DPF
Deposit Protection Fund *of Uganda*
YOUR DEPOSITS ARE PROTECTED

INTEGRATED ANNUAL REPORT
JUNE 30, 2023

Contributing Institutions

Membership to the Deposit Protection Fund is compulsory for all deposit taking institutions regulated by Bank of Uganda. There were thirty-three (33) Contributing Institutions as at June 30, 2023

33 Contributing Institutions

- **25 Commercial Banks**
- **4 Credit Institutions**
- **4 Microfinance Deposit-taking Institutions**

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ABBREVIATIONS

ACB	Audit Committee of the Board
ACMA	Associate Member of Chartered Management Accountants
ARC	Africa Regional Committee
BOU	Bank of Uganda
CBR	Central Bank Rate
CCP	Certified Communications Professional
CGHCCB	Corporate Governance and Human Capital Committee of the Board
CI	Contributing Institution
CMA	Capital Markets Authority
DIS	Deposit Insurance System
DPF	Deposit Protection Fund of Uganda
EAC	East African Community
EAD	Exposure At Default
ECL	Expected Credit Losses
EFU	Electricity, Fuel and Utilities
ERMF	Enterprise Risk Management Framework
ESG	Environmental, Social and Governance
FIA	Financial Institutions Act
FIRMCB	Finance, Investment and Risk Management Committee of the Board
FSB	Financial Stability Board
FSCMP	Financial Sector Crisis Management Plan
FSI	Financial Stability Institute
FSSF	Financial Sector Stability Forum
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GDP	Gross Domestic Product
HC&A	Human Capital and Administration
HIA	Human Resources, Investments management and Accounting system
IADI	International Association of Deposit Insurers

IASB	International Accounting Standards Board
ICPAU	Institute of Certified Public Accountants of Uganda
IESBA	International Ethics and Standards Board for Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
IT	Information Technology
KDIC	Kenya Deposit Insurance Corporation
LGD	Loss Given Default
MAC	Monetary Affairs Committee
MDI	Microfinance Deposit-Taking Institution
MoFPED	Ministry of Finance, Planning and Economic Development
NDIC	Nigeria Deposit Insurance Corporation
NINs	National Identification Numbers
NPS	National Payments System
OCI	Other Comprehensive Income
OHSC	Occupational Health and Safety Committee
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
RIA	Regulatory Impact Assessment
SCV	Single Customer View
SFIs	Supervised Financial Institutions
SPPI	Solely Payments of Principal and Interest
TITGCB	Technical and IT Governance Committee of the Board
UGX	Uganda Shillings
UIA	Uganda Insurers Association
VaR	Value at Risk
WHT	Withholding Tax

1.0

ABOUT THIS INTEGRATED ANNUAL REPORT

1.1 Approach to preparation

The approach to preparation of this Integrated Annual Report is characterized by a comprehensive and stakeholder-centric strategy. This report serves as a vital communication tool, enabling the Fund to convey its financial performance, operational resilience, and societal contributions in a holistic manner. To achieve this, the Fund adopts a diligent process of identifying material aspects through thorough assessments of financial and non-financial factors. The Fund engages with key stakeholders, including depositors, regulatory bodies, financial institutions, and the public, to understand their concerns and expectations, ensuring that our report addresses issues of genuine importance. By adhering to globally recognized reporting frameworks and principles, the Fund is committed to transparency, accuracy, and relevance in presenting our operations, risk management strategies, and the positive impact we create. Through this approach, the Fund aims to foster confidence, informed decision-making, and sustainable growth within the financial ecosystem and the public that it serves.

1.2 Reporting frameworks

The Fund adheres to the International Financial Reporting Standards (IFRS), a globally recognized and widely accepted accounting framework that ensures the consistency, comparability, and accuracy of the Fund's financial reporting. By adopting IFRS, the Fund aligns its reporting practices with international best practices, enabling stakeholders to make informed assessments of its financial performance and position. This Integrated Annual Report has been prepared in accordance with the International Integrated Reporting <IR> Framework.

1.3 Materiality

The concept of materiality plays a pivotal role in ensuring the clarity and relevance of disclosed information. Materiality within the context of the Deposit Protection Fund of Uganda's Integrated Annual Report pertains to the significance of financial and non-financial information that could influence stakeholders' decisions. By focusing on material aspects, the report strives to provide a comprehensive overview of the Fund's operations, financial health, risk management, and social impact. This approach allows the Fund to effectively communicate its commitment to safeguarding depositors' interests while addressing concerns that genuinely matter to stakeholders, thereby fostering transparency, confidence, and informed decision-making.

1.4 Assurance

The integrity of this Integrated Annual Report is enhanced by a meticulous integrated reporting process overseen by the Board of Directors. This process entails multiple levels of approval, involving both the senior management team and the Board. The assurances that underpin the report's credibility stem from rigorous internal reporting mechanisms governed by the Fund's Enterprise Risk Management Framework (ERMF) and internal audit procedures. Further reinforcing its commitment to transparency and accuracy, the Fund's annual financial statements undergo a comprehensive assurance process led by the Auditor General. Through these multifaceted measures, the Fund ensures the utmost reliability of the Integrated Annual Report.

1.5 Responsibility of the Integrated Report and statement from the Board

The Board is responsible for the content, accuracy, and integrity of this Report. In the Board's opinion, the Integrated Annual Report represents a fair and balanced impression of the Fund's performance, strategy and management, as well as its ability to create value for stakeholders. This report also addresses significant opportunities and risks resulting from our strategy. We also confirm that this report has been prepared and assured in accordance with the International Integrated Reporting <IR> Framework.

2.0 BOARD CHAIRMAN'S STATEMENT

It is with great pleasure that I present to you, on behalf of the Board, the Integrated Annual Report of the Deposit Protection Fund of Uganda (the Fund/DPF) for Financial Year 2022/23. It is important to note that this marks the first year that the Fund has prepared the annual report using the International Integrated Reporting <IR> Framework.

DPF has continued in its steady growth trajectory thanks to the sound policies and practices in place. Over the past five years, the balance sheet has more than doubled, with total assets standing at UGX 1,405 billion compared to UGX 695 billion in 2019. The staff have continued to uphold the strong values of the Fund while executing their duties. I am therefore, proud to report that since 2017 when the operationalization process commenced, DPF has not recorded any case of fraud in its financial statements.

Automation of systems remains a strategic focus of the Fund in readiness to execute its payout mandate. To this end, the Depositor Payout and Premium management System was successfully rolled out to all Contributing Institutions and a state-of-the-art firewall was implemented to secure the Fund's IT systems from cyber-attacks.

On the International scene, the Fund continues to play an important role in contributing to the enhancement of deposit insurance systems within Africa and beyond. It is on this note, that I am thrilled to report that the Chief Executive Officer, Dr. Julia Clare Olima Oyet (Mrs.) was elected as Chairperson of Africa Regional Committee (ARC) of the International Association of Deposit Insurers (IADI). She is the first Ugandan and first female in Africa to hold this key position.

The achievements recorded by the Fund would not have come to fruition without the collaboration of our key stakeholders. I therefore, wish to appreciate the Ministry of Finance, Planning and Economic Development, Bank of Uganda, all Contributing Institutions, the International Association of Deposit Insurers, and the World Bank. The Fund remains committed to harnessing the existing partnerships with its key stakeholders as it continues to contribute to building confidence in the financial sector. Finally, I express my sincere appreciation to the Board, management, and staff for their resolve to continue growing the Fund.

I look forward to next year with optimism.

Mr. Ben Patrick Kagoro
BOARD CHAIRMAN

2.1 | THE BOARD OF DIRECTORS

The profiles of each member of the Board are summarized below.

Mr. Ben Patrick Kagoro

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

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

Mr. Kagoro has extensive experience in Central Banking Finances, 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 Chairman 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 kickstarting the operations of the Petroleum Investment Reserve Fund including setting up its Accounting and Management Systems.

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 Chairs the Board Audit Committee of CASE Medical Centre.

Mr. I.K. John Byaruhanga

Mr. Byaruhanga is a Non-Executive Director and Chairperson of the Audit Committee of the Board. In addition, he is a Member of the Corporate Governance and Human Capital Committee of the Board.

He holds a Master of Public Administration in Economic Policy Management, Columbia University, New York City, USA and a Bachelor of Sciences (Economics), Makerere University, Kampala. Mr. Byaruhanga has wide experience in public policy formulation with a focus on economic development policy formulation, implementation, and review. 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 programs for financial sector development in Uganda.

Mr. Byaruhanga is also a Member of the Board of Directors of the African Trade & Investment Development Insurance Agency (ATIDI), a Pan-African institution that provides political risk insurance to companies, investors, and lenders interested in doing business in Africa.

Mr. Emmanuel Kalema Musoke

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

Mr. Kalema has 22 years of Central Banking experience having worked with Bank of Uganda in the Public Relations Department bringing with him a wealth of experience in 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. While at Bank of Uganda, he was also a part-time lecturer at the Uganda Institute of Banking and Financial Services. In addition, he worked with Co-operative Bank in the early 1980s for two years where he, among other things, served as a team leader for in-depth research on growth opportunities and value addition for the bank.

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

Ms. Roy Nambogo

Ms. Nambogo is the Chairperson of the Corporate Governance and Human Capital Committee of the Board, Member of Technical and IT Governance Committee of the Board as well as Finance, Investment and Risk Management Committee of the Board.

She holds a Master's in Business Administration from the Eastern and Southern African, Management Institute, a Post Graduate Diploma in Legal Practice from Law Development Centre, Kampala, 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.

Her experience in the field of Banking and Finance spans over 15 years since 2007 at Equity Bank Uganda Limited (Formerly Uganda Microfinance Limited) where she provided general legal & credit advisory, debt recovery support and internal policy formulation and risk management. During her tenure at Equity Bank Uganda Limited, she served in various positions starting off as a legal assistant, Legal officer, Senior Legal Officer and Acting Head of Legal by March 2010.

She commenced private legal practice in June 2010 at the law firm of Nambogo & Co. Advocates where she still works as Managing Partner. She also worked as a volunteer Legal Assistant at the Legal Services Department of John Radcliffe Hospital, Oxford UK.

She is also a Board member of Environmental Alert Uganda and a member of the Board of Governors of Masuliita Senior Secondary School.

