

98%

of deposit
accounts
are
protected



DPF

Deposit
Protection
Fund of Uganda
YOUR DEPOSITS ARE PROTECTED

ANNUAL REPORT

JUNE 2021

Vision

Excellence in deposit protection for public confidence.

Values



Transparency



Integrity



Excellence

Mission

To foster public confidence in the financial system through protection of depositors of contributing institutions.

Objectives

- Enhance depositors confidence
- Develop and improve a system for payment of insured deposits
- Increase public awareness
- Enhance financial performance
- Improve efficiency of processes
- Build strategic partnerships
- Improve board and staff knowledge and skills

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Introduction

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FAQs



Abbreviations

ACB	Audit Committee of the Board	IADI	International Association of Deposit Insurers
ARC	Africa Regional Committee	IASB	International Accounting Standards Board
BoU	Bank of Uganda	IESBA	International Ethics and Standards Board for Accountants
CI	Contributing Institution	IFRS	International Financial Reporting Standards
CMA	Capital Markets Authority	ISA	International Standards on Auditing
DPF	Deposit Protection Fund of Uganda	MAC	Monetary Affairs Committee
DIS	Deposit Insurance System	MDI	Microfinance Deposit-Taking Institution
EAC	East African Community	MOFPED	Ministry of Finance, Planning and Economic Development
ECL	Expected Credit Losses	NDIC	Nigeria Deposit Insurance Corporation
EFU	Electricity, Fuel and Utilities	NPS	National Payments System
FIA	Financial Institutions Act	OCI	Other Comprehensive Income
FSB	Financial Stability Board	RIA	Regulatory Impact Assessment
FIRMCB	Finance, Investment and Risk Management Committee of the Board	SCV	Single Customer View
FVTOCI	Fair Value Through Other Comprehensive Income	TCDP	Technical Committee on Deposit Protection
FVTPL	Fair Value Through Profit or Loss	UGX	Uganda Shillings
GDP	Gross Domestic Product	WHT	Withholding Tax
GHRCB	Governance and Human Resource Committee of the Board		
IT	Information Technology		

Corporate Information

Principal Place of Business & Registered Address

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

Custodian

Bank of Uganda
Plot 37/45, Kampala Road
PO Box 7120
Kampala, Uganda

Investments Managers

Sanlam Investments East Africa Limited
Plot 1 Pilkington Road
Worker's House, 7th Floor
PO Box 9831
Kampala, Uganda

Britam Asset Managers Company (Uganda) Ltd
Britam Centre
Plot 24A, Akii-Bua Road, Nakasero, Kampala
P.O. Box 36583
Kampala, Uganda

Auditors

The Auditor General
Office of the Auditor General
PO Box 7083
Kampala, Uganda

Delegated Auditor

Grant Thornton
Wing B & C, 2nd Floor,
Lugogo House
Plot 42, Lugogo Bypass
PO Box 7158
Kampala, Uganda

Our Stakeholders

Contributing Institutions

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

International partners

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

Employees

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

Service providers and strategic partners

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

Members of the public

In order to build public confidence in the financial sector, the Fund must be able to pay depositors their protected deposit within a reasonable timeframe.

Additionally, the Fund must disseminate relevant information about deposit protection to the public.

Safety net players and Government agencies

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

Member Institutions

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

34
Deposit-taking
Institutions

25
Commercial
banks

5
Credit
Institutions

4
Microfinance
Deposit-taking
Institutions



ABC Capital Bank Ltd



Absa Bank Uganda Ltd



BRAC Uganda Bank Ltd



Mercantile Credit Bank Ltd.



EFC (U) Ltd



Afriland First Bank Uganda Ltd



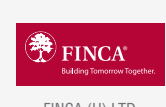
Bank of Africa Uganda Ltd



PostBank(U) Ltd



Top Finance Bank Ltd



FINCA (U) LTD



PRIDE Microfinance Ltd (MDI)



UGAFODE (U) Ltd



Bank of Baroda Uganda Ltd



Bank of India Uganda Ltd



Cairo Bank Uganda



Centenary Bank Ltd



Citibank Uganda Limited



DFCU Bank Limited



Diamond Trust Bank Uganda Ltd



Ecobank Uganda Limited



Equity Bank Uganda Limited



EXIM Bank Uganda Limited



Finance Trust Bank



Guaranty Trust Bank (Uganda) Limited



Housing Finance Bank



KCB Bank Uganda Limited



NCBA Uganda Ltd



Opportunity Bank (U) Ltd



Orient Bank Limited



Stanbic Bank Uganda Limited



Standard Chartered Bank (U) Limited



Tropical Bank Limited



United Bank for Africa (U) Limited

Foreword by Board Chairperson

It is indeed a pleasure and an honour for me, on behalf of the Board and Management, to present the Annual Report and Financial Statements of the Deposit Protection Fund of Uganda (“DPF” or “the Fund”) for the financial year ended 30 June, 2021. Like many other institutions, the Fund had to continue adapting to the disruptions occasioned by the Covid-19 pandemic. This time round, the second lock down was imposed just before a number of new staff were expected to report for work. The Board and Management quickly put in place policies to allow for on-line reporting and the staff were taken through an induction program using the Microsoft Teams application. This amongst other actions, enabled the Fund to continue operating seamlessly under the ‘new normal’ environment.

“... THE FUND CONTINUED OPERATING SEAMLESSLY UNDER THE ‘NEW NORMAL’ ENVIRONMENT.

BEN PATRICK KAGORO
BOARD CHAIRPERSON

Major Achievements



98%
of the
deposits are
protected.



**Borrowing
Agreement**

The borrowing agreement with Bank of Uganda was signed off by the Governor. DPF will be in position to access secured short term facilities from Bank of Uganda in the unlikely event of a bank failure requiring a payout. This will ensure that the financial markets are not disrupted due to ‘fire sales’, as the Fund sources for liquidity to pay depositors.



DPF Bill

After conducting extensive stakeholder consultations, the concept note to support a stand alone DPF Bill was submitted to the Ministry of Finance, Planning and Economic Development (MoFPED). The Fund is now in the process of conducting a detailed Regulatory Impact Assessment.



**Office
Space**

The partitioning of DPF offices which had stalled due to Covid – 19 related challenges was finally concluded. The Fund now has a more conducive work environment with a secluded Board room, offices for senior staff and an open working space.



**Public
Awareness**

As part of the drive to enhance public awareness, a number of TV and radio talk shows were held. Additionally, adverts were published in print media to boost awareness of the deposit insurance limit, currently capped at UGX 10 Million.



**Better
Operations**

Following the successful recruitment of staff, the Fund started processing all payments and submitting tax returns in-house, hence reducing operational reliance on Bank of Uganda. Additionally, the process of building an internally managed portfolio commenced with a view of managing at least 50 percent of the investment portfolio in-house by the end of the FY 2021/22. This will enable the Fund reduce costs associated with paying fund management fees to external fund managers.

Board Management Portal



The Board management portal was successfully rolled out. Board meetings are being convened using the interphase, thus eliminating the risks associated with sending board papers using e-mails.

Fund Website



The DPF web-site was upgraded. The Fund is able to share more information with the public thus creating more public awareness about deposit insurance in Uganda.

Policies/ Procedures



Several policies and procedures were developed in the areas of Information Technology, Human Resources, Administration and Communications amongst others.



IADI Africa Regional Committee

On the international scene, the Fund spearheaded the drafting of Governance Rules for the IADI Africa Regional Committee. These have gone a long way in streamlining the activities of the Committee.



Strategic Partnerships

In an effort to build strategic partnerships, a Memorandum of Understanding was signed off with the Nigeria Deposit Insurance Corporation (NDIC). The agreement provides for capacity building and information sharing between the two institutions.



92%
of the Fund's workplan activities achieved

Financial Strength

The financial performance trajectory of growth has been maintained just like the previous year. Total assets grew from UGX 821 billion as at June 2020 to 1,000 billion by 30 June, 2021. Similarly, investments in Government of Uganda treasury bills and bonds grew from UGX 808 billion in June 2020 to UGX 989 billion. Treasury bills and bonds constitute 99% of the total assets. The growth in assets is mainly attributed to investment income and premiums received from Contributing Institutions. Further growth is anticipated as deposits in the sector continue to grow and, the Fund benefits from the waiver on tax levied on investment income. Albeit, growth could be affected, if the Fund has to pay out protected deposits.

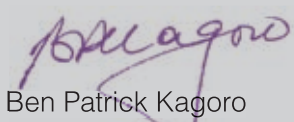
The Economy

The direct and indirect effects of the Covid-19 pandemic continued to adversely affect the pace of growth of the country's economy. With a projection of 6% for the year, real GDP grew by 3.3% in FY 2020/21, up from the revised GDP growth rate of 3.1% in FY 2019/20. The marginal expansion, although still below the projection, suggested that the country was on a recovery path from the negative impacts of the pandemic. On the demand side, economic activity stalled in the latter part of the financial year due to the extended periods of lockdown undertaken to stem the further spread of Covid-19, border closures for non-essential cargo and spillover effects of global disruptions. The resultant contraction in revenue collections and private consumption greatly affected the industrial and service sectors, especially the informal sector.

Developments in the Banking Ecosystem

Despite the challenging operating environment orchestrated by the pandemic, total assets of the banking sector increased by 10.9 percent from UGX 35.8 trillion in FY 2019/20 to UGX 39.7 trillion in FY 2020/21. Asset growth was mainly attributed to the increased holding in government securities which rose by 31.2 percent to UGX 10.1 trillion as well as gross loans and advances that increased by 7.0 percent to UGX 16.6 trillion. Total deposits grew by 8.7 percent over the last one year, from UGX 25.5 trillion to UGX 27.7 trillion. On the regulatory front, the Financial Institutions (Capital Buffers and Leverage Ratio) Regulations 2020 were gazetted in December 2020 while the Microfinance Deposit-Taking Institutions (Registered Societies) Regulations, 2020 were submitted to the First Parliamentary Counsel for gazetting.

The milestones achieved by the Fund over the past year came along with teething challenges which are usually associated with institutional establishment. Nevertheless, the Board, management and staff have remained resolute in ensuring that a firm foundation is laid for the DPF, and for this, I am very grateful. In addition to these efforts, a lot has been achieved on the back of support received from a number of key stakeholders namely; Ministry of Finance, Planning and Economic Development, Bank of Uganda, World Bank, International Association of Depositors (IADI) and sister deposit insurance agencies within the African Region. It is therefore, only befitting that I extend my sincere appreciation to all the mentioned stakeholders.


Ben Patrick Kagoro
Board Chairperson

Message from the Chief Executive Officer

Despite the disruptions occasioned by the Covid-19 pandemic, the Fund was able to finalise the recruitment of thirty four (34) new staff, bringing the total staff count to forty seven (47). This marks a major turning point in the history of the Fund as it positions itself to conclude the operationalization process. In line with the investment strategy, the Fund continued to place reliance on capital preservation and maintenance of adequate liquidity levels. These objectives were delicately balanced with the need to generate reasonable return, hence supporting asset growth.

“THE FUND CONTINUED TO PLACE RELIANCE ON CAPITAL PRESERVATION AND MAINTENANCE OF ADEQUATE LIQUIDITY LEVELS.

JULIA CLARE OLIMA OYET
CHIEF EXECUTIVE OFFICER

Financial Performance

Total Assets
22% UGX 1,000 Bn

Surplus
24.8% UGX 157 Bn

The total assets of the Fund expanded by 22 percent or UGX 180 billion from UGX 821 billion in FY 2019/20 to UGX 1,000 billion in FY 2020/21. Investments in Government of Uganda treasury bills and bonds totaled to UGX 989 billion up from UGX 808 billion posted previously, and constituted 99 percent of total assets. During the period under review, income from investments increased due to growth of the investment portfolio and favorable interest rate movements. The Fund's surplus increased by UGX 39 billion from UGX 118 billion to UGX 157 billion as at June 2020 and June 2021 respectively. The increase was largely on account of growth in interest income and annual premium contributions.

A peak into next financial year

During the next financial year, the Fund will continue to align its operations to the five (5) year strategic plan which ends in June 2022. Accordingly, emphasis will be placed on concluding the following key activities:

- 1. Formulation of a new five-year strategic plan** which will span over the period from July 2022 to June 2027. This will involve holding Board and Management retreats to brainstorm on matters of strategic importance to the Fund.
- 2. Conclusion of phase I of the implementation of the Premium Management and Deposit Payout system.** Phase II which will involve roll out of the system to Contributing Institutions will be conducted in the subsequent financial year 2022/23.
- 3. Finalisation of the Regulatory Impact Assessment (RIA)** for the proposed stand alone DPF law and submission of a cabinet paper to pave way for formulation of the new law.
- 4. Formulation of a revised communications strategy** guided by the findings of the baseline public awareness survey which will be conducted during the year. This will strengthen the on-going public awareness drive.
- 5. In-house management of at least 50 percent of the investment portfolio,** in order to reduce costs incurred as fund management fees.
- 6. Finalisation of the back stop borrowing framework** with the Ministry of Finance, Planning and Economic Development in case of a systemic crisis or failure of a number of big banks at the same time.
- 7. Implementation of a robust Financial & Human Resources Management System,** to eliminate reliance on excel sheets which are prone to human error and tighten internal controls in Financial and Human Resource Management.
- 8. Finalisation of processes to conduct internal audits and procurement** within the Fund, hence minimising operational reliance on the Bank of Uganda.
- 9. Establishment of a target fund size,** which does not compromise DPF's ability to execute its core mandate of providing deposit insurance.

Strategic Partnerships

DPF will continue to harness strategic partnerships within the African Region and beyond. To this end, a Memorandum of Understanding will be entered into with the Deposit Protection Corporation of Zimbabwe. Once concluded, this will bring the total number of MoUs signed off with other deposit insurance agencies within Africa, to three (03) including those signed off with the Kenya Deposit Insurance Corporation and the Nigeria Deposit Insurance Corporation. The Fund benefits immensely from these mutual arrangements especially with regards to capacity building and information sharing.



I take this opportunity to warmly welcome the new staff to the Fund. In the same vein, I extend my deep appreciation to the eleven (11) pioneer staff seconded from Bank of Uganda who started operationalizing the Fund from scratch. I have no doubt that the blended team will achieve even more next financial year, anchored on the core values of Transparency, Integrity and Excellence (TIE). The Board has continued to uphold best practices of Corporate Governance in providing strategic direction to the Management team. This cannot be over emphasized nor can it be taken for granted. I thank the key stakeholders who have made the dream of having an independent deposit insurance system in Uganda a reality. These include the Ministry of Finance, Planning and Economic Development, Bank of Uganda, World Bank and International Association of Deposit Insurers (IADI). Finally, I appreciate the Contributing Institutions for honouring their financial obligations through premium payments and accepting to participate in various projects intended to improve Fund operations such as; implementation of the Premium Management and Deposit Payout System and up-dating of depositors' records. I am confident that with all these concerted efforts, deposit insurance will play a more significant role in enhancing confidence in Uganda's financial sector, hence beefing up financial inclusion levels and ultimately, spur economic growth.

Julia Clare Olima Oyet
Chief Executive Officer

Board of Directors and Management Team

BOARD OF DIRECTORS

Mr. Solomon Osewe Oketcho

Mr. I.K. John Byaruhanga

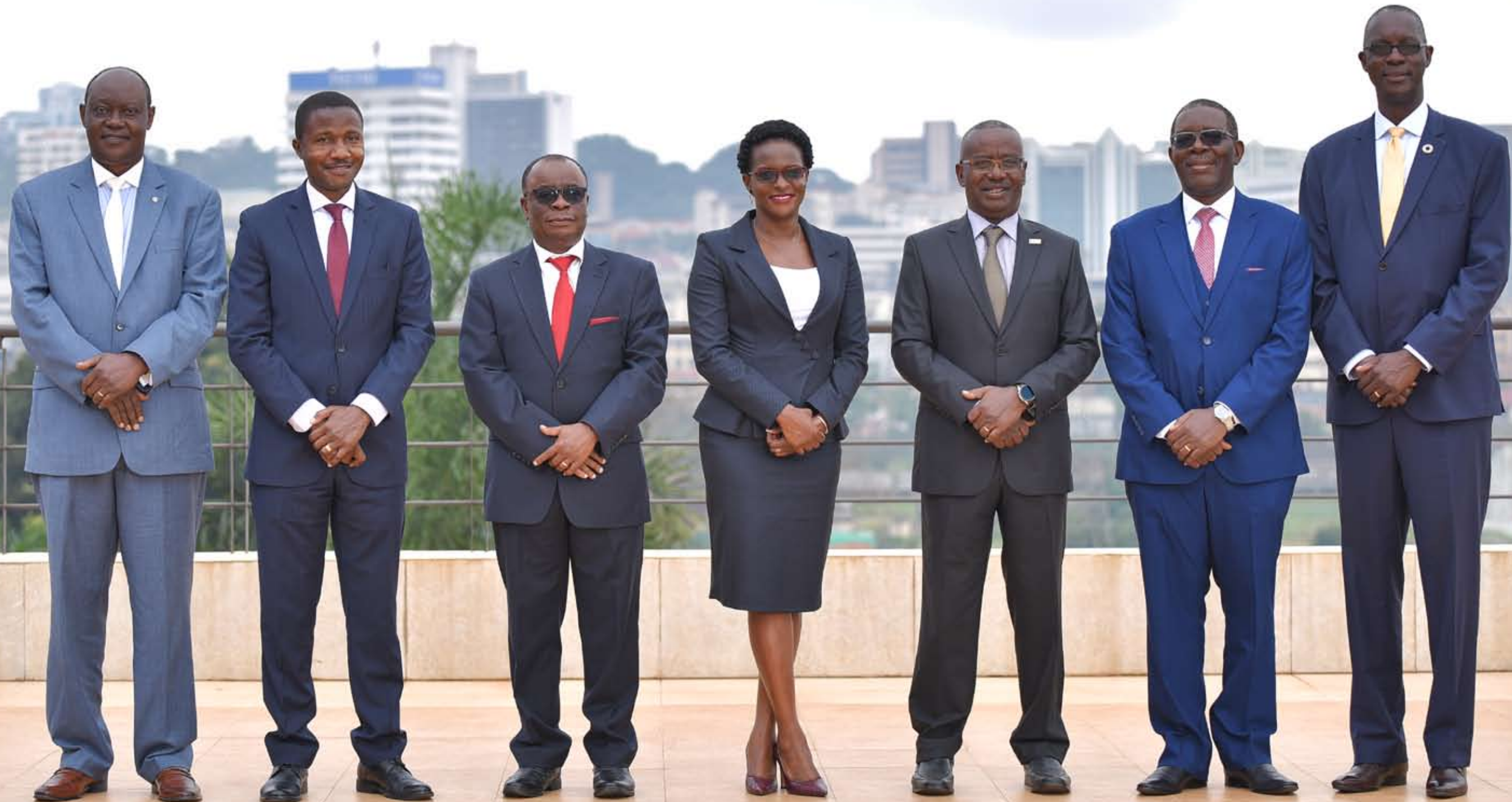
Dr. Andrew Obara

Ms. Roy Nambogo

Mr. Ben Patrick Kagoro

Mr. Emmanuel Kalema Musoke

Mr. Wilbrod Humphreys Owor



MANAGEMENT TEAM

Mr. Patrick O. Ezaga Dr. Michael Mayanja Lugemwa Mr. Alan N. Lwetabe Mr. Balaam Ssempala Mrs. Julia Clare Olima Oyet Mr. Moses Apell Odongo Mrs. Angela Kiryabwire Kanyima





“The Fund was able to finalise the recruitment of thirty four (34) new staff, bringing the total staff count to forty seven (47). This marks a major turning point in the history of the Fund as it positions itself to conclude the operationalization process.”

— Mrs. Julia Clare Olima Oyet

Corporate Governance

Regulatory Framework

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

Corporate Governance Statement

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

The Deposit Protection Fund of Uganda is committed to upholding international best practice and highest standards of business integrity, ethical values and governance. As such, the Board of Directors subscribe to the provisions of the Board Charter and Code of Conduct which emphasize the need for: accountability, transparency, integrity, compliance, confidentiality, prudence, professionalism and excellence in managing the affairs of the Fund. The high-level strategic plan put in place to drive the Fund over the period 2017 to 2022 is still in force and is to be reviewed in the second quarter of Financial Year 2021/2022. The Deposit Protection Fund of Uganda in the year under review became a Member of the Institute of Corporate Governance of Uganda. Furtherstill in line with good corporate governance principles, a Board Evaluation was conducted by Ernst & Young and the Board's overall rating in all parameters examined was ranked as outstanding.

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

The Board of Directors

Roles and Responsibilities

The Board of Directors (the 'Board') is responsible for providing oversight, insight and foresight to the operations of the Fund towards achieving the long-term success of the Fund. It is entrusted with the responsibility of setting the strategic direction of the Fund and ensuring that the required checks and balances to manage enterprise wide risks are effective. The Board provides oversight on management to ensure that the key strategic objectives are achieved within a reasonable time. These governance practices are subject to continuous review and are periodically benchmarked against the core principles of the International Association of Deposit Insurers, other deposit insurance schemes as well as other key financial sector safety net players.

Composition of the Board of Directors

The Board is comprised of seven Non-Executive Directors (NEDs), including the Chairperson of the Board.

The Board members are appointed by the Honourable Minister of Finance, Planning and Economic Development. They include the Chairperson, representatives of the Governor of the Central Bank, Secretary to the Treasury, contributing institutions as well as the general public. With the exception of the representatives of the Governor and the Secretary to the Treasury, all the other Members of the Board hold office for a term of five (5) years and are eligible for re-appointment for one further term. The Board members possess a wide range of professional knowledge, qualifications, skills and experience.



The profiles of each member of the Board along with the number of Committee Membership(s)/Chairpersonship(s) and date of joining the Board are provided herein and summarized in Table 5.1.

Ben Patrick Kagoro
Chairperson - 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 The Institute of Chartered Secretaries and Administrators (ICSA), The Institute of Certified Public Accountants of Uganda (ICPAU) and an Associate Member of Chartered Management Accountants (ACMA).

Kagoro has extensive experience in Central Banking, Investment Management, Private Sector and Not for Profit Organizations. He has previously served as the President of the Institute of Certified Public Accountants of Uganda (ICPAU) and Chairperson of the Public Accountants Examinations Board of Uganda. 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 become the Executive Director Finance, a position he held until retirement. Following his retirement, he was contracted by Bank of Uganda as an Advisor Operations and Accounts in charge of setting up the Accounting and Management Systems of the Petroleum Investment Reserve Fund.

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

He is also the Chairperson of the Quality Assurance Board of the Institute of Certified Public Accountants of Uganda, Chairperson of Board of Directors Eagle Air Uganda Ltd, and also Chairs the Board Audit Committee of CASE Medical Centre.



Solomon O. Oketcho

Non-Executive Director

Chairperson - GHRC

Member - TCDP

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

He joined Bank of Uganda in October, 1992 and has served in different capacities rising through the ranks to the level of Executive Director Administration, a position he held from September 2013 to October 2020 when he was appointed the Executive Director Risk and Strategy Management. 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 the Chairperson of Uganda Timber Growers Association of Uganda, a Board Member at Fairways Primary School, Kireka, Alliance Global College, Arua, and a former member Board of Trustees of the Bank of Uganda Defined Benefit and Defined Contribution schemes.



