Deposit Protection Fund *of Uganda*

YOUR DEPOSITS ARE PROTECTED

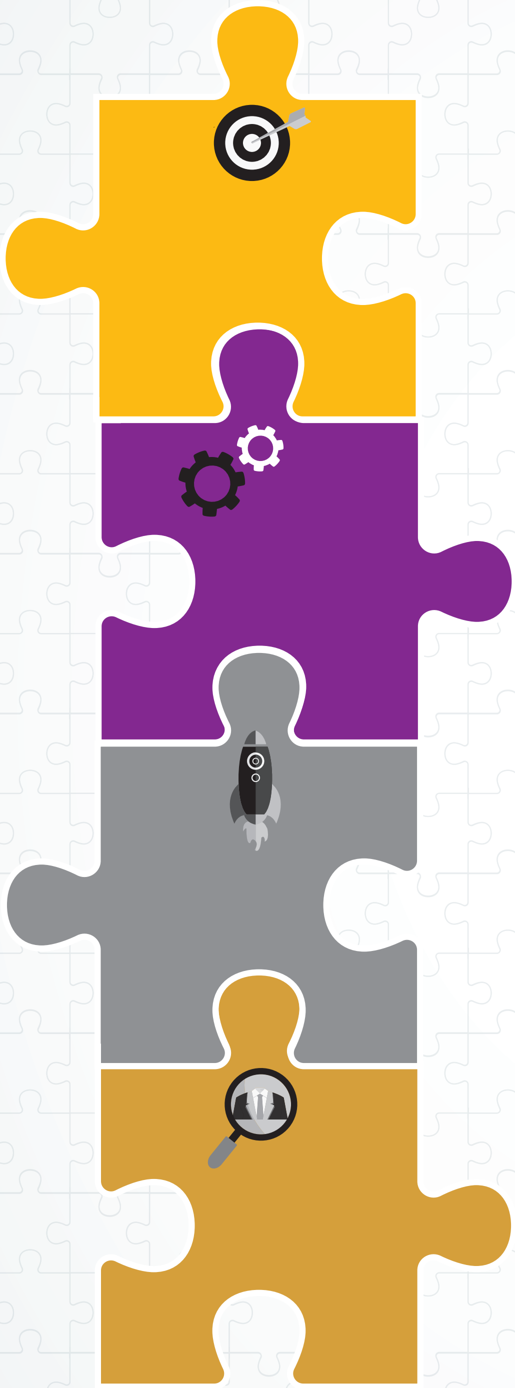
Deposit Protection Fund

of Uganda

ANNUAL REPORT & FINANCIAL STATEMENTS

30 June 2018

Your deposits are protected



VISION

Excellence in Deposit Protection for Public Confidence

MISSION

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

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

VALUES

- Transparency
- Integrity
- Excellence

FY2017/18 HIGHLIGHTS

TOTAL ASSETS
Increased by
UGX 83 billion

This growth was largely financed by 'fund capital' which increased from UGX 460 billion in June 2017 to UGX 538 billion in June 2018, on account of profits derived from investments and contributions from financial institutions. In line with the key objective of preserving capital and maintaining adequate liquidity levels, 95 percent of the Fund's assets were held in Government of Uganda treasury bills and treasury bonds.

DEPOSIT INSURANCE COVERAGE
97 % of
depositor
accounts
are covered

Deposits in the banking sector grew by 13 percent from UGX 17.7 trillion as at June 30, 2017 to UGX 20.0 trillion as at June 2018. The number of deposit accounts increased from 9 million to 10.9 million over the same period. Out of the total deposit accounts in the sector, 97 percent had balances which were below or equal to the insured limit of UGX 3 million, meaning that most of the small unsophisticated depositors in the country were fully protected.

IADI MEMBERSHIP

The Fund was admitted to the International Association of Deposit Insurers (IADI) which is a global standards setting body established to enhance the effectiveness of deposit insurance systems across the globe. Consequent upon the said development, the Fund was appointed Secretariat of the IADI African Regional Committee with the CEO serving as Secretary General.

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CHAPTER 1

CORPORATE INFORMATION

Principal Place of Business & Registered Address

Deposit Protection Fund *of Uganda* **(DPF)**
Plot 7 Lourdel Road
AHA Towers, 3rd Floor
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

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

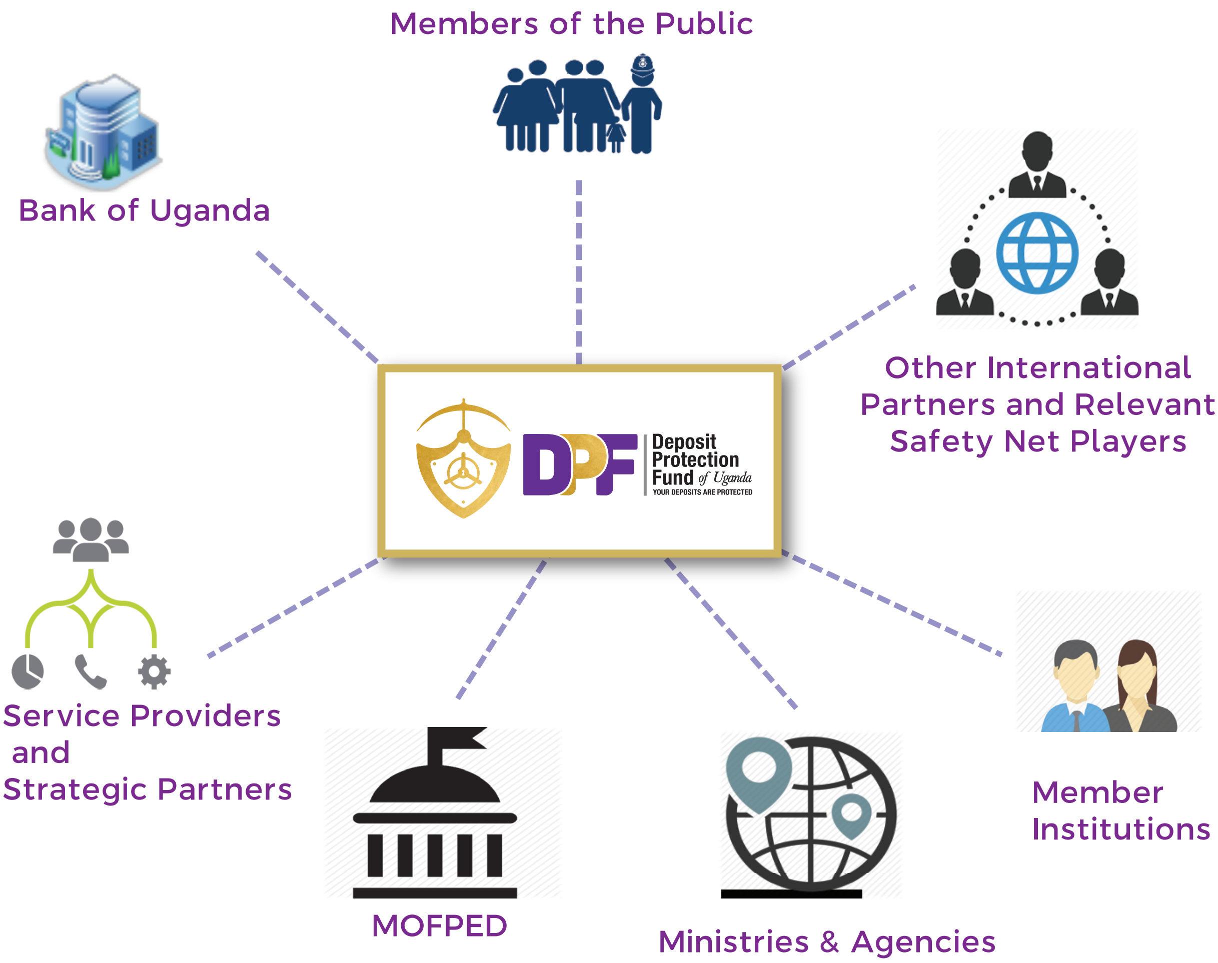
Auditors

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



Member Institutions

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

- **Commercial banks**
- **Credit Institutions**
- **Microfinance Deposit Taking Institutions**

As at June 30, 2018 a total of 33 institutions were members of the DPF (24 commercial banks, 4 credit Institutions and 5 microfinance deposit taking institutions).

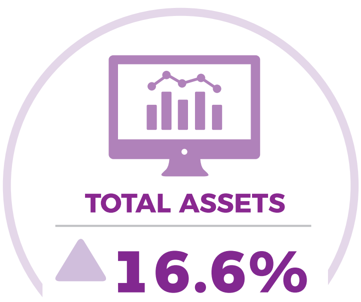
CHAPTER 2

CHAIRMAN'S FOREWORD

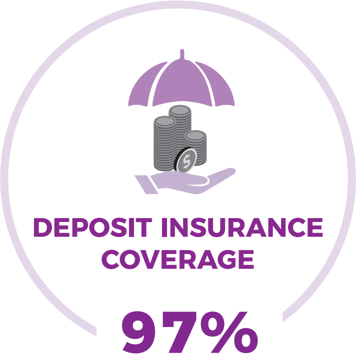
On behalf of the Board and Staff of the Fund, I am delighted to present the Annual Report and Financial Statements of the Deposit Protection Fund *of Uganda* (DPF) for the financial year ended, June 30, 2018.

DPF which is herein after also referred to as the 'Fund', was established as a legal entity following the enactment 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 the Honorable Minister of Finance, Planning and Economic Development. Subsequently, a team of 11 staff was seconded from Bank of Uganda to spearhead the process of establishing structures, policies and procedures for the Fund.

Highlights of Financial Performance



Total assets of the DPF increased by UGX 83 billion over the year, from UGX 500 billion to UGX 583 billion registered as at June 30, 2017 and June 30, 2018 respectively. This growth was largely financed by 'fund capital' which increased from UGX 460 billion in June 2017 to UGX 538 billion in June 2018, on account of profits derived from investments and contributions from financial institutions. In line with the key objective of preserving capital and maintaining adequate liquidity levels, 95 percent of the Fund's assets were held in Government of Uganda treasury bills and treasury bonds.



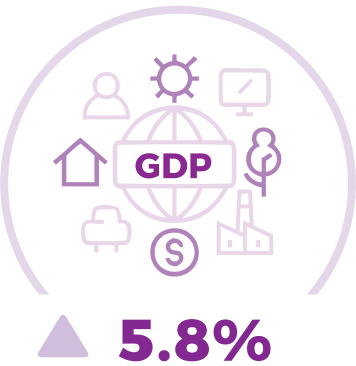
Deposit Insurance Coverage

Deposits in the banking sector grew by 13 percent from UGX 17.7 trillion as at June 30, 2017 to UGX 20.0 trillion as at June 2018. The number of deposit accounts increased from 9 million to 10.9 million over the same period. Out of the total deposit accounts in the sector, 97 percent had balances which were below or equal to the insured limit of UGX 3 million, meaning that most of the small unsophisticated depositors in the country were fully protected. In terms of total deposits in the sector, however, only 9.4 percent were insured. The DPF, in liaison with the Ministry of Finance, Planning and Economic Development, is in advanced stages of revising this limit in order to cover a larger percentage of deposits in the sector.

Developments in the Banking Sector

The Financial Institutions (Islamic Banking) Regulations, 2018 were gazetted to provide a regulatory framework for conducting Islamic financial business in Uganda. In addition, revised Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 which introduced an additional capital charge for market risk exposure in the commercial banks and credit institutions were published in the gazette. Bank of Uganda is in the final stages of drafting regulations to guide the implementation of its new mandate in relation to Tier 4 Microfinance Institutions (Registered Societies). Once finalized, Bank of Uganda will start supervising qualifying Tier 4 Microfinance Institutions. Following the gazetting of regulations on Agent Banking in July, 2017, a number of contributing institutions rolled out agent banking outlets across the country. All these developments are geared towards building a more resilient financial sector and enhancing financial inclusion levels.