Dr. Andrew Obara

Dr. Obara is a Non-Executive Director and the Chairman of the Finance, Investment and Risk Management Committee of the Board and a member of the Technical and IT Governance Committee of the Board and Corporate Governance and Human Capital Committee of the Board.

He holds a PhD from Washington International University in the field of Entrepreneurship and Business. He also holds an MBA (Finance) from 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 SME technical assistance. Andrew has led several diverse teams that have executed assignments.

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

Mrs. Susan Wasagali Kanyemibwa

Mrs. Kanyemibwa is a Non-Executive Director and is the representative of the Governor Bank of Uganda. She is a member of the Technical and IT Governance Committee of the Board, Corporate Governance and Human Capital Committee of the Board, and the Audit Committee of the Board. Mrs. Kanyemibwa holds a Master of Business Administration from Heriot-Watt University – Edinburgh Business School and a Master of Laws Degree from Makerere University. She also holds a Bachelor of Laws Degree from Makerere University and a Post-Graduate Diploma in Legal Practice from the Law Development Center. She is a Fellow of the Chartered Governance Institute of UK & Ireland.

Mrs. Kanyemibwa serves as the Bank Secretary/ Secretary to the Board of Bank of Uganda, a role she has held since March 2015 to-date. Before joining Bank of Uganda, Mrs. Kanyemibwa was Company Secretary and Head of Legal of Monitor Publications Limited from 1998-2004. She started her career in 1994 working with M/s. Nangwala, Rezida & Co. Advocates as a Legal Assistant, before joining Monitor Publications in 1998. At the Bank, she joined as a Senior Principal Banking Officer in the Legal Department and was transferred to the Board Secretariat Directorate on promotion to Assistant Director, and subsequently Director, Board Affairs Department in 2009 and 2011 respectively, from which she rose to her current role.

Mr. Wilbrod Humphreys Owor

Mr. Owor is the Chairperson of the Technical and IT Governance Committee of the Board and a member of the Finance, Investment and Risk Management Committee of the Board as well as the Audit Committee of the Board.

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

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

3.0 CHIEF EXECUTIVE OFFICER'S STATEMENT

Preamble

During the year, the events in the global banking system, especially in the USA, brought to the fore the relevance of deposit insurance in fostering confidence in the financial sector. These occurrences demonstrated that readiness to reimburse depositors fast, and close collaboration between Finance Ministries/Treasuries, Central Banks and Deposit Insurers is critical in fostering financial stability.

On its part, the Fund continued to exert itself in ensuring that the major milestones which are geared towards executing its mandate are achieved. I am therefore pleased to report that 91 percent of the deliverables planned for FY 2022/23 were completed.

Financial performance

During FY 2022/23 the total assets of the Fund increased by UGX 255 billion standing at UGX 1,405 billion in FY 2022/23 up from UGX 1,150 billion in FY 2021/22. The growth worth UGX 255 billion was due to investments in Government of Uganda treasury instruments. The Fund continued with the strategic action of laying emphasis on capital preservation and sound liquidity management. Consequently, more than 90 percent of the total assets were held in the form of Government of Uganda treasury bills and bonds. Total liabilities remained largely stable with a marginal increase of 3 percent or UGX 2 billion posted. On the other hand, total reserves increased by 23 percent to UGX 1,350 billion compared to UGX 1,096 billion the previous financial year. This growth was attributed to comprehensive income worth UGX 254 billion which was earned over the year.

Key milestones

In addition to ensuring improved financial performance, the Fund continued to focus on building systems to support the fast reimbursement of depositors and manage liquidation of banks. To this end, a Crisis Management Plan was put in place to guide the Fund's actions in the event of a payout. A Liquidation Policy was approved and staff embarked on extensive training in liquidation management. The public awareness drive continued in high gear with the DPF core messages translated into local languages for the first time. This was intended to reach the depositors at the bottom of the pyramid.

The Fund conducted a self-assessment to determine its level of compliance with the International Core Principles on Deposit Insurance. Although DPF is a relatively young institution, it was found to be largely compliant with the Core Principles.

A peek into the economy and the banking sector

The resilience of the economy was put to the test by a generally high inflation rate environment throughout the year which averaged 8.7 percent and 7.3 percent for headline and core inflation respectively. The impact of developments on the global stage, especially the Russia-Ukraine conflict, manifested in the economy through heightened food and energy prices, disruptions in the supply chain and high food prices in the domestic market attributed to weather vagaries.

During the year, the banking industry continued to exhibit plausible signs of resilience despite the low overall economic growth prospects, high inflation and global dynamics. Commercial banks aggregate assets grew by 8.3 percent to UGX 48.3 trillion as at end of June 2023 and core capital adequacy ratio increased to 24.8 percent in June 2023. Total deposits for Commercial Banks grew by 4.8 percent to UGX 35 trillion as at June 2023.

Focus on the year ahead

In FY2023/24, the Fund will place emphasis on a number of mission critical activities. To ensure that the recently rolled out payout system works as desired, simulation tests will be conducted. The Fund will embark on the automation of systems to support its financial and human capital management. To enhance its operations further, DPF will work closely with Bank of Uganda to propose amendments to the Financial Institutions Act, 2004. The process of putting in place a financing framework with the Government of Uganda is in advanced stages and should be concluded during the year. Similarly, agreements will be put in place with the various payout agents that the Fund has identified as partners. Finally, the Fund intends to sign a Memorandum of Understanding with the Federal Deposit Insurance Corporation (USA), to support capacity building and information sharing.

Conclusion

The Fund is poised to continue building on the milestones achieved in improving internal operations and enhancing collaborations with stakeholders both within and outside the country. On behalf of Management and the staff of the Fund, I take exception to extend appreciation to all our stakeholders who have continued to walk the journey with the Fund. Special gratitude goes to the Ministry of Finance, Planning and Economic Development, Bank of Uganda, the Contributing Institutions, and sister institutions in the Financial Sector Stability Forum (FSSF). I also take cognizance of and appreciate the immense contribution of the Board of Directors, my colleagues in management and all staff of the Fund without whom the strides we have made would not have been possible.

I look forward to another fruitful year!

Dr. Julia Clare Olima Oyet (Mrs.)
CHIEF EXECUTIVE OFFICER

3.1 | THE SENIOR MANAGEMENT

The Management of the Fund comprises of the Chief Executive Officer and Heads of Departments. 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.

Chief Executive Officer
Dr. Julia Clare Olima Oyet (Mrs.)

Dr. Julia Clare Olima Oyet (Mrs.) is the pioneer Chief Executive Officer of the Deposit Protection Fund of Uganda (DPF).

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

Dr. Julia Oyet was recently appointed as the first female Chairperson of the Africa Regional Committee of the International Association of Deposit Insurers (IADI). She started her career with M/s Ernst & Young before joining the 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.

Director Investments
Mr. Alan N. Lwetabe

Alan N. Lwetabe, CFA, CAIA, CIPM, joined the Fund as Director Investments on July 1, 2021, following his role as Assistant Director at the Bank of Uganda. Previously, he led portfolio management at the Bank of Uganda, managing a G7-focused portfolio invested in global bonds, FX, and interest rate strategies.

Alan holds an MA and BA in Economics from Makerere University and is active in industry organizations, including the CFA Society East Africa and CFA Institute. He specializes in advising institutional investors on capital markets strategies, investment in private markets, real estate, and structured debt.

In his current role, Alan oversees the Fund's investment program, ensuring that investment decisions align with the corporate strategy. He manages the Investments team and is responsible for investment performance.

Director Legal and Board Secretary
Mrs. Angela Kiryabwire Kanyima

Angela Kiryabwire Kanyima is the Director Legal and Board Secretary. She is a lawyer with over 25 years of extensive experience in both the public and private sectors in the areas of Legal Advisory Services, Litigation and Enforcement of regulatory compliance.

She is the Fund's chief legal advisor and provides administrative support to the Board of Directors.

Angela holds a Bachelor of Laws degree (Hons) from the University of Dar es Salaam Tanzania, a Post Graduate Diploma in Legal Practice from the Law Development Centre (Kampala) and a Master of Law in Development from the University of Warwick in the United Kingdom. She is an Advocate of the courts of Judicature and has attended several trainings in various areas. She has also served as a member of the Director on Boards of several organizations and is the award winner of the 2022 Non-Executive Director, Public Sector Category by the League of East African Directors.

Director Information Technology
Mr. Balaam Ssempala

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 the 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).

Director Internal Audit
Dr. Michael Mayanja Lugemwa

Dr. Lugemwa joined the Fund in May 2021 as Director Finance and Operations. In June 2022, Michael was appointed Director Internal Audit at the Fund. He has over 12 years of experience in finance, accounting, and auditing.

Before joining the Fund, Dr. Lugemwa served as Manager Accounts at Uganda National Roads Authority (UNRA) for five years. Before that, he was an Auditor in the Office of the Auditor General for half a decade.

He holds a PhD in Accountancy from North-West University (South Africa), a Master of Science degree from Robert Gordon University (UK), and a Bachelor of Commerce degree from Makerere University. He is a Certified Public Accountant (CPA), a Certified Fraud Examiner (CFE), and a Certified ISO 31000 Lead Risk Manager.

Director Human Capital and Administration
Mr. Moses Apell Odongo

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 over 15 years of experience in human resource management. He holds a Master of Business Administration (Distinction) and a bachelor's degree in economics and computer Science (first class) from Uganda Martyr's University, Nkozi.

Director Communications
Mr. Patrick O. Ezaga

Mr. Ezaga oversees the Fund's communications function with emphasis on enhancing public awareness, brand visibility, creating and maintaining a robust communications and public relations function to facilitate stakeholder engagement.

Patrick joined the Fund in May 2021 as Director Communications and brought on board vast expertise from his previous engagements in similar positions in reputable public and private sector organizations. He has over 18 years of experience and is passionate about corporate and crisis communications, public relations, marketing, events planning and execution and consultancy. Mr. Ezaga is a Certified Communications Professional (CCP) and holds a Master of Business Administration degree specializing in Marketing, a Bachelor of Human Resources Management degree and a Higher Diploma in Marketing.