I.K. John Byaruhanga

Non-Executive Director

Chairperson - ACB

Member - GHRCB

He holds a Master of Public Administration in Economic Policy Management, Columbia University, USA and a Bachelor of Sciences (Economics), Makerere University. Byaruhanga has wide experience in public policy formulation with a focus on economic development policy formulation and implementation. He is currently the Acting Commissioner, Tax Policy Department of the Ministry of Finance, Planning and Economic Development, which is responsible for formulation and review of tax policies to achieve economic policy goals and objectives. Prior to his current position, Mr. Byaruhanga held the position of Acting Commissioner Financial Services at the Ministry of Finance, Planning and Economic Development, where he was responsible for formulation and review of policies, legislation and programmes for financial sector development in Uganda.

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



Dr. Andrew Obara
Non-Executive Director

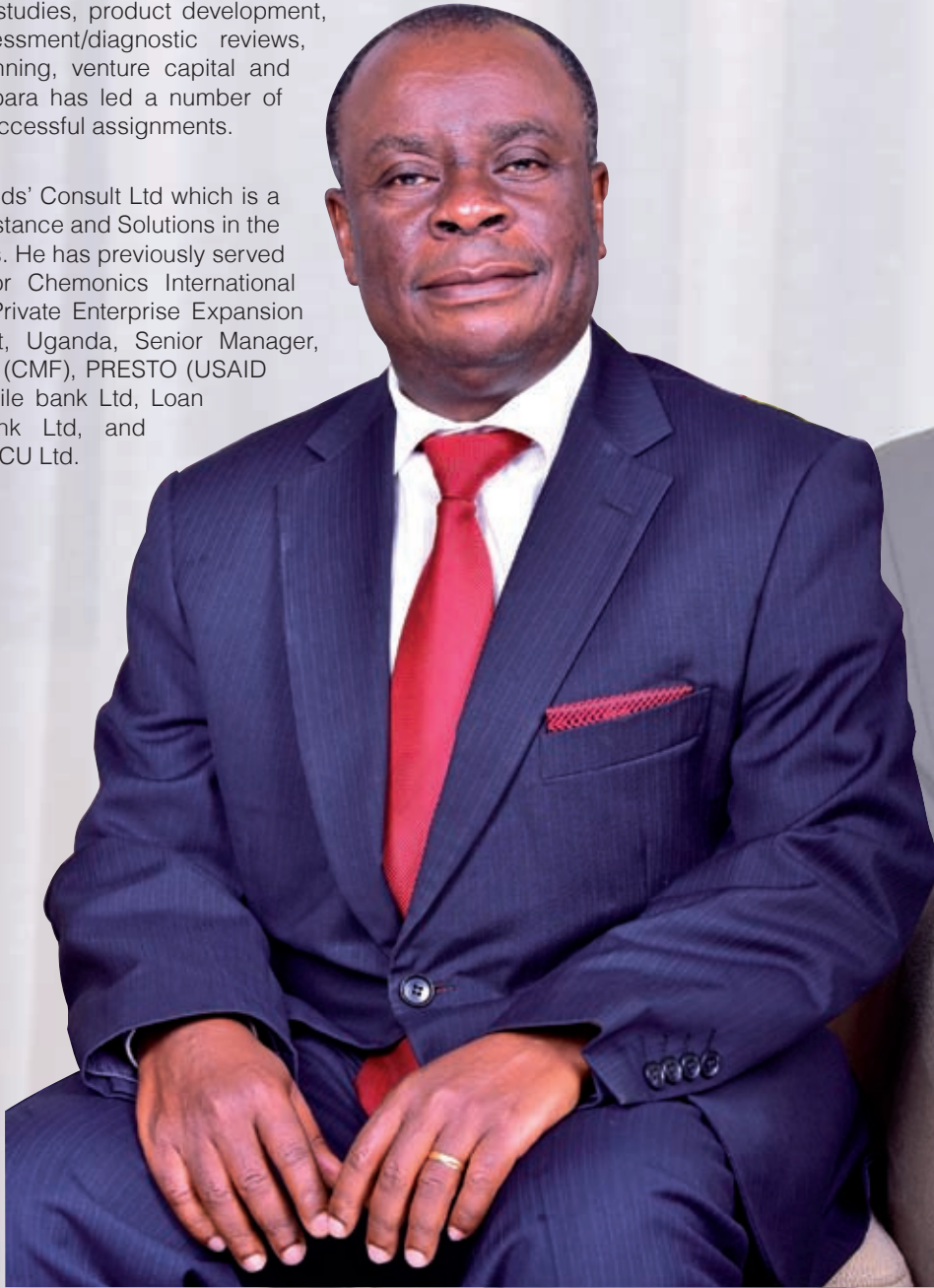
Chairperson - FIRMCB

Member - TDCP

Member - ACB

He holds a PhD from Washington International University in the field of Entrepreneurship and Business. He also holds an MBA (Finance) from the Almeda College & University, Boise Idaho, USA, a Certified Diploma in Finance & Accounting from the Association of Chartered Certified Accountants and Bachelor of Arts (Economics) from Makerere University. He has 30 years practical and senior level experience in the areas of banking/finance, microfinance capacity building, risk management, 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. Dr. Obara has led a number of diverse teams that have executed successful 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 (SPEED) Project, Uganda, Senior Manager, Centre for Micro-enterprise Finance (CMF), PRESTO (USAID Project), Chief Manager (Credit) –Nile bank Ltd, Loan Administration Manager, Nile Bank Ltd, and Principal Operations Executive at DFCU Ltd.



Wilbrod Humphreys Owor
Chairperson - TCDPB

Member - FIRMCB

He holds an MBA majoring in Strategic Management from the East & Southern Africa Management Institute Arusha and Maastricht School of Management (ESAMI/MSM) Netherlands 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 at 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) at Barclays Bank of Uganda (now Absa Bank Uganda).



Emmanuel Kalema Musoke

Member - FIRMCB

Member - ACB

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.

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

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



Nambogo Roy

Member - GHRCB

Member - TCDPB

Member - FIRMCB

She holds a Post Graduate Diploma in Legal Practice from Law Development Centre and a Bachelor of Laws degree (LLB) (Honors) from Uganda Christian University, Mukono. She is an Advocate of the High Court of Uganda and all Courts subordinate thereto. She is also a member of the Uganda Law Society, East African Law Society, and International Bar Association.

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

She is also a Board member of Heart of Child Uganda and Environmental Alert Uganda.



Table 5.1: Composition and Membership of the Board and Board Committees

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

KEY

ACB – Audit Committee of the Board

FIRMCB – Finance, Investment and Risk Management Committee of the Board

GHRCB – Governance and Human Resource Committee of the Board

TCDP – Technical Committee on Deposit Protection

Secretary to the Board

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

The Functions and Duties of the Board

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

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

a) The Board of Directors’ Charter and Code of Conduct

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

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

b) Meetings of the Board

As per the Board Charter, the Board meets at least once a quarter. Special meetings are convened as and when required. In total, the Board and Committee meetings held during the period under review were forty two (42). The highest number of meetings were held by the Governance and Human Resources Committee which was charged with interviewing new staff. The attendance was as indicated in the table below:

Table 5.2: Attendance of the Board and Board Committees for year ended 30 June, 2021

BOARD OF DIRECTORS	BOARD MEETING	FIRMCB	GHRCB	TCDP	ACB
Mr. Ben Patrick Kagoro	10/10	n/a	n/a	n/a	n/a
Mr. Solomon O. Oketcho	9/10	n/a	18/18	4/4	n/a
Mr. Andrew Obara	10/10	8/8	n/a	4/4	2/2
Mr. Wilbrod Humphreys Owor	9/10	7/8	n/a	4/4	n/a
Mr. Emmanuel Kalema Musoke	10/10	8/8	n/a	n/a	2/2
Ms. Roy Nambogo	10/10	8/8	18/18	4/4	n/a
Mr. I.K. John Byaruhanga	7/10	n/a	10/18	n/a	2/2



Remuneration of Directors

MONTHLY RETAINER

Chairperson
UGX 3,000,000

Other Directors
UGX 2,600,000

SITTING ALLOWANCE

Chairperson
UGX 1,000,000

Other Directors
UGX 750,000

Board Committees

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

- i) Governance and Human Resource Committee of the Board (GHRCB);
- ii) Finance, Investment and Risk Management Committee of the Board (FIRMCB);
- iii) Audit Committee of the Board (ACB); and
- iv) Technical Committee on Deposit Protection (TCDP).

Governance and Human Resource Committee of the Board (GHRCB)

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

Audit Committee (ACB)

The ACB is composed of three Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is Secretary to the Committee. The Chief Executive Officer attends the Committee meetings as ex-officio, while other senior staff members and consultants may attend by invitation. 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 relevant laws.

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

FIRMCB is composed of four Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is Secretary to the Committee. The Chief Executive Officer attends the Committee meetings as ex-officio, while other senior staff members and consultants may attend by invitation. The meetings are held at least once every quarter. Special meetings are convened as and when necessary. The Committee considers and reviews proposed budgets and work plans, virements, business cases for new projects and the financial statements of the Fund. In addition, the committee reviews matters related to funding, liquidity, investment and enterprise-wide risk management.

Technical Committee on Deposit Protection (TCDP)

The TCDP is composed of four Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is secretary to the Committee. The Chief Executive Officer attends the Committee meetings as ex-officio, while other senior staff members and consultants may attend by invitation. The roles and responsibilities of the Committee include formulation, review and monitoring implementation of pay-out procedures as well as ensuring that the said procedures are in conformity with the IADI (International Association of Deposit Insurers) core principles. Additionally, the committee oversees the formulation, review and implementation of the legal framework of the Fund. It further reviews the adequacy of deposit coverage and closely monitors developments in the financial sector through reports shared by Bank of Uganda. The committee advises on strategic partnerships intended to enhance the operations of the Fund. Meetings are held quarterly or as and when there is business to be discussed.



Profiles of Management Team

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

During the period under review, four (4) new staff joined the Management Team at the Fund. These included the Board Secretary & Head Legal Affairs, Head Communications, Head Finance & Business Operations and Head Investments. Respective profiles of the Management team are below.

Julia Clare Olima Oyet

Chief Executive Officer

Julia Clare Olima Oyet is the pioneer Chief Executive Officer of the Deposit Protection Fund of Uganda (DPF). She has been very instrumental in the establishment and operationalization of DPF from its inception. She is an ardent propagator of deposit protection/insurance and has been at the forefront of its entrenchment in the financial sector fabric of Uganda.

She is currently pursuing a Doctorate Degree in Business Administration at Herriot Watt University (UK) in the field of financial inclusion. She holds a Masters degree in Business Administration with a Distinction, from the same institution. She is a Fellow of the Association of Chartered Certified Accountants, UK (ACCA) and a member of the Institute of Certified Public Accountants of Uganda (ICPAU). Oyet holds a Bachelors degree in Business Administration and Management with specialization in Accounting and Finance from Uganda Martyr's University, Nkozi.

Mrs. Oyet is the General Secretary of the Africa Regional Committee of the Regional Chapter of the International Association of Deposit Insurers (IADI), a role she assumed in 2018. She also served as the Chairperson of Finance, Planning, and Investment Committee of Busitema University Council. Mrs. Oyet started her career with M/S Ernst & Young before joining Bank of Uganda as a Bank Supervisor. She served in the Bank Supervision Function for over ten (10) years, before joining the Internal Audit and Accounts Departments of the Bank of Uganda.



Balaam Ssempala

Head Information Technology



As Head of Information Technology, Mr. Ssempala is responsible for driving the functional and operational delivery of IT services in line with the Fund's strategic objectives. Prior to joining the Fund in February 2018, Balaam served for over 20 years in Bank of Uganda within the Information Technology Department in various capacities. Balaam is responsible for overseeing the Premium Management and Depositor Payout System as part of single customer view project.

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

Patrick O. Ezaga

Head Communications

Ezaga oversees the Fund's internal and external communications strategy with emphasis on brand development and visibility, creating and enhancing public awareness and maintaining a robust communications and public relations function at the Fund to facilitate engagement with all stakeholders of the nascent but fast growing DPF.

Patrick joined the Fund in May 2021 as the Head Communications Department. He has garnered over 15 years of experience in corporate communications, public relations, marketing, events planning and execution, market research and consultancy having worked in reputable public and private sector organizations. He was the Senior Communications/ Public Relations Officer of the National Bureau for Non-Governmental Organizations in the Ministry of Internal Affairs. Before that, he was the General Manager of Emmaus Foundation, an established philanthropic and developmental not-for-profit entity running various projects in education and health sectors. He established a robust Public Relations/Communications function as the pioneer Public Relations Officer of Makerere University Business School and spearheaded the establishment of three upcountry branches of the institution. He started his career as the Chief Regional Sales Representative for Oxford University Press.

Patrick holds a Master of Business Administration degree specializing in Marketing from Makerere University. In addition, he holds a Bachelor of Human Resources degree and Higher Diploma in Marketing from the same institution.



Moses Apell Odongo

Head Human Resource & Administration

Mr. Moses Apell Odongo joined the Fund in May 2018 as the Head of Human Resources and Administration. In his role, Moses is responsible for designing the strategy for effective human resource management at the Fund. He is also charged with the responsibility of developing and administering programs, policies and procedures which build a corporate culture that enhances achievement of the Fund’s strategic goals and mandate.

Moses has 15 years of experience in human resource management in Bank of Uganda where he worked in different offices of the Human Resources department between 2004 and 2018. Before joining the Bank of Uganda, he worked with Stanbic Bank Uganda Limited.

He holds a Master of Business Administration (Distinction) with a specialization in Finance and a Bachelor’s degree in Economics and Computer Science (first class) from Uganda Martyr’s University, Nkozi. In addition, he attained a Certified Strategic Human Resource Manager (CSHRM) certification.



Dr. Michael Mayanja Lugemwa

Head Finance and Business Operations

Dr. Michael M. Lugemwa joined the Fund in May 2021 as the Head Finance and Business Operations. Michael has 12 years’ experience in finance, accounting and auditing in both the private and public sectors. He is responsible for the financial planning, accounting & reporting and technical aspects of deposit insurance in the Fund. He also oversees the Fund’s strategy and risk management framework.

Before joining the Fund, Dr. Lugemwa served at Uganda National Roads Authority (UNRA) as Manager Accounts for a period of close to five years. Before that, Michael was an Auditor in the Office of the Auditor General for half a decade. Dr. Lugemwa also worked at Stanbic Bank Uganda Limited as Officer Financial Accounting.

He holds a PhD in Accountancy from North-West University (South Africa), a Master of Science Degree in Oil and Gas Accounting with distinction, from Robert Gordon University (United Kingdom) and a Bachelor of Commerce (Accounting) degree with a first class, from Makerere University Kampala (Uganda). He is a Certified Public Accountant (CPA) of Uganda, a Certified Fraud Examiner (CFE) with the Association of Certified Fraud Examiners (USA) and a PECB Certified ISO 31000 Lead Risk Manager.



Angela Kiryabwire Kanyima

Head Legal & Board Affairs

Angela provides leadership of the Legal and Board Affairs Department of the Fund. She gives legal advice to the Board of Directors, the CEO and Heads of Department on matters pertaining to statutory mandate, regulatory matters, organizational actions and formal compliance of the Fund with applicable laws and regulations.

Mrs. Angela Kanyima joined the Fund as the Board Secretary & Head Legal Affairs in December 2020. Angela served as the Director, Legal and Board Affairs at the Capital Markets Authority (CMA) between 2008 and 2020 before joining the Fund.

Angela is a seasoned lawyer with over 20 years of work experience in Legal Advisory Services, litigation, public administration, and enforcement of regulatory compliance. Angela has had considerable litigation experience with the Ministry of Justice and Constitutional Affairs (Attorney General’s Chambers) where she worked between 1994 and 2008. During her service, she rose to the level of Ag. Commissioner Civil Litigation.

Angela holds a Master of Laws degree (with merit) in Development from the University of Warwick in the United Kingdom. She completed the Bar Course/ Post Graduate Diploma in Legal Services from the Law Development Center (LDC). Before LDC, Angela attained a Bachelor of Laws degree (Upper Second Class) from the University of Dar-es-salaam, Tanzania. Angela currently sits on and has served on several Boards of Directors, and she is a member of several professional and social associations.



Alan N. Lwetabe

Head Investments

Alan N. Lwetabe, (CFA, CAIA, CIPM) joined the Fund on July 01, 2021, in the capacity of Head Investments. He joined the DPF from the Central Bank of Uganda where he was an Assistant Director in-charge of foreign reserves management. Prior to that, he was the lead portfolio manager at the Bank of Uganda responsible for managing a G7-focused portfolio invested in global bonds, FX and interest rate strategies.

At the Fund, Alan oversees the Fund’s investment programs including research, evaluation and selection of investment vehicles which are aligned to the Fund’s goals and risk tolerance. He is responsible for ensuring that investment decisions made by the Fund are prudent, appropriate and reasonable. He is further charged with managing the Investments team and monitoring all aspects of the Fund’s pool of financial assets. He brings to the Fund, wide-ranging investment experience and technical skill in financial analysis, portfolio management and macroeconomic analysis gained in his different capacities at the Central Bank.

Alan trained as an economist and is an investment professional with over 15 years’ experience in the industry. Over the years, he has developed deep expertise in advising institutional investors in managing pension assets, helping asset owners navigate private markets, real estate investment and structured debt transactions.

He holds a Master of Arts (MA) and Bachelor of Arts (BA) in Economics from Makerere University – Kampala. He further holds the highly regarded Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA) qualifications. Alan is a board member of the CFA Society East Africa and a regular member of the CFA Institute, USA and CAIA Association, USA. He currently serves as a Member of the Steering Committee of the Global Industry Standards (GIS) at the CFA Institute. He is also a Board Member, Deputy Treasurer and Chairperson, Advocacy Committee at CFA Society East Africa.



6 Key Capacity Development Activities

Employee Capacity Building: Learning and Development Activities

The Fund provides the Board and staff with opportunities for personal and professional growth through learning and development activities. However, during the period under review, Uganda was affected by COVID-19 and when the virus was confirmed in March 2020, the Government of Uganda declared the first lockdown with effect from March 18, 2020 to counter the spread of Covid-19 hence, learning and capacity building activities at the Fund have been affected.

Globally, several capacity building activities were suspended or cancelled. Those activities that involved physical congregation of participants were most adversely affected while online training was the least affected. Technology is therefore, becoming the main driver for skills planning, and other strategies required to survive the negative effects of the COVID-19.

Capacity development at the Deposit Protection Fund was not spared from the effects as well. Most of the planned activities had to be put on hold or cancelled.



Meetings and Conferences: Technical Assistance Workshops

DPF is a member of the International Association of Deposit Insurers (IADI) which is a forum where Deposit Insurers from around the globe convene to share knowledge and expertise in various areas related to deposit insurance. During the period, no physical meetings and conferences were attended by staff or Board members. Staff were however, able to participate in online activities such as webinars organized by IADI or its affiliates such as the Africa Regional Conference (ARC).

Study Visits and Inter-agency Co-operation

Staff and Board members were unable to participate in study visits or inter-agency co-operation activities due to travel restrictions and stringent measures put in place to check the spread of COVID-19.

Professional Development programs

The Fund facilitates staff to attend a range of specialized short training programs intended to improve their knowledge, competencies, skills, and effectiveness in their specific professional fields. During the period under review, two (2) staff attended professional programs in their respective areas of expertise. The program titled 'Value Creation and Development Beyond Covid-19', was conducted by the Institute of Certified Public Accountants of Uganda (ICPAU). The Fund continued facilitating staff with regards to their Continuous Professional Development initiatives such as payment of various subscriptions to professional bodies.

Corporate Governance

As part of professional development in Corporate Governance, members of the Board of Directors were able to attend an online program which was intended to equip participants with new perspectives on how organizations operate.



Risk Management and Compliance

Governance structure

The Board of Directors is responsible for the oversight of the Fund's Risk Management Framework. In addition, the Board is responsible for setting the risk appetite of the Fund. The role of implementing the Fund wide risk management process is delegated to management which ensures smooth running of the Fund. The Risk and Compliance Division which is under the Finance and Business Operations Department facilitates and co-ordinates this process.

The Fund's Risk Management practices are based on the ISO 31000 Framework and the International Association of Deposit Insurers (IADI) core principles. The risk oversight and management practices are integrated with strategy development, implementation and monitoring. This enables the Fund to effectively optimize its resources within budget constraints.

Leadership and Accountability

The Fund's leadership demonstrates visible commitment to risk management through the continuous support rendered during implementation of sound risk management practices across different departments. Education and training to ensure an appropriate awareness of roles, responsibilities and accountabilities is conducted for all employees and Fund-wide risk reporting to the Board is conducted on a quarterly basis. The Board approved an Enterprise-wide Risk Management (ERM) framework to guide all risk management activities of the Fund. The development of a risk procedures manual is ongoing and once completed shall fasten the process of allocating responsibilities.

Risk Matrix

As provided for in the Risk Management Framework, the Fund prepares a risk matrix on a quarterly basis, that is based on a multiplicative model. The likelihood of each risk and its potential impact to the Fund is assessed to ascertain the overall level of risk. The direction of risk is assessed as either stable, increasing or decreasing, depending on various underlying factors. In addition, the trend of risk is monitored using an evolution chart. According to the risk assessment that was conducted as of 30 June, 2021, the highest risks to the Fund were: Payout risk and the Covid-19 health risk. These risks have continued to be high from the previous financial year 2019/2020. See risk matrix below:

The highest risks to the Fund were: Payout risk and the Covid-19 health risk

Table 7.1: Risk Matrix as of 30 June, 2021

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

Key:

High Moderate Low

Evolution of Risk

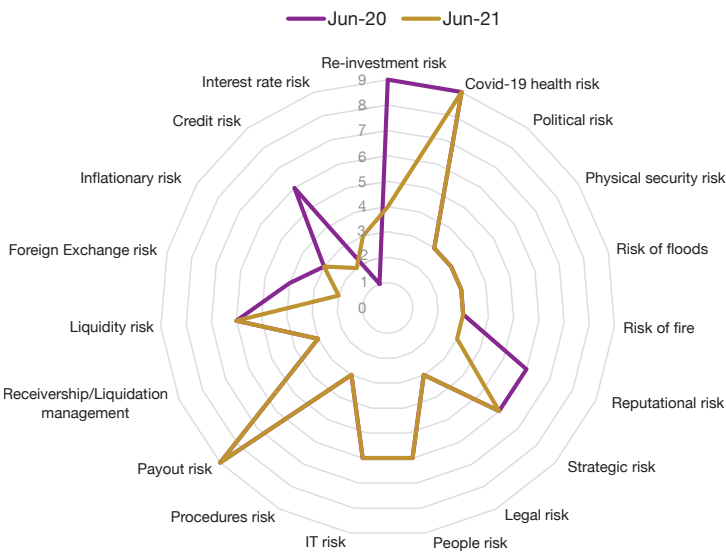
The overall rating for most of the key risks remained unchanged since 30 June, 2020, albeit two risks prevalently stood high as explained below:

The Covid-19 health risk continued not only to affect the operations of the Fund but the economy at large. In response, the Fund designed adequate policies and measures to support and facilitate staff working from home. Specific guidelines for staff who were allowed to work from office were put in place and followed. These included sanitizing facilities, social distancing measures, use of masks, temperature guns and transporting staff to and from office when there was restricted vehicle movement, among others. Additionally, staff were encouraged to boost their immunity levels, keep physically fit, conduct covid tests when exposed to the virus and take vaccinations.