State of the Economy and Outlook for the Next Year



The economy picked up during the year, with growth in the Gross Domestic Product at 5.8 percent in the year to June 2018 compared to 3.9 percent in the year to June 2017. The main drivers for economic growth were the services sector especially the finance, communications and trade sub-sectors. It is expected that the country's GDP will grow at 6.0 percent over the next financial year, driven by investment in infrastructure and improvement in private sector demand.

The Uganda Shilling depreciated by 8.0 percent during the financial year compared to a depreciation of 5.5 percent in the previous year. This was mainly due to increased dollar demand from oil importers, manufacturing sector and the telecommunications sector. The outlook for the next financial year is for continued depreciation of the Uganda Shilling as a result of increased oil prices and public expenditure on developmental projects.

During the FY 2017/18, headline inflation averaged 3.4 percent which was lower than the average of 5.7 percent for the previous year. This was mainly attributed to lower food crop prices especially for fruits and vegetables. The outlook for the next financial year 2018/19 is for an increase in headline inflation due to rising global oil prices and increased taxes on domestic goods and services in the next financial year 2018/19.

Interest rates on government securities were slightly higher at the end of financial year 2017/18 as compared to the start of the year. The Central Bank Rate (CBR) was gradually reduced from 10.5 percent at the start of the year to 9.0 percent at end June 2018. Interest rates on government securities followed the same trend as CBR until late in the fourth quarter when there was a sudden spike in interest rates due to increased government borrowing. Interest rates are expected to increase in FY 2018/19 due to a projected rise in government borrowing in light of budget deficits. In addition, the projected depreciation of the shilling against the dollar and the rise in inflation also firms up the forecast in the short term.

It is anticipated that the projected growth in GDP will translate into growth of deposits in the sector, hence boost Fund growth. Additionally, the expected increase in interest rates could see the Fund substantially increase its returns on investments in treasury bills and bonds.

Strategic Focus

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

a) Developing an efficient system for payment of insured depositors in case of failure of a contributing institution.
b) Putting in place a robust contingency plan and conducting simulation tests to ensure readiness to pay depositors when the need arises.
c) Increasing the deposit insurance limit to cover more deposits in the sector.
d) Increasing public awareness on the advantages of banking with regulated financial institutions.
e) Building strategic partnerships with Bank of Uganda and other financial safety net players within the country and beyond.
f) Enhancing knowledge and skills in deposit protection.
With support from the Bank of Uganda, International Association of Deposit Insurers (IADI) and other deposit insurance institutions across the globe, the Deposit Protection Fund *of Uganda*, intends to steadily evolve into an entity which excels in deposit protection.

I take this opportunity to express my deep appreciation for the support the DPF has received from Bank of Uganda, the World Bank, Ministry of Finance Planning and Economic Development and other stakeholders. I sincerely thank the Board Members and Management team, who have commenced the process of laying a firm foundation for the Deposit Protection Fund *of Uganda*.

Ben Patrick Kagoro
Board Chairman, Deposit Protection Fund *of Uganda*

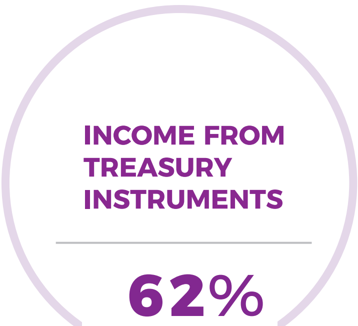
CHAPTER 3

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am delighted to present the Annual Report and Financial Statements of the Deposit Protection Fund *of Uganda* for the financial year ended, June 30, 2018.

Financial Results

The asset base of the Fund increased by UGX 83 billion over the period under review. The major growth was reflected in investments in treasury bills and treasury bonds which increased by UGX 83 billion or 17 percent from UGX 475 billion to UGX 558 billion in June 2017 and June 2018 respectively. The asset growth was mainly financed by fund capital which increased by UGX 77 billion boosted by profits earned during the period.



Profits for the twelve (12) months period ended June 2018 stood at UGX 77 billion compared to UGX 161 billion earned during the eighteen (18) months period ended June 2017. The major sources of income to the Fund were interest earned on treasury instruments and premiums collected from contributing institutions which accounted for 62 percent and 37 percent of total income respectively. Interest income stood at UGX 62 billion while premium contributions totaled to UGX 36 billion as at June, 2018.

In terms of expenses, the Fund spent UGX 19 billion down from UGX 22 billion in the previous period. The decrease was largely reflected in withholding tax levied on treasury bill and treasury bond income. Expenses are nevertheless expected to gradually increase, as the DPF establishes its own operational structures.

Operationalisation of the Strategic Plan

In line with the approved five year strategic plan, an organizational structure was put in place to steer the Fund for the next five (5) years. The structure consists of: Finance, Investments, Communications, Information Technology, Legal and Human Resources departments. Efforts are underway to put in place policies and procedures to support the recruitment of high caliber staff during the FY 2018/19.

During the year, special focus was placed on ensuring that the Fund put in place policies and procedures to start the process of managing its funds internally. Consequently, towards the end of the financial year, the Fund started building an internally managed portfolio. This will ultimately result in reduced expenses incurred in hiring external fund managers.

DPF continued to engage Contributing Institutions and the National Identification Registration Authority (NIRA) on issues related to unique customer identification. This will enable the Fund build a robust IT system with inbuilt 'Single Customer View' features to facilitate the accurate and timely payment of customers in the unlikely event of closure of a contributing institution. To this end, a payout procedures manual was put in place and various IT polices were approved by the Board.

Effective communication on the role and functions of the DPF is critical in boosting public confidence in the financial system. It is in this regard, that the Fund embarked on putting in place various policies to support the communication process. During the FY 2018/19, DPF will embark on extensive engagement of key stakeholders across the country.

The need to develop and build strategic partnerships cannot be over emphasized. The Fund entered into a Memorandum of Understanding with Bank of Uganda to provide for, among other things, sharing of information on the financial sector. DPF was appointed secretariat to the IADI African Regional Committee, with the CEO carrying out the duties of Secretary General. The Fund will continue building partnerships with global bodies such as IADI, the World Bank and other financial sector safety net participants. In addition, we shall collaborate with established deposit protection entities across the globe, in order to build a solid Deposit Insurance entity which contributes to the stability of the Ugandan banking sector.

On behalf of Management and the staff of DPF, I take this opportunity to thank the Chairman of the Board and the entire Board of Directors for continuing to provide strategic direction and oversight to the Fund. Special thanks go to Bank of Uganda, the World Bank, Ministry of Finance, Planning and Economic Development, the Deposit Protection Corporation of Zimbabwe and the Nigerian Deposit Insurance Corporation.

Julia Oyet

Julia Clare Olima Oyet
Chief Executive Officer
Deposit Protection Fund *of Uganda*

CHAPTER 4

BOARD OF DIRECTORS AND MEMBERS OF STAFF

DEPOSIT PROTECTION FUND *of Uganda*
BOARD OF DIRECTORS- APRIL 2017
(L-R): Andrew Obara, Emmanuel Kalema Musoke, Wilbrod Humphreys Owor, Ben Patrick Kagoro, Solomon O. Oketcho, I.K. John Byaruhanga, Nambogo Roy Kisaalu

DEPOSIT PROTECTION FUND *of Uganda*
MEMBERS OF STAFF- JUNE 2018
Sitting (L-R): Balaam Ssempala, Rosette Muhimbise, Julia Clare Olima Oyet, Proscovia Namwanje, Justine Komugisha, Joseph Luboyera.
Standing (L-R): Hashim Kirungi, Moses Tamale, Peter Mugisa, Moses Apell Odongo, Felix R. Nsiimoomwe.

MANAGEMENT STRUCTURE

Julia Clare Olima Oyet
CEO

Balaam Ssempala
Head, Information Technology

Joseph Luboyera
Board Secretary and Head Legal

Peter Mugisa
Head, Investments

Apell Moses Odongo
Head, Human Resources

Rosette Muhimbise
Head, Business Operations & Finance

Hashim Kirungi
Head, Communications

CHAPTER 5

CORPORATE GOVERNANCE

5.1 Regulatory Framework

The Deposit Protection Fund *of Uganda* (herein referred to as the 'Fund' or 'DPF') 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 *of Uganda* are spelt out in section 109 of the FIA 2004 as amended.

5.2 Corporate Governance Statement

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

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

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

5.3 The Board of Directors

5.3.1 Roles and Responsibilities

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

5.3.2 Composition of the Board of Directors

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

The Board members were appointed by the Honourable Minister of Finance, Planning and Economic Development. They include the Chairperson and representatives of the Governor of the Central Bank, Secretary to the Treasury, contributing institutions and the general Public. The seventh Board member was appointed by the Honourable Minister of Finance, Planning and Economic Development in August 2018. With the exception of the representatives of the Governor and the Secretary to the Treasury, all the other Members of the Board hold office for a term of five [5] years but are eligible for re-appointment for one further term. The Board members possess a wide range of professional knowledge, qualifications, skills and experience. The profiles of each member of the Board along with the number of Committee Membership(s)/Chairmanship(s) and date of joining the Board are provided herein and summarized in 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 (U) – CPA and an Associate Member of Chartered Management Accountants (ACMA).

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

Before joining Bank of Uganda, he served as an Assistant Finance and Procurement Officer on Road Construction Projects for HP Gauff Consulting Engineers.
He is also the Chairperson of the Board of Directors Eagle Air Uganda Ltd.

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

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

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

c) **Mr. I.K. John Byaruhanga**

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

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

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

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

d) Mr. Andrew Obara

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

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

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

e) Mr. Wilbrod Humphreys Owor

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

f) Mr. Emmanuel Kalema Musoke

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

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

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

g) Mrs. Roy Nambogo Kisaalu

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

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

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

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

Table 1: Composition and Membership of the Board

Name	Date of Appointment	Board Committees			
		Audit Committee of the Board (ACB)	**Finance, Investment and Risk Management Committee of the Board (FIRMCB)**	**Governance and Human Resource Committee of the Board (GHRCB)**	**Technical Committee on Deposit Protection (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
Mrs. Roy Nambogo Kisaalu	20-August-2018				
Mr. Wilbrod Humphreys Owor	23-February-2017		Member	Member	Chairman
Mr. Emmanuel Kalema Musoke	03- February-2017	Member	Member		

5.4 Secretary to the Board

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

5.5 The Functions and Duties of the Board

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

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

5.5.1 The Board of Directors' Charter and Code of Conduct

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

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

5.5.2 Meetings of the Board

As per the Board Charter, the Board meets at least once quarterly. Adhoc and Special meetings are convened as and when required. In total, the Board and Committee meeting held during the period under review were twenty six (26) meetings and the attendance was as indicated in the table below:

Table 2: Attendance of the Board and Board Committees for the period July 1, 2017 – June 30, 2018

BOARD OF DIRECTORS	BOARD MEETING	Finance, Investment and Risk Management Committee of the Board (FIRMCB)	Governance and Human Resource Committee of the Board (GHRCB)	Technical Committee on Deposit Protection (TCDP)	Audit Committee of the Board (ACB)
Mr. Ben Patrick Kagoro	9/9	n/a	n/a	n/a	n/a
Mr. Solomon O. Oketcho	8/9	n/a	5/5	3/3	n/a
Mr. Andrew Obara	9/9	8/8	n/a	3/3	1/1
Mr. Wilbrod Humphreys Owor	6/9	6/8	3/5	3/3	n/a
Mr. Emmanuel Kalema Musoke	9/9	8/8	n/a	n/a	1/1
Mrs. Roy Nambogo Kisaalu	n/a	n/a	n/a	n/a	n/a
Mr. I.K. John Byaruhanga	8/9	n/a	5/5	n/a	1/1

5.5.3 Capacity building for Board members

During the financial year, the Board Members attended a few capacity building programs designed to equip them with knowledge to better execute their mandate. These included: an attachment to the Kenya Deposit Insurance Corporation, technical assistance programmes organized by International Association of Deposit Insurers (IADI), basic training on fund management and high level exposure on the new International Financial Reporting Standard, IFRS 9. These programmes enabled the Board members better appreciate the core principles of deposit insurance and other aspects fund management. Consequently, the Board put in place various policies and procedures to support the Fund. These included a pay-out procedures manual, an investment policy and a policy on IFRS 9 amongst others.