Director Finance and Operations
Mr. Yusuf Mukiibi

Mr. Yusuf Mukiibi joined the Fund in January 2023 as the Director of Finance and Operations. He oversees the Fund's financial strategy through planning, compliance, and implementation of robust internal controls and financial reporting to enable the Fund to achieve its strategic objectives. He also provides leadership to the Operations aspects of the Fund that entail interfacing with Contributing Institutions to enable the Fund pay depositors if a Contributing Institution is closed by Bank of Uganda.

He holds an MBA from Edinburgh Business School and a Bachelor of Commerce degree from Makerere University. He is also a Certified Public Accountant of Uganda and a Fellow of Association of Chartered Certified Accountants of the UK.

4.0 CORPORATE INFORMATION

CORPORATE INFORMATION

Principal Place of Business & Registered Address	Deposit Protection Fund of Uganda (DPF), AHA Towers, 3rd Floor, Plot 7, Lourdel Road, P.O Box 37228, Kampala, Uganda
Custodian	Bank of Uganda, Plot 37/45, Kampala Road, P.O Box 7120, Kampala, Uganda
Investments Managers	Sanlam Investments East Africa Limited, Plot 1 Pilkington Road, Worker's House, 7th Floor, P.O 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, P.O Box 7083, Kampala, Uganda

5.0

WHO WE ARE

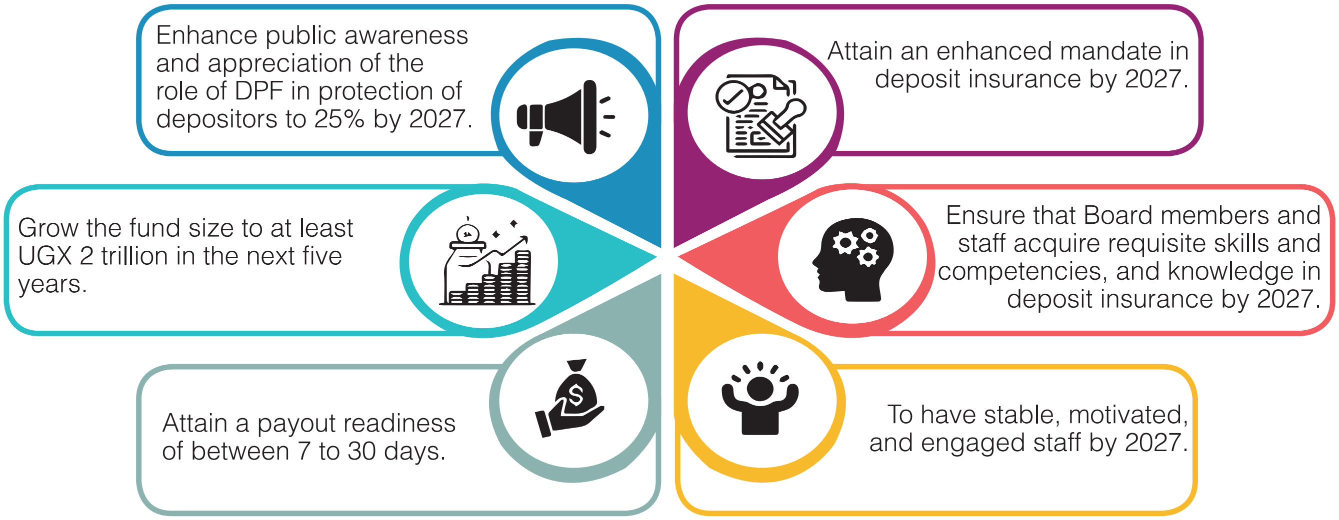
5.1 Mandate of the DPF

The Deposit Protection Fund of Uganda (DPF) is a statutory body that was established by the Financial Institutions Act, 2004 as amended. The mandate of the Fund is to pay depositors their protected deposits in case a Contributing Institution (CI) is closed, and Bank of Uganda requests the Fund to reimburse depositors. Currently, the deposit insurance limit is UGX 10 million per depositor per Contributing Institution. Additionally, the Fund can be appointed liquidator/receiver by the Bank of Uganda.

5.2 Vision, mission and core values

5.3 Strategic objectives

The Fund's strategic focus is anchored on the business perspectives of customer, financial, internal business processes and organizational capacity. These were determined based on the Balanced Scorecard Methodology. They constitute the pillars that support the achievement of the Fund's strategic objectives as shown below.



5.4 | THE FINANCIAL YEAR IN NUMBERS

UGX 34.99 trillion
Deposits in the sector
June 2022: UGX 33.35 trillion

UGX 6.87 trillion
Covered deposits
June 2022: UGX 6.12 trillion

UGX 10 million
Coverage limit

19.64 percent
Coverage ratio (by value)
June 2022: 18.36 percent

98.05 percent
Coverage ratio (by account)
June 2022: 97.99 percent

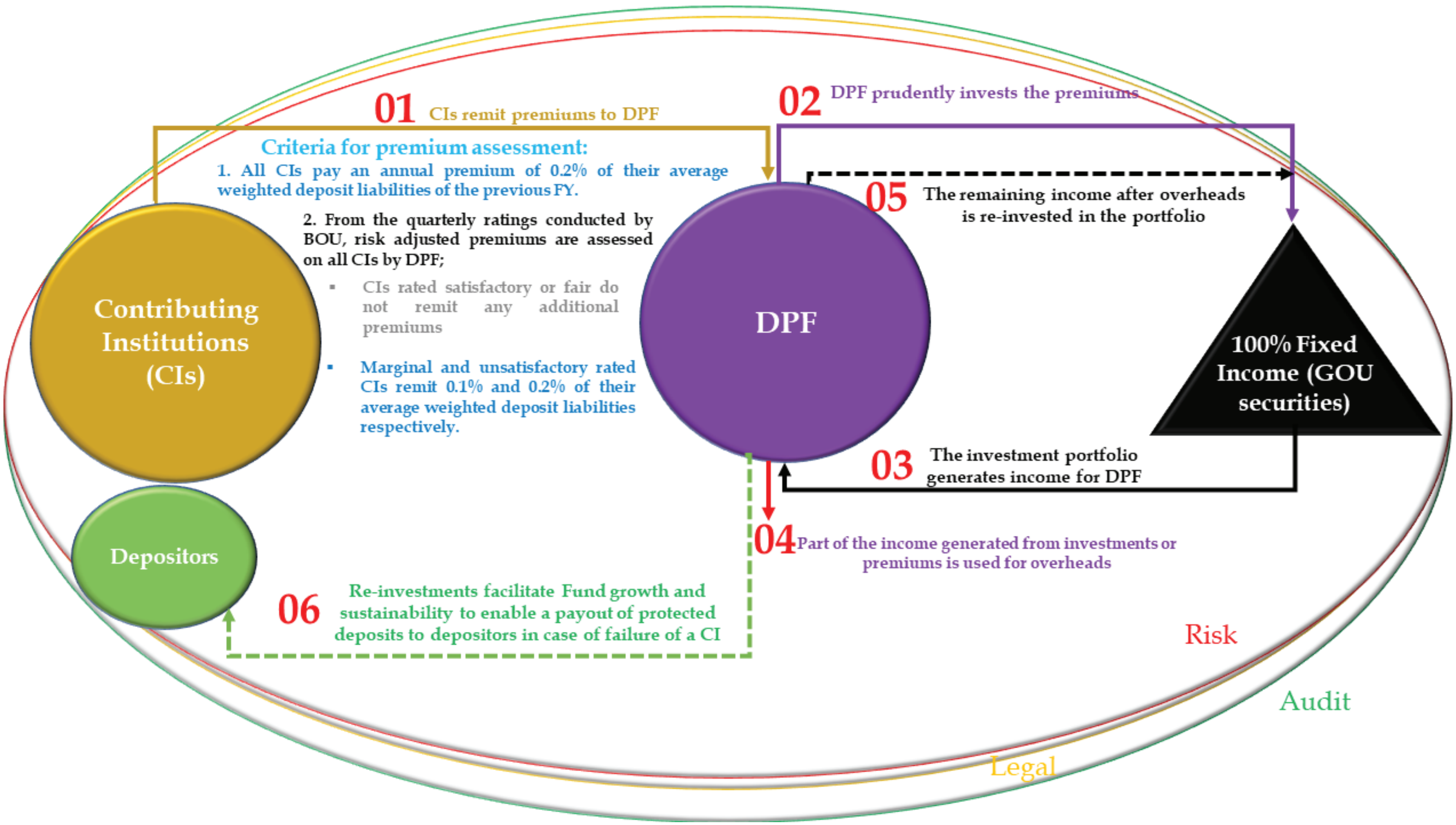
UGX 1.36 trillion
Actual fund size (end of year)
June 2022: UGX 1.10 trillion

3.87 percent
Actual fund size (% of eligible deposits)
June 2022: UGX 3.31 percent

19.71 percent
Actual fund size (% of covered deposits)
June 2022: UGX 18.01 percent

5.5 | BUSINESS MODEL

The business model of the Fund is presented below.



5.6 The Fund's stakeholders and how value is created

The Fund appreciates the contribution of its various stakeholders towards the growth it has registered so far. Table 1 below highlights the DPF-Stakeholder two-way expectations matrix.

Table 1: Stakeholder expectations and value creation matrix

Stakeholder	Stakeholder expectations of DPF	DPF's expectations of stakeholder	Value created by the DPF
Depositors	▪ Guarantee safety of protected deposits. ▪ Prompt and accurate payout of protected deposits in case of a CI failure. ▪ Contribute towards a stable financial system. ▪ Prudent administration of the fund.	▪ Deposit money with CIs. ▪ Provision of accurate information to CIs to support fast payment. ▪ Participate in awareness surveys, and customer satisfaction surveys, among others.	DPF ensures the safety of deposits and prompt, accurate payouts during CI failures, which builds depositor confidence and contributes to financial stability. Depositors, in turn, create value for DPF by depositing money with Contributing Institutions, providing accurate information to facilitate fast payments, and participating in surveys that help DPF improve its services. 98 percent of deposit accounts are fully protected, and 19.64 percent of deposit balance are covered.
Contributing Institutions	▪ Contribute towards a stable financial system. ▪ Prudent administration of the fund. ▪ Affordable insurance premiums. ▪ Prompt payment of protected deposits for a failed institution.	▪ Pay premiums on time. ▪ Adhere to best corporate governance practices. ▪ Compliance with established laws. ▪ Provision of accurate information.	DPF's stability efforts benefit Contributing Institutions by maintaining a stable financial system. Timely premium payments and compliance with regulations are essential for DPF's operations.
DPF Board	▪ Prompt implementation of Board resolutions by management ▪ Prudent administration of the Fund by management ▪ Upholding the core values of Respect, Integrity, Transparency and Excellence	▪ Policy and strategy direction ▪ Good corporate governance ▪ Sound and timely decision making ▪ Contribute towards a stable financial system	The DPF Board sets strategic direction and governance standards, which are crucial for the fund's success. In return, DPF's prudent administration contributes to the Board's expectations.