Pay out risk is the risk that DPF may not be in position to pay off depositors within 90 days as stipulated in the FIA 2004 as amended. Although the risk is high, the journey to mitigate it commenced with the development of a comprehensive procedures manual for handling the depositor pay-out process. In addition, the Fund is spearheading the process of ensuring that depositors update their personal records with their respective financial institutions. This includes providing their bankers with their National ID information and

alternative modes of payment in the unlikely event of a bank closure requiring a payout. As of 30 June, 2021, approximately 74 percent of account holders had updated their personal information. Furthermore, the Fund is in the process of rolling out the Premium Management and Depositor Payout System to collect, analyze, sort, clean and store data for purposes of swiftly computing and paying the protected deposits. The go-live date of this system is December 2021, as such, the direction of this risk is stable.

Figure 1: Evolution of overall risk score



The diagram above illustrates the evolution of risk over a twelve (12) months period, from June 2020 to June 2021. The purple and gold lines represent the risk levels as at June 2020 and June 2021 respectively. An outward movement in the red line indicates an increase in risk, while the reverse reflects a reduction in risk levels. Where there is no movement, it means the risk level remained unchanged. For instance, the diagram shows that pay out risk and Covid 19 health risk remained high (9) rating while reinvestment risk reduced to moderate levels. The payout risk remained high because the Fund is in the process of rolling out a Premium Management and Depositor Payout System, while the Covid -19 risk remained high as a result of the second wave of the Covid 19 pandemic as explained above.

Internal Controls and Compliance

In addition to the existing policies and procedures, the Board approved several other policies and procedures in the FY2020/2021 to guide the day-to-day operations of the Fund and ensure compliance with laws and regulations. These included: -

Human Resources & Administration Policy and Procedures Manual.

A Remote Access Policy which defined the requirements for connecting to the Fund’s network with the use of remote access technologies.

A Whistle Blowing Policy which provided for whistleblowing by both insiders and parties external to the DPF. It highlights the procedures to be followed when conducting investigations, making disclosures, and managing whistleblowers who are not staff amongst others.

IT Change Management Policy which outlined the responsibilities, procedures, and processes to be followed when making changes to the IT production environment.

Project Quality Assurance Policy, to ensure that the Fund obtains value for money from IT projects.

A revised Investment Policy to provide for a market-based performance benchmark and consequences for failure to comply with the risk limits stipulated in the Investment Policy.

A Media Relations Manual to operationalize the media relations policy and other related communications policies.

To build a compliant culture amongst staff, the Fund carries out upfront induction trainings for all new staff. This helps to shorten the learning curve and mitigate the “I did not know” syndrome. The Fund further periodically communicates the available policies and procedures to staff and arranges for frequent staff training on the substance in the policies.

Code of Ethics

The staff of the Fund are committed to the highest ethical standards of Transparency, Excellence, and Integrity (TIE) in all their behaviors. There is a formal code of conduct that intuitively supports adherence to the stipulated provisions. This further helps in avoiding activities and financial interests which could give rise to conflict of interest with staff responsibilities.

Deposit Payout & Premium Management System Workshop with some staff of Contributing Institutions - April 12-15, 2021



Achievements

Recruitment of new staff

The recruitment of the new staff was concluded with interviews conducted by the Human Resource and Governance Committee of the Board. The first batch of the successful candidates reported for duty on May 3, 2021. The subsequent batches reported towards end of financial year. A joint on-line induction was held on July 1, 2021. The Fund's staff count now stands at 47 up from 13 last financial year.

Borrowing agreement with the Bank of Uganda

The borrowing agreement with Bank of Uganda was concluded. The document was signed off by the Governor, Bank of Uganda. DPF will access short term liquidity support from the Bank of Uganda at the Central Bank Rate. The treasury bills that will be pledged as collateral for the loan will be valued at market rate. No discount/haicut shall be applied to the market value of the pledged treasury bills.

Office partitioning concluded

The office partitioning project which had stalled due to Covid – 19 related challenges was finally concluded. In line with the contract, the project is under the warranty period. The Fund now has a secluded Board room, offices for senior members of staff and an open working space.

Procurement of a health insurance service provider

The procurement of a health insurance service provider was concluded. The Board and Staff members were issued insurance cards and provided with a list of service providers to use. Services which are not covered by the insurance provider are met directly by the Fund.

Annual Report & Financial Statements

The Annual Report and Financial Statements of the Fund for the FY 2019/20 was finalised. The report was submitted to the Minister of Finance, Planning and Economic Development within the timeframe stipulated in the FIA 2004, as amended.

Secured in-house resources

The Fund has secured in house resources with expertise in fund management. The team has started building an internally managed investment portfolio. The strategy is to have 50 percent of the investment portfolio managed in-house by the end of the FY 2021-22, to reduce on fund management fees.

DPF now a Chamber

The DPF Legal Department was approved by the Law Council as a Chamber under Regulations 4 and 5 of The Advocates (Inspection and Approval of Chambers) Regulations, 2005. The in-house lawyers of the Fund can represent the Fund in courts of law. Relatedly, DPF gained membership to the Institute of Corporate Governance of Uganda.

Upgraded the DPF website

The DPF web-site was upgraded. The Fund is able to share more information with the public thus creating more public awareness about deposit insurance in Uganda.

In-house payment processes

The Fund put in place processes to effect payments to staff and suppliers, in-house. This included filing monthly WHT and VAT returns related to the payments.

Rolled out the Board management portal

The Board management portal was successfully rolled out. Board meetings are now held using the interphase thus eliminating the risks associated with sending board papers using e-mails.

Revised the Investment Policy

The Investment Policy was revised to provide for a market-based performance benchmark and consequences for failure to comply with the risk limits stipulated in the Investment Policy.

Developed several policies and procedures

Several policies and procedures were developed. These included the Human Resources & Administration Policy and Procedures Manual; a remote Access Policy; a whistle blowing policy; IT Change Management Policy; Project Quality Assurance policy; a policy on the internal recruitment of staff; Drafted Crisis Management plan; I.T Operations manual; small projects management document; drafted a Documents Management Policy; Premium and expenditure management policies and procedures; Procurement and Disposal policy; a media relations manual among others.

A Concept note to support the DPF Bill submitted to the MoFPED

After conducting stakeholder consultations, the concept note to support the stand alone DPF Bill was submitted to the Ministry of Finance, Planning and Economic Development (MoFPED). The Fund is now in the process of conducting a detailed Regulatory Impact Assessment.

Finalized the Pension Scheme terms and conditions

Terms and conditions under which the Pension Scheme will operate were finalized. This included the percentage contributions which the DPF and staff would make to the scheme as well as, the replacement ratio amongst others.

Successfully conducted a CSR activity at Mildmay

In line with the Corporate Social Responsibility Policy, DPF donated beds, mattresses and oxygen cylinders to Mildmay Hospital Uganda in response to the Covid-19 pandemic. This followed an appeal to the public to support the country in containing the pandemic.

Developed cybersecurity risk management capabilities

The Fund developed cybersecurity risk management capabilities and methodologies in accordance with the framework for improving critical infrastructure cybersecurity. This will assist in identifying the various information assets that could be affected by a cyber-attack and how it can be managed.

Launched the IADI - FSI online platform

In order to enhance capacity building in deposit insurance, the IADI - FSI on-line learning platform was launched. The Fund has registered 25 users on the platform and plans are underway to register the remaining staff and Board members. Staff have embraced the use of the on-line learning platform.

Signed off the MOU with the NDIC

The MOU with the Nigeria Deposit Insurance Corporation (NDIC) was signed off. The agreement provides for capacity building and information sharing between the two institutions.

Prepared quarterly reports for the Board

Various quarterly reports were prepared for the Board. These included reports on; investment performance, state of the financial sector, budget performance and progress with the Single Customer View project, amongst others.

Procurement of external fund management services

Procurement of external fund management services for a one-year period was concluded. M/s Sanlam Investments will continue to provide services to the Fund, however, M/s Genafica was replaced by M/s Britam.

DPF spearheaded the drafting of Governance Rules for the IADI Africa Regional Committee.

These will help define the purpose and structure of the committee, in addition to setting out the working arrangements.

The Year Ahead

In line with the 5-year strategic plan and the annual workplan for the FY 2021/22, DPF intends to accomplish the following activities.

Formulate a five-year strategic plan (FY2022-2027) for the Fund. This will involve holding Board and Management retreats to brainstorm on matters of strategic importance.

Conduct a baseline communications survey and formulate a comprehensive Communications strategy. This will amongst others strengthen the on-going public awareness drive.

Conclude phase one of the implementation of the IT Payout and Premium Management system. Phase 2 which will involve roll out to Contributing Institutions will be conducted in the subsequent financial year.

Conduct the Regulatory Impact Assessment (RIA) for the proposed stand alone DPF law and present a Cabinet Paper to pave way for formulation of the new law. In order to create awareness about the role of the DPF, a sensitization workshop with Members of Parliament will be held.

Finalise the back stop borrowing framework with the Ministry of Finance, Planning and Economic Development.

Manage at least 50 percent of the investment portfolio internally. This will reduce costs incurred in fund management fees.

Formulate an MOU with the Deposit Protection Corporation (Zimbabwe), as part of the efforts to strengthen strategic partnerships.

Review the investment policy with a view of increasing investment return, without compromising on the key objectives of safety and liquidity.

Put in place core IT infrastructure, strengthen the IT firewall and prepare a disaster recovery site at the Bank of Uganda.

Establish a target fund size for the DPF, which does not compromise its ability to execute the core mandate of providing deposit insurance.

Conduct on-site examinations with the regulated Contributing Institutions (CIs). These will place emphasis on ascertaining whether depositor records are updated for purposes of payout.

Continue to develop policies and procedures in the areas of IT, Human Resource Management, Investment, Risk and Communications amongst others.

Implement a robust Financial & HR Management System. This will eliminate reliance on excel sheets which are prone to human error and tighten internal controls in Financial and Human Resource Management.

Put in place systems to manage internal audits and procurements in-house. This will go a long way in minimizing reliance on Bank of Uganda for operational support.



Breakfast Meeting - Draft Principles Paper to Enhance the DPF Legal Regime - April 20, 2021



Head Legal & Board Affairs Mrs. Angela Kiryabwire Kanyima (seated fifth) and CEO Mrs. Julia Oyet (seated sixth), pose for a photo with participants.



Macro-Economic Developments and prospects

GDP 
3.3%

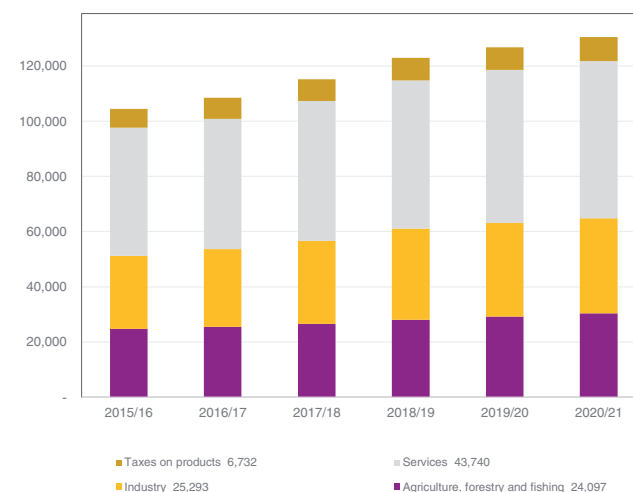
Economic Activity

The preliminary estimates of the Gross Domestic Product (GDP) from the Uganda Bureau of Statistics, indicate that the economy grew by 3.3 percent during the financial year (FY) 2020/21 compared to the revised 3.0 percent registered in the FY 2019/20. The size of the economy in nominal terms increased to UGX 148,278 billion in the same period from UGX 139,711 billion in 2019/20.

Table 10.1: Percentage growth of GDP at market prices

Financial Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
GDP growth (%)	5.2	4.8	3.8	6.2	6.8	3.0	3.3

Figure 10.1: Gross Domestic Product by economic activity



Source: Uganda Bureau of Statistics

The services sector remained the biggest contributor to GDP, although this was affected by negative growth posted in the Education, Trade & Repairs, and transport sectors. Furthermore, contraction in private sector investment persisted, partly reflecting heightened Covid-19 induced uncertainties.

Bank of Uganda projects that the real GDP growth outlook remains unchanged at 4.0-4.5 percent in FY2021/22. Nonetheless, recovery is expected to strengthen as vaccine effectiveness increases and the risks of future lockdown are minimized.

However, the major risks to this outlook remain a resurgence of the Covid-19 pandemic and conceivably more contagious variants which could see domestic demand dented. Moreover, the rising public debt necessitates fiscal consolidation to keep public debt on a firm downward path.

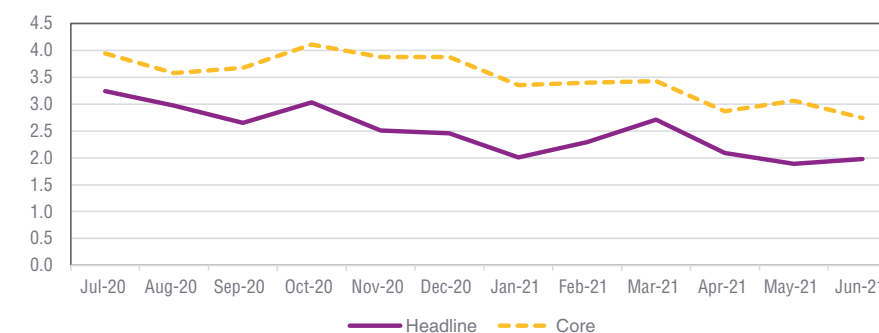
Monetary Policy and Inflation

Monetary policy remained expansionary/accommodative throughout the financial year, given the considerable excess capacity in the economy, sectoral unevenness of economic recovery, and a weak level of business investment. As such, the Central Bank Rate (CBR) was maintained at 7% throughout the financial year and revised further downward to 6.5% in June 2021.

Inflation remained subdued throughout the financial year. UBoS rebased and re-weighted the Consumer Price Index (CPI) basket to 2016/17 from 2009/10 which led to inflation being lower than earlier outturns. With the rebased CPI, headline and core inflation stood at 2.0 percent and 2.7 percent respectively for the 12 months to June 2021.

On the other hand, the Annual Average Headline Inflation for the Financial Year (FY) 2020/21 rose to 2.5 percent, up from 2.3 percent in FY 2019/2020 attributed to the rise in annual average core Inflation that rose to 3.5 percent for FY 2020/21, up from 2.3 percent in FY 2019/2020. However, the annual average inflation for food crop and related items as well as for energy fuels and utilities (EFU) decreased to minus 4.3 percent for FY 2020/21 down from 3.7 percent in FY 2019/2020 and to 0.9 percent in 2020/21 down from 1.5 percent in 2019/2020 respectively.

Figure 10.2: Trend of headline and core inflation



Source: Uganda Bureau of Statistics

CBR
7%

Inflation remained subdued throughout the financial year.

While inflation will likely remain below the 5 percent target in the near-term, as excess capacity continues to exert downward pressure, it is forecasted to stabilise around the 5 percent target by the end of 2022.

Exchange Rate

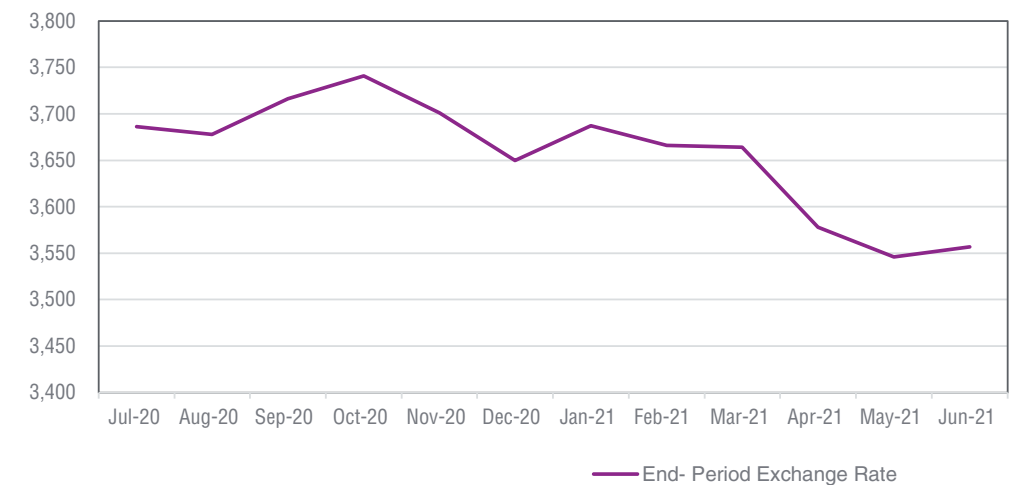
The Uganda Shilling continued to strengthen against the USD during the financial year partly reflecting subdued domestic demand. The shilling strengthened in June 2021, appreciating by 5.3 percent year-on-year to an average mid-rate of UGX. 3,540 per US dollar. This movement was supported by a combination of domestic fundamentals and the global economic environment. There were; robust donor inflows, strong remittances and low demand for the dollar coupled with a global weakening of USD.

Table 10.2: Developments in the exchange rate

Period	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
End of period Exchange Rate	3,730	3,716	3,650	3,664	3,557

Source: Bank of Uganda

Figure 10.3: Developments in the exchange rate



Robust donor inflows, strong remittances and low demand for the dollar coupled with a global weakening of usd led to the appreciation of UGX.

Local Currency outlook remains stable, with the rate expected to remain range bound and backed by sufficient dollar inflows from increased interest by offshore investors in government securities as well as an increase in remittances. However, the major risks on account of a rebound in domestic absorption following a recovery in economic activity. In addition, rising global yields could trigger portfolio investment outflows, which could spur stronger depreciation pressures.

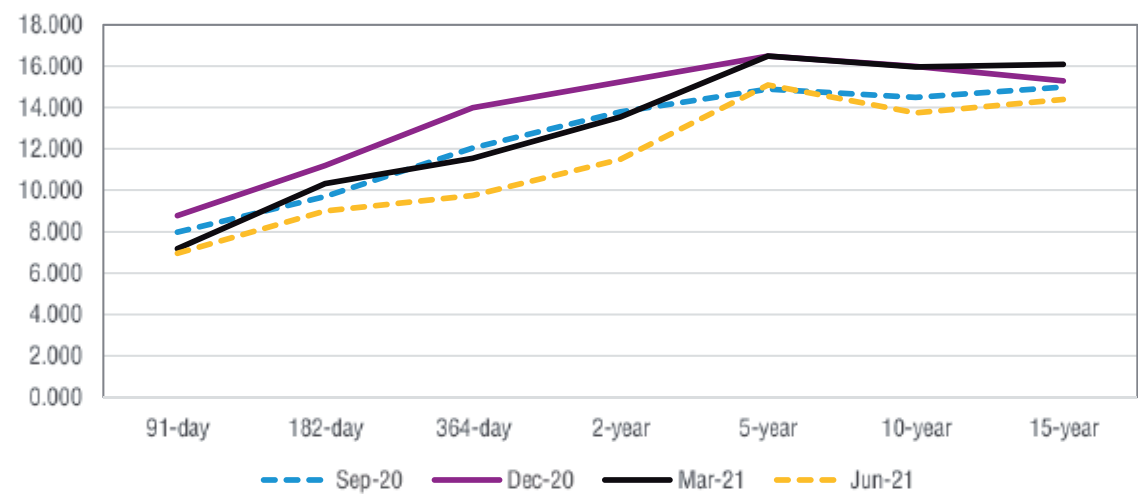
Interest Rates

In the FY2020/21, yields across all tenors trended downwards during the financial year. Interest rates decreased at both the short end and long end of the yield curve due to increased liquidity and demand for Government securities especially from commercial banks and offshore investors. Yields on government securities for the 91-day, 182-day and 364-day Treasury bills declined to 6.9 percent, 8.9 percent and 9.7 percent, respectively, compared to 8.5 percent, 9.6 percent and 11.8 percent, respectively in FY2019/20. The yields on the Treasury bonds declined to 11.5 percent, 12.8 percent, 13.7 percent and 14.4 percent for the 2-year, 3-year, 10-year and 15-year T-bonds, respectively down from 13.5 percent, 15.3 percent, 14.7 percent and 15.7 percent, respectively in the previous financial year.

Yields across all tenors trended downwards during the financial year.

In the middle of the financial year, the Fund was granted an exemption from paying tax on all its income sources. This included Withholding tax on interest earned from treasury bills and bonds.


Figure 10.4: Yield curve in FY2019/20




Source: Bank of Uganda

Banking Sector Performance and Developments

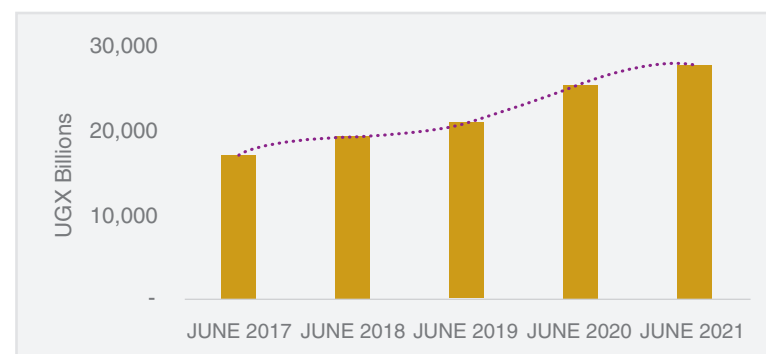
Commercial Banks

TOTAL ASSETS
10.9% 

TOTAL DEPOSITS
8.7% 

Total assets of the banking sector increased by 10.9 percent, from UGX 35.8 trillion in June 2020 to UGX 39.7 trillion in June 2021 despite the challenging operating environment due to the COVID 19 pandemic. Asset growth was mainly on account of increased holding in government securities which rose by 31.2 percent to UGX 10.1 trillion as well as gross loans and advances that increased by 7.0 percent to UGX 16.6 trillion. Total deposits grew by 8.7 percent over the last one year, from UGX 26.3 trillion to UGX 27.7 trillion.


Figure 11.1: Growth in commercial bank deposits over 5 years




Source: DPF

Commercial Banks were adequately capitalized with the aggregate industry total capital to risk weighted assets ratio and core capital to risk weighted assets ratios at 22.8 percent and 21.4 percent respectively. In addition, the banking industry maintained adequate liquidity buffers, with the ratio of liquid assets to deposits standing at 51.5 percent as at end of June 2021 well above the regulatory minimum of 20 percent. Asset quality slightly improved in the year ended June 2021 with an aggregate industry ratio of non-performing loans to gross loans dropping from 5.8 percent to 4.8 percent. This was partly driven by the Bank of Uganda credit relief support to mitigate the economic impact of COVID-19 and safeguard financial stability.

