to the income the Fund has received from staff loans during the year.

20. CREDIT LOSS ON FINANCIAL ASSETS

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Debt instruments at amortised cost	12,564	7,666
Debt instrument at fair value through OCI	5,097	(23,847)
RAPs receivable	74,552	55,621
Loans and advances to staff	223	-
Total credit loss on financial assets	92,437	39,440

The expected credit loss charges on financial instruments for the year ended June 30,2020 have been made in accordance with the impairment provisions of IFRS9-Financial Instruments.

21. OTHER COMPREHENSIVE INCOME

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Net change in fair value for debt instruments at fair value through OCI	4,912,216	9,104,188
Net amount reclassified to profit or loss for debt instruments at fair value through OCI	(1,400,429)	(253,089)
Net change in impairment for debt instruments at fair value through OCI	5,097	23,847
	3,516,885	8,874,946

Other Comprehensive income financial year ended June 2020 resulted from classification of debt instruments at fair value through other comprehensive income in accordance with IFRS9.

22. INTEREST RATE RISK

22.1 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.

Table 4 below summarizes the exposure to interest rate risk. Included in the table are the Fund's assets and liabilities categorized by maturity dates;

TABLE 5: INTEREST RATE RISK

	Year Ended 30 Jun 2020	Matured	Up to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
Assets						
Cash and cash equivalents	8,950,008	8,950,008	-	-	-	-
Debt instruments at amortised cost	251,192,225	-	47,607,034	203,585,191	-	-
Debt instruments at FVOCI	559,402,601	-	-	-	392,997,304	166,405,297
Receivables	2,647,421	2,647,421	-	-	-	-
Loans and advances to staff	212,336	-	-	-	212,336	-
Total assets	822,404,591	11,597,429	47,607,034	203,585,191	393,209,640	166,405,297
Liabilities						
Creditors	19,750,479	-	-	-	-	-
Unclaimed deposits	198,882	-	-	-	-	-
Expenses payable	615,599		-	-	-	
Tax payable	7,087,565	-	-	-	-	-
Total liabilities	27,652,525	-	-	-	-	-
Liquidity gap						
As at 30 June 2020	794,752,066	11,597,429	47,607,034	203,585,191	393,209,640	166,405,297

The Fund does not have interest bearing liabilities. Interest rate risk to the Fund therefore, materializes when interest rates fluctuate and affect earnings from the investment portfolio.

22.2 LIQUIDATION 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

LIQUIDITY RISK

	Year Ended 30 Jun 2020 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						
Cash and cash equivalents	8,950,008	8,950,008	-	-	-	-
Debt instruments at amortised cost	251,192,225	-	47,607,034	203,585,191	-	-
Debt instruments at FVOCI	559,402,601	-	-	-	392,997,304	166,405,297
Receivables	2,647,421	2,647,421	-	-	-	-
Loans and advances to staff	212,336	-	-	-	212,336	-
Total assets	822,404,591	11,597,429	47,607,034	203,585,191	393,209,640	166,405,297
Liabilities						
Creditors	19,750,479	-	-	-	19,750,479	-
Unclaimed deposits	198,882	-	-	-	-	198,882
Expenses payable	615,599		615,599	-	-	
Tax payable	7,087,565	-	-	2,542,433	3,532,556	1,012,575
Total liabilities	27,652,525	-	615,599	2,542,433	23,283,035	1,211,457
Liquidity gap						
As at 30 June 2020	794,752,066	11,597,429	46,991,435	201,042,758	369,926,605	165,193,840

The key measure used by the Fund for managing liquidity risk is the strategic asset allocation limits which are stipulated in the Invetsment Policy.

23. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The current and non-current assets and liabilities as at June 30, 2020 are as highlighted below;

	Note	Statement of Financial Position amount 30-Jun-20 UGX '000	Not more 12 months after the reporting date UGX '000	More than 12 months after the reporting date UGX '000	Total UGX '000
Assets					
Cash and cash equivalents	10	8,950,008	8,950,008	-	8,950,008
Receivables	11	2,647,421	2,647,421	-	2,647,421
Loans and advances to staff	12	212,336	-	212,336	212,336
Debt instruments	13	810,594,825	251,192,225	559,402,601	810,594,826
Property, plant and equipment	14	1,236,144	-	1,236,144	1,236,144
Total Assets		823,640,734	262,789,654	560,851,081	823,640,735
Current liability					
Deferred income	3(f)	21,713,122	21,713,122	-	21,713,122
Creditors	15	19,750,479		19,750,479	19,750,479
Unclaimed deposits	16	198,882	-	198,882	198,882
Expenses payable	17	615,599	615,599	-	615,599
Tax payable	9	7,087,565	2,542,433	4,545,132	7,087,565
Lease liabilities	24	348,365	348,365	-	348,365
Total Liabilities		49,714,012	25,219,519	24,494,493	49,714,012

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.