5.6 Board Committees

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

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

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

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

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

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

5.6.3 Audit Committee (ACB)

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

5.6.4 Technical Committee on Deposit Protection (TCDP)

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

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

5.7 Remuneration of Directors

During the period July 2017 to June 2018, 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 of 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.

5.8 Senior Management

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

5.8.1 Finance and Business Operations Department

This Department is responsible for financial reporting, management accounting, budgeting, work plan preparation, premium management and processing payments to staff and suppliers. The Department participates in on-site inspections of contributing institutions to ensure that their deposit levels are accurately reflected in the financial statements and depositor records are adequately maintained. In addition, the Department plays a lead role in ensuring that the DPF is prepared to conduct pay-outs and liquidations.

5.8.2 Investment Department

The major responsibility of the Investment Department is to execute the investment strategy as approved by the Board of Directors. This involves protecting the value of the fund, ensuring that adequate liquidity levels are maintained and returns on investments are reasonable. In order to carry out these functions effectively, the deparment conducts extensive market research, advises the Board on potential investment opportunities and ensures that its actions are within the risk limits of the Fund.

5.8.3 Information Technology Department

The Information Technology Department is charged with ensuring that the IT systems of the Fund are secure and available to support the strategy of the Fund. The Department drives the functional and operational delivery of IT services in line with the Fund's mandate.

5.8.4 Legal and Board Affairs Department

This department provides legal advice and drafts the necessary contracts, laws and regulations to enable DPF execute its core mandate. In addition, the Department prepares minutes of Board and Management Committee meetings. Other responsibilities include attending to the administrative requirements of the Board such as processing their payments and organising capacity building programs amongst others.

5.8.5 Human Resource and Administration Department

This department ensures that the human resource and administration structures are adequate to support the Fund in achieving its strategic goals. This includes the implementation of Human Resource and Administration policies and procedures.

5.8.6 Communications Department

The major mandate of the Communications Department is to promote the visibility of the Fund within and outside Uganda. The department organises various stakeholder engagements to ensure the role of DPF is well appreciated. This is vital if the Fund is to effectively contribute to enhancing public confidence in the financial sector.

CHAPTER 6

RISK MANAGEMENT

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

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

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

6.1.1 Pay Out risk

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

6.1.2 Liquidity Risk

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

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

6.1.3 Interest Rate Risk

This is the risk that the fund could lose value due to changes in interest rates. DPF does not have interest bearing liabilities and its assets are largely invested in interest bearing treasury instruments. As such, the Fund is exposed to interest risk because changes in interest rates could impact on the value of its treasury bond portfolio given that it is marked to market. An increase in interest rates for instance, would lead to a reduction in the value of the bond portfolio through unrealized losses. DPF manages this risk by conducting forecasts of interest rate movements and this informs the portfolio re-balancing strategy.

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

6.1.4 Publicity related risk

This refers to the risk which arises when a significant percentage of the population is not aware of the role of a deposit insurance entity. If not managed well, it could have a negative impact on confidence in the banking sector and financial stability. DPF is in the process of putting in place policies and procedures to support massive stakeholder engagements which are slated to commence in the FY 2018/19.

6.1.5 Legal risk

This is the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to the way law and regulation apply to DPF business, its relationships, processes and products.DPF mitigates this risk by seeking legal guidance from the in house Legal Counsel and Solicitor General on matters that pause a legal risk to the Fund.

CHAPTER 7

ACHIEVEMENTS

In line with the five (5) year strategic plan and the annual work plan for the FY 2017/18, the Fund registered the following achievements:

a) **A Code of Conduct** for board members was formulated and published. This policy document defines the professional behavior expected from the Board of Directors, both individually and collectively.

b) **A high level Strategic Plan** to drive the Fund over the period 2017 to 2022 was formulated. The strategy highlights the: vision, mission, strategic objectives and values of the Fund.

c) **A Memorandum of Understanding** between DPF and Bank of Uganda was signed. The MoU provides for, among others, sharing of information between the two parties, liquidity support in case of payout of insured depositors and technical assistance to the Fund.

d) **A Depositor Payout Manual** was developed to guide DPF on payout of protected deposits in a timely manner in the event of failure of a contributing institution.

e) **An Investment Policy** that provides for a framework to guide DPF investments was formulated. It highlights investment objectives, governance, accountability, engagement of external fund managers, asset allocation and performance benchmarks.

f) **The Fund was admitted to the International Association of Deposit Insurers (IADI)** which is a global standards setting body established to enhance the effectiveness of deposit insurance systems across the globe. Consequent upon the said development, the Fund was appointed Secretariat of the IADI African Regional Committee with the CEO serving as Secretary General.

g) The **Fund developed and adopted a corporate logo**. The official colours of the Fund are royal purple, gold and black.

h) **Core messages for stakeholder engagements** were approved. Policies related to use of social media, email and website facilities were put in place.

CHAPTER 8

THE YEAR AHEAD FY2018/19

1. Single Customer View	Work with contributing institutions to design a single customer view format.
2. Public Awareness	Put in place requisite communication policies and embark on public awareness campaigns with key stakeholders.
3. Legal Framework	▪ Draft regulations to operationalize the provisions of the FIA 2004 as amended. ▪ Draft a policy paper for the DPF Bill.
4. Contingency Planning	Enter into a Memorandum of Understanding with the Ministry of Finance, Planning and Economic Development for contingency planning purposes.
5. Deposit Insurance coverage	Assess the adequacy of the deposit insurance limit and set the target fund size.
6. Human Resource Policies and Procedures	Put in place Human Resource policies and procedures to support recruitement.
7. IT Strategy, IT Policies and Guidelines	▪ Develop an IT Strategic Plan, Policies and Guidelines. ▪ Develop in house IT sytems for budgeting, financial reporting and investments management.
8. Enterprise-wide Risk Management Framework	Develop an enterprise wide risk management framework.

CHAPTER 9

MACRO-ECONOMIC DEVELOPMENTS AND PROSPECTS

9.1 Economic Activity

The economy grew over the period under review with the Gross Domestic Product (GDP) at 5.8 percent over the last financial year to June 2018 compared to 3.9 percent the previous financial year 2016/17. The main drivers for economic growth were growth in services sector of 7.3 percent during the financial year which was higher than 6.3 percent growth the previous year. Finance, Communication and Trade sub-sectors had a significant impact on the performance of services sector. Growth from the Agricultural sector also doubled from 1.6 percent last year to 3.2 percent for 2017/18. This was due to improved weather conditions during the same period. Expectations are for GDP growth to continue in the next financial year to 6.0 percent driven by expected continued investment in infrastructure and improvement in private sector demand.

9.2 Exchange Rate

The Uganda Shilling depreciated by 8.0 percent during the financial year compared to a depreciation of 5.5 percent in the previous year. The shilling was fairly stable for the most part of the year, but depreciated significantly during the fourth quarter of the financial year 2017/18. This was mainly due to increased dollar demand from oil importers, manufacturing sector and telecommunications sector. The outlook for the next financial year 2018/19 is for continued depreciation of the Uganda Shilling as a result of increased oil prices and public expenditure on developmental projects.

9.3 Inflation

During the FY 2017/18, headline inflation averaged 3.4 percent which was lower than the average of 5.7 percent for the previous year. This was mainly attributed to lower food crop prices especially for fruits and vegetables. Core inflation also dropped from an average of 5.1 percent in 2016/17 to 2.7 percent which was below the Central Bank medium term target of 5.0 percent. The outlook for the next financial year 2018/19 is for core inflation to return to target of 5.0 percent. Headline inflation is also expected to increase due to rising global oil prices and increased taxes on domestic goods and services in the next financial year 2018/19.

9.4 Interest Rates

Interest rates on government securities were slightly higher at the end of financial year 2017/18 as compared to the start of the year. Bank of Uganda had embarked on an expansionary monetary stance in a bid to support economic growth. The Central Bank Rate (CBR) was gradually reduced from 10.5 percent at the start of the year to 9.0 percent at end June 2018. Interest rates on government securities followed the same trend as CBR until late in the fourth quarter when there was a sudden spike in interest rates due to increased government borrowing. Interest rates are expected to increase in FY 2018/19 due to a projected rise in government borrowing in light of budget deficits. In addition, the projected depreciation of the shilling against the dollar and the rise in inflation also firm up the forecast in the short term.

CHAPTER 10

FINANCIAL AND OPERATIONAL HIGHLIGHTS

10.1 Assets and Liabilities

Total assets grew by 17 percent from UGX 500 billion in June 2017 to UGX 583 billion in June 2018, with investments in Government of Uganda treasury bills and treasury bonds totaling to UGX 558 billion up from UGX 475 billion posted previously. Treasury bonds and treasury bills constituted 65 percent and 30 percent of total assets respectively. The cash held at Bank of Uganda was UGX 22 billion representing 4 percent of total assets while receivables from contributing institutions amounted to UGX 2 billion.

Total liabilities increased by 13 percent from UGX 40 billion in June 2017 to UGX 45 billion in June 2018 mainly because of deferred income which increased from UGX 15 billion to UGX 18 billion over the same period. This income relates to annual premiums which had to be apportioned for the half year, in line with accrual based accounting principles. Other items classified as liabilities include an amount worth UGX 20 billion which relates to monies received by the Fund when Greenland Bank, Cooperative Bank and International Credit Bank were closed. This liability will be settled after the conclusion of the liquidation exercise. In addition, the fund has a liability of UGX 198 million in respect of unclaimed deposits payable to insured depositors.

10.2 Fund Capital and Profits

The fund capital grew from UGX 460 billion to UGX 538 billion over the Financial Year 2017/18. The increase was due to profits worth UGX 77 billion earned during the period largely on account of income from investments.

The Fund received total contributions amounting to UGX 36 billion compared to UGX 62 billion received in the FY 2016/2017. The reduction in contributions was mainly due to the fact that the previous reporting period was for 18 months while the current period covers 12 months.

Out of the total contributions, UGX 32 billion was annual premium while risk adjusted premiums amounted to UGX 4 billion. Additionally, the Fund received contributions amounting to UGX 260 million as penalties charged to financial institutions that failed to pay the premium within the period stipulated under the Financial Institutions Act, 2004 as amended.

In terms of investments, the Fund recognized income from Government of Uganda Treasury Bills and Treasury Bonds amounting to UGX 60 billion compared to UGX 121 billion earned in the previous period. The reduction in contributions is mainly due to the change in accounting period. Additionally, due to an increase in interest rates towards the end of the year, unrealised losses worth UGX 12 billion were reported on treasury bonds. This is because these assets were classified as held for trading and were therefore treated as fair value through profit or loss in accordance with IAS 39

–Financial Instruments.

On the expenses side, the Fund incurred expenses amounting to UGX 19 billion compared to UGX 22 billion registered in the previous period. Withholding tax accounted for 79 percent or UGX 15 billion of total expenses. DPF pays 20% withholding tax on interest income received from investments in Government of Uganda Treasury bills and Treasury bonds. Other expenses related to fund management fees and administrative expenses.

CHAPTER 11

BANKING SECTOR PERFORMANCE AND DEVELOPMENTS

11.1 Commercial Banks

The banking system remained safe and sound during the year ended June 2018. All the commercial banks complied with the minimum core capital requirement of 8 percent of risk weighted assets as at end June 2018. In addition, banks maintained adequate liquidity buffers as shown by the ratio of liquid assets to total deposits of 46.57 percent as at end June 2018 which was well above the minimum statutory requirement of 20 percent. There was a drop in Non-Performing Loans and Advances by UGX 136.8 billion or 20.13 percent from UGX 679.6 billion at end of June 2017 to UGX 542.8 billion as at the end of June 2018. Consequently, the industry wide Non Performing Loans and Advances (NPLs) to gross loans and advances ratio (NPL ratio) improved from 6.2 percent as at end of June 2017 to 4.4 percent as at the end of June 2018.