Credit Institutions

TOTAL ASSETS
18.9% 

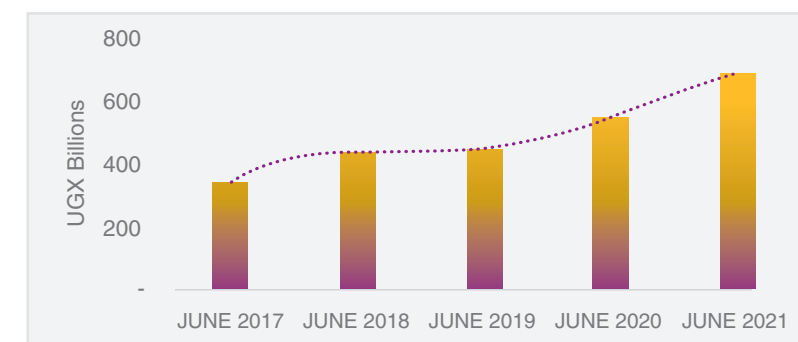
TOTAL DEPOSITS
24.7% 

The increase was mainly on account of net loans and advances along with holdings of government securities.

All Credit Institutions, except for two, held adequate capital and liquidity buffers as at 30 June, 2021. The subsector's aggregate core and total capital adequacy ratios were 15.6 percent and 16.8 percent respectively. Total assets increased to UGX 1.1trillion as at end of June 2021 which was an 18.9 percent growth. The increase was mainly on account of net loans and advances along with holdings of government securities which rose by 18.8 percent and 145.3 percent respectively. On the other hand, asset quality deteriorated over the financial year with an aggregate industry ratio of non-performing loans to gross loans of 8.1 percent as at June 2021 from 6.2 percent as at the end of June 2020.

Total deposits grew by 24.7 percent from UGX 546 billion in June 2020 to UGX 687 billion in June 2021. Figure 2 below shows growth in deposits over a five-year period.

Figure 11.2: Growth in deposits at Credit Institutions



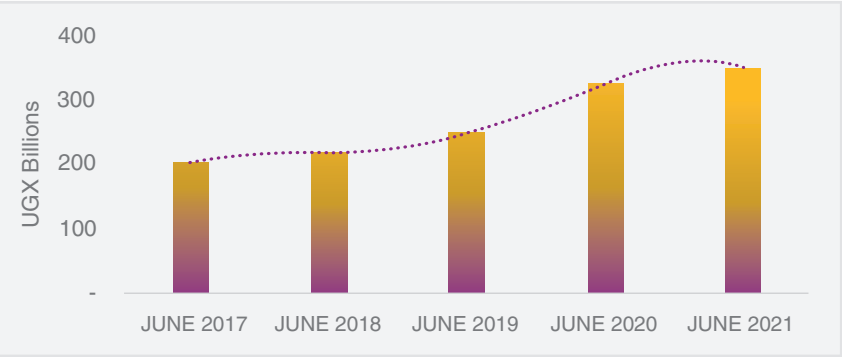
Source: DPF

Microfinance Deposit-taking Institutions

All Microfinance Deposit-taking Institutions (MDIs), except two, were adequately capitalized as at 30 June, 2021. The core and total capital adequacy ratios for the subsector stood at 38.2 percent and 41.0 percent respectively. Asset quality deteriorated with an aggregate industry ratio of non-performing loans to gross loans to 12.0 percent as at 30 June 2021 from 10.8 percent in June 2020. Total assets held increased by 5.5 percent over the year to UGX 712.6 billion as at 30 June 2021. This was majorly due to increase in government securities by UGX 16.6 billion and gross loans by UGX 16.0 billion.

Total deposits grew by 7.4 percent from UGX 325 billion in June 2020 to UGX 349 billion in June 2021. A trend analysis of growth in deposits is shown in figure 3 below.

Figure 11.3: Growth in deposits at MDIs



Source: DPF

The core and total capital adequacy ratios for the subsector stood at 38.2 percent and 41.0 percent respectively.

TOTAL ASSETS

5.5%



TOTAL DEPOSITS

7.4%



Legal and Regulatory Developments

The draft Financial Institutions (Liquidity) Regulations, 2021

The revised draft Liquidity Regulations will be forwarded to the First Parliamentary Counsel for gazetting before end of 2021. The updated Regulations will amongst others require financial institutions to enhance their liquidity risk management, as recommended by the Basel III framework. Banks will align their operations with, Basel II rules which include preparation of liquidity contingency plans and liquidity stress testing. Furthermore, the updated Regulation will recognize the Bank of Uganda deposit auction facility (DEPO) as a liquid asset that counts for financial institutions’ regulatory liquidity requirement and thus improve its marketability.

Regulations for the supervision of Tier 4 microfinance institutions (Large SACCOs)

The Microfinance Deposit-taking Institutions (Registered Societies) Regulations, 2020 are with First Parliamentary Counsel for gazetting purposes. The proposal is to have large SACCOs come under the licensing and regulation of Bank of Uganda. Once passed into law, SACCOs may become contributors to the DPF.

The financial institutions (capital buffers and leverage ratio) regulations 2020

These were gazetted in December 2020. The regulations introduced the Basel III capital buffer requirements, including the buffer for systemically important banks and implementation will enhance financial system stability.

Microfinance Deposit-taking Institutions Act, 2003

The draft Cabinet Memorandum for the Microfinance Deposit-taking Institutions (Amendment) Bill, 2021 and its Regulatory Impact Assessment (RIA) report are under review by the Ministry of Finance, Planning and Economic Development and will be tabled at the next convenient Cabinet meeting for noting and approval.

Deposit Protection Activities

Deposit Insurance also known as deposit protection is designed to prevent depositor runs at banks and to protect those most in need of protection if a contributing institution fails. This is widely adopted across the globe and constitutes an integral part of the financial safety net provided to the banking system.

The Deposit Protection Fund of Uganda (DPF) protects a large percentage of retail depositors, small, unsophisticated customers of regulated deposit-taking institutions from losing their deposits in case of failure of contributing institutions. This provides confidence in the financial sector by ensuring that depositors are paid in time in the unlikely event that a contributing institution is closed.

DPF's mandate is to act as a deposit insurance scheme for customers of deposit-taking institutions licensed by Bank of Uganda up to the maximum limit of UGX 10 million, in accordance with the Laws of Uganda.

DPF protects a large percentage of retail depositors, small, unsophisticated customers of regulated deposit-taking institutions from losing their deposits in case of failure of contributing institutions.

FUND SIZE

UGX **966bn**

DEPOSITS PROTECTED

18.6%

Payments to Depositors

DPF is obliged to pay each depositor up to the deposit protection limit of UGX 10 million, an amount which is the aggregate credit balance per depositor per contributing institution at the time of closure, less any non-performing liabilities owed by the depositor to that institution. The deposit protection limit is determined by the Minister of Finance, Planning and Economic Development, from time to time by Statutory instrument published in the Gazette. The fund size has increased to UGX 966 billion over the past 5 years mainly due to investment income earned from investments majorly in government securities and increased contributions from member institutions.

Deposit Coverage

Total deposits within the banking sector grew by 14.8 percent from UGX 27 trillion as at 30 June, 2020, to UGX 31 trillion as at 30 June, 2021. Out of these, 18.6 percent (UGX 5.8 trillion) of the total deposits, were protected. This is above the 10 percent benchmark put in place by the East African Monetary Affairs Committee.



The sector witnessed a 14.3 percent increase of UGX 2.4 million in the total number of accounts from UGX 16.7 million as at 30 June, 2020, to UGX 19.1 million as at 30 June, 2021. This reflects amongst others, growing confidence in the sector. It is important to note that approximately 98 percent of the total number of accounts in the sector had balances of UGX 10 million and below, hence were fully protected by the Fund. This was well above the 90 percent benchmark set by the East African Monetary Affairs Committee.

The fund size stood at UGX 966 billion as at 30 June, 2021, compared to UGX 787 billion as at 30 June, 2020, thus registering a 22.7 percent increase. At this fund size, DPF could pay 16.7 percent of total protected deposits. This is slightly below the 20 percent benchmark recommended by the East African Monetary Affairs Committee for deposit protection agencies within the East African region. However, it is worth noting that with the current fund size, DPF has an effective coverage ratio of 3.1 percent which meets the 3 percent benchmark set by the Committee.

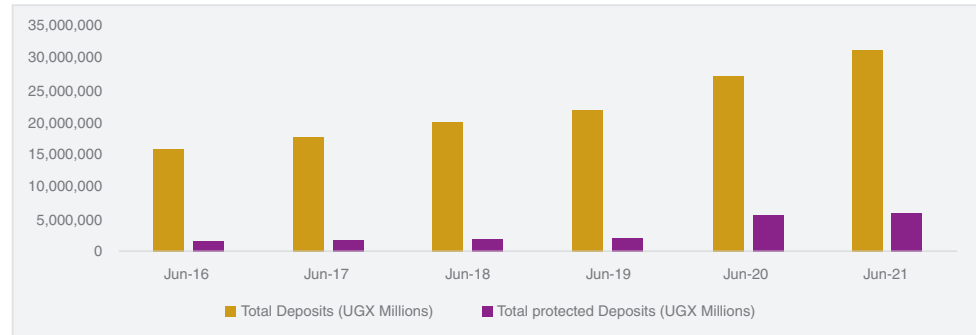
A study of a five-year period indicates that deposits in the sector have consistently grown. In June 2017, total deposits stood at UGX 17.7 trillion compared to UGX 31.1 trillion registered as at 30 June, 2021. In addition, the number of deposit accounts in the formal financial sector have grown substantially from 9 million in June 2017 to 19 million in June 2021. Below is a table and graph showing statistics on deposit coverage at the deposit protection limit of UGX 10 million.

Table 12.1: Trends in deposit coverage

Period	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
Total Deposits (UGX Million)	17,723,894	19,977,196	21,762,730	27,158,732	31,108,166
Total protected Deposits (UGX Million)	1,749,222	1,876,636	2,054,744	5,575,440	5,803,730
Total No. of accounts	9,314,365	10,968,273	13,866,830	16,682,703	19,068,805
Accounts fully protected	9,006,967	10,633,791	13,502,409	16,298,132	18,671,562

Source: DPF

Figure 12.1: Trends in deposit coverage



Source: DPF

Trend of Premium Contributions

ANNUAL
PREMIUM

0.2%

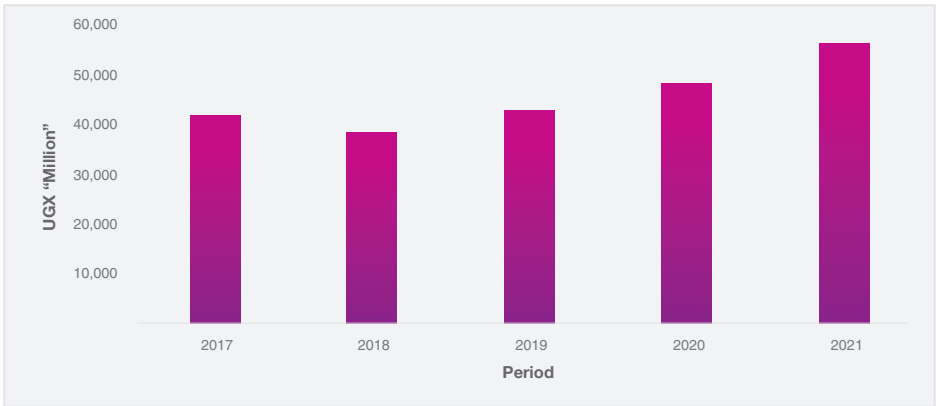
ADDITIONAL
CHARGE

0.1%

A few institutions faced challenges with remitting their premium payments in time.

Deposit Taking Institutions regulated by Bank of Uganda are required to contribute annual premiums to the Fund. This premium is currently computed at 0.2 percent of the average weighted deposit liabilities for the contributing institution in the previous financial year. Risk adjusted premiums are based on quarterly ratings from Bank of Uganda. In addition to annual premium, 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. With the ongoing COVID-19 pandemic impact, it is worth noting that a few institutions faced challenges with remitting their premium payments in time. Premiums have continued to grow steadily for the past five years since 2017 due to growth in deposits. This trend is illustrated in the chart below;

Figure 12.2: Trend of deposit premiums



Source: DPF

DPF Activities with Key Sector Players



Bank of Uganda

A Memorandum of Understanding (MOU) between the DPF and the Bank of Uganda (BOU) allows for information sharing in a timely manner and coordination of related activities among the two entities. Such an arrangement paves way for timely intervention in the unlikely event that an institution is to be closed for outright liquidation. A framework for obtaining short term liquidity support from the Bank of Uganda was finalized. This will enable the Fund access short term liquidity without resorting to a fire sale of government securities given that such an action could send out negative signals and destabilize the financial markets. The need for a prior arrangement is necessary to ensure that the DPF accesses funds fast if protected deposits are to be paid out in a timely manner as guided by IADI Core Principle No. 9 “Sources and uses of Funds”.

In addition, the DPF holds quarterly meetings with Bank of Uganda to discuss matters related to the performance of the financial sector. During these engagements, the Fund obtains an understanding of the state of the financial sector and gets insights of the institutions which are closely monitored due to performance related issues.



Ministry of Finance, Planning and Economic Development (MoFPED)

DPF holds semi-annual meetings with the Minister of Finance, Planning and Economic Development to discuss performance of the Fund and arrangements to access backstop funding from the Government of Uganda. The purpose of these funds is to pay protected deposits in the event of a systemic financial crisis or failure of a Domestic Systemically Important Bank (DSIB). This practice is in line with IADI Core Principle No.9 which emphasizes the need for deposit insurers to have emergency funding arrangements with their respective Governments, in order to maintain financial sector stability in the face of bank closures.

The DPF is working closely with the Ministry of Finance, Planning and Economic Development, to finalize a Regulatory Impact Assessment (RIA) which is a legal requirement before the stand-alone DPF law can be put in place.



East African Community Monetary Affairs Committee

The Crisis Management Working Group of the East African Community (EAC) Monetary Affairs Committee (MAC) met once during the financial year in June 2021 and key areas of discussion included compliance to FSB Key Attributes for Effective Resolution of Financial Institutions and key elements of Resolvability Assessment Framework by Central Banks. The Committee encourages member states to put in place legal frameworks to provide protection to mobile money products due to the widespread use of mobile money across the region and its impact on economic growth. In line with this, the National Payment Systems (NPS) Act, 2020 was gazetted in March 2021 following the passing of the bill by Parliament in May 2020. With this Act in place, it is envisaged that protection will be accorded to mobile money subscribers should there be failure of a financial institution holding mobile money balances. The mobile money balances held in those institutions shall not be attached, assigned, or transferred for the purposes of satisfying any debts or claim to that institution. Further to this, the mobile money business is currently regulated by BOU with the issuance of financial services operator licenses which business was separated from telecom service operations regulated by Uganda Communications Commission.



International Association of Deposit Insurers (IADI)

DPF, as a member of the International Association of Deposit Insurers (IADI) is also a member of the African Regional Committee (ARC) which is constituted of all African IADI members. DPF spear-headed the process of putting in place governance rules for the ARC and serves as the Secretariat to the Committee which meets on a quarterly basis. The ARC started working on the establishment of a school, “The Africa Centre for Deposit Insurance” in the year 2020. The Centre will be registered in Nigeria as an international capacity building institute established to provide training as well as enhance the capacity of staff of member countries and funded by ARC members. ARC further set up a Committee Chaired by Nigeria (NDIC) to coordinate the publication of an ARC book. The book is to feature contributions from all member states documenting the experiences and challenges of Deposit Insurance System (DIS) in Africa. The ARC book will be translated from English to other languages for the non-English speaking members. DPF continues to participate in the activities organized by IADI such as the executive and technical committee meetings. These have enabled the Fund build capacity in deposit insurance and streamline its processes to align with International Best Practice.

Financial Sector Stability Forum

The Fund is a member of the Financial Sector Stability Forum which is constituted of financial sector regulators and financial safety net players such as Ministry of Finance, Planning and Economic Development, Bank of Uganda, Insurance Regulatory Authority, Capital Markets Authority, Uganda Retirement Benefits Regulatory Authority and the Uganda Microfinance Regulatory Authority. The aim of the Forum is to enhance cooperation among members for the proper coordination of financial sector activities and for effective crisis management. The Fund commits to working closely with all stakeholders to ensure that the financial sector remains strong and resilient.



World Bank Technical Assistance

Under the strengthening financial stability program, the World Bank has continued to provide technical assistance to the Fund on formulation of a standalone law and setting up a target fund size. The draft DPF Bill will cover amongst others, an expansion of the DPF mandate to contribute to resolution funding, operational arrangements within the Fund and funding arrangements with Bank of Uganda and Government of Uganda. With regard to setting a target fund size, the World Bank advises that the target should not be too high because it could lock up capital which could otherwise be used for other purposes. On the other hand, the target should not be too low, to expose the Fund to liquidity risks.

Education & Public Awareness

Public Awareness

The Fund is mandated to furnish the public with information regarding the benefits and limitations of the deposit insurance system in line with the International Association of Deposit Insurers (IADI) Core Principle 10 on public awareness. As the Deposit Protection Agency in Uganda, the Fund is cognizant of this cardinal role and has put in place a public awareness policy and strategy to serve as guidelines for stakeholder engagement and information dissemination.

DPF's approach to public awareness is premised on building public acceptance and confidence in deposit insurance, the banking system and reinforcing consumer protection by providing accurate information and financial education to depositors.

In empowering depositors, the Fund has continued to provide information to the public on the existence and benefits of deposit insurance, how it works; including the level and scope of coverage, how the claims process operates, providing facts, data, and specific knowledge on bank risks.

This will improve the public's understanding of the vision, mission, mandate, strategic objectives, and corporate values of the Fund which are:

- i) To increase public awareness on the benefits and limitations of the deposit protection system, and to promote confidence in DPF as an institution.
- ii) To promote a positive corporate image of the Fund.
- iii) To promote mutual relationship with the Fund's strategic partners which include the other financial sector safety-net players.

Public Awareness Strategy

The purpose of the strategy is to operationalize the Public Awareness policy to ensure that information is disseminated to various stakeholders in the most prudent, effective, and efficient manner. The strategy was developed after conducting a SWOT analysis on public awareness and will be reviewed after a period of three (3) years.

The strategy highlights the specific channels of engagement, core messages, preferred facilitators and frequency of interactions with each stakeholder category. In addition, it outlines the methodology which is used to assess effectiveness of each public awareness program. The strategy is aimed at achieving the following objectives:

- i) To educate stakeholders on the mandate, roles, and responsibilities of the DPF to enhance public confidence in the financial sector.
- ii) To ensure that accurate information is disseminated to various stakeholders in the most appropriate manner.

Public Awareness Policy

The purpose of the Public Awareness Policy is to ensure that the Fund engages its stakeholders in a more effective, continuous, timely and robust manner using a multimedia channel approach.

Corporate Social Responsibility

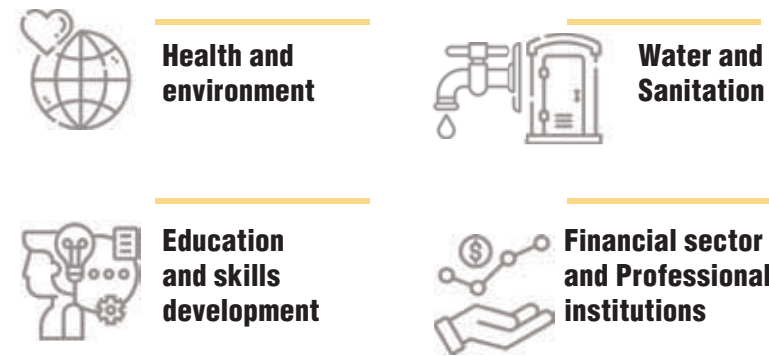
Corporate Social Responsibility (CSR) is concerned with balancing an organization's economic/ business goals and mandate with social goals geared towards undertaking deliberate interventions that contribute to the wellbeing of the community in which it operates. As an entity that cherishes the ideals of CSR, the Fund's CSR initiatives primarily focus on contributing to improvement in the livelihoods of vulnerable communities in our society especially the children, youth and women.

With the emergence of Covid-19 pandemic, the health sector in Uganda and the world at large has faced a peculiar situation. The country experienced different waves of the pandemic. The health sector both public and private, has been overwhelmed and is still struggling to cope with the challenge.

In response to the national call to support the fight against the COVID-19 pandemic, the Deposit Protection Fund of Uganda (DPF) and the Uganda Bankers Association (UBA) contributed UGX 440 million. The donation was handed over to the Ministry of Health on April 22, 2020.

With the increase in cases of Covid-19 among the population, there were further appeals from the Government to both state and

Thematic areas for DPF CSR initiatives



FUND UTILISATION

UGX 240 million for Procurement of Personal Protective Equipment for the Health Workers under the **Ministry of Health**.

UGX 200 million for Financial Support to **Makerere University's Department of Immunology & Molecular Biology, College of Health Sciences** for production of rapid test kits for COVID-19.

UGX 46.9 million to **Mildmay Uganda Hospital**, to support their Covid-19 emergency medical response

non-state actors for support to stem the spread of the virus. The Fund responded to this call with a donation of UGX 46.9 million to Mildmay Uganda Hospital, to support their Covid-19 emergency medical response. The Fund's response enabled Mildmay to acquire additional patient beds, mattresses and oxygen cylinders to scale up its in-patient care capacity for COVID-19 management.



DPF Board Chairperson, Mr. Ben Patrick Kagoro handing over the dummy cheque to Prof. Samuel Luboga, Mildmay Hospital Board Chairperson.

CSR Pictorial



Mrs. Julia Oyet (DPF CEO), Mr. Patrick Kagoro (Board Chairman), Dr. Yvonne Karamagi (Director – Medical Services, Mildmay), Mrs. Angela Kiryabwire (Head Legal & Board Affairs), Mr. Patrick Ezaga (Head Communications) and DPF staff pose for a photo at the event.



Mr. Patrick Kagoro and Mrs. Julia Oyet with some of the materials acquired from the donation.

Sensitization meetings with Contributing Institutions (CIs)

In the year under review, the Fund conducted a series of sensitization meetings, targeting members of Contributing Institutions (CIs) and Bank of Uganda staff at regional currency branches. The main objective of the meetings is to engage and share public awareness materials with CIs at regional level and with Bank of Uganda staff. The participants obtain knowledge on the mandate and other activities of the Fund.

The engagement with the CI's at both national and regional level, aims at getting direct feedback and enhancing public awareness about DPF and hence promoting confidence in the financial sector.

DPF conducted a consultative workshop with CIs under the theme “The Draft Principles Paper to Enhance the Deposit Protection Fund Legal Regime.” The engagement proposed a stand-alone legal regime that will enhance the Fund’s legal framework and strengthen the execution of its mandate. The Principles Concept paper highlights developments in the financial sector and was benchmarked with international best practices and core principles of the International Association of Deposit Insurers (IADI).

The proposed law is aimed at enabling the DPF to use its resources to finance the resolution of struggling banks without compromising its key mandate of providing deposit insurance.

In the reporting period, the Fund’s CEO paid courtesy visits to three CIs namely Finance Trust Bank, Pride Microfinance Limited and ABSA Bank. During the visits, the CEO and management of the CI’s discussed policy and compliance related issues and highlighted the role played by the CIs through their front-line employees who directly interact with depositors and the senior managers who interact with corporate customers, in providing the relevant information about the DPF.

DPF CEO Mrs. Julia Oyet (2nd L) and Mr. Mumba Kalinfungwa Absa Managing Director (L) after a meeting at Absa Bank.



Mrs. Julia Oyet, CEO – DPF (R) presents the DPF 2019/2020 Annual Report to the Managing Director of Pride Microfinance Ltd, Ms. Veronica Namagembe (L).