Stakeholder	Stakeholder expectations of DPF	DPF's expectations of stakeholder	Value created by the DPF
Ministry of Finance, Planning and Economic Development	▪ Contribute towards a stable financial system. ▪ Prudent administration of the Fund ▪ Compliance with laws and regulations	▪ Financial sector policies and oversight ▪ Participate in crisis simulation exercises. ▪ Close coordination before, during and after bank closure ▪ Backstop financing ▪ Board appointments	DPF's financial stability efforts align with the ministry's expectations, and collaboration is essential during crises and regulatory matters.
Parliament of Uganda	▪ Contribute towards a stable financial system. ▪ Prudent administration of the Fund ▪ Compliance with relevant laws and regulations	▪ Enactment of sound laws to support the Fund in contributing more to financial sector stability	DPF's alignment with parliamentary laws and regulations contributes to financial stability and enacting supportive laws is vital for DPF's effectiveness.
Bank of Uganda	▪ Contribute towards a stable financial system. ▪ Prudent administration of the Fund ▪ Affordable insurance premium ▪ Prompt payment of protected deposits for a failed institution.	▪ Share information on Contributing Institutions in a timely manner ▪ Take prompt action on problem banks. ▪ Address emerging sector wide challenges. ▪ Participate in crisis simulation exercises. ▪ Close coordination before, during and after bank closure ▪ Execute the custodial function to ensure safekeeping of the investments of the Fund	Collaboration with Bank of Uganda supports DPF's financial stability mission and ensures efficient response to crises.
General Public	▪ Contribute towards a stable financial system. ▪ Prudent administration of the Fund. ▪ Information sharing on deposit protection. ▪ Conduct CSR activities and awareness campaigns	▪ Participate in public awareness campaigns. ▪ Deposit money with Contributing Institutions. ▪ Participate in CSR activities.	DPF contributes to a stable financial system, ensuring the public's financial security. Public participation in awareness campaigns and depositing funds with Contributing Institutions supports DPF's mission.

Stakeholder	Stakeholder expectations of DPF	DPF's expectations of stakeholder	Value created by the DPF
IADI and other Deposit Insurance agencies	▪ Observe deposit insurance best practices. ▪ Share knowledge and experiences on deposit insurance ▪ Collaborations	▪ Knowledge sharing and capacity building. ▪ Technical support ▪ Access to industrial information and research	Collaboration and knowledge sharing among deposit insurance agencies improve industry standards and effectiveness, benefiting all stakeholders.
World Bank and IMF	▪ Contribute towards a stable financial system. ▪ Prudent administration of the fund ▪ Observe deposit insurance best practices. ▪ Collaborations	▪ Knowledge sharing and capacity building. ▪ Technical support	Collaboration with international financial organizations enhances DPF's capabilities and aligns its practices with global standards, contributing to financial stability.
Media	▪ Timely provision of accurate information ▪ Prudent administration of the Fund	▪ Accurate coverage ▪ Collaboration on public awareness campaigns	The Fund provides accurate information to the media and as such contributes to public awareness and confidence.
Pay Out Agents	▪ Prudent administration of the Fund ▪ Timely submission of accurate information and data	▪ Prompt payment of protected depositors during failure of CIs. ▪ Record keeping	Pay Out Agents ensure efficient payout processes, which are vital during CI failures, enhancing DPF's effectiveness.
Other safety net players	▪ Prudent administration of the Fund ▪ Collaboration	▪ Knowledge and information sharing ▪ Technical support	Collaboration among safety net players ensures a coordinated response during financial crises and supports DPF's mission.
DPF staff	▪ Competitive renumeration ▪ Favourable working environment ▪ Personal and professional development ▪ Talent recognition, reward, and retention	▪ Integrity ▪ Professionalism ▪ Dedication to service and ex-cellence ▪ Contribute towards a stable financial system	The Fund provides a conducive work environment and competitive remuneration/ benefits to staff. The Fund provides opportunities for professional growth and recognition for its staff.

Stakeholder	Stakeholder expectations of DPF	DPF's expectations of stakeholder	Value created by the DPF
Academia	▪ Collaborate with DPF to contribute towards the generation of new knowledge on deposit insurance. ▪ Up to date research publications and information sharing	▪ Collaborate with learning institutions to generate new knowledge on deposit insurance	The Fund, through its website provides information to Academia for purposes of research.
Suppliers	▪ Timely payment of payables ▪ Fair and transparent procurement processes	▪ High quality service ▪ Timely delivery of purchased goods and services	The Fund pays suppliers on time, hence contributing to their growth.

5.7 Stakeholder engagements

The Fund engages its stakeholders to ensure that they are aware of, and appreciate, the Fund's mandate. The engagements are in the form of media campaigns, exhibitions, courtesy visits to CIs and workshops among others. Below are the details of the engagements with stakeholders undertaken during the year ended June 30, 2023.

5.7.1 Public awareness

Several public awareness initiatives were undertaken by the Fund in the financial year guided by the Public Awareness Strategy, which aims to ensure that the Fund engages its stakeholders in an effective and robust manner using a multimedia channel approach.

At the national level, the Financial Institutions (Amendment) Act, 2016 and the Financial Institutions (Deposit Protection Fund) Regulations, 2019 mandate DPF to carry out public awareness on a continuous basis. At the global level, the International Association of Deposit Insurers (IADI), Core Principle 10 underpins the important role of public awareness in deposit protection systems. Awareness is focused on sharing information regarding the benefits and limitations of the deposit insurance system to enhance public confidence in deposit insurance and the financial sector.

Over the last year, the Fund shared information regarding its mandate, the current protected limit and how the Fund contributes to financial sector stability, amongst others. Depositors and the public were reached through various media including print, digital, radio and television channels.

5.7.1.1 Media campaigns

The education and public awareness campaigns of the Fund were undertaken using advertorials in the conventional print media of newspapers and magazines, adverts, talk shows on FM radios and television, the website and the digital platforms of Twitter, YouTube and LinkedIn. Some of the messages in the print media were translated to Luganda, to enable the Fund to reach out to a wider audience.

@DPFUganda

Deposit Protection Fund of Uganda

Deposit Protection Fund of Uganda

Deposit Protection Fund of Uganda

Print media adverts

DPF CEO, Dr. Julia Oyet and Director Communications, Mr. Patrick Ezaga (right) appear on a talkshow on SMART 24 TV.

Mr. Patrick Ezaga and Assistant Manager Operations, Ms. Joan Agaba (left) on a talkshow on Wan Luo TV.

Ms. Lisa Betty Oyella, Portfolio Manager, appears on a talkshow at UBC TV.

Mr. Alan Lwetabe, Director Investments, on a talkshow on NBS TV.

5.7.1.2 Meetings with Contributing Institutions (CIs)

The Fund routinely engages with Contributing Institutions (CIs) through courtesy visits. The visits involved members of Senior Management led by DPF's CEO visiting the CEOs and top management of the CIs. In FY 2022/2023, courtesy visits were undertaken to DFCU Bank, UGAFODE Microfinance, Eco Bank, Exim Bank, Stanbic Bank, Mercantile Credit Bank, I&M Bank, Centenary Bank, Housing Finance Bank, Cairo Bank, BRAC Bank and NCBA Bank. The objectives of the visits were to;

i. Update CIs on the major developments and projects being undertaken at the Fund such as the progress on implementation of the Single Customer View (SCV) Project.

ii. Update and discuss compliance levels with CIs.

iii. Provide a forum for continuous engagement with the CIs.

Dr. Julia Oyet, DPF CEO (2nd right) interacts with Mr. Michael K. Mugabi, MD of Housing Bank flanked to her left by Mr. Yusuf Mukiibi (Director Finance and Operations, DPF).

Dr. Julia Oyet (left) and Ms. Grace Muliisa, the Managing Director of Ecobank Uganda after the engagement held at Eco Bank Offices in Kampala on September 16, 2022.

5.7.2 DPF corporate events

5.7.2.1 Launch of the 2022-2027 DPF Strategic Plan

The Minister of Finance, Planning and Economic Development Hon. Matia Kasaija presided over the launch of DPF's second Strategic Plan 2022/2023 – 2026/2027 in a ceremony held at Serena Kampala Hotel on September 30, 2022. The Deputy Governor, Bank of Uganda, Dr. Michael Atingi-Ego was among the dignitaries present alongside the Board Members and staff of the Deposit Protection Fund.

DPF Board Members and staff in a photo moment with Hon. Matia Kasaija (Seated center), and Dr. Michael Atingi-Ego (seated third from left).

5.7.2.2 DPF engagement with the media

The media is arguably the most important channel for disseminating information to the public. The Fund recognizes the critical role that the media plays in advancing its public awareness efforts. During the period, the Fund continued its strategic engagements with the media - holding a meeting with business editors of mainstream print and electronic media houses in Kampala on December 9, 2023. The objective of the event was to provide the editors with a general overview of the Fund and share with them information about the concept of deposit insurance.

Part of the DPF Senior Management team members who attended the meeting, with business editors.

5.7.2.3 Annual engagement with Contributing Institutions

The Fund organized a well-attended CEO's engagement with CEOs/MDs of Contributing Institutions (Commercial Banks, Credit Institutions and Microfinance Deposit-Taking Institutions licensed by the Bank of Uganda), on December 19, 2022. The objective of the engagement was to appraise them on the key undertakings of the Fund which required their involvement and to update them on key developments in the deposit insurance area. At the meeting, the DPF Chief Executive Officer and Executive Committee members shared with the participants the background to deposit insurance and its role in contributing to financial sector stability, as well as updates regarding deposit coverage, the Fund's achievements, and updates on the key projects that the Fund is undertaking.

Dr. Julia Oyet, DPF CEO addressing Heads of Contributing Institutions at the engagement.