24. LEASE LIABILITY

	30 Jun 2020 UGX '000	30 Jun 2019 UGX '000
Present Value of lease liablility	673,939	-
Interest on loan or advance	22,790	-
Rent expense	(348,365)	-
Total lease liability	348,365	-

Lease liability was measured at the present value of the remaining lease payments, discounted at the Fund's incremental borrowing rate as at July 1, 2019. The weighted-average rate applied is 7 percent.

25. RELATED PARTY TRANSACTIONS

The Deposit Protection Fund of Uganda and Bank of Uganda work on various aspects of financial stability. On a number of occasions the two institutions have worked closely to carry out a number of activities, especially those related to public awareness.

No trading is carried out with the Bank of Uganda. However, the Bank has seconded its staff to establish the Fund. All staff costs related to seconded staff are met by the 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.

About us

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?**
- Act as a deposit insurance scheme for customers of deposit-taking institutions licensed by Bank of Uganda.
- Act as a receiver or liquidator of a Contributing Institution, if appointed by Bank of Uganda.

3) **What is a contributing institution?**
A contributing institution is a deposit taking institution licensed by Bank of Uganda and periodically makes a financial contribution to the DPF. These include: Commercial banks, Micro finance Deposit Taking Institutions and Credit Institutions.

4) **Who are DPF's stakeholders?**
Bank of Uganda, Ministry of Finance, Planning & Economic Development, World Bank, Depositors of Contributing Financial Institutions, Contributing Financial Institutions, General Public, Media, International Association of Depositor Insurers (IADI), Insurance Regulatory Authority (IRA), Capital MArkets Authority (CMA), Uganda Microfinance Regulatory Authority (UMRA), Uganda Bankers Association (UBA)

98%
of the depositors in the sector are fully covered by the UGX 10,000,000 limit.

Only those financial institutions licensed and supervised by Bank of Uganda are members of the DPF.

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.

Funding

5) **How is the DPF funded?**
- Premiums. All contributing institutions make an annual premium and risk adjusted premium payment to the DPF.
- Investment Income. The contributions are invested in Government of Uganda treasury instruments and this helps to increase the fund size.

6) **How does the DPF compute and collect the annual premiums?**
- Annually, DPF serves contributing institutions with a notice specifying the expected annual premium amount and the period within which it should be paid.
- The annual premium is at least 0.2 per cent of the average weighted deposit liabilities of the contributing institution over the previous calendar year.
- The annual premium should be paid to the Fund in a period not more than twenty-one days after the date of service of the notice.
- 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.

7) **How does the DPF compute and collect the Risk Adjusted Premiums?**
- 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.
- The increased contributions are referred as Risk Adjusted Premiums. These are based on the quarterly ratings from BOU.
- A Contributing Institution whose overall performance shows an unsatisfactory or marginal rating shall be charged on a quarterly basis as follows:

o Marginal: Additional charge of 0.1 percent of the average weighted deposit liabilities on top of the annual contribution.
o Unsatisfactory: Additional charge of 0.2 percent of the average weighted deposit liabilities on top of the annual contribution

8) **Where does the DPF keep the money it receives from contributing institutions?**
- The money received from contributing institutions is deposited in an account held at Bank of Uganda.
- 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.
- In the event of closure of a Contributing Institution for outright liquidation, , a depositor of that Contributing Institution can lodge a claim with DPF. Claim forms will be readily available to the public.

Consumer Education

Coverage

9) **Who are covered by the Deposit Protection Fund?**
   - All depositors of contributing institutions.
   - The coverage is per depositor per contributing institution.
   - Joint accounts holders are treated as separate persons for the purposes of payment of protected deposits.

10) **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.

11) **How much compensation am I entitled to when a contributing institution closes?**
    - Currently it's up to ten million shillings per depositor per contributing institution.
    - 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 non-performing credit facility of that individual to the institution.

12) **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.

13) **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.

Assurance

14) **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.

15) **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.

16) **What kinds of deposits are covered by the Deposit Protection Fund of Uganda?**
    - 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.
    - It also includes foreign currency deposits though these will be converted to Uganda shillings using BoU determined closing mid-exchange rate on the day the institution was closed.

17) **How does the DPF contribute to financial sector stability?**
    - 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.
    - 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.
    - Contributing institutions endeavor to put in place adequate risk management systems in order to avoid penalties levied by the DPF.

18) **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 last option. This is in line with the International Best Practice.

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