Media Campaigns

In recognition of the critical role played by the media in promoting public awareness, building confidence as well as receiving feedback from the public, the following engagements were undertaken;

Adverts in the media

Advertorials were published in the mainstream print media to inform the public about DPF’s mandate. The Fund published Customer Notices in the New Vision, Bukedde, Daily Monitor, the Observer, and the East African newspapers. The notices were published in April and May 2021. This was aimed at creating awareness among the masses on the deposit insurance limit, which is currently capped at UGX10 million.

In the forthcoming FY 2021/2022, the Fund will continue reaching out to the public through various avenues including print and electronic publications. In these, the mandate, roles, and functions of the Fund will be disseminated as well as educating the public about deposit protection.



98%
OF DEPOSIT
ACCOUNTS ARE
PROTECTED



**YOUR DEPOSITS
ARE PROTECTED BY THE
DEPOSIT PROTECTION
FUND OF UGANDA**

UP TO UGX 10,000,000

(Applies to Depositors of Commercial Banks, Credit Institutions and Microfinance Deposit-taking Institutions (MDIs) regulated by Bank of Uganda)

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 P.O.Box 37228, Kampala, Uganda.

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Courtesy visits to mainstream print media

In the effort to enhance the DPF’s visibility and build good strategic media relations, the Deposit Protection Fund CEO Mrs. Julia Clare Olima Oyet held an online meeting with Mr. Tonny Glencross, the Managing Director of Nation Media Group (NMG) Uganda and paid a courtesy visit to Mr. Don Wanyama, the Chief Executive Officer/Managing Director of Vision Group. The visits were intended to develop partnerships for supporting DPF while undertaking public awareness campaigns and sharing of information. Cognizant of the fact that the two media houses have built event and CSR capacity over the years as well as the reputation of being trustworthy news sources, the CEO of Vision Group and the CEO of NMG Uganda each pledged to commit editorial and events support to the Deposit Protection Fund of Uganda.



Mr. Don Wanyama, CEO Vision Group (L) hosted DPF's CEO Mrs. Julia Oyet (R).

Radio Talk Shows

The CEO of DPF, Mrs. Julia Oyet and the DPF Head of Information Technology, Mr. Balaam Ssempala, were hosted for TV and radio talk shows on Urban TV and KFM respectively. The talk shows focused on creating awareness on the mandate of the DPF and the importance of depositors updating their personal information with the respective CIs. The public were reassured by the CEO in these programs of DPF’s commitment to contributing to financial sector stability through deposit insurance and were urged to bank with confidence. Mr. Balaam Ssempala informed the public about the Premium Management and Depositor Payout system which was under development that will synchronize with the systems of contributing institutions to obtain the necessary depositors’ information in a fast and efficient manner. It is this information that will be used to pay depositors in the event of closure of any contributing institution.

Outreach Programs on the Single Customer View Project

The Fund conducted a protracted mass media campaign, targeting all stakeholders, using radio, TV and print media channels on the Single Customer View (SCV) project. The SCV project is aimed at developing an IT system which recognizes depositors using the National ID number as a unique identifier and obtaining their preferred mode of payment in case their bank is closed. This will speed up the depositor verification process and enable customers to be paid fast using either their alternative bank account numbers or mobile money numbers. The fast payment of depositors is critical in maintaining confidence in the financial sector in the face of bank closures.

Online Presence

Within the framework of the Fund’s public awareness strategy, management embarked on establishing and enhancing its online presence through acquisition of Twitter and Facebook accounts, as approved by the Board of Directors. In addition to the Website, these channels have been used to disseminate information to and obtain relevant feedback from the public.

However, dissemination of information through Facebook ceased during the second half of the financial year following a moratorium on its use in Uganda by Government.

In the forthcoming FY 2021/2022, there are plans to expand the Fund’s online presence through executing strategies to grow its followership on its social media pages, and these are expected to drive traffic and engagement to the website. Planned actions are to produce and share engaging and relevant content on other social media platforms including LinkedIn and, YouTube.



@DPFuganda



Deposit Protection Fund of Uganda



Baseline Survey on Public Awareness

The process leading up to undertaking a comprehensive baseline survey on public awareness about the Fund commenced in the year under review and is planned to be concluded in the next financial year. The baseline survey is intended to establish among other things; the level of appreciation of deposit insurance among the public, bottlenecks inhibiting the fast pace of appreciation of the concept, the most appropriate channels through which to engage the public and mechanisms of monitoring the progress of public awareness campaigns. The results of the baseline survey will pave way for a comprehensive review of the existing communications strategy.

Highlights of Financial Statements

Performance of the Fund

a) Assets, Liabilities and Reserves

According to the financial statements, total assets increased by 22 percent or UGX 179 billion from UGX 821 billion in June 2020 to UGX 1,000 billion in June 2021, with investments in Government of Uganda treasury bills and treasury bonds totaling to UGX 989 billion up from UGX 808 billion posted previously. Treasury bonds and treasury bills constituted 99 percent of total assets. This is in tandem with provisions of the investment policy which places emphasis on preservation of capital and availability of liquidity. The rest of the Fund's assets amounted to UGX 11 billion or 1 percent of total assets.


Total liabilities decreased slightly from UGX 49 billion to UGX 48 billion in June 2020 and June 2021 respectively. This was mainly due to the reduction in the withholding tax payable which reduced from UGX 7 billion in June 2020 to nil in June 2021 following an exemption of the Fund from paying withholding tax on investment income which became effective during the year.

Other items classified as liabilities include an amount worth UGX 20 billion which relates to monies received by the Fund when Greenland Bank, Co-operative Bank and International Credit Bank were closed. This liability will be settled after the conclusion of the liquidation process. In addition, the Fund has a liability of UGX 198 million in respect of unclaimed deposits payable to insured depositors.


The 'fund surplus and reserves' account increased from UGX 772 billion to UGX 952 billion over the Financial Year 2020/21. The increase was due to total comprehensive income worth UGX 180 billion earned during the period largely derived from investment income and premium contributions from member institutions.


TOTAL ASSETS 
22%

TOTAL LIABILITIES 
2.08%

FUND SURPLUS & RESERVES 
18.9%

TOTAL INCOME 
22%

EXPENSES 
25.9%

FUND SURPLUS 
15.2%

b) Income, Expenses and Surplus

Total income increased from UGX 145 billion to UGX 177 billion or 22 percent mainly due to income from investments and premium contributions. Income from investments increased by UGX 24 billion while that from premium contributions grew by UGX 7 billion. The growth in interest income was due to an increase in the size of the investment portfolio while the increased deposit levels in the banking sector resulted in higher annual premiums remitted to the Fund.

The Fund incurred expenses (taxes inclusive) amounting to UGX 20 billion in year ended June 2021 compared to UGX 27 billion utilized the previous year. The movement was mainly due to the reduction in withholding tax amounting to UGX 8 billion.

Staff costs increased by UGX 1 billion following the recruitment of new staff in the year ended June 2021. Fund management fees increased by UGX 208 million due to an increase in the Fund's investment portfolio.

The Fund's surplus increased by UGX 38 billion from UGX 119 billion to UGX 157 billion as at June 2020 and June 2021 respectively. The increase was largely on account of growth in interest income and annual premium contributions. Other comprehensive income increased by UGX 20 billion due to increased investment in treasury bonds measured at FVTOCI by UGX 169 billion as compared to the previous year.

Trend of financial performance

a) Assets, liabilities, and reserves

TOTAL ASSETS
OVER A PERIOD OF FOUR YEARS

72%

Over the past four (4) years, the Fund's total assets have increased by 72 percent from UGX 583 billion to UGX 1,000 billion as at 30 June 2018 and 30 June 2021 respectively. The increase has been largely reflected in treasury instruments which increased from UGX 558 billion to UGX 989 billion over the same period. Liabilities have been fairly stable over the past four years, with a 7% increment from 30 June 2018 to 30 June 2021. The increase was on account of a steady increase in deferred income arising from higher annual premium collections from the Contributing Institutions. The ‘fund surplus and reserves’ account grew substantially by UGX 414 billion over the periods.

b) Total comprehensive Income and Expenses

TOTAL EXPENSES

24%

The trend analysis depicts an increase in the total comprehensive income levels between the financial years ended 30 June 2018 and 30 June 2021. There has been a gradual growth in total comprehensive income levels from UGX 77 billion to UGX 180 billion over the periods.

Total expenses (including tax expense) have increased steadily between the financial years ended 30 June 2018 and June 2020. However, between the financial years ended 30 June 2020 and 30 June 2021, there was a 24% or 6 billion decrease in total expenses (taxes inclusive). The decline is mainly explained by a decrease in tax expenses following an exemption of the Fund from withholding taxes during the year. Table 1 and Figures 1 & 2 below depict the trend of key financial performance indicators.

Table 14.1: Trend of key financial performance indicators UGX (Million)

Particulars	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Total Assets	583,049	694,730	820,917	1,000,208
Total Liabilities	45,034	45,097	49,169	48,067
Income	60,138	126,980	145,341	177,120
Surplus and Reserves	538,015	649,632	771,748	952,142
Total comprehensive income	77,231	111, 690	121,570	180,394
Total Expenses (taxes inclusive)	18,975	24,164	26,744	20,311

Figure 14.1: Four year trend of total assets, liabilities and reserves

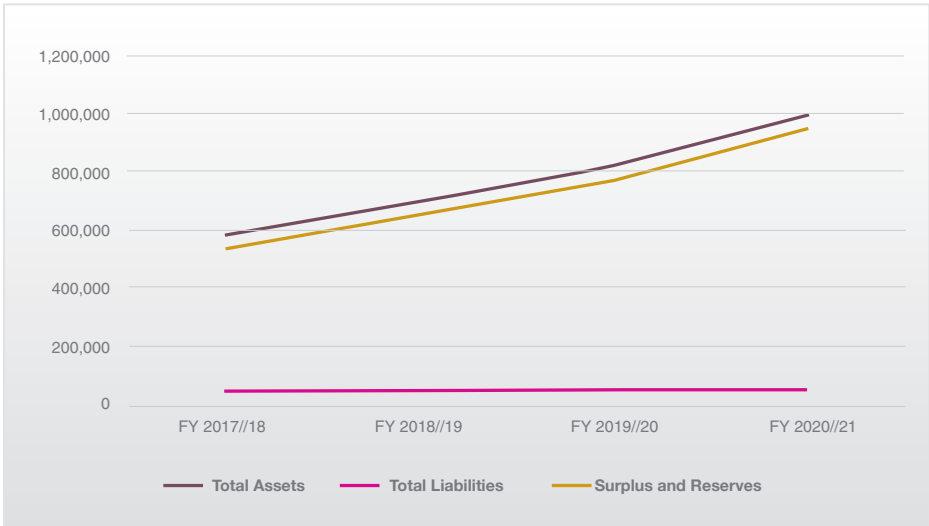


Figure 14.2: Four year trend of income, expenses and total comprehensive income





Budget Performance

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

Annual Performance

**COST TO
INCOME
RATIO**

8%

During the financial year 2020/21, the Fund earned total income worth UGX 171,094 million while actual expenditure (recurrent and capital) amounted to UGX 12,378 million (excluding withholding tax). This was against period projections of UGX 138,800 million and UGX 19,621 million for income and expenditure respectively. The net surplus for the period amounted to UGX 158,715 million compared to a projection of UGX 119,179 million. The cost to income ratio stood at 8 percent which was well within the acceptable 25 percent limit.

**TOTAL
INCOME**

**UGX
171,094**
million

Income

The Fund realised total income of UGX 171,094 million compared to UGX 138,800 million that was projected for the period. This was attributed to higher interest income, annual premium and risk adjusted premiums than were anticipated.

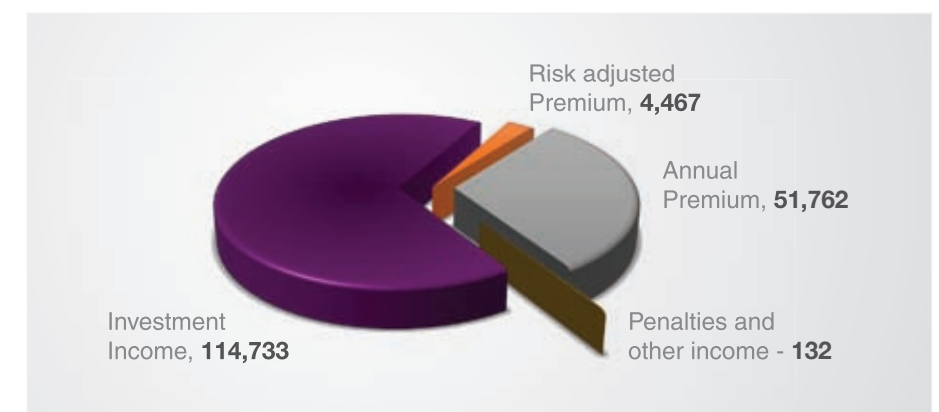
Table 1 below provides a breakdown of the budget performance with respect to income, while Figure 1 illustrates the distribution of Actual Income.

Table 15.1: Income Performance for the FY 2020/21 (UGX Million)

Sources of Income	Approved Budget 2020/21	Actual to 30-June-21	Variance %
	A	B	(B-A)/A
Investment Income	91,000	114,733	26%
Risk Adjusted Premiums	2,800	4,467	60%
Annual Premium	45,000	51,762	15%
Penalties and other income	-	132	N/A
Total Income	138,800	171,094	23%

NB: Investment income is net of withholding tax

Figure 15.1: Distribution of actual income for the FY 2020/21



Recurrent Expenditure

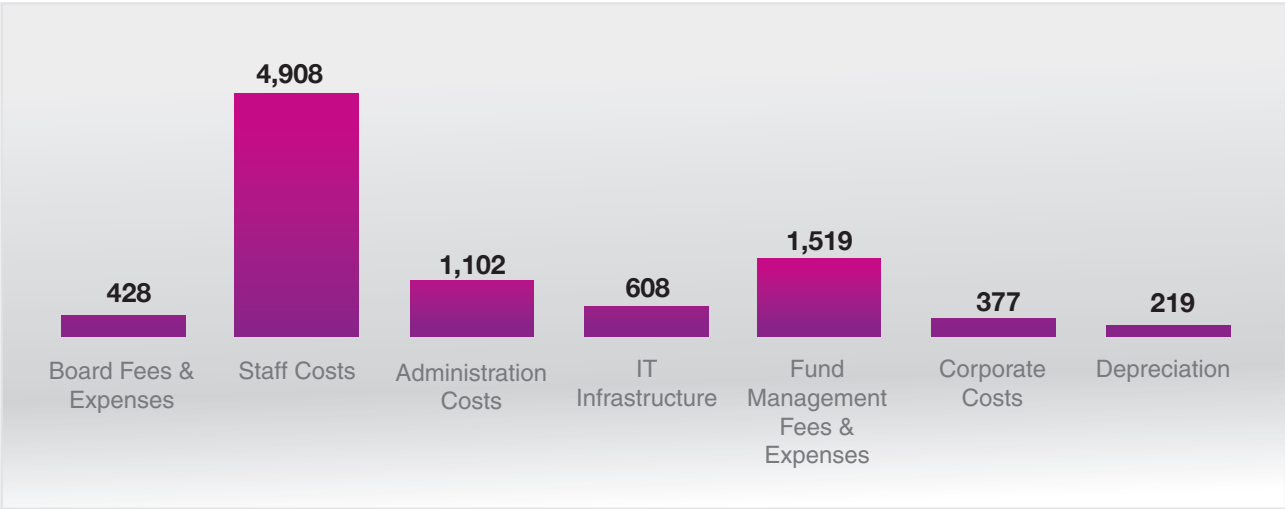
During the period under review, DPF operated well within the approved budget. Total expenses stood at UGX 9,160 million compared to the budgeted UGX 15,733 million. The lower-than-expected expenditure was mainly because of the delay in the recruitment of new staff to the Fund who reported with effect from May 01, 2021. In addition, several activities could not be carried out because of the Covid-19 pandemic. Activities which were mostly affected were those related to public awareness, delayed procurements, IADI meetings and capacity building at both Board and management level.

Table 15.2 below, contains a breakdown of budgeted versus actual recurrent expenditure while Figure 15.2 depicts the distribution of actual recurrent expenditure.

Table 15.2: Operating budget versus actual expenditure FY 2020-2021

Description	Actual to 30-Jun-20 UGX 'M	Approved Budget 2020/21 UGX 'M	Actual to 30-Jun-21 UGX 'M	Proportion of expenditure to Income	Variance %
	A	B	C		(B-C)/B
Board Fees & Expenses	541	1,039	428	0.25%	59%
Staff Costs	3,686	8,020	4,908	2.87%	39%
Administration Costs	764	2,150	1,102	0.64%	49%
IT Infrastructure	274	902	608	0.36%	33%
Fund Management Fees & Expenses	1,436	1,815	1,519	0.89%	16%
Corporate Costs	882	1,312	377	0.22%	71%
Depreciation	517	496	219	0.13%	56%
Total Expenditure	8,100	15,733	9,160	5.35%	42%

Figure 15.2: Composition of expenses for the FY 2020/21



Capital Expenditure

Total capital expenditure stood at UGX 3,218 million compared to the budgeted UGX 3,888 million. The higher capital absorption for the Financial Year 2020/21 was mainly because several procurements were finalised during the financial year.

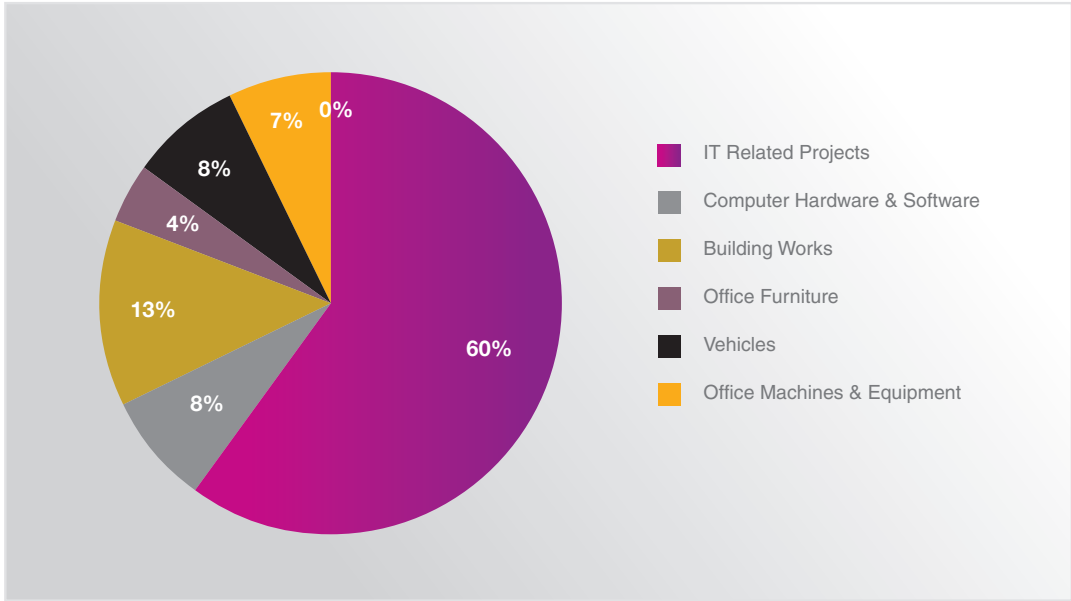
The total capital expenditure of UGX 3,218 million was used to purchase computer hardware and software (UGX 263 million), building works (UGX 430 million), office furniture (UGX 119 million), vehicles (UGX 237 million), office machines and equipment (UGX 230 million). Additionally, the Fund incurred UGX 1,939 million on IT related projects.

Table 15.3 below, contains a breakdown of the capital budget versus actual capital expenditure while Figure 15.3 depicts the distribution of actual capital expenditure.

Table 15.3: Budget versus actual capital expenditure FY 2020-2021

Particulars	Budget for FY 2020/21 UGX 'Million'	Actual to 30-Jun-21 UGX 'Million	Variance %
IT Related Projects	1,945	1,939	0%
Computer Hardware & Software	504	263	48%
Building Works	687	430	37%
Office Furniture	230	119	48%
Vehicles	237	237	0%
Office Machines & Equipment	282	230	18%
Plant and Equipment	3	0	100%
Grand Total	3,888	3,218	17%

Figure 15.3: Distribution of actual capital expenditure



Trend Analysis of Budget Performance

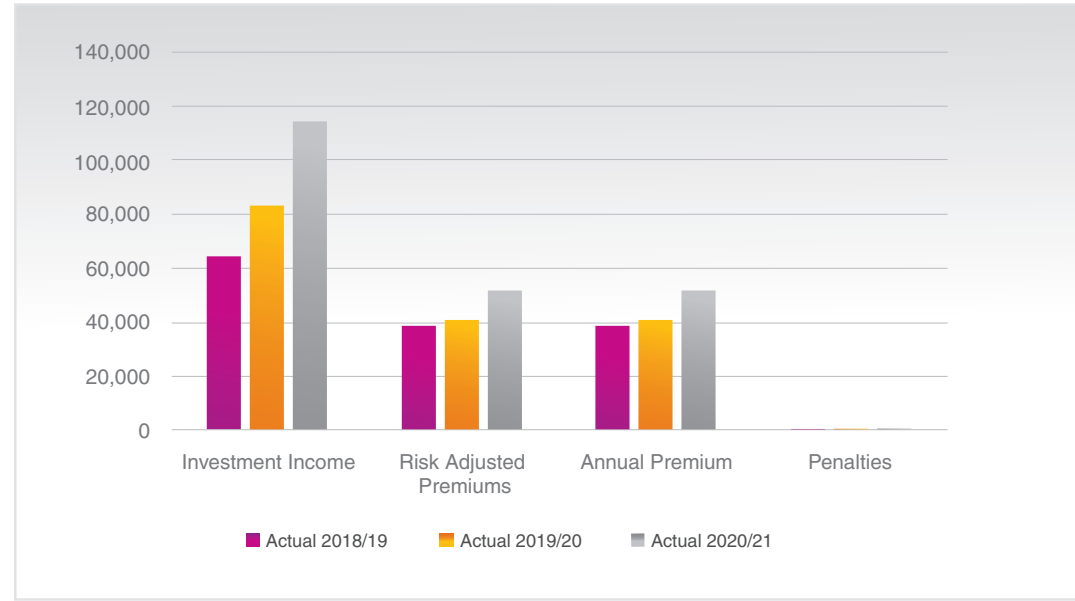
a) Income

The Fund started preparing budgets in the FY 2017/18, when a Board and Management team was appointed. For the last three (3) years of operation, DPF has generated slightly more income than budgeted across all revenue streams (See table 15.4 below). In terms of actual performance, except for income derived from Risk Adjusted Premiums which has remained relatively stable, there has been an increasing trend in income derived from premium and investment income which are the major sources of revenue to the Fund as depicted in the figure 15.4 below.