This occasion enabled the Heads of Institutions to have direct interaction with the Executive Committee of the Fund on a range of statutory and operational matters which are essential for the Fund to deliver on its mandate.

Dr. Julia Oyet (seated sixth from the left), with CEO/MDs of Contributing Institutions and DPF staff after the engagement.

5.7.2.4. Participation in commemoration of the World Savings Day

The Deposit Protection Fund of Uganda (DPF) joined financial sector players, stakeholders, and the rest of the world in commemorating the 2022 World Savings Day on October 31, 2022, under the theme, **"Start small, grow big: be green smart,".** The year's theme was coined around the objective of encouraging the public to save and transfer their savings into bank accounts in regulated and supervised financial institutions.

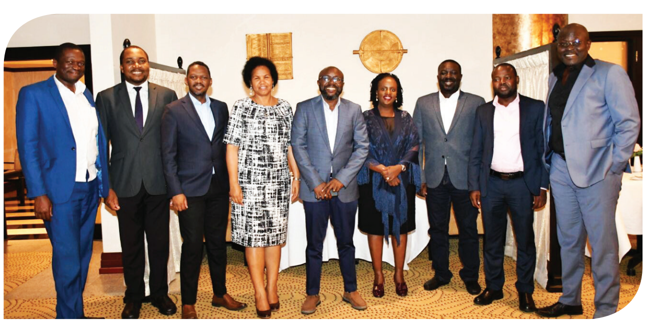
Mr. Patrick Ezaga, right, hands over UGX 1,546,300 mobilized by DPF staff towards the Savings Challenge, to Mrs. Goretti Masadde – the Chief Executive Officer of the Uganda Institute of Banking and Financial Services.

Mr. Balaam Ssempala, (second from left) with the Deputy Governor – Dr. Michael Atingi-Ego (fourth from left) and CEOs/MDs/Eds of other Financial Sector Stability Forum players.

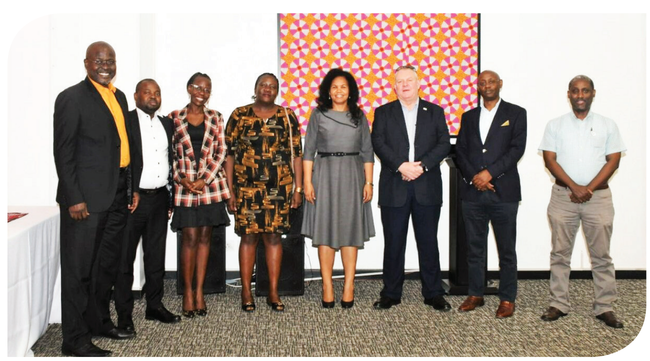
Among the activities for commemoration of the World Savings Day that the Fund participated in was the Savings Challenge Initiative. The initiative sought to inspire and enable all interested persons across Uganda to save consistently and grow their money to achieve specific goals. Monies collected during the challenge were awarded to a green-focused women-led business initiative. DPF, through its staff and visitors, mobilized UGX 1,546,300 towards the Savings Challenge initiative.

5.7.2.5. Other stakeholder and social engagements

The Fund has and continues to explore relationships with various key stakeholders as a way of ensuring sustainability of its operations. In so doing, the Fund invested in building social capital during the financial year through engagements with various stakeholders. Some of the stakeholders the Fund engaged with included media houses such as the Vision Group, Next Media Services and Nation Media Group. This was done in a bid to strengthen the relationship with the media conglomerates because the media are the biggest source of information and offer platforms which the Fund can take advantage of to reach its various stakeholders.



Left – Right: Mr. Augustine Tamale, Mr. Felix Nsiimoomwe, Mr. Alan N. Lwetabe, Dr. Julia Clare Olima Oyet - DPF Chief Executive Officer, Mr. Don Wanyama – Vision Group Chief Executive Officer, Ms. Hope Nuwagaba, Mr. Rogers Anguzu, Mr. Yusuf Mukiibi and Mr. Patrick Ezaga.



Left – Right: Mr. Patrick Ezaga, Mr. Yusuf Mukiibi, Ms. Cathy Ageno, Ms. Mercy Nalugo, Dr. Julia Clare Olima Oyet - DPF Chief Executive Officer, Mr. Tony Glencross - Nation Media Group Uganda Managing Director, Mr. Sam Barata and Mr. Julian Mwine pose for a photo after the engagement.

Left – Right: Mr. Moses Apell Odongo, Mrs. Angela Kiryabwire Kanyima, Mr. Yusuf Mukiibi, Mr. Moses Oyoma, Ms. Violet Nakyevuga, Mr. Ben Mwine, DPF Chief Executive Officer Dr. Julia Clare Olima, Next Media Services Group CEO Mr. Kin Kariisa, Mr. Patrick Ezaga, Ms. Juliet Mbabazi, Ms. Esther Njangali Asiimwe, Mr. Edwin Danze, Ms. Juliet Teddy Adong and Mr. Eugene Kavuma.

In addition, the Fund being part of the Financial Sector Stability Forum partnered with some of the safety-net players in public awareness engagements that were organized such as the IRA Insurance Week that was held from 6th – 10th March 2023.

DPF Chief Executive Officer Dr. Julia Clare Olima Oyet addressing the media during the press launch of the Insurance Week organized by the Insurance Regulatory Authority, held from 6th-10th March 2023.

5.7.2.5.1 Benchmarking visit by a delegation from the Ministry of Finance and Reserve Bank of Malawi

A delegation from the Ministry of Finance - Malawi and the Reserve Bank of Malawi paid the Deposit Protection Fund of Uganda a visit for purposes of learning and benchmarking on how to establish a Deposit Insurance System (DIS). This is based on the premise that the two entities are currently in the process of establishing a DIS in Malawi following the enactment of the country's Deposit Insurance Corporation Act, 2022. The benchmarking visit took place from November 28, 2022, to December 2, 2022.

DPF Board members, management and staff with the delegates from the Reserve Bank of Malawi and Ministry of Finance at a farewell dinner held at the end of the benchmarking visit.

5.7.2.5.2 DPF Courtesy visit to the Speaker of Parliament of Uganda

The Speaker of the Parliament of Uganda Rt. Hon. Anita Annet Among on November 3, 2022, hosted a delegation from the Deposit Protection Fund of Uganda (DPF). The DPF delegation included the Board Chairman, Mr. Ben Patrick Kagoro, other Board members Mr. Wilbrod Owor and Mr. I.K. John Byaruhanga, the DPF Chief Executive Officer Dr. Julia Clare Olima Oyet, Mrs. Angela Kiryabwire Kanyima (Director Legal and Board Secretary) and Mr. Patrick Ezaga (Director Communications). The primary purpose of the engagement was to update the Speaker on the Fund's operations and its future plans as enshrined in the Strategic Plan 2022 – 2027, among a range of other issues touching on the role and functions of the Deposit Protection Fund.

From left: Mr. I.K. John Byaruhanga, Mrs. Angela Kiryabwire Kanyima, Hon. Dan Kimosho, Dr. Julia Oyet, Rt. Hon. Speaker Anita Among, Mr. Wilbrod H. Owor, Mr. Ben Patrick Kagoro and Mr. Patrick Ezaga.

5.7.2.5.3 Meeting between the DPF Board and the Hon. Minister of Finance, Planning and Economic Development

On December 7, 2022, the DPF Board Chairman, Mr. Ben Patrick Kagoro, led a delegation from the Fund to a meeting with the Minister of Finance, Planning and Economic Development Hon. Matia Kasaija. Dr. Julia Clare Olima Oyet, the DPF Chief Executive Officer, was in attendance. The Fund presented to the Minister a report on its undertakings during the financial year 2021/22 and the quarter ended September 2022 in which it was noted that the Fund had continued to register several achievements toward contributing to financial sector stability.

Hon. Kasaija commended the Fund for all its efforts in contributing to a stable financial sector. He particularly commended the Board and Management for the public awareness initiatives, which were increasingly contributing to the Fund's visibility. The meeting was one of those scheduled with the Minister bi-annually, to appraise him on key undertakings of the Fund as well as achievements attained.

The delegation from DPF after a meeting with the Minister of Finance, Planning & Economic Planning. From left: Mr. Wilbrod Owor (Member of the DPF Board), Mrs. Angela Kiryabwire Kanyima (Director Legal & Board Secretary - DPF), Dr. Julia Oyet (CEO - DPF), Hon. Matia Kasaija, Mr. Patrick Kagoro (Board Chairman - DPF), Mr. Emmanuel Kalema (Member of the DPF Board), Mr. Felix Nsiimoomwe (Manager Board Affairs), Mr. Abdallah Sekibembe (Legal Officer - DPF) and Mr. Baker Kanyangoga (Ag. Assistant Commissioner, MoFPED)

5.7.2.5.4 Uganda Insurers' Association benchmarking visit

Mr. Jonan Kisakye, Chief Executive Officer Uganda Insurers Association (UIA) and Mr. Emmanuel Mwaka, a UIA Board Member, were hosted by the Fund for a knowledge and information sharing visit on March 6, 2023. This marked yet another worthwhile milestone in DPF's quest to enhance networks and collaboration with sister agencies. Dr. Julia Clare Olima Oyet, DPF's CEO was accompanied by Mr. Patrick Ezaga, Director Communications, Mr. Yusuf Mukiibi, Director Finance & Operations and Mrs. Angela Kiryabwire Kanyima, Director Legal & Board Secretary.

Mr. Kisakye informed the DPF team that UIA, working together with other stakeholders in the insurance sector, had plans of establishing a Policy Holders Compensation Fund akin to the model of DPF, hence the visit. Dr. Julia Oyet appreciated UIA for identifying DPF as the institution with which they could benchmark and seek knowledge on establishment and management of a fund. She also noted that such engagements facilitated firsthand knowledge exchange which in turn contributed to the continued growth of both entities.

Dr Julia Oyet (Mrs) (L) listening to Mr. Emmanuel Mwaka (C) as Mr. Kisakye (R) takes notes during the meeting

5.7.2.6.5 KfW Development Bank visit to DPF Offices

During the process of setting the DPF as a separate legal entity by the Bank of Uganda, KfW Development Bank played a pivotal role in offering technical assistance to the Central Bank. As such, a team from the development bank paid a courtesy visit to the Fund to assess its progress since its set up as a separate legal entity in 2017 and how well its operations were being executed.