The total assets of the banking sector grew by UGX 2.5 trillion or 10.2 percent from UGX 24.8 trillion in June 2017 to UGX 27.4 trillion as at the end of June 2018. The industry gross loans and advances grew by 11.0 percent from UGX 11.0 trillion as at June 2017 to UGX 12.2 trillion as at June 2018, compared to a 9.0 percent growth recorded in the previous year.

The total number of commercial bank branches stood at 547 as at end June 2018 compared to 546 branches as at end June 2017 which depicted a minimal increase of only one branch over the period. This was on account of the opening of 9 new branches and the closure of 8 branches during the period June 2017 – June 2018. The closure of branch premises was triggered by the change in the business models of some banks that adopted digital technology in the delivery of banking services with the objective of reducing operating costs and directing their focus on the usage of more cost effective alternative delivery service channels like agency banking.

11.2 Credit Institutions

As at end June 2018, all Credit Institutions held adequate capital and liquidity buffers. The subsector's aggregate core and total capital held was UGX 92.9 billion and UGX 100.3 billion respectively, and corresponding ratios of risk weighted assets stood at 20.9 percent and 22.5 percent, respectively. The Credit Institutions subsector registered a UGX 7.4 billion aggregate net after tax profit for the year ended June 2018. As a result, annualized return-on-assets (ROA) and return-on- equity (ROE) ratios were 1.2 percent and 6.9 percent, respectively. The cost-to-income ratio at 88.2 percent remained high, and is attributed largely to diminishing revenue streams amidst increasing costs of doing business.

Total Assets held by the sub-sector grew by UGX 119.8 billion or 24.1 percent from UGX 496.3 billion as at end of June 2017 to UGX 616.1 billion as at end of June 2018. Similarly, net loans and advances increased by UGX 80.3 billion or 31.2 percent from UGX 257.4 billion to UGX 337.7 billion as at end of June 2018. Total deposits rose by UGX 98.1 billion or 28.9 percent from UGX 339.7 billion to UGX 437.8 billion over the same period.

11.3 Microfinance Deposit-taking Institutions

As at end of June 2018, the Microfinance Deposit-taking Institutions (MDIs) were adequately capitalized. Aggregate core and total capital held stood at UGX 159.3 billion and UGX 172.2 billion, respectively, with aggregate core and total capital adequacy ratios at 44.4 percent and 48.0 percent, respectively. The sub-sector's annualized ROA and ROE ratios were 3.1 percent and 8.6 percent, respectively.

Total assets held by the sub-sector increased by UGX 10.4 billion or 2.2 percent, from UGX.471.7 billion as at June 2017 to UGX 482.1 billion as at end June 2018; largely attributed to an increase of UGX 12.5 billion or 9.9 percent in balances held with financial institutions. Gross loans outstanding decreased by UGX 4.0 billion or 1.5 percent to UGX 273.6 billion. Non-performing loans also reduced by UGX 2.0 billion or 14.1 percent to UGX 12.0 billion, over the year. Though customer deposits increased by UGX 14.9 billion or 7.4 percent over the year, to UGX 216.0 billion, the subsector's total liabilities decreased by UGX 10.2 billion or 3.1 percent to UGX 313.7 billion as at end June 2018.

11.4 Mobile Money

Mobile money services continued to register significant growth in the year to June 2018. The number of mobile money transactions increased from 1.1 trillion in the year to June 2017 to 1.3 trillion as at period ended June 2018. The corresponding increase in the value of mobile money transactions was from UGX 52.8 trillion to UGX 73.1 trillion. However, the number of registered mobile money users decreased slightly from 22.8 million in June 2017 to 22.7 million as at end of June 2018.

This growth was on account of the convenience the service offers to customers. Besides being an avenue for money remittance and bills payments, mobile money has revolutionized the banking sector, complementing the banks' operations. Notably, banks' customers are using mobile money to transfer funds between their bank and mobile money wallet accounts. In addition, customers can also save and borrow through their mobile money accounts.

11.5 New Developments in the Financial Sector

a) **The Financial Institutions (Islamic Banking) Regulations, 2018**
Regulations for Islamic Banking were gazetted on February 02, 2018 to provide a regulatory framework for conducting Islamic financial business in Uganda. The Regulations provide guidance on, amongst others, licensing, deposit taking, financing arrangements, capital adequacy and establishment of a Shariah governance framework to ensure that operations of the financial institutions offering Islamic finance are in conformity to Shariah requirements.

b) **Financial Institutions (Capital Adequacy Requirements) Regulations 2018**
The revised regulations on Capital Adequacy were gazetted in May 2018, and will take effect in September 2018. The regulations introduced a capital charge for market risk exposure in commercial banks and credit institutions. They also enhanced the minimum on-going core capital to risk weighted assets ratio from 8 percent to 10 percent in line with the East African Community (EAC) convergence criteria. However, the minimum on-going total capital to risk weighted assets ratio remained unchanged at 12 percent. The respective supervised financial institutions have already been directed to comply with the Capital Adequacy (Market Risk) Regulations, 2018.

c) **Microfinance Deposit-taking Institutions Act, 2003**
The draft amendment bill to the MDI Act, 2003 was forwarded to the Ministry of Justice and Constitutional Affairs, Office of the First Parliamentary Counsel, in April 2018 for further scrutiny.

d) **Tier 4 Microfinance and Money Lenders Act, 2016**
The drafting of regulations to guide implementation of Bank of Uganda's new mandate in relation to Tier 4 Microfinance Institutions (Registered Societies) pursuant to Section 110 of the Tier 4 Microfinance and Moneylenders Act, 2016 is underway. It is envisaged that the regulations will be approved and published in the Uganda Gazette by 31 December 2018.

CHAPTER 12

DEPOSIT PROTECTION ACTIVITIES

12.1 Introduction

The Deposit Protection Fund *of Uganda* was set up to mainly protect small, unsophisticated customers of regulated deposit taking institutions from losing their deposits in case of failure of contributing institutions. Following the amendment to the Financial Institutions Act 2004, it was transformed into a legal entity. Consequently, more emphasis is placed on achieving the key strategic goals of the Fund which will ultimately contribute to financial sector stability.

12.2 Payments to Depositors

The Fund's liability to eligible depositors arises when a contributing institution is closed. The amount payable is the insured aggregate credit balance per depositor per contributing institution. The deposit insurance limit is determined by the Minister of Finance, Planning and Economic Development, from time to time by Statutory Instrument published in the Gazette, and is currently UGX 3 million. The Fund has grown over the past 5 years mainly due investment income which is reinvested and increased contributions from member institutions as well as relative stability within the financial sector. Troubled banks have in the recent past been resolved by the Bank of Uganda using Purchase and Assumption resolution method. Consequently, there has been no need to pay depositors out of the DPF.

12.3 Deposit Coverage

Deposits within the banking sector grew by 11 percent from UGX 18 trillion in June 2017 and to 20 trillion in June 2018 respectively. Likewise, the number of deposit accounts increased from 9 million to 11 million over the period. Out of the total number of deposit accounts, 97 percent had balances of UGX 3 million and below, meaning they were within the insured limit of UGX 3 million. When the total value of deposits is considered, 10 percent or UGX 2 trillion are within the insured limit.

A trend analysis of the past five years indicates that deposits in the sector have steadily grown. In June 2014 total deposits stood at UGX 12 trillion compared to UGX 20 trillion registered as at June 2018. In addition, the number of deposit accounts in the formal financial sector has grown substantially from 9 million to 11million. This notable growth is attributed to increase economic activity as well as concerted efforts to promote financial inclusion.

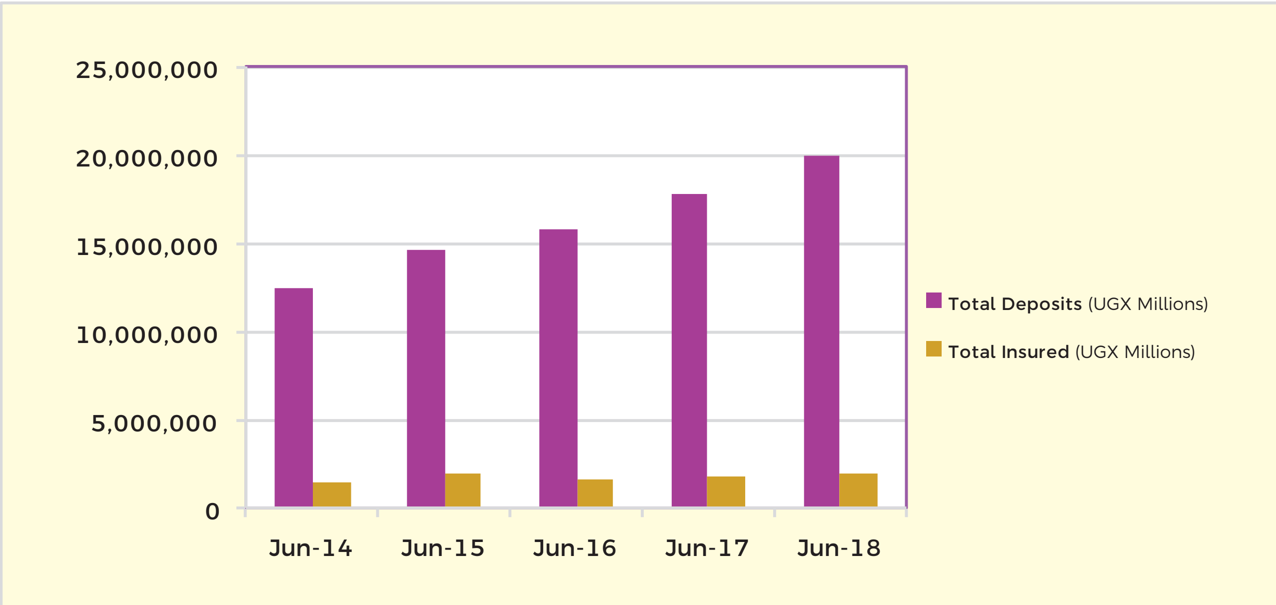
In terms of depositor coverage which stands at UGX 3 million per depositor per contributing institution, over 80 percent of the accounts have been covered in the last 5 years. This is in line with International Association of Deposit Insurers (IADI) core principle No.8 which states that the coverage level should cater for a large majority of depositors but also leave a substantial amount of deposits subject to market discipline. According IADI, deposit insurance entities are encouraged to cover at least 80 percent of the total deposit accounts in the sector and least 20 percent of total deposits in the sector. As at June 30, 2018 the Fund covered 97% of deposit accounts in the sector and 10% of the total deposits in the sector. Efforts are underway to increase the insurance limit, so that more deposits are covered. Table 2 below contains statistics on deposit coverage.