Table 15.4: Actual versus budgeted income for the last three years (UGX Million)

Sources of Income	Actual 2018/19	Approved Budget 2018/19	Actual 2019/20	Approved Budget 2019/20	Actual 2020/21	Approved Budget 2020/21
Investment Income	64,412	54,400	83,146	64,000	114,732	91,000
Risk Adjusted Premiums	4,107	2,000	4,645	2,800	4,467	2,800
Annual Premium	38,778	37,700	41,102	42,000	51,762	45,000
Penalties	195	-	37	-	131	-
Total Income	107,492	94,100	128,930	108,800	171,094	138,800

Figure 15.4: Trend of income generated over the past 3 financial years



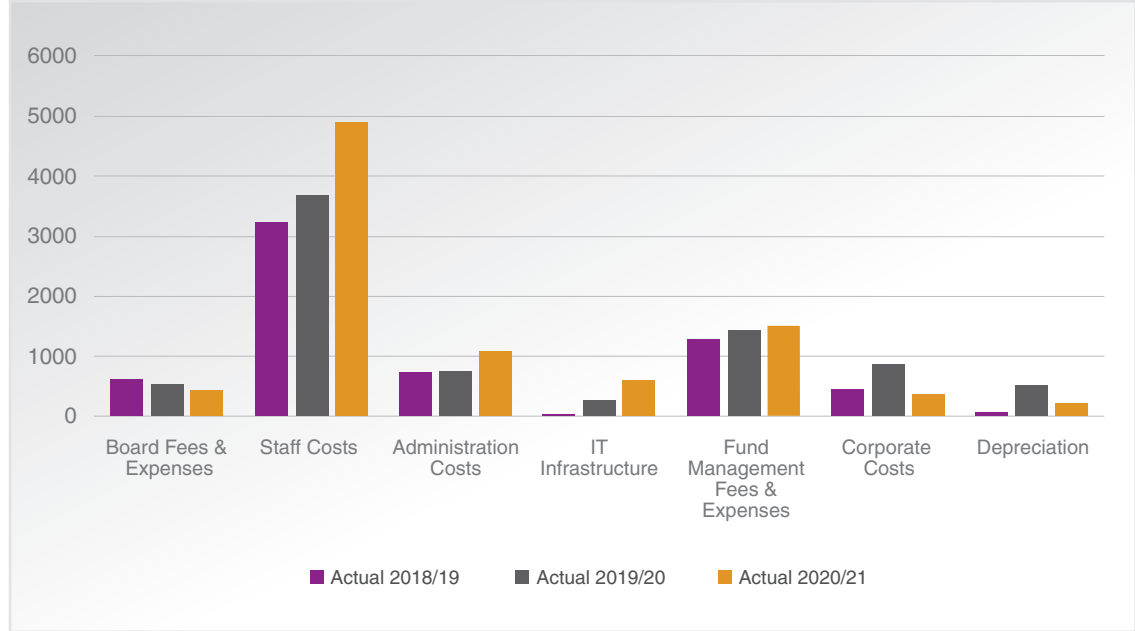
b) Recurrent Expenditure

DPF has operated well within the approved expenditure limits over the last three (3) years as illustrated in table 15.5 below. Costs have been controlled to ensure they remain below the acceptable cost to income ratio of 25 percent. In terms of actual expenditure, Board fees and expenses have declined due to Covid-19 related reasons while fund management fees have remained relatively stable. As expected, staff, administration and corporate costs have steadily edged upwards, as the operationalization process is concluded (See figure 15.5 below).

Table 15.5: Recurrent expenditure for the last three years (UGX Million) – FY 2018/19 to FY 2020/21

Description	Approved Budget 2018/19	Actual 2018/19	Approved Budget 2019/20	Actual 2019/20	Approved Budget 2020/21	Actual 2020/21
Board fees & expenses	1,034	609	1,124	541	1,039	428
Staff costs	3,648	3,228	3,665	3,686	8,020	4,908
Administration costs	1,195	729	1,941	764	2,150	1,102
IT infrastructure	425	40	653	274	902	608
Fund management fees and expenses	1,820	1,293	1,629	1,436	1,815	1,519
Corporate costs	1,003	454	1,444	882	1,312	377
Depreciation	172	80	362	517	496	219
Total expenditure	9,309	6,433.2	12,674	8,100	15,733	9,160

Figure 15.5: Actual recurrent expenditure over the last three years (FY 2018/19– FY2020/21)



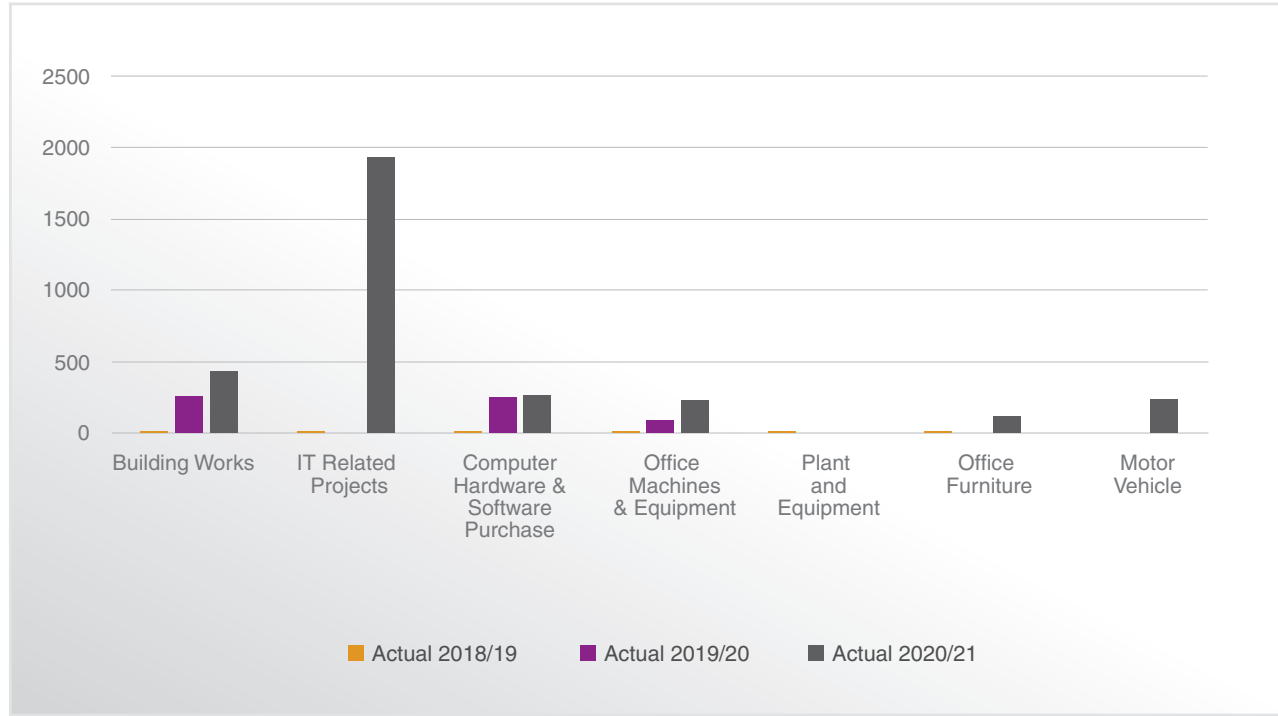
c) Capital Expenditure

The capital expenditure budget has been increasing steadily as the Fund undertakes various projects. These include partitioning of DPF offices, IT Systems (Payout and Premium Management System and Finance and Human Resources Management System) and other projects. (See figure 15.6 below).

Table 15.6: Capital expenditure for the last three years (UGX Million) – FY 2018/19 to FY 2020/21

Description	Approved Budget 2018/19	Actual 2018/19	Approved Budget 2019/20	Actual 2019/20	Approved Budget 2020/21	Actual 2020/21
Building Works	513	9	903	254	687	430
IT Related Projects	316	6	1,410	0	1,944	1,939
Computer Hardware & Software Purchase	175	15	662	257	504	263
Office Machines & Equipment	69	9	397	89	317	230
Plant and Equipment	76	3	336	0	2	0
Office Furniture	202	14	297	0	232	119
Motor Vehicle	350	0	350	0	238	237
Total	1,701	56	4,355	600	3,924	3,218

Figure 15.6: Actual capital expenditure over the last three years (FY 2018/19– FY2020/21)



Budget for the Year Ahead (FY 2021/22)

The budget for the FY 2021/22 was aligned to the five (5) year strategic plan and the annual work plan. During the year, the Fund anticipates to earn income worth UGX 221,788 million and incur expenditure (capital and recurrent) amounting to UGX 24,260 million. As such, the Fund will operate within a cost to income ratio of 11 percent which is well within the acceptable limit of 25 percent.

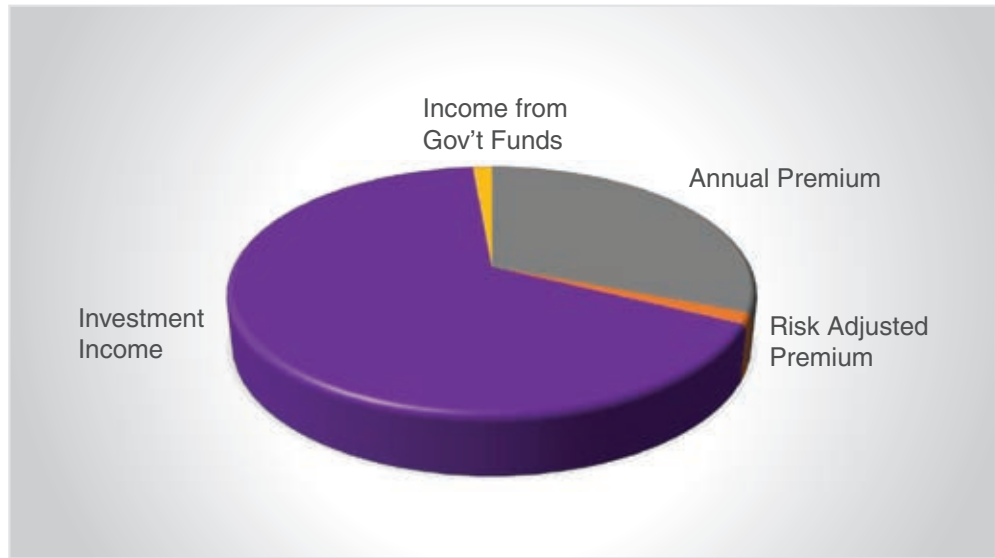
Income Budget

The projected income budget for the FY 2021/22 stands at UGX 221,788 million compared to UGX 138,800 million projected for the previous financial year. The biggest driver of the anticipated increase is reflected in investment income, which is expected to increase by UGX 55,967 million as the investment portfolio continues to grow. See Table 15.7 and Figure 15.7 below:

Table 15.7: Comparison of income budgets (UGX Million)

Source of Income	Budget FY 2020/21	Budget FY 2021/22	Change	Percentage Change (%)
Annual Premium	45,000	68,500	23,500	52%
Risk Adjusted Premium	2,800	3,200	400	14%
Investment Income	91,000	146,967	55,967	62%
Income from Gov't Funds	-	3,121	3,121	N/A
Total Income	138,800	221,788	82,988	60%

Figure 15.7: Distribution of income budget – FY 2021/22



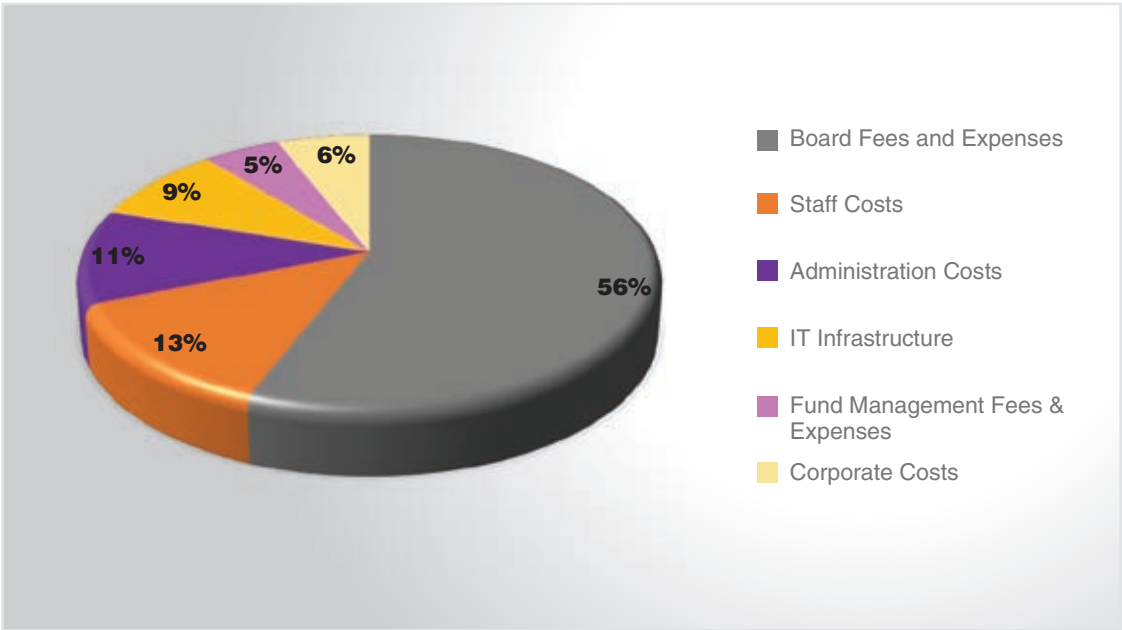
a) Recurrent Expenditure Budget

The recurrent expenditure budget for the FY 2021/2022 amounts to UGX 19,769 million up from UGX 15,733 million budgeted the previous year. The budget increased mainly due to a projected rise in staff and administration costs, as the Fund continues to operationalise. In addition, the anticipated effects of inflation and depreciation of the local currency pushed up the budgeted expenditure. For budget purposes, an exchange rate of UGX 3,826.6 for the USD to the UGX was used and UGX 5,171.08 for the GBP to the UGX. Table 15.8 and Figure 15.8 below provide a breakdown of the budgeted expenses.

Table 15.8: Comparison of recurrent expenditure budgets (UGX Million)

Description	Budget 2020/2021	Proposed Budget 2021/2022	Change Compared to 2020/2021	Percentage Change (%)
Board Fees and Expenses	1,039	1,105	66	6%
Staff Costs	8,039	11,162	3,123	39%
Administration Costs	2,250	2,667	417	19%
IT Infrastructure	902	2,084	1,182	131%
Fund Management Fees & Expenses	1,815	1,709	-106	-6%
Corporate Costs	1,192	1,036	-156	-13%
Supervisory & Regulatory Costs	-	6	6	N/A
Depreciation	496	-	-496	-100%
Total	15,733	19,769	4,036	26%

Figure 15.8: Distribution of recurrent expenditure budget - FY 2021/2022



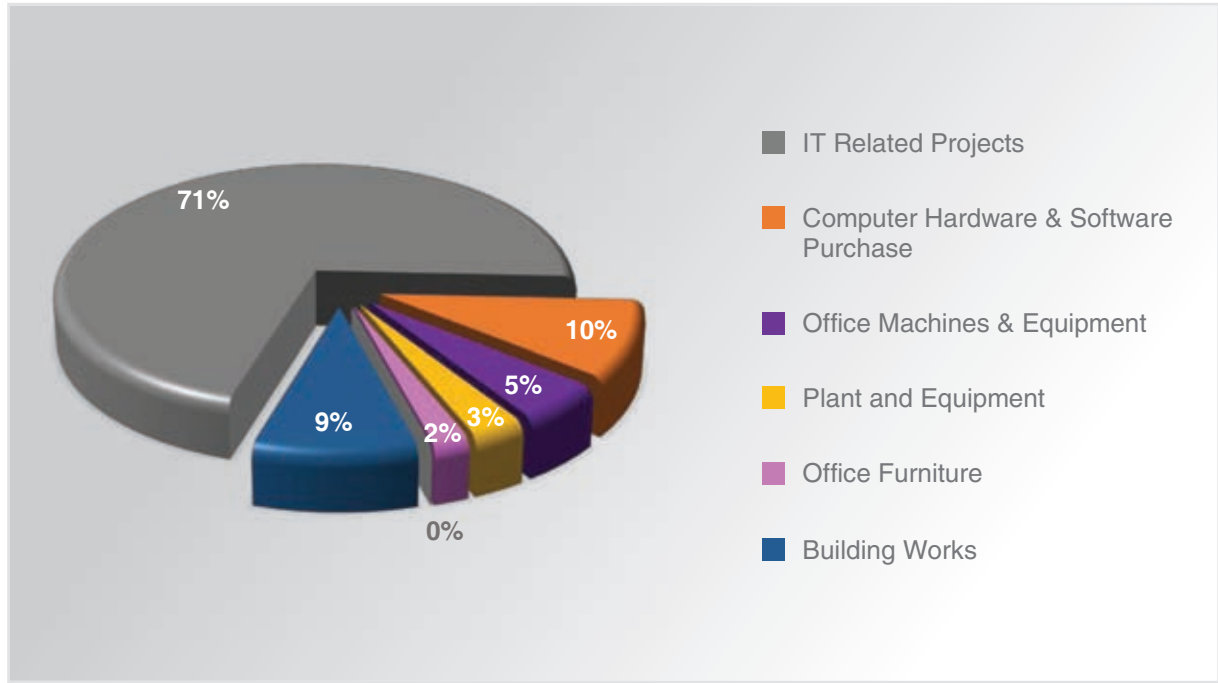
b) Capital Expenditure Budget

The Capital expenditure budget for the FY 2021/22 shall require UGX 4,491 million up from UGX 3,924 million budgeted the previous year. This expenditure is to finance amongst others, the implementation of a Financial and HR Management System, a firewall to enhance security of the core IT infrastructure, extended office partitioning, air conditioning, security access control and CCTV system.

Table 15.9: Comparison of capital expenditure budgets (UGX Million)

Description	Budget 2020/2021	Proposed Budget 2021/2022	Change Compared to 2020/2021	Percentage Change (%)
Building Works	687	402	(285)	-41%
IT Related Projects	1,944	3,203	1,259	65%
Computer Hardware & Software Purchase	504	457	(47)	-9%
Office Machines & Equipment	317	198	(119)	-38%
Plant and Equipment	2	127	125	6250%
Office Furniture	232	104	(128)	-55%
Motor Vehicle	238	0	(238)	-100%
Total	3,924	4,491	567	14%

Figure 15.9: Distribution of capital expenditure budget





Directors' Report

The Directors are pleased to present the Annual Report and Financial Statements of the Deposit Protection Fund, for the year ended 30 June 2021.

Incorporation

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

Principal Activities

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

Operating Financial Results

The Directors present the financial statements for the period ended 30 June 2021 as set out on pages 91 to 136 of this report. The Fund's total assets have increased by 72 percent from UGX 583 billion to UGX 1,000 billion as at 30 June 2018 and 30 June 2021 respectively. The increase has been largely reflected in treasury instruments which increased from UGX 558 billion to UGX 989 billion over the same period.

Directors

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

Auditors

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

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

Approval of the Financial Statements

The financial statements set out on pages 91 to 136 were approved on 8 October 2021.


 BOARD CHAIRPERSON

Date: 8/10/2021

Place: Kampala, Uganda

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Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income and statement of cash flows for the period ended 30 June 2021, 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 (IFRSs) and the requirements of the Financial Institutions Act 2004 as amended.

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 91 to 136 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRSs and the requirements of the Financial Institutions Act 2004 as amended. The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and of the disposition of its assets and liabilities for the period ended 30 June, 2021. 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.

Nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least next twelve months from the date of this statement.

The financial statements were approved by the Board of Directors on 8 October 2021 and signed by:


Chairperson


Director


Director

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REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE DEPOSIT PROTECTION FUND FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

THE RT. HON. SPEAKER OF PARLIAMENT

Introduction

In accordance with Section 23 of the National Audit Act (NAA) 2008, I appointed M/S Grant Thornton Certified Public Accountants, to audit the financial statements of the Deposit Protection Fund on my behalf to enable me to report to parliament in accordance with Article 163 (4) of the Constitution of the Republic of Uganda, 1995 (as amended).

Opinion

I have audited the accompanying financial statements of the Deposit Protection Fund ("The Fund"), set out on pages 81 to 121, which comprise the statement of financial position as at 30th June 2021, the statements of profit or loss and other comprehensive income, and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Fund as at 30th June 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Financial Institutions Act 2004 as amended.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to my audit of the financial statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with 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 Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have determined the matters described below as the key audit matters to be communicated in my report;

1.0 Allowance for expected credit losses on financial assets	
The key audit matter	How the matter was addressed in my audit
<p>The allowance for expected credit losses on financial assets is considered to be a matter of most significance as it requires the application of significant judgment and the use of subjective assumptions by Directors. See notes 2.4, 3.7.7, 12, 16, 17 and 18 to the financial statements.</p> <p>The Directors have estimated allowances for expected credit losses of UGX.622,814,000 as of 30th June 2021. Directors' judgements and estimates which are especially subjective to audit due to significant uncertainty associated with the judgement and assumptions used, include;</p> <ul style="list-style-type: none">the appropriateness of the models used by the Directors in the estimation of the allowance for expected credit losses on financial assets;identification of exposures with significant increase in credit risk; andthe assumptions and estimates applied in the calculation, such as the probability of default, loss given default, forward-looking macro-economic factors, among others.	<p>Our audit procedures in this area included, among others;</p> <ul style="list-style-type: none">Assessing the design, implementation, and operating effectiveness of key controls across the processes relevant to the expected credit losses;Reviewing and challenging the methodology and assumptions underlying the models for consistency with IFRS 9;On a sample basis, verifying the accuracy and completeness of data used in the calculations; and.Performing a quantitative reassessment of the allowance for expected credit losses, using independently recomputed probability of defaults and independent forward-looking information.We compared our results to those obtained by the Directors to evaluate the reasonableness of the allowance for expected credit losses in these financial statements.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to the following matter in the financial statements that in my judgment, is of such importance and fundamental to users' understanding of the financial statements;

2.0 Provision for doubtful withholding tax receivable

Disclosed under Notes 9 and 14 of the financial statements is the effect of the provision for doubtful withholding tax receivable as well as the tax exemption details of the Fund as per Section 21 of the Income Tax (Amendment) Act, 2020.

I noted that although effective 1st July 2020, DPF was exempt from withholding tax, Bank of Uganda erroneously deducted withholding tax (WHT) on the Fund's interest income on matured government securities during the period amounting to UGX.10.4Bn. However, directors have decided to make full provision against the WHT receivable based on the historical experience and expected future outcome of the claim from URA on a conservative basis, and this is in accordance with the requirement of IAS 36: Impairment of Assets.

I have however advised management to continue pursuing the claim for a refund of the WHT from URA.

Other Information

The Directors are responsible for the other information on pages 6 to 75. The other information comprises the information included in the Annual report but does not include the financial statements and my auditor's report 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, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or to cease operations or have no realistic alternative but to do so. The Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism 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 the internal controls 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 directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with 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.

I also provide Directors with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

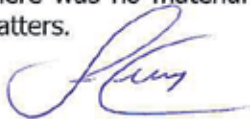
From the matters communicated with Directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

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

Report on the audit of compliance with legislation

There was no material finding in respect of the compliance criteria for the applicable subject matters.