L-R: Mr. Patrick Ezaga (DPF Director Communications), Mr. Balaam Ssempala (DPF Director Information Technology), Mr. Ramon Schlegel (Portfolio Manager, Energy & Financial Sector – Eastern Africa and African Union, KfW Development Bank) and Ms. Anna Nikolaeva-Schniepper (Senior Portfolio Coordinator, Rural Development & Financial Sector – KfW Development Bank) share a light moment during the meeting held at the DPF offices.

5.7.3 Financial safety net stakeholders

5.7.3.1 Bank of Uganda

The DPF holds quarterly meetings with Bank of Uganda (BoU) 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 that are closely monitored due to performance-related issues. This arrangement allows for timely information sharing and coordination of related activities between the two entities and further paves way for timely intervention in the event of a bank closure.

In addition, the DPF conducts joint onsite inspections of Contributing Institutions with Bank of Uganda to ascertain the completeness and accuracy of depositor records maintained by the Contributing Institutions. This enables the Fund to achieve its mandate of paying depositors fast in the event of a financial crisis.

5.7.3.2 Ministry of Finance, Planning and Economic Development (MoFPED)

DPF held a stakeholder consultative workshop where the proposed DPF Backstop funding framework was drafted with recommendations and input from stakeholders in the financial sector. The Backstop Funding Framework is a provisional measure adopted by the Fund to quickly access financing from the Government in the event of a financial crisis and the fund is depleted. This is in line with IADI Core Principle No.9 which emphasizes that deposit insurers must have emergency funding arrangements with their respective Governments, to maintain financial sector stability. The paper was submitted to the Ministry of Finance, Planning and Economic Development (MoFPED) for consideration and approval.

5.7.3.3 Financial Sector Stability Forum

DPF is a member of the Financial Sector Stability Forum (FSSF) 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.

As a member of the FSSF, the DPF played an active role in various initiatives. The Fund was designated to Chair Working Group 3, which is tasked with overseeing Crisis Management in the financial sector.

Financial Sector Stability Forum member representatives after an engagement. The Fund was represented by Mr. Alan Lwetabe (right).

5.7.3.4 East African Community Monetary Affairs Committee

DPF is an integral part of the East African Community (EAC) Crisis Management Work Group. During the 15th meeting of the work group, hosted by Bank of Uganda in Kampala, Uganda, extensive discussions took place regarding the adoption of Liquidation and Winding up guidelines by Partner States along with conducting a desktop simulation exercise. The meeting further focused on the status of adopting Resolvability frameworks, Emergency Liquidity Assistance, Contingency, Recovery, and Resolution Planning frameworks. The Fund will continue to actively engage in regional activities aimed at enhancing its capacity in resolution and crisis management.

Mr. Alan Lwetable (centre), DPF Director Investments, attending the East African Community (EAC) Crisis Management Work Group.

5.7.3.5 IADI Activities

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. In June 2023, the Chief Executive Officer of the Deposit Protection Fund of Uganda, Dr. Julia Clare Olima Oyet (Mrs.) was appointed Chairperson of IADI African Regional Committee. Furthermore, the Fund conducted an IADI self-assessment to closely examine the Fund's internal processes and procedures in accordance with the IADI Core principles and to identify areas for improvement.

The DPF continues to participate in the IADI activities as these enable the Fund build capacity in deposit insurance and streamline its processes to align with International Best Practice.

DPF Board Chairman, Mr. Ben Patrick Kagoro (third from left) and the Governor of the Japanese Deposit Insurance Corporation (JDIC), Mr. Mitsui Hidenori (third from right), in a photo with DPF Board members and officials from the JDIC.

5.8 The Capitals

The following capitals as defined in the International Integrated Reporting <IR> framework are utilized to achieve the Fund's mandate. These are explained in Table 2 below.

Table 2: Capitals and their descriptions

Icon	Description
	**Human Capital** considers the skills, knowledge, capabilities, and experience of DPF employees, Board members, safety net partners and other relevant stakeholders.
	**Financial Capital** refers to the monetary resources, such as cash, investments, and borrowing capacity that enable the DPF to carry out its activities and contribute to financial stability. It contributes to enhancement in coverage limits and real growth in Fund size.
	**Social and relationship Capital** refers to the Fund's relationships, networks and interactions with individuals, communities and other stakeholders. It encompasses the trust, reputation, and social value that the Fund creates through its activities. This drives the Fund's brand health, tonality and Net Promoter Scoring (NPS) hence good reputation and image.
	**Manufactured Capital** considers modalities that incorporate systems and infrastructure for our day-to-day operations and for intervention that facilitates business continuity. It also concerns disaster recovery centre and information technology security infrastructure to safeguard against cyber threats.
	**Natural Capital** represents the resources and ecosystems services provided by nature, including renewable and non-renewable resources, such as land, air, water, minerals, and biodiversity. It recognizes the importance of environmental sustainability and the impacts of the Fund's activities on the environment. The Fund is in the process of developing an ESG policy.
	**Intellectual Capital** includes knowledge and expertise in deposit insurance systems, corporate governance practices in the public sector and knowledge acquired and captured through our learning initiatives.

5.9 Material Matters

Material matters are those that could substantively affect the DPF's value creation process, its strategies and certain forms of its resources or capitals over the short, medium or long term. The practice of determining materiality is DPF specific, based on the industry of deposit Insurance and considered multiple stakeholder perspectives.

To contribute to Financial Sector Stability, the Fund assesses and continually validates its strategies to ascertain its readiness and capabilities in case of a bank closure through liquidation by Bank of Uganda. Emphasis and analysis of the six critical capitals is helpful in determining the Fund's journey of transformation.

As indicated in Table 3 below, the Fund considered material matters such as, preparedness to pay depositors in a timely manner, public awareness, corporate governance, leadership, automation of operations, preparedness to act as a liquidator, financing framework with Government of Uganda and target fund size.

Table 3: Material matters, capitals, stakeholders, and strategy

Material matter	Definition	Stakeholder and Capital affected	Strategy
1. Preparedness to pay depositors in a timely manner.	Achieving preparedness to compensate depositors within 7 to 30 days from the date a bank is closed. This involves addressing the perspectives of: (a) systems and processes (b) competence and capability of our people (c) financial safety net coordination and cooperation (d) legislative framework (e) funding	**Stakeholders** • Depositors • Contributing Institutions • DPF Board • Safety net players • Media • Pay Out Agents • DPF staff **Capitals** • Human capital • Financial capital • Social and relationship capital • Manufactured capital • Intellectual capital	Regularly conduct simulation tests to ascertain the Fund's readiness to pay in case of a CI closure. Review Single Customer View data submitted by CIs to ensure data quality, integrity and accuracy to enable the Fund to execute accurate and timely pay-outs to depositors. Ensure protocols and arrangements among key financial safety net players and strategic partners to enhance coordination and continue to simulate and test various aspects of DPF's systems and contingency plans.
2. Public awareness	(a) Achieving public awareness, and trust, to foster confidence among depositors. (b) Having a Crisis Communication Plan so that DPF is in a state of readiness to manage and communicate effectively in crisis situations to avert or mitigate risks.	**Stakeholders** • Depositors • Contributing Institutions • Safety net players • Media **Capitals** • Human capital • Financial capital • Social and relationship capital • Intellectual capital	Increase visibility and understanding among the public as well as targeted stakeholders through mass media and stakeholder engagements. Adhere to communication protocols in the Crisis Communication Plan in times of a crisis.
3. Corporate governance	Commitment to the Fund's values and ensuring strategic, sound and best management practices.	**Stakeholders** • Depositors • Contributing Institutions • DPF Board • Safety net players • DPF staff **Capitals** • Human capital • Financial capital • Social and relationship capital • Manufactured capital • Intellectual capital	Adhere to the Board charter as well as Fund policies and procedures.

Material matter	Definition	Stakeholder and Capital affected	Strategy
4. Leadership, employee engagement and development	Commitment to employee engagement, succession planning and skills development for current and future needs.	**Stakeholders** • Depositors • Contributing Institutions • DPF Board • Safety net players • DPF staff **Capitals** • Human capital • Financial capital • Social and relationship capital	Ensure that human capital and administration aligns all staff towards the DPF's strategic direction, organizational objectives and values. Ensure ongoing employee engagement and management of employee welfare. Ensure staff are trained in key areas such as Deposit Insurance, liquidation, ESG and financial reporting. Ensure alignment of people, processes and systems to the changing operating environment.
5. Automation of operations	Shifting towards a more secure and resilient IT environment and enhancing the efficiency and effectiveness of DPF's operations to be better equipped and ready for the future especially with disruptions.	**Stakeholders** • Depositors • Contributing Institutions • DPF Board • Safety net players • Pay Out Agents • DPF staff • Suppliers **Capitals** • Human capital • Financial capital • Manufactured capital	Enhancing DPF's IT infrastructure through implementing the next generation firewall and internal segmentation, disaster recovery site, crisis management plan, business continuity management systems among others. Transforming the Fund's processes and security augments future readiness, including ensuring a resilient cyber defence to deal with the increasing cyber and information security threats in the ever-creative IT working space.
6. Preparedness to act as a liquidator	Getting ready to effectively carry out a liquidation role if appointed by Bank of Uganda. According to section 109 (b) of Financial Institutions (Amendment) Act 2016, the Bank of Uganda may appoint DPF as receiver or liquidator	**Stakeholders** • Depositors • Contributing Institutions • DPF Board • Safety net players • Media • Pay Out Agents • DPF staff **Capitals** • Human capital • Financial capital • Social and relationship capital • Manufactured capital • Intellectual capital	Enhance DPF's payout and liquidation capabilities and effectiveness by leveraging on the expertise of established deposit insurers in the region such as Nigeria Deposit Insurance Corporation (NDIC), Kenya Deposit Insurance Corporation (KDIC), the Financial Stability Institute (FSI), and International Association of Deposit Insurance (IADI). Adhere to the provisions in the Liquidation Policy and Manual during a liquidation.