Table 3: Trends in Deposit Coverage

	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Total Deposits (UGX Millions)	12,443,492	14,629,803	15,758,506	17,723,894	19,977,196
Total Insured (UGX Millions)	1,435,171	1,936,720	1,629,066	1,749,222	1,876,636
Total No. of accounts	5,587,251	6,031,861	6,064,360	9,314,365	10,968,273
Accounts fully covered	5,422,960	5,770,494	5,786,376	9,006,967	10,633,791

Source: DPF

Figure 1: Trend in Deposit Coverage

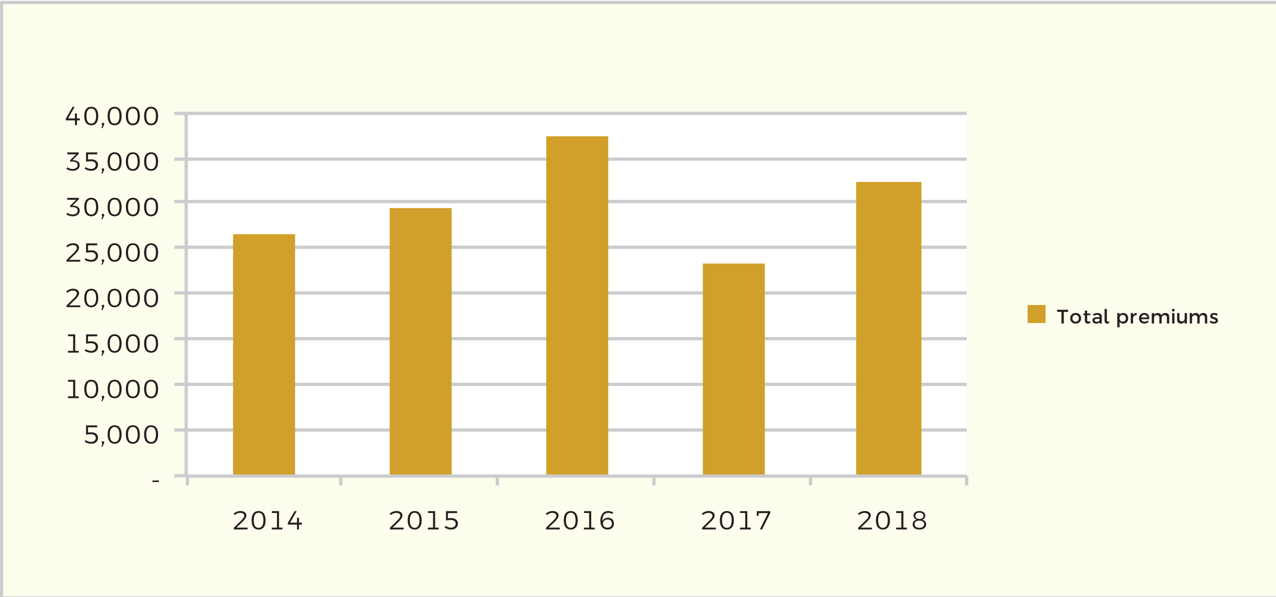


Source: DPF

12.4 Trend of Premium Contributions

Deposit Taking Institutions regulated by Bank of Uganda are required to contribute annual premiums to the Fund. This premium is currently charged at 0.2 percent of the average weighted deposit liabilities of the institution in the previous financial year. Risk adjusted contributions based on quarterly ratings resulting from Bank of Uganda's offsite surveillance reports are also charged. An institution rated marginal pays an additional charge of 0.1 percent of average weighted deposit liabilities while an institution rated unsatisfactory pays an additional charge of 0.2 percent of the average weighted deposit liabilities in addition to annual premium. Premiums have grown steadily since 2014 due to growth in deposits (See chart 3 below). Please note that the reduction observed in 2017 is because this captures premiums collected over a half year period from January 2017 to June 2017.

Figure 2: Trend of Deposit Premiums



12.5 East African Community Monetary Affairs Committee

The Fund is part of the Crisis Management Working Group of the East African Community (EAC) Monetary Affairs Committee (MAC). This Committee brings together Central banks and Deposit Insurers of the EAC partner states to discuss matters concerning deposit insurance. The major objective is for the partner states to agree on convergence criteria on matters related to deposit protection.

The key areas of focus are: setting a target fund size, establishing an acceptable percentage for coverage of deposit accounts and absolute deposits in the sector as well as setting an insurance limit which is comparable across the region. It is envisaged that convergence in these areas will minimize risks of regulatory arbitrage.

The EAC is cognisant of the widespread use of mobile money across the region and its impact on economic growth. To this end, member states are being encouraged to put in place legal frameworks to provide deposit insurance to mobile money products, given that they have steadily evolved to have deposit like features. The DPF is exploring the possibility of extending deposit insurance to mobile money balances.

12.6 International Association of Deposit Insurers (IADI)

DPF is a member of the International Association of Deposit Insurers (IADI) which is a global standards setting body on Deposit insurance. IADI issues Core Principles on Deposit Insurance and the ones in force were issued in 2014. These principles provide guidance on, among other things, matters related to corporate goverance, public awareness and contingency planning. IADI members share knowledge and expertise through technical assistance, participation in international conferences and other forums. Currently, IADI is placing focus on reviewing the core principle on contingency planning and crisis management. Additionally, research is being undertaken to better appreciate Deposit Like products such as mobile money, with a view towards providing deposit insurance.

12.7 World Bank Technical Assistance

Under the strengthening financial stability program, the World Bank has continued to provide technical assistance to the DPF. Key accomplishments include: evaluating Uganda's compliance with IADI Core Principles for Effective Deposit Insurance Systems, advising on best practices in deposit insurance as well as providing expert opinion on key policies and procedures.

The World Bank will continue to provide technical assistance to DPF and the next areas of focus include: developing a comprehensive legal and regulatory framework for the DPF, designing a system to capture a 'single customer view', contingency planning for efficient depositor pay out and simulation testing.

CHAPTER 13

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 2018.

13.1 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.

13.2 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.

13.3 Operating Financial Results

The Directors present the financial statements for the period ended 30 June 2018 as set out on pages 45 to 74 of this report. Total assets of the DPF increased by UGX 83 billion over the period from UGX 500 billion as at June 30, 2017 to UGX 583 billion June 30, 2018. This growth was financed by 'fund capital' which grew from UGX 460 billion in June 2017 to UGX 538 billion in June 2018, on account of profits derived from investments and contributions from financial institutions. Fund expenses amounted to UGX 19 billion down from UGX 22 billion in the previous period largely because the previous period covered a period of 18 months.

13.4 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, Mr. Wilbrod Humphreys Owor and Mr. Emmanuel Kalema Musoke.

13.5 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 its operation 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.

13.6 Approval of the Financial Statements by Management

The financial statements were approved on 11th October 2018.

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BOARD CHAIRMAN

CHAPTER 14

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 30 June 2018, and the statement of profit or loss and statement of cash flows period ended June 2018, 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 45 to 74, 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 by the Financial Institutions (Amendment) Act 2016. 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 18 months period ended 30 June 2017. 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 11th October 2018 and signed by:

Chairman **Director** **Director**

CHAPTER 15

REPORT OF THE AUDITOR GENERAL TO PARLIAMENT

Report of Financial Statements

Opinion

I have audited the accompanying financial statements of the Deposit Protection Fund (DPF) which comprise the Statement of Financial Position as at 30th June 2018 and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Deposit Protection Fund as at 30th June 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and requirements of the Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act 2016.

Basis for Opinion

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

Key Audit Matters

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report, and Statement of directors' responsibilities, but does not include the financial statements and my auditors'opinion thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Financial Institutions Act 2004 as amended bt the Financial Institutions (Amendment) act 2016 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

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

Report on Other Legal and Regulatory Requirements

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

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

John F.S. Muwanga
AUDITOR GENERAL

KAMPALA
30th October 2018.

CHAPTER 16

STATEMENT OF PROFIT OR LOSS

		Note	Year ended 30 Jun 2018 UGX '000	18 months period 30 Jun 201 UGX '000
Contributions:				
	Commercial Banks	3(a)	31,272,018	42,916,906
	Credit Institutions	3(a)	602,471	737,555
	Microfinance Deposit Taking Institutions	3(a)	397,184	517,119
	Risk Adjusted Premium	3(b)	3,536,784	17,337,561
	Penalties	3(c)	260,171	86,790
			36,068,628	**61,595,931**
Income from investments:	Interest on Government treasury bills & bonds	4	69,182,176	97,029,477
	Income from secondary market trading	5	2,625,732	-
	Impairement loss on receivables	12	-	(688,341)
	Fair value (loss)/gain	10	(11,669,813)	24,591,479
			60,138,095	**120,932,615**
Expenses	General and administration costs	6	2,967,311	203,078
	Financial and professional charges	8	1,355,802	1,581,116
	Taxation	9a)	14,637,168	19,907,611
	Depreciation	14	14,818	-
Total expenditure			**18,975,099**	**21,691,805**
Total profit for the period		**18**	**77,231,624**	**160,836,741**

The notes set out on pages 48 to 72 form an integral part of the financial statements.

CHAPTER 17

STATEMENT OF FINANCIAL POSITION

		Note	30 Jun 2018 UGX '000	30 Jun 2017 UGX '000
Assets				
	Bank balances	11	22,385,540	20,437,744
	Receivables	12	2,361,020	4,657,737
	Investments in government securities	13	557,922,057	475,320,599
	Property, plant and equipment	14	381,202	-
Total Assets			**583,049,819**	**500,416,080**
Current liabilities	Deferred income	3(d)	17,489,849	14,781,825
	Creditors	15	19,760,392	19,760,392
	Unclaimed deposits	16	198,882	198,882
	Expenses payable	17	2,768,193	322,894
	Tax payable	9b)	4,817,168	4,568,376
Total Liabilities			**45,034,484**	**39,632,369**
Net Assets of the Fund			**538,015,335**	**460,783,711**
Represented by:				
Fund Balance		**18**	**538,015,335**	**460,783,711**

The notes set out on pages 48 to 72 form an integral part of the financial statements.
The financial statements were approved by the Board of Directors on 11th October 2018 and signed on its behalf by:

Chairman **Director** **Director**

CHAPTER 18

STATEMENT OF CASH FLOWS

		Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Cash flows from operating activities			
	Contributions received -commercial banks	33,914,176	57,231,836
	Credit institutions	659,438	1,010,307
	Microfinance Deposit Taking Institutions	406,083	711,262
	Risk adjusted premium	7,353,152	13,643,051
	Penalties	260,171	86,790
	DPF expenses	(4,648,683)	(1,738,353)
	Taxation	(14,388,376)	(19,314,381)
Net cash used in operating activities		23,555,961	**51,630,512**
Cash flows from investing activities			
	Investment income received-T bills & bonds	71,496,953	95,801,411
	Decrease/increase in investing activities	(93,105,118)	(146,905,407)
Net cash used in investing activities		(21,608,165)	**(51,103,996)**
Net decrease in cash and cash equivalents		1,947,796	**526,516**
Movement in cash and cash equivalents:			
	At the start of the year	20,437,744	19,911,228
	Net increase in the year	1,947,796	526,516
At the end of the period		22,385,540	**20,437,744**

The notes set out on pages 48 to 72 form an integral part of the financial statements.

CHAPTER 19

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

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

2. Principal Accounting Policies

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

2.1. Basis of Preparation

2.1.1. Statement of compliance

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

2.1.2. Basis of measurement

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

2.1.3. Functional and presentation currency

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

2.1.4. Use of estimates and judgement

Assumptions and estimates of uncertainties

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.

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.

2.2. Revenue recognition

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

Income also comprises of the Risk Adjusted Premium where the contributing institutions which are rated marginal or unsatisfactory as per the quarterly off-site reports are charged an additional 0.1 percent and 0.2 percent respectively of the average weighted liabilities on a quarterly basis.

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

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

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

2.3. Taxation

A final tax is charged on interest income earned on treasury bills and bonds in accordance with the Income Tax Act of Uganda. The rate applicable during the year ended 30 June 2018 was 20 percent.

2.4. Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability of another entity.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial instruments are appropriately classified.

2.4.1. Financial Assets

2.4.1.1. Recognition

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 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.

2.4.1.2. Classification

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics.

a) Investments classified as Held for trading are those assets that the Fund acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.
b) Investments classified as Held-to-maturity are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. The Fund currently classifies investments in government treasury bills as held to maturity
c) Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Available for sale assets are recognised on the date they are transferred to the Fund.
d) Financial Instruments at Fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions. It is classified as held for trading, if:

- acquired or incurred principally for purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)
- Upon initial recognition, it is designated by the Fund as at fair value through profit or loss.