John F.S. Muwanga
AUDITOR GENERAL

12th October, 2021





Financial statements for the year ended 30 June 2021

Statement of Profit or Loss and Other Comprehensive Income

	Note	30 June 2021 UGX '000	30 June 2020 UGX '000 Restated*
Income:			
Contributions	4	53,138,537	45,747,813
Other income	5	67,786	164,973
Interest income	6	118,275,409	97,151,868
Net trading income	7	5,638,539	2,276,933
		177,120,271	145,341,587
Expenses:			
Employee costs	8	(4,737,654)	(3,671,083)
Other operating expenses	9	(12,976,922)	(2,265,672)
Fund management fees	10	(1,645,159)	(1,436,829)
Depreciation	11	(527,988)	(517,693)
Impairment losses on financial assets	12	(350,581)	(92,437)
Finance costs	13	(72,311)	(22,790)
		(20,310,615)	(8,006,504)
Surplus before tax		156,809,656	137,335,083
Taxation	14	-	(18,737,072)
Surplus for the year		156,809,656	118,598,011
Other Comprehensive Income			
Items that are or may be reclassified subsequently to profit or loss			
Investment in government securities at FVTOCI - net change in fair value (net of tax)		24,405,426	4,917,314
Investment in government securities at FVTOCI – reclassified to profit or loss (net of tax)		(821,113)	(1,400,429)
Other comprehensive income for the year (net of tax)		23,584,313	3,516,885
Total comprehensive income for the year		180,393,969	122,114,896

The notes on pages 94 to 136 form an integral part of these financial statements.

*Refer to note 29

Statement of Financial Position

	Note	30 June 2021 UGX '000	30 June 2020 UGX '000 Restated*
Assets			
Cash in hand and at bank	15	1,053,505	8,950,008
Trade and other receivables	16	4,266,094	2,723,235
Loans and advances to staff	17	1,048,582	136,522
Investment in government securities	18	989,012,267	807,871,187
Property and equipment	19	3,846,315	841,500
Right-of-use asset	13	981,618	394,644
Total assets		1,000,208,381	820,917,096
Liabilities			
Deferred income	20	25,881,162	21,713,122
Current tax payable	14	-	6,542,836
Trade and other payables	21	21,231,666	20,564,960
Lease liabilities	13	953,771	348,365
Total liabilities		48,066,599	49,169,283
Reserves			
FVTOCI reserve	22	31,787,303	8,202,990
Accumulated surplus	22	920,354,479	763,544,823
Total reserves		952,141,782	771,747,813
Total liabilities and reserves		1,000,208,381	820,917,096

The notes on pages 94 to 136 form an integral part of these financial statements.

*Refer to note 29

The financial statements were approved by the Board of Directors on 8 October 2021 and signed on its behalf by:


Chairperson


Director


Board Secretary

Statement of Cash Flows

	Note	30 June 2021 UGX '000	30 June 2020 UGX '000 Restated*
Cash flows from operating activities			
Surplus before tax		156,809,656	137,335,083
Adjustments for:			
Depreciation	11	527,988	517,693
Impairment losses on financial assets	12	350,581	92,437
Interest on lease liabilities	13	72,311	22,790
Provision for doubtful amounts	14	10,954,516	-
Changes in:			
Trade and other receivables	16	(1,863,879)	(1,657,366)
Loans and advances to staff	17	(914,284)	(212,560)
Investment in government securities	18	(157,584,105)	(115,752,122)
Deferred income	20	4,168,040	2,324,051
Trade and other payables	21	666,706	173,853
Cash generated from operations		13,187,530	22,843,858
Tax paid	14	(17,497,352)	(17,511,772)
Interest paid	13	(72,311)	(22,790)
Net cash (used in) / generated from operating activities		(4,382,133)	5,309,297
Cash flows from investing activities			
Purchase of property and equipment	19	(3,238,316)	(600,387)
Net cash used in investing activities		(3,238,316)	(600,387)
Cash flows from financing activities			
Principal payment of leases	13	(276,054)	(325,575)
Net cash used in financing activities		(276,054)	(325,575)
Net (decrease)/ increase in cash in hand and at bank		(7,896,503)	4,383,335
Cash in hand and at bank at the beginning of the year	15	8,950,008	4,566,673
Cash in hand and at bank at end of year	15	1,053,505	8,950,008

The notes on pages 94 to 136 form an integral part of these financial statements.

*Refer to note 29

Notes to the Financial Statements

1. REPORTING ENTITY

The Deposit Protection Fund of Uganda ('the 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') as amended shall be the Deposit Protection Fund of Uganda, and therefore the reporting entity.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These accounting policies have been applied consistently to all the periods presented in these financial statements, except if mentioned otherwise.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Judgements

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

a. Business model assessment

The classification of financial assets is based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Fund monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

b. Impairment models and assumptions used

The Fund uses various models and assumptions in measuring fair value of financial assets as well as in estimating Expected Credit Losses (ECL). Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

c. Determining significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk.

In assessing whether the credit risk of an asset has significantly increased, the Fund considers qualitative and quantitative reasonable and supportable forward-looking information.

d. Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Assumptions and estimates of uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 30 June, 2021 is included in the following circumstances;

a) Impairment of financial instruments:

The assessment of whether credit risk on the financial asset has increased significantly since initial recognition, incorporation of forward-looking information in the measurement of Expected Credit Losses, and key assumptions used in estimating recoverable cash flows.

b) 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.

c) Recognition and measurement of provisions and contingencies:

Key assumptions about the likelihood and magnitude of an outflow of resources.

d) Impairment of non-financial assets:

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

e) Useful lives of property, equipment and right-of-use asset:

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by the Fund.

3.1 Standards and interpretations

3.1.1 Standards and interpretations effective and adopted during the year

In the current year, the Fund has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations..

i. Definition of Material – amendments to IAS 1 and IAS 8

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The effective date of the amendment is for years beginning on or after January 1, 2020. The Fund has adopted the amendment for the first time in the 2021 financial statements. These amendments had no impact on the Fund’s financial statements of, nor is there expected to be any future impact to the Fund.

ii. Revised Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The effective date of the amendment is for years beginning on or after January 1, 2020. The Fund has adopted the amendment for the first time in the 2021 financial statements. These amendments had no impact on the financial statements of the Fund.

3.1.2 Standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund’s financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

i. Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Fund is currently assessing the impact the amendments will have on current practice.

ii. Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Fund.

iii. Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Fund will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

iv. IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Fund will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Fund.

3.2 Revenue

Revenue is defined as income arising in the course of an entity’s ordinary activities. Income is recognised in the period in which it is earned. Revenue is recognised either at a point in time or over time, when (or as) the Fund satisfies performance obligations by transferring the promised services to its customers.

3.2.1 Contributions

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

3.2.2 Interest income

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

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

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

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

The calculation of the effective interest rate includes transaction costs and fees paid or received between parties of the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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

3.2.3 Amortised cost and gross carrying amount

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

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

3.2.4 Presentation

Interest income presented in the Statement of Profit or Loss and Other Comprehensive income includes;

- 1) Interest on financial assets measured at amortized cost calculated on an effective interest basis;
- 2) Interest on financial assets measured at FVTOCI calculated on an effective interest basis.

3.2.5 Net gain/ loss on de-recognition of financial assets measured at amortised cost or FVTOCI

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

3.3 Provisions and contingencies

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

3.4 Taxation

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or a business combination.

Current tax is charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

3.5 Property 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.

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 less accumulated depreciation and impairment losses.

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 e.g. Tablets	3	33%	1.00%
	Processing peripherals e.g. Printers	5	20%	1.00%
	Servers	5	20%	1.00%
Equipment	Catering	6	17%	0.50%
	Office e.g. Shredder	8	13%	2.00%
	Engineering e.g. UPS, Generators, Stabilizers	8	13%	2.00%
	Engineering e.g. Central AC, PABX	15	7%	1.00%
Motor vehicles	Executive & Pool	5	20%	5.00%
Furniture & fittings	Fittings	8	13%	2.00%
	Office furniture	10	10%	2.00%

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.

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

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

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

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

3.6 Payments to depositors

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

3.7 Financial instruments

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

3.7.1 Recognition and initial measurement

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

3.7.2 Classification

3.7.2.1 Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost or Fair value through other comprehensive income (FVTOCI).

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

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

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

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

3.7.2.2 Business Model Assessment

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

- 1) The investment policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- 2) How the performance of the portfolio is evaluated and reported to the Fund’s management;
- 3) The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- 4) How investment managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- 5) The Business model score that takes into account the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund’s stated objective for managing the financial assets is achieved and how cash flows are realised.
- 6) Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

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

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

Reclassifications

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

3.7.2.4 Financial Liabilities

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

3.7.3 De-recognition

Financial Assets

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of

- (i) the consideration received (including any new asset obtained less any new liability assumed) and
- (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Financial Liabilities

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

3.7.4 Modifications of financial assets and financial liabilities

Financial Assets

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

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

Financial liabilities

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

3.7.5 Offsetting

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

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

3.7.6 Fair Value Measurement

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

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

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

Financial assets for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Fair value hierarchy

- 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 recognized 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.7.7 Impairment

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

- 1) Financial assets that are measured at amortised cost
- 2) Financial assets that are measured at FVTOCI.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the Debt investment securities that are deemed to have low credit risk at the reporting date; and for which they are measured as 12-month ECL:

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

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

Stage 2: A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition.

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

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

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

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

Measurement of ECL

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

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

Restructured Financial Assets

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

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

Credit-Impaired Financial Assets

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

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

- Significant financial difficulty of the borrower or issuer; the issuing respective East African Governments fails to honour its obligations in accordance with the terms of the specific contract.
- Objective assessments indicate that the repayments will be in doubt even when the obligation is not due.

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

Presentation of allowance for ECL in the statement of financial position

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

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

assets.

Write-offs

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

3.7.8 Investment in government securities

The Fund holds the following investment securities:

- 1) Investment in government securities at amortized cost that comprise of treasury bills.
- 2) Investment in government securities at FVTOCI that comprise of treasury bonds.

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

Cumulative gains and losses recognized in OCI are transferred to profit or loss on disposal of an investment.

3.8 Employee benefits

Wages, salaries, employer’s National Social Security Fund (NSSF) contributions are accrued in the year in which the associated services are rendered by employees and recognized in profit or loss. Short term compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences. The Fund contributes 10 percent to NSSF in respect of all eligible employees, while a staff contributes 5 percent of their total wages.

3.8.1 Defined Contribution Scheme

The Fund operates a defined contributions (DC) pension scheme for all permanent and other eligible staff. The Scheme is funded by contributions from both the Fund and employees (17.45 percent and 3 percent of basic salary respectively).

For defined contribution plans, the cost to be recognized in the period is the contribution payable in exchange for service rendered by employees during the period.

3.8.2 Other Employee Benefits

The estimated monetary liability for employees’ accrued leave entitlement at the reporting date is recognized as accrued expense.

3.9 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 or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit, or CGU”).

The Fund’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

3.10 Leases

The Fund as a lessee

The Fund considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Fund assesses whether the contract meets three key evaluations which are whether:

- i) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Fund.
- ii) The Fund has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- iii) The Fund has the right to direct the use of the identified asset throughout the period of use. The Fund assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

The Fund has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Lease liability

The Fund measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Fund’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) fixed lease payments, including in-substance fixed payments, less any lease incentives;
- b) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- c) the amount expected to be payable by the Fund under residual value guarantees;
- d) the exercise price of purchase options, if the Fund is reasonably certain to exercise the option;
- e) lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option; and
- f) penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

The Fund remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- i) there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- ii) there has been a change in the assessment of whether the Fund will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- iii) there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- iv) there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- v) a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented separately on the Statement of Financial Position.

Lease payments included in the measurement of the right-of-use asset comprise the following:

- i) the initial amount of the corresponding lease liability;
- ii) any lease payments made at or before the commencement date;
- iii) any initial direct costs incurred;
- iv) any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Fund incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- v) less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, equipment and right-of-use assets. Refer to the accounting policy for property, equipment and right-of-use assets for details of useful lives.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

4. CONTRIBUTIONS

		30 June 2021 UGX '000'	30 June 2020 UGX '000'
			Restated*
Commercial banks	4(a)	46,092,191	39,885,749
Credit institutions	4(b)	926,500	753,534
Microfinance deposit taking institutions	4(c)	575,594	462,910
Risk adjusted premium	4(d)	5,544,252	4,645,620
		53,138,537	45,747,813

The following notes indicate the annual contributions obtained from various contributing institutions.

a) Commercial Banks	30 June 2021 UGX '000'	30 June 2020 UGX '000'
		Restated*
1 ABC Capital Bank Ltd	46,769	49,946
2 Bank of Africa Uganda Ltd	1,164,735	1,144,708
3 Bank of Baroda (Uganda) Ltd	2,791,828	2,579,170
4 Bank of India (Uganda) Ltd	445,928	351,492
5 Absa Bank Uganda Ltd	4,131,654	3,549,004
6 Cairo International Bank Ltd	236,148	169,973
7 Centenary Bank Uganda Ltd	5,243,969	4,517,631
8 Citibank Uganda Ltd	1,269,926	1,192,779
9 NCBA Uganda Ltd	693,254	541,574
10 DFCU Bank Ltd	4,357,412	3,853,217
11 Diamond Trust Bank Uganda Ltd	2,548,038	2,435,290
12 Ecobank Uganda Ltd	878,498	633,081
13 Equity Bank Uganda Ltd	2,393,212	1,740,926
14 Exim Bank (U) Ltd	547,111	532,459
15 Finance Trust Bank Ltd	352,937	301,912
16 Guaranty Trust Bank	268,405	279,461
17 Housing Finance Bank Ltd	1,119,745	901,651
18 KCB Bank Uganda Ltd	1,015,042	1,007,525
19 Orient Bank Ltd	1,280,637	1,221,751
20 Stanbic Bank Uganda Ltd	9,443,694	7,858,789
21 Standard Chartered Bank Uganda Ltd	4,637,614	4,039,778
22 Tropical Bank Ltd	423,293	381,285
23 United Bank of Africa Uganda Ltd	609,303	477,343
24 Afriland First Bank Uganda Ltd	1,380	-
25 Opportunity Bank Uganda Ltd	191,659	125,004
	46,092,191	39,885,749

b) Credit Institutions	30 June 2021 UGX '000'	30 June 2020 UGX '000'
		Restated*
1 Merchantile Credit Bank Ltd	108,713	89,045
2 Yako Microfinance Limited	5,814	3,851
3 PostBank Uganda Ltd	716,805	611,244
4 Top Finance Bank Uganda Ltd	38,184	41,072
5 BRAC (U) Bank Ltd	56,984	8,322
	926,500	753,534

c) Microfinance Deposit-taking Institutions	30 June 2021 UGX '000'	30 June 2020 UGX '000'
		Restated*
1 EFC Limited	51,031	24,406
2 Finca Uganda Limited	170,311	149,472
3 Pride Microfinance Limited	304,181	250,339
4 Ugafode Microfinance Limited	50,071	38,693
	575,594	462,910

Each Contributing Institution contributes annually 0.2% of the average weighted deposit liabilities of the financial institution in its previous financial year.

d) Risk adjusted premium	30 June 2021 UGX '000'	30 June 2020 UGX '000'
		Restated*
1 Commercial banks	5,153,055	4,266,797
2 Credit institutions	265,887	357,284
3 Microfinance deposit taking institutions	125,310	21,539
	5,544,252	4,645,620

Contributing Institutions which were rated Marginal or Unsatisfactory as per the Bank of Uganda quarterly off-site reports were charged an additional 0.1 percent and 0.2 percent respectively of the average weighted deposit liabilities on a quarterly basis as per Section 111 of the FIA 2004 as amended.

5. OTHER INCOME

	30 June 2021 UGX '000'	30 June 2020 UGX '000'
		Restated*
Movement in leave provision	25,318	-
Employee contributions towards meals	666	465
Penalty for late payment (note 5(a))	41,802	164,508
	67,786	164,973

This relates to the movement in the provision for outstanding leave days, penalty for late payment of annual contributions and staff contributions towards lunch during the first quarter of the year. The decrease in the penalty for late payment is majorly due to a reduction in the number of Contributing Institutions that did not pay their premiums to the Fund within the specified period.

a) Penalty for late payment	30 June 2021 UGX '000'	30 June 2020 UGX '000'
		Restated*
1 Commercial banks	40,047	140,224
2 Credit institutions	1,755	22,377
3 Microfinance deposit taking institutions	-	1,908
	41,802	164,509

During the period ended 30 June, 2021, Contributing Institutions that did not pay their premiums to the Fund within the specified period were charged a civil penalty interest charge of 0.5 per cent of the unpaid amount for every day outside the notice period on which the amount remained unpaid as per Section 111 (3) of the Financial Institutions Act 2004 as amended.

6. INTEREST INCOME

	30 June 2021 UGX '000'	30 June 2020 UGX '000'
		Restated*
Investment in government securities at amortised cost	27,062,502	20,969,558
Investment in government securities at FVTOCI	91,164,498	76,157,553
Loans and advances to staff	48,409	24,757
	118,275,409	97,151,868

During the period under review, income from investments increased by 22% due to growth of the investment portfolio and favorable interest rate movements especially on short term investments.

7. NET TRADING INCOME

	30 June 2021 UGX '000'	30 June 2020 UGX '000'
		Restated*
Sales proceeds	87,089,265	42,462,033
Amortised cost	86,226,179	42,127,903
Profit on trading	863,086	334,130
Interest accrued on traded securities	4,775,453	1,942,803
Income from secondary market trading	5,638,539	2,276,933

During the year ended 30 June 2021, the Fund realized UGX 5,639 million (inclusive of the amount reclassified from FVTOCI reserve) from the sale of treasury bills and bonds in the secondary market. Treasury bills and bonds were sold to ensure the Fund remained compliant with the strategic allocation risk limits stipulated in the Investment Policy.

8. EMPLOYEE COSTS

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Salaries & wages	3,272,325	2,775,704
Projects & training	32,104	214,158
Pension scheme contributions	407,985	337,673
NSSF Contributions	348,020	252,028
Other Staff Costs	631,001	66,762
Deferred staff benefit	46,219	24,758
	4,737,654	3,671,083

During the period, staff related expenses increased by UGX 1,045 million, due to recruitment of new staff.

Expenses related to training reduced by UGX 183 million mainly because several capacity building programs were not held due to the Covid-19 pandemic restrictions.

Pension contributions constitute the Defined Contribution (DC) for DPF staff. This expenditure increased in tandem with the staff numbers.

The 'Other staff costs' comprise of staff allowances, medical expenses and canteen expenses among others.

9. OTHER OPERATING EXPENSES

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Board fees and expenses	427,849	541,393
General costs	1,244,539	764,957
Provision for doubtful amounts ***	10,954,516	-
Corporate costs	308,308	922,562
Auditor's remuneration	41,710	36,760
	12,976,922	2,265,672

General costs increased by UGX 480 million mainly due to a UGX 192 million increment in sundry and expensed capital items.

*** Effective July 1, 2020, the Fund was exempted from withholding tax. The Fund however continued paying withholding tax until May 2021. The balance paid amounted to UGX 10 billion. This was a receivable from URA as it related to a period during which the Fund was exempt from withholding tax. The Board and Management assessed the recoverability of these amounts and thus made a provision for the same.

10. FUND MANAGEMENT FEES

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Britam Asset Managers	204,190	-
GenAfrica Assets Managers	558,612	642,377
M/s Sanlam Investments East Africa Ltd	882,357	794,452
	1,645,159	1,436,829

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

Fund management fees increased due to growth in the investment portfolio.

11. DEPRECIATION

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Depreciation on property and equipment	233,502	123,049
Depreciation on right-of-use asset	294,486	394,644
	527,988	517,693

12. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Investment in government securities at amortised cost	2,452	12,564
Investment in government securities at FVTOCI	24,885	5,097
RAPs receivable	321,020	74,552
Loans and advances to staff	2,224	224
	350,581	92,437

The expected credit loss on financial instruments for the year ended 30 June, 2021 have been made in accordance with the requirements of IFRS 9 - Financial Instruments. The increment in the impairment losses is due to the change in the IFRS 9 model used in the computation and the increment in the financial assets.

13. LEASES

The Fund leases it's office premises. The increase in the right of use assets and lease liabilities was due to the remeasurmnt of the lease to consider the extension in the lease term. The lease typically runs for three years. Information about the lease is presented below:

i. Right-of-use asset

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Opening balance	394,644	789,288
Depreciation for the year	(294,486)	(394,644)
Remeasurement of leases	881,460	-
	981,618	394,644

ii. Amounts recognised in the statement of profit or loss

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Interest on lease liabilities	72,311	22,790
Depreciation on right-of-use assets	294,486	394,644
	366,797	417,434

iii. Lease liabilities

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Opening balance	348,365	673,940
Interest on lease liability	72,311	22,790
Lease payments	(348,365)	(348,365)
Remeasurement of leases	881,460	-
	953,771	348,365

iv. Amounts recognised in statement of cash flows

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Lease interest paid	72,311	22,790
Lease payments - Principal	276,054	325,575
	348,365	348,365

v. Minimum lease payments due

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Within 1 year	348,365	348,365
In 2-5 years	1,045,094	-
Less: future finance charges	(439,688)	-
	953,771	348,365

vi. Present value of minimum lease payments due

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Within 1 year	348,365	348,365
In 2-5 years	605,406	-
	953,771	348,365

14. TAXATION

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Withholding Tax at 20%	-	(19,146,415)
WHT written off on Premium Bond	-	409,343
Adjusted tax for the period	-	(18,737,072)
Add: Tax payable brought forward	(6,542,836)	(5,317,536)
Less: Withholding tax paid at 20%	17,497,352	17,511,772
Current tax receivable/ (payable)	10,954,516	(6,542,836)
Less: Provision for doubtful amounts ***	(10,954,516)	-
Tax payable carried forward	-	(6,542,836)

A withholding tax rate of 20% is imposed on interest from government securities whose maturity period does not exceed 10 years and 10% for government securities whose tenure is at least ten (10) years in accordance with Sections 117 and 122 of the Income Tax Act.

*** Effective 1 July, 2020, the Fund was exempt from withholding tax. The Fund however continued paying withholding tax until May 2021. The balance paid amounted to UGX 10.9 billion which is now a receivable from URA as it related to a period during which the Fund was exempt from withholding tax. The Board and Management assessed the recoverability of these amounts and thus made a provision for the same.

15. CASH IN HAND AND AT BANK

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Cash at bank	1,053,460	8,949,963
Cash in hand	45	45
	1,053,505	8,950,008

Cash at bank for the period ended 30 June, 2021 included bank balances held at Bank of Uganda and Centenary Bank worth UGX 1,054 million.

16. TRADE AND OTHER RECEIVABLES

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Financial instruments:		
Trade receivables		
Risk adjusted premiums	1,397,980	1,246,970
Unbilled receivables		
Penalty on late payments	41,802	128,862
Risk adjusted premiums	2,327,110	1,401,204
	2,368,912	1,530,066
Other receivables		
Deferred staff cost	624,971	75,815
	4,391,863	2,852,851
Less: Allowance for ECL	(451,193)	(130,174)
	3,940,670	2,722,677
Non-financial instruments:		
Prepaid expenses	325,424	558
	4,266,094	2,723,235

a) Risk Adjusted Premiums

During the year, Contributing Institutions which were rated Marginal or Unsatisfactory as per the Bank of Uganda quarterly off-site reports were charged an additional 0.1 percent and 0.2 percent respectively of the average weighted liabilities on a quarterly basis as per Section 111 of the FIA 2004 as amended. As such, UGX 3,725 million relates to risk adjusted premium that was not yet received by end of financial year. The Risk Adjusted Premium receivable increased by UGX 1,077 million over the period under review. The movement is in tandem with the increase in the deposit balances and an increase in the number of Contributing Institutions rated Marginal or Unsatisfactory in the quarter ended June 2021.

b) Penalties on late payment

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

c) Expected credit loss

All the receivables have been subjected to impairment review according to guidelines set out in the DPF impairment policy and IFRS 9 leading to an Expected Credit Loss (ECL) of UGX 451 million.