Material matter	Definition	Stakeholder and Capital affected	Strategy
7. Financing framework with Government of Uganda	The Fund is seeking to enter into a backstop or backup financing framework with the Government of Uganda in order to access funds to pay depositors in case the fund gets depleted.	**Stakeholders** • Depositors • Contributing Institutions • DPF Board • Safety net players • MoFPED **Capitals** • Human capital • Financial capital • Social and relationship capital	Discussions with the relevant stakeholders are at the tail end.
8. Target Fund size	Refers to the desired size of the fund as a proportion of the total insured deposits. The fund size is considered adequate if it is sufficient to meet the expected future obligations and cover the operational and related costs of the deposit insurer. It is the optimal level of funds that a deposit insurance system aims to have in reserve.	**Stakeholders** • Depositors • Contributing Institutions • DPF Board • Safety net players **Capitals** • Human capital • Financial capital • Social and relationship capital • Manufactured capital • Intellectual capital	Assess, bill, and collect premiums from CIs to ensure investments are done on time, to benefit from time value of money. Prudently invest the Fund's assets to generate returns without compromising safety and liquidity. Conduct fund size assessments every five years in line with IADI Core Principles. Manage the Fund's costs.

6.0

THE OPERATING ENVIRONMENT

6.1 Global macroeconomic outlook

6.1.1 Economic activity

The first half of the financial year was characterized by rising global inflation reaching high levels which were last seen several decades ago. This was caused by geopolitical tensions especially the Russia-Ukraine war, and the lingering Covid-19 in China that was weighing heavily on the global growth outlook. This prompted tightening of monetary policies to bring down inflation. In July 2022, the International Monetary Fund (IMF) downgraded the global growth forecast from the 6.1 percent outturn in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. The outlook was further downgraded to 2.2 percent for 2023 with Euro area expected to grow at 0.3 percent and the United States at 0.5 percent.

However, the global economic outlook improved slightly in the second half of the year and accordingly, the IMF revised growth projections upwards to 2.9 percent in 2023, up from 2.7 percent in October 2022. The upward revision was premised on the re-opening of the Chinese economy, the slowdown in commodity price growth, and the relatively slower pace of monetary policy tightening. In addition, inflation had started to subside in several advanced economies, boosting investor and consumer sentiments.

6.1.2 Global inflation

During the financial year, global inflationary pressures were persistently high and widely spread, prompting monetary policy tightening from several central banks. In the first half of the year, the US inflation was elevated, averaging at 8.5 percent from an over 40-year high of 9.1 percent in June 2022. In the Euro Area and the UK, inflation accelerated to 8.9 percent and 10.1 percent, respectively. However, in the five months to June 2023, Global inflation started to subside due to the synchronized tightening of monetary policy, easing of supply conditions, and declining commodity prices.

Global headline inflation is forecast to decline, albeit slowly, from 8.7 percent in 2022 to 7.0 percent and 4.9 percent in 2023 and 2024, respectively. The decline in global inflation reflects the reversal in energy and food prices though core inflation remains elevated and persistent. As such, core inflation is unlikely to return to target before 2025.

6.2 Domestic macro-economic outlook

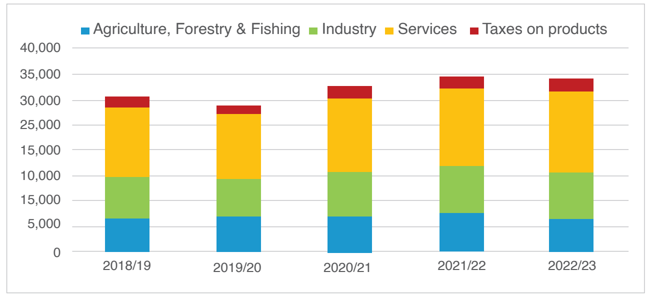
6.2.1 Economic activity

According to the Uganda Bureau of statistics' preliminary estimates, the economy grew by 5.3 percent for the fiscal year 2022/23 up from 4.6 percent in FY 2021/22. In nominal terms, the size of the economy is estimated to have expanded to UGX 184,288 billion over the same period from UGX 162,883 billion in FY 2021/22.

Table 4: Percentage growth of GDP at constant prices

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
GDP growth (%)	3.1	6.3	6.4	3	3.5	4.6	5.3

The services sector was the biggest contributor to GDP, with a share of 42.6 percent and the industrial sector with 26.1 percent. The gross value addition for agriculture, forestry, and fishing grew by 5.0 percent, driven mainly by food crops, livestock, and fishing activities. The Industrial sector registered a gain of 3.9 percent supported by strength in construction and manufacturing. The services sector rose by 6.2 percent bolstered chiefly by trade & repairs activities, real estate activities, human health & social work, in addition to information & communication.



Source: Uganda Bureau of Statistics

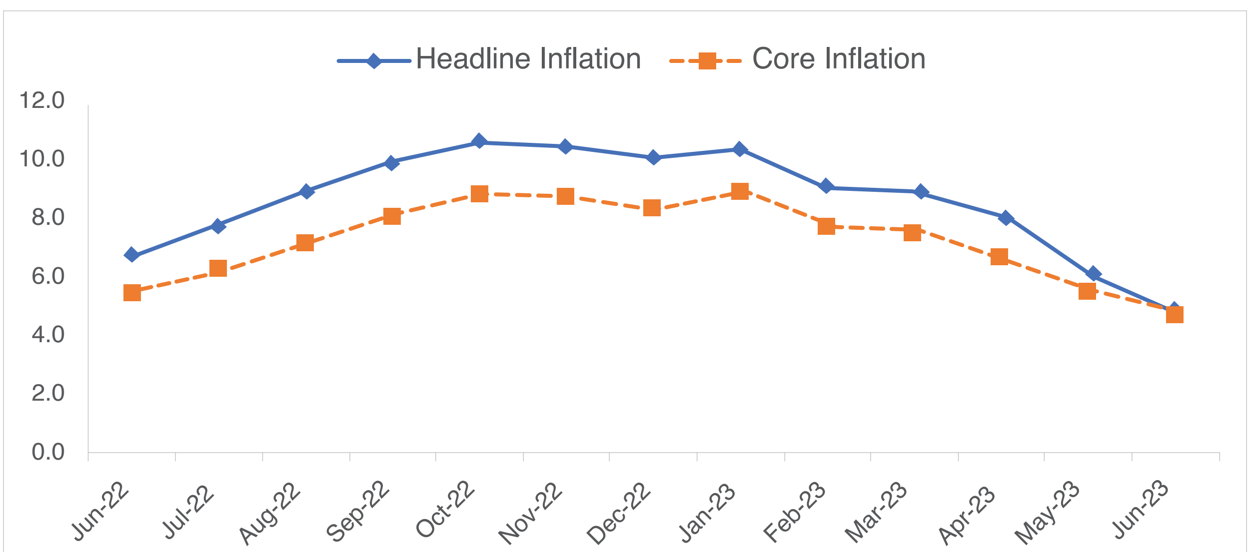
Figure 1: Gross Domestic Product by sector

The Bank of Uganda projects economic growth in the 6.0 percent to 6.5 percent range for the financial year 2023/24. Economic growth is anticipated to return to its sustainable long-term trend in 2024/25, bolstered by investments in oil-related infrastructure, the energy sector, transportation, and a recovery in the manufacturing and construction sectors.

6.2.2 Monetary policy and inflation

Monetary policy remained contractionary throughout most of FY2022/23. During the year, Bank of Uganda maintained its Central Bank Rate (CBR) at 10 percent, a level that was unchanged since October 2022, in line with high inflation and the anticipated resilient economic growth amid persistent global uncertainty.

Inflation was generally high throughout the FY 2022/23 with headline and core inflation averaging at 8.7 percent and 7.3 percent respectively, compared to 3.4 percent and 2.5 percent in the previous financial year. Annual headline and core inflation peaked in October 2022 at 10.7 percent and 8.9 percent, before declining in the second half of the year as highlighted in Figure 2 below. This was largely due to strong cost-push inflationary pressures arising from higher global food and energy prices, supply chain disruptions as well as rising domestic food crop prices attributed to adverse weather conditions.



Source: Bank of Uganda

Figure 2: Trend of headline and core inflation

The level of inflation is expected to continue trending downwards in the coming months and the Bank of Uganda forecasts inflation to reach the Central Bank's inflation target of 5 percent by the end of 2023, and to remain stable around the 5 percent level over the next 2 to 3 years.

Downside risks to this outlook are likely to be dominant, these include, potentially lower global cost and commodity price pressures, minimization of global supply constraints and favorable weather conditions. On the flip side, the upside risks to the inflation outlook could include potentially higher demand pressures from a more substantial economic recovery, elevated import price inflation, and tighter global financial conditions, which could weaken the shilling exchange rate and in turn, exert pressure on consumer prices. Furthermore, domestic food prices remain volatile to unpredictable weather patterns that can change in the coming months.

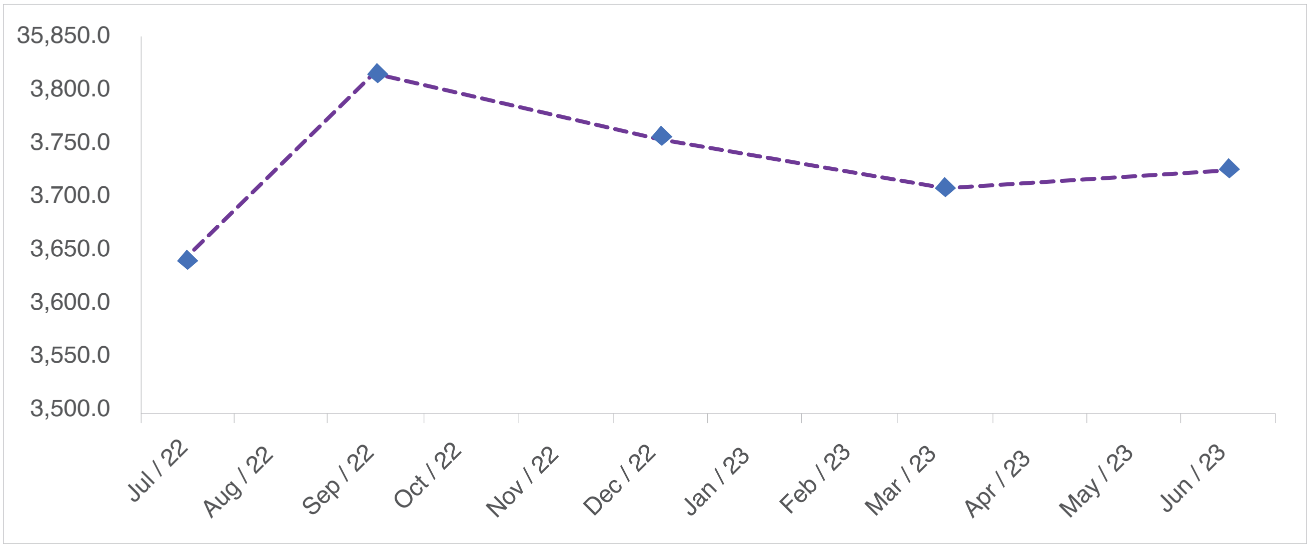
6.2.3 Exchange rate

The Uganda shilling was strong during the financial year, as compared against the pre-covid levels as well against other currencies in the East African region. Except for March 2023 where it weakened due to the persistence of the US Dollar's strength, bearish sentiment in global markets due to several bank collapses, high corporate dollar demand due to dividend repatriation and some dollar outflows from importers, the shilling was on an appreciating path from August 2022, supported by the tight monetary policy stance which lessened the outflow of short-term capital, improvement in the terms of trade leading to improvement in exports earnings, the trade balance and ultimately the current account of the balance of payments. Furthermore, strong foreign direct investment inflows especially in the oil sector and increase in forex receipts from tourists coupled with stable inward remittances from workers also favored a stronger shilling.