The Fund classifies its investments in government treasury bonds at fair value through profit or loss

e) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund has classified the following financial assets as loans and receivables;

- Premium contributions from member financial institutions
- Cash and cash equivalents

2.4.1.3. Measurement

Initial measurement of financial assets
All financial assets are measured initially at their fair value plus transaction costs, except in the case of financial assets at fair value through profit or loss, which are recorded at fair value.

Subsequent measurement of financial assets
Amortised cost measurement
The 'amortised cost' of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial

transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement

Subsequent to initial recognition all trading instruments and all available-for-sale assets 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 determined 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.

Fair-value related disclosures for financial instruments for which fair values are disclosed, are included in note 20.

2.4.2. Financial liabilities

The Fund classifies its financial liabilities other than guarantees and loan commitments as measured at amortised cost or fair value through profit or loss.
All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Fund's financial liabilities include contributing institution creditors and other payables.
Subsequent measurement of financial liabilities will be either at amortised cost or fair value through profit or loss. The Fund carries its creditors and other paybales at amortised cost.

2.4.3. De-recognition of financial instruments

a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

The rights to receive cash flows from the asset have expired; or
The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

a) The Fund has transferred substantially all the risks and rewards of the asset; or
b) The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

b) Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

The gains and losses on financial instruments are recognized in profit or losss when the financial instruments are derecognized.

2.4.4. 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.

2.4.5. Impairment

Impairment of Financial Assets

The Fund assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

Impairment of Non-Financial Assets
The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so as that carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of

2.5. Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The release of the revaluation surplus to the revenue reserve is set to coincide with the useful life of the asset.
Depreciation is calculated on a straight-line basis to write off their cost or revalued amount of such assets to their residual values over the estimated useful lives.

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

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

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

Subsequent, expenditures are capitalized only when it is probable that the future economic benefits will flow to the Fund. Expenditure incurred to replace a component of item of property and equipment is accounted for separately and capitalized while the major replaced component is derecognised.
All other expenditure items which do not meet the recognition criteria are recognised in profit or loss as expenses as they are incurred.
An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any loss or gain on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised 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.

2.6. Provision for payments to depositors

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

2.7. Payments to depositors

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

2.8. Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days to maturity from the statement of financial position date and include: cash and balances with the Bank of Uganda, premium receivables from contributing institutions.
Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.9. New and Amended Standards and Interpretations

2.9.1. New or Revised Pronouncements, Interpretations and Amendments Which Became Effective

Amendments	Effective Date	Effect on DPF
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)		
Amends IAS 12 Income Taxes to clarify the following aspects: ▪ Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. ▪ The carrying amount of an asset does not limit the estimation of probable future taxable profits. ▪ Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. ▪ An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	Effective for annual periods beginning on or after 1 January 2017	IAS 12 did not have any impact on the financial statements of the Fund.
Disclosure Initiative (Amendments to IAS 7)		
Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	Effective for annual periods beginning on or after 1 January 2017	The amendment did not have any impact on the financial statements of the Fund.
Annual Improvements to IFRS Standards 2014-2016 Cycle		
Makes amendments to the following standards: ▪ IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	The amendments to IFRS 12 for annual periods beginning on or after 1 January 2017	The amendment did not have any impact on the financial statements of the Fund.
Editorial Corrections (various)		
▪ The IASB periodically issues Editorial Corrections and changes to IFRSs and other pronouncements. Since the beginning of calendar 2013, such corrections have been made in March 2013, September 2013, November 2013, March 2014, September 2014, December 2014, March 2015, April 2015, September 2015, December 2015, March 2016, May 2016, September 2016, December 2016, September 2017, and November 2017.	As minor editorial corrections, these changes are effectively immediately applicable under IFRS	The amendment did not have any impact on the financial statements of the Fund.

2.9.2. New or Revised Pronouncements, Interpretations and Amendments Which Are Not Yet Effective

New or revised pronouncements	Effective Date	Effect on DPF
IFRS 9 Financial Instruments		
Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: ▪ Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. ▪ Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. ▪ Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures ▪ Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39	Effective for annual periods beginning on or after 1 January 2018.	The Fund has assessed the impact of IFRS 9 on its financial statements. (see 2.9.3)
IFRS 15 Revenue from Contracts with Customers		
IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: ▪ Identify the contract with the customer ▪ Identify the performance obligations in the contract ▪ Determine the transaction price ▪ Allocate the transaction price to the performance obligations in the contracts ▪ Recognise revenue when (or as) the entity satisfies a performance obligation.	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.	The amendments will not have any impact on the financial statements of the Fund.
IFRS 16 *Leases*		
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	Applicable to annual reporting periods beginning on or after 1 January 2019.	The amendments will not have any impact on the financial statements of the Fund.
IFRS 17 *Insurance Contracts*		
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance	Applicable to annual reporting periods	IFRS 17 will not have an impact on

contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	beginning on or after 1 January 2021.	the financial statements of the Fund.
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*		
The interpretation addresses foreign currency transactions or parts of transactions where: ▪ there is consideration that is denominated or priced in a foreign currency; ▪ the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and ▪ the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: ▪ The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. ▪ If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	Applicable to annual reporting periods beginning on or after 1 January 2018.	IFRIC 22 will not have an impact on the financial statements of the Fund.
IFRIC 23 *Uncertainty over Income Tax Treatments*		
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: ▪ Whether tax treatments should be considered collectively ▪ Assumptions for taxation authorities' examinations ▪ The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ▪ The effect of changes in facts and circumstances	Applicable to annual reporting periods beginning on or after 1 January 2019.	IFRIC 23 will not have an impact on the financial statements of the Fund.
Clarifications to IFRS 15 'Revenue from Contracts with Customers'		
Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	Effective for annual periods beginning on or after 1 January 2018	The Standard did not have a significant impact on the financial statements of the Fund.
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)		
Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	Effective for annual periods beginning on or after 1 January 2018	The amendment did not have any impact on the financial statements of the Fund.

<table>
<tr><td colspan="3">Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)</td></tr>
<tr><td>Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:
▪ an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
▪ an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</td><td>Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.</td><td>The amendment did not have any impact on the financial statements of the Fund.</td></tr>
<tr><td colspan="3">Transfers of Investment Property (Amendments to IAS 40)</td></tr>
<tr><td>The amendments to IAS 40 Investment Property:
▪ Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
▪ The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.</td><td>Effective for annual periods beginning on or after 1 January 2018</td><td>The amendment did not have any impact on the financial statements of the Fund.</td></tr>
<tr><td>Annual Improvements to IFRS Standards 2014–2016 Cycle</td><td></td><td></td></tr>
<tr><td>Makes amendments to the following standards:
▪ IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose
▪ IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition</td><td>The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018</td><td>The amendments did not have any impact on the financial statements of the Fund.</td></tr>
<tr><td colspan="3">Prepayment Features with Negative Compensation (Amendments to IFRS 9)</td></tr>
<tr><td>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</td><td>Annual periods beginning on or after 1 January 2019</td><td>The Fund is currently assessing the impact its financial statements.</td></tr>
<tr><td colspan="3">Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</td></tr>
<tr><td>▪ Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</td><td>Annual periods beginning on or after 1 January 2019</td><td>The Fund is currently assessing the impact of the new standard on its financial statements.</td></tr>
</table>

Annual Improvements to IFRS Standards 2015–2017 Cycle		
Makes amendments to the following standards: ▪ IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. ▪ IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. ▪ IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	Annual periods beginning on or after 1 January 2019	The amendments did not have any impact on the financial statements of the Fund.
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)		
The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: ▪ If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. ▪ In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.	Annual periods beginning on or after 1 January 2019	The amendments did not have any impact on the financial statements of the Bank.
Amendments to References to the Conceptual Framework in IFRS Standards		
Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	Annual periods beginning on or after 1 January 2020	The amendments did not have any impact on the financial statements of the Fund.

2.9.3. Impact of IFRS 9: Financial Instruments on the Deposit Protection Fund *of Uganda*

The International Accounting Standards Board (IASB) issued and published IFRS 9, Financial Instruments in July 2014 with a date of initial application of July 1, 2018 for the Fund.

The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

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

Classification of financial assets and financial liabilities

IFRS 9 introduces a principles-based approach to the classification of financial assets based on the business model in which a financial asset is managed and its contractual cash flows. On recognition, financial assets will be classified as either amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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.

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.

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.

As the requirements under IFRS 9 are different than the assessments under the existing IAS 39 rules, some differences to the classification and measurement of financial assets under IAS 39 are expected.
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The Fund classifies its financial liabilities other than guarantees and loan commitments as measured at amortised cost or fair value through profit or loss.

Impairment of financial assets
Under IAS 39, an entity only considers those impairments that arise as a result of incurred loss events. The effects of possible future loss events cannot be considered, even when they are expected.

IFRS 9 uses an expected credit loss (ECL) model which replaces the current incurred loss model under IAS 39. All financial assets measured at amortised cost or debt instruments at Fair Value through Other Comprehensive Income (FVOCI) will be subject to the impairment provisions.

IFRS 9 introduces a three stage approach to impairment that reflects the general pattern of the deterioration in credit risk of a financial instrument that ultimately defaults. At each reporting period, the Fund will assess which stage a financial instrument that is subject to impairment testing falls into. On initial recognition of the financial asset, the Fund will recognize loss allwances equal to 12 months expected losses (Stage 1). This amount represents the expected credit losses resulting from default events that are possible within the next twelve months. The interest revenue is calculated on the gross carrying amount for financial assets in stage 1. IFRS 9 requires the recognition of credit losses over the remaining life of the financial assets (lifetime expected losses) which are considered to have a deterioration in credit quality and indicate significant increase in credit risk (stage 2) and for financial assets that are credited impaired at the reporting date (Stage 3). The lifetime expected credit losses represent all possible default events over the expected life of a financial instrument.

The Fund measures loss allowances at an amount equal to the 12-month ECL for financial assets that will be determined to have low credit risk at the reporting date. The Fund considers a financial asset to have low credit risk if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. IFRS 9 suggests that 'investment grade' rating might be an indicator for a low credit risk.

The expected credit loss of the financial assets takes into account the present value of the product of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Fund carries out a credit risk assessment for all its financial assets measured at amortised cost and at FVOCI. In determining and measuring credit risk, the Fund takes into account the sources of credit risk, credit rating changes taking into consideration reasonable and supportable information which allows the Fund to identify whether the credit risk of financial assets has significantly increased. This process includes considering forward looking information including macro-economic factors. The Fund then assesses and defines what constitutes significant increase in credit risk.

IFRS 9 does not distinguish between individually significant or not individually significant financial instruments. Therefore the Fund decided to measure the allowance for credit losses on an individual transaction basis. Similarly the assessment for transferring assets between stages 1, 2 and 3 will also be made on an individual transaction basis.