17. LOANS AND ADVANCES TO STAFF

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Staff loans and advances	1,676,000	212,560
Less: Deferred staff cost	(624,971)	(75,815)
Less: Allowance for ECL	(2,447)	(223)
	1,048,582	136,522

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

During the year, the Fund granted salary advances to its staff and as at end of 30 June 2021 the loans and advances balance was UGX 1,674 million. According to IFRS 9, these have been subjected to impairment review leading to an ECL of UGX 2.5 million and interest income of UGX 48 million. Loans and advances to staff increased mainly because the Fund bought off loans of new staff from the Bank of Uganda.

18. INVESTMENT IN GOVERNMENT SECURITIES

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Investment in government securities at amortised cost	261,091,415	248,468,587
Investment in government securities at FVTOCI	727,920,852	559,402,600
	989,012,267	807,871,187

The Fund invests in Government Treasury Bills and Bonds. Total investment in Treasury Bills and Bonds increased to UGX 989 billion during the year from UGX 808 billion registered in the previous year due to capital growth resulting from investment income, premiums and penalties from Contributing Institutions.

The treasury bills and bonds are further analyzed as follows:

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Investment in government securities at amortised cost		
Treasury bills (at cost)	250,399,838	238,525,449
Interest accrued	10,739,418	9,988,526
Less: allowance for ECL	(47,841)	(45,388)
	261,091,415	248,468,587
Investment in government securities at FVTOCI		
Treasury bonds (at cost)	673,466,921	536,743,092
Interest accrued	22,787,961	14,552,966
Less: allowance for ECL	(121,333)	(96,448)
Fair value gain	31,787,303	8,202,990
	727,920,852	559,402,600
	989,012,267	807,871,187

Maturity analysis of the investment in government securities:

	30 June 2021 UGX '000	30 June 2020 UGX '000
		Restated*
Investment in government securities at amortised cost		
Maturity within 91 days	44,947,144	47,598,339
Maturity after 91 days & before 182 days	63,743,674	47,653,090
Maturity after 182 days	152,400,597	153,217,157
	261,091,415	248,468,587
Investment in government securities at FVTOCI		
Maturity within 2 years	220,999,842	242,469,278
Maturity after 2 years and within 3 years	78,630,727	61,379,278
Maturity after 3 years and within 5 years	79,907,337	89,148,747
Maturity after 5 years and within 10 years	255,624,965	92,167,821
Maturity after 10 years	92,757,980	74,237,476
	727,920,852	559,402,600

19. PROPERTY AND EQUIPMENT

	Computer Hardware UGX '000	Equipment UGX '000	Motor Vehicle UGX '000	Furniture & Fittings UGX'000	Work in Progress UGX '000	Total UGX '000
Cost						
As at 1 July 2019	102,229	41,253	305,790	9,527	-	458,799
Additions	257,307	85,314	-	-	257,765	600,386
As at 1 July 2020	359,536	126,567	305,790	9,527	257,765	1,059,185
Transfers	-	186,723	-	71,042	(257,765)	-
Additions	313,943	294,915	237,062	383,492	2,008,905	3,238,317
As at 30 June 2021	673,479	608,205	542,852	464,061	2,008,905	4,297,502
Accumulated depreciation						
As at 1 July 2019	42,844	1,500	49,664	628	-	94,636
Charge for the year	55,650	8,103	58,100	1,196	-	123,049
As at 1 July 2020	98,494	9,603	107,764	1,824	-	217,685
Charge for the year	106,244	31,956	72,586	22,716	-	233,502
As at 30 June 2021	204,738	41,559	180,350	24,540	-	451,187
Net carrying amount						
As at 30 June 2021	468,741	566,646	362,502	439,521	2,008,905	3,846,315
As at 30 June 2020	261,042	116,964	198,026	7,702	257,766	841,500

Work in progress worth UGX 2,009 million relates to the Payout and Premium Management System expected to be completed in the FY 2021/22.

20. DEFERRED INCOME

Deferred income relates to financial institutions' annual contributions paid into the Fund. Given that annual contributions relate to a calendar year, contributions are apportioned in line with accrual-based accounting principles. The movement in deferred contributions is a result of the increment in the deposit balances held by Contributing Institutions.

		30 June 2021 UGX '000	30 June 2020 UGX '000
			Restated*
Commercial banks	8(a)	25,020,318	21,071,872
Credit institutions	8(b)	532,489	394,011
Microfinance deposit taking institutions	8(c)	328,355	247,239
		25,881,162	21,713,122

	30 June 2021 UGX '000	30 June 2020 UGX '000 Restated*
a) Commercial Banks		
1 ABC Capital Bank Ltd	23,625	23,144
2 Bank of Africa Uganda Ltd	602,562	562,174
3 Bank of Baroda (Uganda) Ltd	1,457,826	1,334,002
4 Bank of India (Uganda) Ltd	247,336	198,592
5 Absa Bank Uganda Ltd	2,220,957	1,910,697
6 Cairo International Bank Ltd	136,498	99,650
7 Centenary Bank Uganda Ltd	2,873,946	2,370,022
8 Citibank Uganda Ltd	620,694	649,232
9 Commercial Bank of Africa Uganda Ltd	384,557	308,697
10 DFCU Bank Ltd	2,408,234	1,949,177
11 Diamond Trust Bank Uganda Ltd	1,288,868	1,259,170
12 Ecobank (U) Ltd	519,721	358,777
13 Equity Bank Uganda Ltd	1,418,394	974,819
14 Exim Bank (U) Ltd	288,126	258,985
15 Finance Trust Bank Ltd	199,391	153,546
16 Guaranty Trust Bank	128,845	139,561
17 Housing Finance Bank Ltd	570,816	548,929
18 KCB Bank Uganda Ltd	511,227	503,814
19 Orient Bank Ltd	619,779	660,858
20 Stanbic Bank Uganda Ltd	5,226,590	4,217,104
21 Standard Chartered Bank Uganda Ltd	2,601,415	2,036,199
22 Tropical Bank Ltd	219,017	204,275
23 United Bank of Africa	329,869	279,434
24 Afriland Bank Uganda Ltd	1,380	-
25 Opportunity Bank Uganda Ltd	120,645	71,014
	25,020,318	21,071,872

	30 June 2021 UGX '000	30 June 2020 UGX '000 Restated*
b) Credit Institutions		
1 Mercantile Credit Bank Ltd	63,323	45,390
2 Yako Microfinance Limited	3,824	1,990
3 PostBank Uganda Ltd	399,764	317,041
4 Top Finance Bank Uganda Ltd	16,915	21,268
5 BRAC (U) Bank Ltd	48,663	8,322
	532,489	394,011

	30 June 2021 UGX '000	30 June 2020 UGX '000 Restated*
c) Microfinance Deposit Taking Institutions		
1 EFC Ltd	31,952	19,079
2 Finca Uganda Limited	94,816	75,495
3 Pride Microfinance Limited	173,592	130,589
4 Ugafode Microfinance Limited	27,995	22,076
	328,355	247,239

21. TRADE AND OTHER PAYABLES

	30 June 2021 UGX '000	30 June 2020 UGX '000 Restated*
Financial instruments		
Unclaimed deposits	198,882	198,882
Payable to the Government of Uganda	19,750,479	19,750,479
Expenses payable:		
Audit fees	41,710	36,760
Fund management fees	505,305	372,516
Administrative expenses	570,154	107,744
Mortgage fees	1,500	1,500
	21,068,030	20,467,881
Non-financial instruments		
Expenses payable:		
PAYE	163,636	97,079
	21,231,666	20,564,960

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

Expenses payable increased over the period under review due to an increase in PAYE deducted from staff salaries in the month of June 2021 coupled with an increase in the fund management fees and administrative expenses.

22. RESERVES

	Accumulated surplus UGX '000	FVTOCI reserve UGX '000	Total reserves UGX '000
As at 1 July 2019	644,946,812	4,686,105	649,632,917
Surplus for the year	118,598,011	-	118,598,011
Other comprehensive income	-	3,516,885	3,516,885
As at 30 June 2020 Restated*	763,544,823	8,202,990	771,747,813
As at 1 July 2020	763,544,823	8,202,990	771,747,813
Surplus for the year	156,809,656	-	156,809,656
Other comprehensive income	-	23,584,313	23,584,313
As at 30 June 2021	920,354,479	31,787,303	952,141,782

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

23. INTEREST RATE RISK

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.

Below is the summary of the exposure to interest rate risk. Included in the table are the Fund’s assets and liabilities categorized by maturity dates;

	Year ended 30 June 2021 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					
Investment in government securities at amortised cost	261,091,415	44,955,499	216,135,916	-	-
Investment in government securities at FVTOCI	727,920,852	-	-	379,537,906	348,382,946
Loans and advances to staff	1,673,552	-	150,211	655,843	867,499
Total assets	990,685,819	44,955,499	216,286,127	380,193,749	349,250,445
Liabilities					
Lease liability	953,771	-	348,365	605,406	-
Total liabilities	953,771	-	348,365	605,406	-
Interest sensitivity gap					
As at 30 June 2021	989,732,048	44,955,499	215,937,762	379,588,343	349,250,445

	Year ended 30 June 2020 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					
Investment in government securities at amortised cost	248,468,586	47,607,034	200,861,552	-	-
Investment in government securities at FVTOCI	559,402,601	-	-	392,997,304	166,405,297
Loans and advances to staff	212,336	-	-	212,336	-
Total assets	808,083,523	47,607,034	200,861,552	393,209,640	166,405,297
Liabilities					
Lease liability	348,365	-	348,365	-	-
Total liabilities	348,365	-	348,365	-	-
Interest sensitivity gap					
As at 30 June 2020	807,735,158	47,607,034	200,513,187	393,209,640	166,405,297

Interest rate risk to the Fund materializes when interest rates fluctuate and affect earnings from the investment portfolio.

24. 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

	Year ended 30 June 2021 UGX '000	Matured UGX '000	Up to 3 Months UGX '000	4 to 12 Months UGX '000	1 to 5 Years UGX '000	Over 5 Years UGX '000
Assets						
Cash in hand and at bank	1,053,505	1,053,505	-	-	-	-
Investment in government securities at amortised cost	261,091,415	-	44,955,499	216,135,916	-	-
Investment in government securities at FVTOCI	727,920,852	-	-	-	379,537,906	348,382,946
Trade and other receivables	3,766,892	-	-	3,766,892	-	-
Loans and advances to staff	1,673,552	-	-	150,211	655,843	867,499
Total assets	995,506,216	1,053,505	44,955,499	220,053,019	380,193,749	349,250,445
Liabilities						
Payable to the Government of Uganda	19,750,479	-	-	-	19,750,479	-
Unclaimed deposits	198,882	-	-	-	-	198,882
Lease liabilities	953,771	-	-	348,365	605,406	-
Expenses payable	1,118,669	-	1,118,669	-	-	-
Total liabilities	22,021,801	-	1,118,669	348,365	20,355,885	198,882
Liquidity gap						
As at 30 June 2021	973,484,415	1,053,505	43,836,830	219,704,655	359,837,864	349,051,563

	Year ended	Matured	Up to	4 to 12	1 to 5	Over 5
	30 June		3 Months	Months	Years	Years
	2020					
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
Assets						
Cash in hand and at bank	8,950,008	-	-	-	-	-
		8,950,008				
Investment in government securities at amortised cost	248,468,586	-	47,607,034	200,861,552	-	-
Investment in government securities at FVTOCI	559,402,601	-	-	-	392,997,304	166,405,297
Trade and other receivables	2,777,036	-	-	2,777,036	-	-
Loans and advances to staff	212,336	-	-	-	212,336	-
		-				
Total assets	819,810,567	8,950,008	47,607,034	203,638,588	393,209,640	166,405,297
Liabilities						
Payable to the Government of Uganda	19,750,479	-	-	-	19,750,479	-
Unclaimed deposits	198,882	-	-	-	-	198,882
Expenses payable	518,520	-	518,520	-	-	-
Lease liabilities	348,365	-	-	348,365	-	-
Total liabilities	20,816,246	-	518,520	348,365	19,750,479	198,882
Liquidity gap						
As at 30 June 2020	798,994,321	8,950,008	47,088,514	203,290,223	373,459,161	166,206,415

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

25. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The current and non-current assets and liabilities as at 30 June, 2021 are as highlighted below;

	As At	Not more 12	More than 12	Total
	30 June 2021	months after the reporting date	months after the reporting date	
	UGX '000	UGX '000	UGX '000	UGX '000
Assets				
Cash in hand and at bank	1,053,505	1,053,505	-	1,053,505
Trade and other receivables	4,266,094	4,266,094	-	4,266,094
Loans and advances to staff	1,048,582	138,050	910,532	1,048,582
Investment in government securities	989,012,267	261,091,415	727,920,852	989,012,267
Property and equipment	3,846,315	-	3,846,315	3,846,315
Right-of-use asset	981,618	-	981,618	981,618
Total Assets	1,000,208,381	266,549,064	733,659,317	1,000,208,381
Liabilities				
Deferred income	25,881,162	25,881,162	-	25,881,162
Trade and other payables	19,949,361	1,282,305	19,949,361	21,231,666
Lease liabilities	953,771	348,365	605,406	953,771
Total Liabilities	48,066,599	27,511,832	20,554,767	48,066,599

	As At 30 June 2020	Not more 12 months after the reporting date	More than 12 months after the reporting date	Total
	UGX ‘000	UGX ‘000	UGX ‘000	UGX ‘000
Assets				
Cash in hand and at bank	8,950,008	8,950,008	-	8,950,008
Trade and other receivables	2,723,235	2,723,235	-	2,723,235
Loans and advances to staff	136,522	-	136,522	136,522
Investment in government securities	807,871,187	248,468,587	559,402,600	807,871,187
Property and equipment	841,500	-	841,500	841,500
Right-of-use asset	394,644	-	394,644	394,644
Total Assets	820,917,096	260,141,830	560,775,266	820,917,096
Liabilities				
Deferred income	21,713,122	21,713,122	-	21,713,122
Trade and other payables	20,564,960	615,599	19,949,361	20,564,960
Tax payable	6,542,836	2,542,433	4,000,403	6,542,836
Lease liabilities	348,365	348,365	-	348,365
Total Liabilities	49,169,283	25,219,519	23,949,764	49,169,283

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

26. RELATED PARTIES

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

No trading is carried out with the Bank of Uganda. However, the Bank seconded its staff to the Fund until April 2021. All staff costs related to seconded staff are met by the DPF.

The Fund’s related parties include the Government of Uganda, directors, and key management personnel (Heads of Departments and CEO) as below.

1. Mrs. Julia Clare Olima Oyet

- Chief Executive Officer
2. Mr. Balaam Ssempala

- Head Information Technology
3. Mr. Patrick O. Ezaga

- Head Communications
4. Mrs. Angela Kiryabwire Kanyima

- Head Legal & Board Affairs
5. Mr. Moses Apell Odongo

- Head Human Resource & Administration
6. Dr. Michael Mayanja Lugemwa

- Head Finance and Business Operations
7. Mr. Alan N. Lwetabe

- Head Investments

The transactions with related parties are indicated below.

26.1 Loans to Key Management Personnel

	30 June 2021 UGX ‘000	30 June 2020 UGX ‘000
		Restated*
Opening balance	212,560	-
Advanced during the year	1,087,861	216,163
Repayments	(144,711)	(3,603)
	1,155,710	212,560

26.2 Compensation of Key Management Personnel

	30 June 2021 UGX ‘000	30 June 2020 UGX ‘000
		Restated*
Short term employee benefits	1,253,552	50,296
Post-employment benefits	294,962	13,230
	1,548,514	63,526

Short term employee benefits comprise salaries and allowances to the key management personnel. The post-employment benefits include NSSF expense and the Fund’s contribution to the pension scheme.

26.3 Director’s Fees and Emoluments

	30 June 2021 UGX ‘000	30 June 2020 UGX ‘000
		Restated*
Directors’ fees and emoluments	400,800	353,950

26.4 Rent Payments to Bank of Uganda

	30 June 2021 UGX ‘000	30 June 2020 UGX ‘000
		Restated*
Rent payments	348,365	348,365

26.5 Payable to the Government of Uganda

	30 June 2021 UGX '000	30 June 2020 UGX '000 Restated*
Total insured depositors	41,152,210	41,152,210
Claim by Deposit Protection Fund	(3,299,997)	(3,299,997)
Claim by Government of Uganda	37,852,213	37,852,213
Refund to Government	(10,000,000)	(10,000,000)
Balance from Cooperative Bank A/C and other Assets	(8,101,734)	(8,101,734)
Amount payable to Government	19,750,479	19,750,479

The amount payable to Government and Bank of Uganda relates to their contribution for settlement of claims in the liquidation exercise of the closed banks. The amount to Government will be paid after the conclusion of the liquidation exercise. As at 30 June 2021, the amount payable to Government of Uganda stood at UGX 19,750 million.

27. FAIR VALUE

The Fund measures its financial instruments at each reporting date. The fair value hierachy is disclosed below:

Fair value hierachy as at 30 June 2021

	Level 1	Level 2	Level 3
Assets measured at fair value			
Financial instruments at FVTOCI	727,920,852	-	-

Fair value hierachy as at 30 June 2020

	Level 1	Level 2	Level 3
Assets measured at fair value			
Financial instruments at FVTOCI	559,402,600	-	-

28. CONTINGENT LIABILITIES

The Fund did not have any contingent liabilities as at 30 June 2021 (2020: Nil).

29. CORRECTION OF ERROR

During the year ended 30 June 2021, the Fund discovered that the Interest on Government treasury bills & bonds had been erroneously overstated in its financial statements for the year ended 30 June 2020. The errors have been corrected by restating each of the affected financial statement line items for the prior period. The following tables summarize the impacts on the Fund's financial statements.

i) Statement of profit or loss and other comprehensive income

For the year ended 30 June 2020	As previously reported UGX '000	Adjustment UGX '000	As restated UGX '000
Interest income	99,850,750	(2,723,639)	97,127,111
Taxation	(19,281,800)	544,728	18,737,072
Total comprehensive income for the year	124,293,807	(2,178,911)	122,114,896

ii) Statement of Financial position

For the year ended 30 June 2020	As previously reported UGX '000	Adjustment UGX '000	As restated UGX '000
Investment in government securities at amortised cost	251,192,225	(2,723,639)	248,468,586
Total assets	823,640,735	(2,723,639)	820,917,096
Current tax payable	(7,087,564)	544,728	(6,542,836)
Total liabilities	(49,714,011)	544,728	(49,169,283)
Total reserves	773,926,724	(2,178,911)	771,747,813

Except for the matters described above that resulted into restatement , comparative figures have been regrouped / reclassified in order to make them comparative with that of current financial period, wherever necessary.

30. CAPITAL COMMITMENTS

As at 30 June 2021, the Fund's capital commitments in respect of property and equipment amounted to UGX 817 million (2020: Nil).

31. EVENTS AFTER THE REPORTING PERIOD

At the date of finalization of these financial statements, there were no material events that occurred after the statement of financial position date that required adjustments to the financial statements.

32. IMPACT OF COVID-19

The spread of COVID-19 has severely impacted businesses around the globe. The Government of Uganda on 18 March 2020 announced a nationwide lockdown with immediate effect. Like many other countries, there has been severe disruption to regular business operation due to lock downs, disruptions in transportation, travel restrictions, quarantines, social distancing and other emergency measures in Uganda.

The directors have taken into account all the possible impacts of events that could arise from the outbreak of COVID-19 pandemic, in the preparation of the financial statements including the entity's ability to continue as a going concern. The impact assessment of COVID-19 is a continuing process, given the uncertainties associated with its nature and duration and the Fund will continue to monitor all material changes to the entity's internal and external environment



Consumer Education

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

About us

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.

What is a Contributing Institution?

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

What is the mandate of the DPF?

To act as a deposit protection scheme for customers of Contributing Institutions. Hence the Fund pays the protected deposit to a customer in the event of closure of a Contributing Institution for outright liquidation. To act as a receiver or liquidator of any closed Contributing Institution if appointed by Bank of Uganda.

Funding

How does the DPF compute and collect the Risk Adjusted Premiums?

The Risk Adjusted Premiums are based on the quarterly ratings from Bank of Uganda. A Contributing Institution whose overall performance shows an unsatisfactory or marginal rating shall be charged on a quarterly basis as follows:

- i) **Marginal:** additional charge of 0.1 percent of the average weighted deposit liabilities on top of the annual contribution.
- ii) **Unsatisfactory:** additional charge of 0.2 percent of the average weighted deposit liabilities on top of the annual contribution

Where does the DPF keep the money it receives from Contributing Institutions?

The money received from Contributing Institutions is deposited in an account held at Bank of Uganda. These monies are then invested in assets with minimal risks such as Government of Uganda treasury bills and treasury bonds. Income from the investment is reinvested. In the event of closure of a Contributing Institution for outright liquidation, a depositor of that Contributing Institution can lodge a claim with DPF. Claim forms will be readily available to the public.

FAQs

How is the DPF funded?

- i) **Premiums.** All Contributing Institutions make an annual premium and risk adjusted premium payment to the DPF.
- ii) **Investment Income.** The contributions are invested in Government of Uganda treasury instruments and this helps to increase the fund size.

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 a period not more than twenty-one days after the date of service of the notice. A Contributing Institution which for any reason fails to pay its premium to the Fund within the period of 21 days is liable to pay a civil penalty interest of one half per cent of the unpaid amount for every day outside the notice period on which the amount remains unpaid.



Coverage

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.

How much compensation am I entitled to when a Contributing Institution closes?

Currently it's up to ten million shillings per depositor per Contributing Institution. It should be noted that DPF determines the 'protected deposit' for payment purposes, by getting the total deposits of an individual in a particular Contributing Institution and deducting any non-performing credit facility of that individual to the institution.

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.

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.

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.

How do I know if my deposits are insured?

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

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.

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

All types of deposits received by a Contributing Institution in the normal course of business are protected. These include savings, current accounts and fixed deposits. It also includes foreign currency deposits though these will be converted to Uganda shillings using BoU determined closing mid- exchange rate on the day the institution was closed.

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

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

How does the DPF contribute to financial sector stability?

DPF protects a large percentage of retail depositors. More than 90 percent of the depositors in the sector are fully covered by the UGX 10,000,000 limit. DPF creates confidence in the financial sector by ensuring that customers are paid their deposits in time in the event a Contributing Institution is closed. Contributing Institutions endeavor to put in place adequate risk management systems in order to avoid penalties levied by the DPF.

98%

OF DEPOSIT
ACCOUNTS ARE
PROTECTED

YOUR DEPOSITS ARE PROTECTED BY THE **DEPOSIT PROTECTION FUND OF UGANDA**

UP TO UGX 10,000,000

(Applies to Depositors of Commercial Banks, Credit Institutions and
Microfinance Deposit-taking Institutions (MDIs) regulated by Bank of Uganda)

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📘 Deposit Protection Fund Of Uganda



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 Deposit Protection Fund of Uganda

 Deposit Protection Fund of Uganda (DPF)

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