The stages of impairement and migration criteria as defined in the transitional guidelines are as highlighted below;

Instrument	Stage 1	Stage 2	Stage 3
Government Debt	Coupons and/or principal received within 5 working days	Coupons and/or principal received within 6 - 10 working days	Coupons and/or principal delayed for more than 10 working days
Premiums Receivable	Premiums received within 45 calendar days	Premiums received within 46 to 90 calendar days	Premiums delayed for more than 90 calendar days

1. **Stage 1:** Credit risk is low (has not increased significantly since initial recognition) – recognize 12 months ECL and recognize interest on a gross basis;

2. **Stage 2:** Credit risk has increased significantly since initial recognition – recognize lifetime ECL and recognize interest on a gross basis;

3. **Stage 3:** Financial instrument is credit impaired -recognize lifetime ECL and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

3. Contributions

A) Annual Contributions 2017 - 2018	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Commercial Banks		
1. ABC Capital Bank Ltd	38,033	50,608
2. Bank of Africa Uganda Ltd	974,834	1,309,901
3. Bank of Baroda (Uganda) Ltd	2,138,098	2,812,080
4. Bank of India (Uganda) Ltd	220,035	218,550
5. Barclays Bank of Uganda Ltd	2,690,324	3,528,788
6. Cairo International Bank Ltd	120,312	161,370
7. Centenary Bank Uganda Ltd	3,211,965	4,046,007
8. Citibank Uganda Ltd	1,142,708	1,318,653
9. Commercial Bank of Africa Uganda Ltd	137,268	125,036
10. Crane Bank Uganda Ltd	-	2,629,923
11. DFCU Bank Ltd	2,728,567	2,698,921
12. Diamond Trust Bank Uganda Ltd	2,249,532	3,081,869
13. Ecobank Uganda Ltd	444,565	702,072
14. Equity Bank Uganda Ltd	973,882	1,150,626
15. Exim Bank Uganda Ltd	510,566	286,831
16. Finance Trust Bank Ltd	194,299	246,539
17. Guaranty Trust Bank	192,357	184,856
18. Housing Finance Bank Ltd	725,175	935,919
19. Imperial Bank Uganda Ltd	-	491,238
20. KCB Bank Uganda Ltd	1,035,085	1,600,914
21. NC Bank	159,870	206,434
22. Orient Bank Ltd	911,089	1,245,878
23. Stanbic Bank Uganda Ltd	6,081,052	7,438,081
24. Standard Chartered Bank Uganda Ltd	3,879,649	5,652,261
25. Tropical Bank Ltd	299,078	408,039
26. United Bank of Africa Uganda Ltd	213,675	385,512
	31,272,018	**42,916,906**
Credit Institutions		
1. Merchantile Credit Bank Ltd	58,563	66,910
2. Opportunity Bank Uganda Ltd	49,317	55,638
3. PostBank Uganda Ltd	480,308	605,038
4. Top Finance Bank Uganda Ltd	14,283	9,969
	602,471	**737,555**
Microfinance Deposit Taking Institutions		
1. EFC Limited	6,269	5,416
2. Finca Uganda Limited	173,528	218,229
3. Pride Microfinance Limited	184,548	253,245
4. Ugafode Microfinance Limited	30,655	39,740
5. Yako Microfinance Limited	2,184	489
	397,184	517,119
Total contributions	**32,271,673**	**44,171,580**

B)	Risk Adjusted Premium	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
1.	Commercial banks	3,377,955	17,125,670
2.	Credit Institutions	117,189	124,181
3.	Microfinance Deposit Taking Institutions	41,640	87,710
	Total Risk Adjusted Premium	**3,536,784**	**17,337,561**

Penalties for late payment

C)	Penalties for late payment	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
1.	Commercial banks	260,133	86,790
2.	Credit institutions	38	-
	Total Penalties	**260,171**	**86,790**

During the period ended 30 June 2018, financial institutions that did not pay their contributions 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.

D) Deferred Contributions 2018		Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
	Commercial Banks		
1	ABC Capital Bank Ltd	20,727	17,306
2	Bank of Africa Uganda Ltd	513,806	461,028
3	Bank of Baroda (Uganda) Ltd	1,111,574	1,026,525
4	Bank of India (Uganda) Ltd	126,770	93,265
5	Barclays Bank Uganda Ltd	1,491,997	1,198,327
6	Cairo International Bank Ltd	65,399	54,913
7	Centenary Bank Uganda Ltd	1,755,958	1,456,007
8	Citibank Uganda Ltd	617,969	524,739
9	Commercial Bank of Africa Uganda Ltd	80,673	56,595
10	Crane Bank Uganda Ltd	-	965,409
11	DFCU Bank Ltd	1,763,158	1,087,638
12	Diamond Trust Bank Uganda Ltd	1,161,894	207,887
13	Ecobank Uganda Ltd	236,678	425,341
14	Equity Bank Uganda Ltd	548,541	226,242
15	Exim Bank Uganda Ltd	223,735	60,589
16	Finance Trust Bank Ltd	104,136	90,163
17	Guaranty Trust Bank	118,140	74,216
18	Housing Finance Bank Ltd	389,664	335,511
19	Imperial Bank Uganda Ltd	101,800	518,359
20	KCB Bank Uganda Ltd	516,726	66,748
21	NC Bank	93,122	409,520
22	Orient Bank Ltd	501,568	2,799,572
23	Stanbic Bank Uganda Ltd	3,281,481	1,906,081
24	Standard Chartered Bank Uganda Ltd	1,973,568	141,074
25	Tropical Bank Ltd	158,003	111,875
		16,957,088	**14,314,930**
	Credit Institutions		
1	Merchantile Credit Bank Ltd	29,091	29,473
2	Opportunity Bank Uganda Ltd	28,544	20,773
3	PostBank Uganda Ltd	262,050	218,259
4	Top Finance Bank Uganda Ltd	10,035	4,248
		329,720	**272,753**
	Microfinance Deposit Taking Institutions		
1	EFC Limited	2,257	4,012
2	Finca Uganda Limited	75,611	97,917
3	Pride Microfinance Limited	107,111	77,437
4	Ugafode Microfinance Limited	16,368	14,287
5	Yako Microfinance Limited	1,695	489
		203,042	**194,142**
	Total contributions	**17,489,850**	**14,781,825**

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

4. Interest on Government Treasury Bills and Bonds

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Treasury bills	12,185,859	31,081,102
Treasury bonds	56,996,317	65,948,375
Interest from securities	**69,182,176**	**97,029,477**

5. Income from Secondary Market Trading

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Sales proceeds	26,575,535	-
Original cost of sale	24,124,658	-
Profit on trading	2,450,877	-
Interest accrued on securities	174,855	-
Income for the year from secondary market trading	2,625,732	-

During the year ended 30 June 2018, the Fund realised UGX 2,625 million from the sale of treasury bonds in the secondary market.

6. Administrative Expenses

	Year ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Board Fees & Expenses	651,804	80,350
Staff costs (note 7)	1,816,504	72,267
General & Administration costs	222,004	-
Corporate Costs	280,700	-
Procurement Costs	-	50,461
	2,971,011	**203,078**

7. Staff costs

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

	Year ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Salaries & wages	1,318,798	72,267
Professional Subscriptions & training	204,030	-
Defined benefits & contribution schemes	171,968	-
NSSF contributions	121,707	-
	1,816,504	**72,267**

8. Management Fees

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Fund management fees	1,315,342	1,546,116
	1,315,342	**1,546,116**

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 clause 10 of the investment management agreement signed between the Fund and each of the Fund Managers i.e. M/s Sanlam Investments East Africa Ltd and GenAfrica Asset Managers.

9. Taxation

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
9a) Withholding Tax at 20%	14,638,352	19,910,755
WHT written off on premium bond	(1,184)	(3,144)
Adjusted Tax for the period	**14,637,168**	**19,907,611**
Add: Tax payable brought forward	4,568,376	3,975,145
Less: Withholding tax paid at 20%	(14,388,376)	(19,314,380)
9b) Tax payable carried forward	**4,817,168**	**4,568,376**

A final tax of 20 percent was charged on interest income earned on Treasury Bills and Treasury Bonds for the period ended 30 June 2018 in accordance with Section 122 of the Income Tax Act.

10. Fair Value Movement on Treasury Bonds

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Fair value (loss)/gain at 30 June	(4,256,344)	7,413,469
Fair value gain/(loss) at 1 July	7,413,469	(17,178,010)
Fair value (loss)/gain	**(11,669,813)**	**24,591,479**

The investments in Treasury bonds are classified as held for trading and are therefore treated as fair value through profit or loss in accordance with IAS 39 –Financial Instruments. Note 20 highlights the treatment of fair value of financial instruments.

11. Bank Balances

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Cash at Bank of Uganda	22,385,540	20,437,744
	22,385,540	**20,437,744**

Included in the cash held at Bank of Uganda is UGX 19,750 million payable to the Government of Uganda (Refer to Note 15). This will be disbursed after the conclusion of the liquidation exercise of the closed banks; (Greenland Bank, Cooperative Bank, and International Credit Bank). Subsequently, this amount has been invested in government securities pending the closure of the liquidation exercise.

12. Receivables

	30 Jun 2018 UGX '000	30 Jun 2017 UGX '000
Risk Adjusted Premiums	841,370	5,346,078
Investment income receivable	1,519,050	-
Tax on health club allowances	600	-
Impairement loss on receivables	-	(688,341)
	2,361,020	**4,657,737**

During the year, contributing institutions which were rated marginal or unsatisfactory as per the 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. (Refer to note 0).

13. Investments in Government Securities

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Treasury bills held to maturity	177,302,890	83,458,896
Treasury bonds at fair value	380,619,167	391,861,703
	557,922,057	**475,320,599**

The treasury bills and bonds are further analyzed as follows:

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Treasury bills held to maturity		
Treasury bills (at cost)	170,486,496	77,455,635
Interest accrued	6,816,394	6,003,261
Total Treasury bills	**177,302,890**	**83,458,896**
Treasury bonds at fair value		
Treasury bonds (at cost)	374,959,674	370,060,292
Interest accrued	9,915,837	14,387,943
Fair value (loss)/gain	(4,256,344)	7,413,468
Total	**380,619,167**	**391,861,703**
Total treasury bonds	**380,619,167**	**391,861,703**

Maturity analysis of the government securities:

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Treasury Bills		
Maturity within 91 days	43,646,864	24,996,330
Maturity after 91 days & before 182 days	50,210,581	23,640,095
Maturity after 182 days	83,445,445	34,822,471
	177,302,890	**83,458,896**
Treasury Bonds		
Maturity within 2 years	135,818,163	100,323,016
Maturity after 2 years and within 3 years	61,359,842	77,497,082
Maturity after 3 years and within 5 years	74,891,023	84,311,908
Maturity after 5 years and within 10 years	74,809,025	94,813,030
Maturity after 10 years	33,741,114	34,916,667
	380,619,167	**391,861,703**

14. Property, plant and equipment

	Computer Equipment UGX '000	Office Machines UGX '000	Motor Vehicle UGX '000	Totals UGX '000
Cost of valuation				
As at 01 July 2017	-	-	-	-
Additions	86,926	3,304	305,790	396,020
As at 30 June 2018	**86,926**	**3,304**	**305,790**	**396,020**
Depreciation				
As at 01 July 2017	-	-	-	-
Charge for the year	14,637	181	-	14,818
As at 30 June 2018	**14,637**	**181**	**-**	**14,818**
Net carrying amount				
As at 30 June 2018	**72,289**	**3,123**	**305,790**	**381,202**

The motorvehicle was acquired towards the end of reporting period. It was not yet put into use and therefore was not eligible for depreciation.

15. Creditors

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
Total insured depositors	41,152,210	41,152,210
Claim by Deposit Protection Fund	(3,299,997)	(3,299,997)
Claim by Government of Uganda	**37,852,213**	**37,852,213**
Refund to Government	(10,000,000)	(10,000,000)
Balance from Coop Bank A/C & Other Assets	(8,101,734)	(8,101,734)
Amount payable to Government	**19,750,479**	**19,750,479**
Amount payable to Bank of Uganda	9,913	9,913
	19,760,392	**19,760,392**

The amount payable to Government and Bank of Uganda relates to their contribution for settlement of claims in the liquidation exercise of the closed banks. The amount will be paid after the conclusion of the liquidation exercise.

16. Un-Claimed Deposits

	Year Ended 30 Jun 2018 UGX '000	18 months period 30 Jun 2017 UGX '000
At 1 July and the end of the period	198,882	198,882
	198,882	**198,882**

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

17. Expenses Payable

	30 Jun 2018 UGX '000	30 Jun 2017 UGX '000
Audit fees	36,760	35,000
Management fees	355,019	287,580
Investment purchases	2,374,248	-
Administrative expenses	2,166	314
	2,768,193	**322,894**

18. Fund Balance

	30 Jun 2018 UGX '000	30 Jun 2017 UGX '000
At 1 July	460,783,711	299,946,970
Total profit for the period	77,231,624	160,836,741
At the end of the period	**538,015,335**	**460,783,711**

19. Interest Rate Risk

19.1. 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 4: Interest rate Risk

	30-Jun-18 UGX '000	Up to 3 months UGX '000	4 to 6 months UGX '000	7 to 12 months UGX '000	Over 12 months UGX '000	Non-interest bearing UGX '000
Assets						
Bank balances	22,385,540	-	-	-	-	22,385,540
Investments in treasury bills	177,302,890	43,646,864	50,210,581	83,445,445	-	
Investments in treasury bonds	380,619,167	-	-	-	380,619,167	-
Receivables	2,361,020	2,361,020	-	-	-	-
Total assets	**582,668,617**	**46,007,884**	**50,210,581**	**83,445,445**	**380,619,167**	**22,385,540**
Liabilities						
Creditors	19,760,392	-	-	-	-	19,760,392
Unclaimed deposits	198,882	-	-	-	-	198,882
Expenses payable	2,768,193	-	-	-	-	2,768,193
Total liabilities	**22,727,467**	**-**	**-**	**-**	**-**	**22,727,467**
Interest sensitivity gap						
As at 30 June 2018	**559,941,150**	**46,007,884**	**50,210,581**	**83,445,445**	**380,619,167**	**(341,927)**

	30-Jun-17 UGX '000	Up to 3 months UGX '000	4 to 6 months UGX '000	7 to 12 months UGX '000	Over 12 months UGX '000	Non-interest bearing UGX '000
Assets						
Bank balances	20,437,744	-	-	-	-	20,437,744
Investments in treasury bills	83,458,896	24,996,330	23,640,095	34,822,471	-	-
Investments in treasury bonds	391,861,703	-	-	-	391,861,703	-
Receivables	4,657,737	4,657,737	-	-	-	-
Total assets	**500,416,080**	**29,654,067**	**23,640,095**	**34,822,471**	**391,861,703**	**20,437,744**
Liabilities						
Creditors	19,760,392	-	-	-	-	19,760,392
Unclaimed deposits	198,882	-	-	-	-	198,882
Expenses payable	322,894	-	-	-	-	322,894
Total liabilities	**20,282,168**	**-**	**-**	**-**	**-**	**20,282,168**
Interest sensitivity gap						
As at 30 June 2017	**480,133,912**	**29,654,067**	**23,640,095**	**34,822,471**	**391,861,703**	**155,576**

19.2. Liquidity Risk

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

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

Exposure to liquidity risk

Table 5: Liquidity risk

	30-Jun-18 UGX '000	Matured UGX '000	Up to 3 months UGX '000	4 to 12 months UGX '000	1 to 5 years UGX '000	Over 5 years UGX '000
Assets						
Bank balances	22,385,540	22,385,540	-	-	-	-
Investments in treasury bills	177,302,890	-	43,646,864	133,656,026	-	-
Investments in treasury bonds	380,619,167	-	-	-	272,069,028	108,550,139
Receivables	2,361,020	-	2,361,020	-	-	-
Total assets	**582,668,617**	**22,385,540**	**46,007,884**	**133,656,026**	**272,069,028**	**108,550,139**
Liabilities						
Creditors	19,760,392	-	-	-	-	19,760,392
Unclaimed deposits	198,882	-	-	-	-	198,882
Expenses payable	2,768,193	-	2,768,193	-	-	-
Tax payable	4,817,168	-	523,563	839,716	2,302,655	1,151,234
Total liabilities	**27,544,635**	-	**3,291,756**	**839,716**	**2,302,655**	**21,110,508**
Liquidity gap						
As at 30 June 2018	**555,123,982**	**22,385,540**	**42,716,128**	**132,816,310**	**269,766,373**	**87,439,631**

	30-Jun-17 UGX '000	Matured UGX '000	Up to 3 months UGX '000	4 to 12 months UGX '000	1 to 5 years UGX '000	Over 5 years UGX '000
Assets						
Bank balances	20,437,744	20,437,744	-	-	-	-
Investments in treasury bills	83,458,896		24,996,330	58,462,566	-	-
Investments in treasury bonds	391,861,703		-	-	262,132,006	129,729,697
Receivables	4,657,737		4,657,737	-	-	-
Total assets	**500,416,080**	**20,437,744**	**29,654,067**	**58,462,566**	**262,132,006**	**129,729,697**
Liabilities						
Creditors	19,760,392	-	-	-	-	19,760,392
Unclaimed deposits	198,882	-	-	-	-	198,882
Expenses payable	322,894	-	322,894	-	-	-
Tax payable	4,568,376		576,582	562,276	2,196,422	1,233,096
Total liabilities	**24,850,544**	-	**899,476**	**562,276**	**2,196,422**	**21,192,370**
Liquidity gap						
As at 30 June 2017	**475,565,536**	**20,437,744**	**28,754,591**	**57,900,290**	**259,935,584**	**108,537,327**

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

Details of the asset mix at the reporting date were as shown in Table 6.

Table 6: Asset Class Limits

Asset Class	30 Jun 2018 Value UGX'000	30 Jun 2018 %	Strategic Allocation %	Tactical Range %	30 Jun 2017 Value UGX'000	30 Jun 2017 %
Cash and cash equivalents	24,746,560	4%	0%	0% - 5%	25,095,481	5%
Treasury bills held to maturity	177,302,890	30%	50%	40% - 80%	83,458,896	17%
Treasury bonds at fair value	380,619,167	65%	50%	20% - 60%	391,861,703	78%
Total	**582,668,617**	**100%**	**100%**		**500,416,080**	**100%**

20. Fair Value of Financial Instruments

As at 30 June 2018, the Fund's investments in financial instruments included Treasury Bills and Treasury Bonds. Treasury Bills are held-to-maturity while Treasury Bonds are measured at fair values derived from quoted market prices.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly from the market.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

During the period ending 30 June 2018, there were no financial instruments under level 1 or level 3. Investment prices were available and obtained from the Central Bank as at 30 June 2018.

Table 7: Treasury bonds measured at Fair Value

30-Jun-2018	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000
Financial assets:			
Treasury bonds at fair value	-	380,619,167	-

30-Jun-2017	Level 1 UGX '000	Level 2 UGX '000	Level 3 UGX '000
Financial assets:			
Treasury bonds at fair value	-	391,861,703	-

In estimating fair value, the fair value of treasury bonds are based on price quotations at the reporting date. The fair value of unquoted instruments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

21. Current and Non-Current Assets and Liabilities

The current and non-current assets and liabilities as at June 30, 2018 and 2017 are as highlighted below;

	30-Jun-18	Statement of fiancial position amount UGX '000	Note	Not more than 12 months after the reporting date UGX '000	More than 12 months after the reporting date UGX '000	Total UGX '000
Assets						
	Bank balances	22,385,540	10	22,385,540	-	22,385,540
	Receivables	2,361,020	11	2,361,020	-	2,361,020
	Investments in government securities	557,922,057	12	234,594,012	323,328,045	557,922,057
	Property, plant and equipment	381,202	13	-	381,202	381,202
Total Assets		**583,049,819**		**259,340,572**	**323,709,247**	**583,049,819**
Current liabilities	Deferred income	17,489,849	2(d)	17,489,849	-	17,489,849
	Creditors	19,760,392	14	-	19,760,392	19,760,392
	Unclaimed deposits	198,882	15	-	198,882	198,882
	Expenses payable	2,768,193	16	2,768,193	-	2,768,193
	Tax payable	4,817,168	8b)	1,950,101	2,867,067	4,817,168
Total Liabilities		**45,034,484**		**22,208,143**	**22,826,341**	**45,034,484**

22. Related Party Transactions

The Deposit Protection Fund *of Uganda* and Bank of Uganda ('the Bank') work on various aspects of financial stability and perform duties of deposit protection and supervision of contributing institutions respectively.
No trading is carried on with Bank of Uganda. The following takes place between the Bank and the Fund;

- The Bank of Uganda staff members who were seconded to the Fund are fully paid by DPF.
- The Fund's operations are carried out within the Central Bank premises. The Fund is in the process of procuring its own office space.

CHAPTER 20

CONSUMER EDUCATION

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

1) What is the Deposit Protection Fund *of Uganda* (DPF)?

The DPF is a legal entity created by the Government of Uganda to ensure that depositors are paid their protected deposits in the event of failure of a contributing institution.

2) What is the mandate of the DPF?

- To contribute to financial sector stability by ensuring that protected deposits are paid on time in the event of failure of a contributing institution, hence building public confidence in the financial sector.
- To act as a receiver or liquidator of any closed contributing institution if appointed by Bank of Uganda.
- To perform such other functions as may be conferred upon it by law.

3) What is a contributing institution?

A contributing institution is one which is licensed by Bank of Uganda and periodically makes a financial contribution to the DPF. These include: Commercial Banks, Micro finance Deposit Taking Institutions and Credit Institutions.

4) **How is the DPF funded?**

- Annual Premium. All contributing institutions make an annual premium payment to the DPF.
- Investment Income. The contributions are invested in risk free Government of Uganda treasury instruments and this helps to increase the fund size.

5) **How does the DPF compute and collect the annual premiums?**

- 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 financial year.
- The annual premium should be paid to the Fund in the period not more than twenty-one days after the date of service of the notice.
- A contributing institution which for any reason fails to pay its premium to the Fund within the period of 21 days is liable to pay a civil penalty interest of one half per cent of the unpaid amount for every day outside the notice period on which the amount remains unpaid.

6) **How does the DPF compute and collect the Risk Adjusted Premiums?**

- 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 resulting from the BoU's quarterly off-site financial analysis reports.
- A Contributing institution whose overall performance shows an unsatisfactory or marginal rating shall be charged on a quarterly basis as follows:
  - Marginal: additional charge of 0.1 percent of the average weighted deposit liabilities on top of the annual contribution.
  - Unsatisfactory: additional charge of 0.2 percent of the average weighted deposit liabilities on top of the annual contribution

7) **Where does the DPF keep the money it receives from contributing institutions?**

- 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 failure of a Contributing Institution, and subsequent receivership, a depositor of that Contributing Institution can lodge a claim with DPF. Claim forms will be readily available to the public.

8) **Who are covered by the Deposit Protection Fund?**

- 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 insured deposits.

9) **Are all financial institutions in Uganda members of the Deposit Protection Fund?**

No. Only those financial institutions licensed and supervised by Bank of Uganda are members of the DPF.

10) **How much compensation am I entitled to when a contributing institution closes?**

- Currently it's up to three million shillings per depositor per contributing institution. However efforts are underway by DPF to review this limit.
- It should be noted that DPF determines the 'protected deposit' for payment purposes, by getting the total deposits of an individual in a particular contributing institution and deducting any liability of that individual to the institution.

11) **How soon can the customer get his money from a contributing institution which has been closed?**

According to the Financial Institutions Act, 2004 as amended, depositors will be paid within ninety (90) days of closure of the contributing institution. DPF will nevertheless, ensure that depositors get their money earlier than the time period provided for in the law.

12 **Do depositors need to pay money to the Deposit Protection Fund *of Uganda*?**

No. It is only contributing institutions that are required to pay money to the DPF.

13) **How do I know if my deposits are insured?**

As long as your deposits are with a contributing institution which is regulated by Bank of Uganda and the amount is within the current protected limit of three million shillings, they are protected.

14) **What happens to the rest of my money?**

Deposits above the insured limit will be paid by the liquidator after the assets of the closed institution have been sold off. The amount paid out will depend on the recoveries made.

15) **What kinds of deposits are covered by the Deposit Protection Fund *of Uganda*?**

- 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 exchange rate on the day the institution was closed.

16) **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 3,000,000 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.

17) **At what point might DPF be called upon to pay insured deposits?**

In ensuring financial sector stability, the DPF works closely with the Bank of Uganda. BoU has a range of options it can use to ensure that contributing institutions exit the sector without inconveniencing depositors. As such, the Bank of Uganda would advise DPF to pay depositors out of the fund, as the very the last option. This is in line with the International Best Practice.

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