Table 5: Developments in the exchange rate

Period	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Period average rate	3,643.9	3,817.1	3,757.8	3,709.3	3,726.9

Source: Bank of Uganda



Source: Bank of Uganda

Figure 3: Developments in the exchange rate

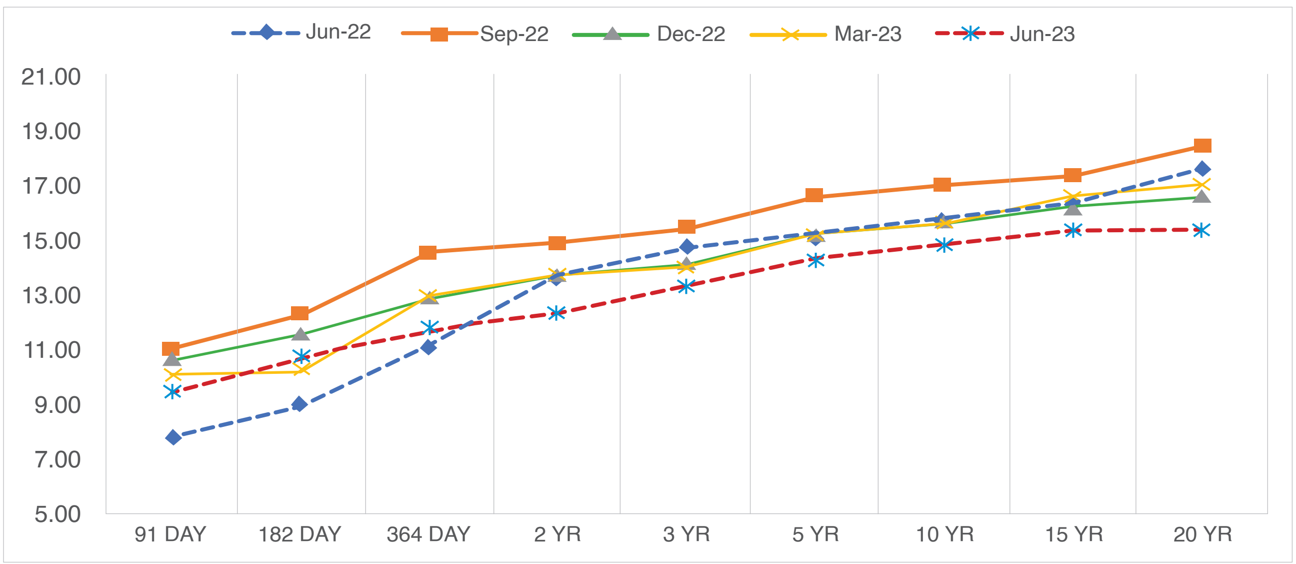
The Uganda shilling is expected to remain under pressure this year due to persistent robust US Dollar performance, mismatches in trade accounts, outflows from foreign investors and sufficient demand from corporates, importers, and local investors. On the other hand, Strong inflows from oil investments, remittances and export receipts, lower global inflation and easing of global financial conditions could continue to cause some appreciation.

6.2.4 Interest rates

Yields on treasury bonds across all tenors ended FY 2022/23 in a downward trend, while rates for treasury bills across all tenors remained slightly elevated, compared to the previous financial year. Interest rates generally began an upward trend towards end of FY 2021/22 and continued their ascent in July through October across the yield curve before gradually declining through the rest of the year.

Yields on government securities for the 91-day, 182-day and 364-day treasury bills increased to 9.4 percent, 10.73 percent, and 11.78 percent, respectively, compared to 7.8 percent, 9.0 percent, and 11.1 percent, respectively in FY 2022/23. The yields on the treasury bonds declined to levels of 12.3 percent, 13.3 percent, 14.3 percent, 14.8 percent, 15.3 percent, 15.3 percent for the 2-year, 3-year, 5-year, 10-year, 15-year and 20-year T-bonds, respectively down from 13.7 percent, 14.6 percent, 15.0 percent, 15.6 percent, 16.1 percent, and 17.63 percent, respectively in the previous financial year.

The level of interest rates on government securities are forecast to moderately decline on account of improving liquidity amidst easing inflationary pressure coupled with Government's efforts to moderate public debt and renewed efforts to diversify the sources of fiscal financing. On the long end, liquidity conditions could likely ease as the average monthly maturities increase and appetite of primary dealers and government remains stable.



Source: Bank of Uganda

Figure 4: Yield curve developments in FY 2022/23

6.3 Banking sector performance and developments

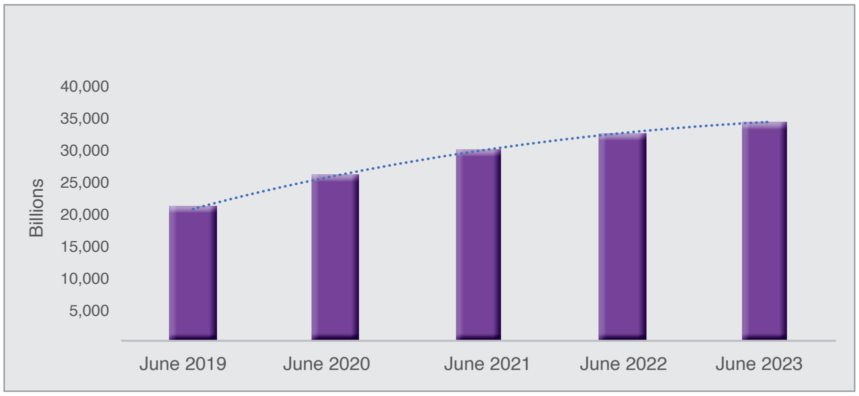
The Ugandan banking sector remained resilient despite weak economic growth prospects, heightened inflation, and elevated geopolitical tensions. The details of the performance of the various Contributing Institutions are shown below.

6.3.1 Commercial Banks

The aggregate commercial banks' assets grew by 8.3 percent during the year, from UGX 44.6 trillion as at end of June 2022 to UGX 48.3 trillion as at end of June 2023. The increase in banks' assets was mainly attributed to holdings of Government of Uganda securities, which rose by 12.2 percent, amidst a slowdown in credit growth. The commercial banks' gross loans and advances increased by 4.3 percent from UGX 18.6 trillion in June 2022 to UGX 19.4 trillion in June 2023. The increase was attributed to net extensions that amounted to UGX 635.0 billion during the year ended June 2023.

Commercial banks maintained strong capital buffers during the period with the core capital adequacy ratio increasing from 21.4 percent in June 2022 to 24.8 percent in June 2023. This was majorly due to a revision of the regulatory minimum capital requirements and a partial increase in the banks' profitability. The aggregate banks' net profit after tax increased by 25.4 percent while the permanent shareholders' equity increased by 71.7 percent during the year.

Total deposits for commercial banks grew by 4.8 percent from UGX 33 trillion as at June 2022 to UGX 35 trillion as at June 2023. A trend analysis of the growth in deposits over a five-year period is illustrated in Figure 5 below.



Source: BoU

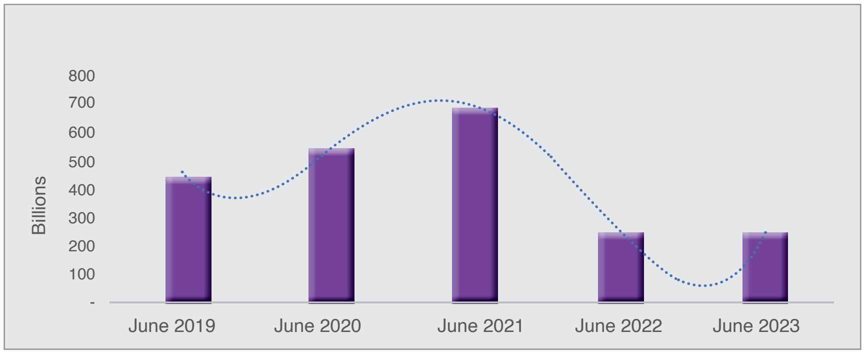
Figure 5: Growth in commercial bank deposits

6.3.2 Credit Institutions

As at June 30, 2023, total assets held by Credit Institutions grew by 10.2 percent from UGX 445.3 billion at June 30, 2022, to UGX 490.6 billion as at end of June 2023. This was mainly due to an increase in loans and advances by 8.9 percent to UGX 280.7 billion and placements with commercial banks in Uganda by 73.1 percent to UGX 70.4 billion.

Credit Institutions' aggregate core and total capital to risk-weighted assets ratios improved to 18.6 percent and 19.5 percent from 12.4 percent and 13.3 percent respectively, well above the regulatory requirements.

Conversely, the NPL ratio for Credit Institutions deteriorated from 6.1 percent in June 2022 to 8.3 percent in June 2023, partially attributable to the challenging macroeconomic environment and a deterioration in the repayment capacity for micro borrowers. Further to this, customer deposits contracted by 2.3 percent to UGX 243.3 billion over the period, mirroring a period of tightened liquidity for Credit Institutions. Figure 6 below shows growth in deposits over a five-year period.

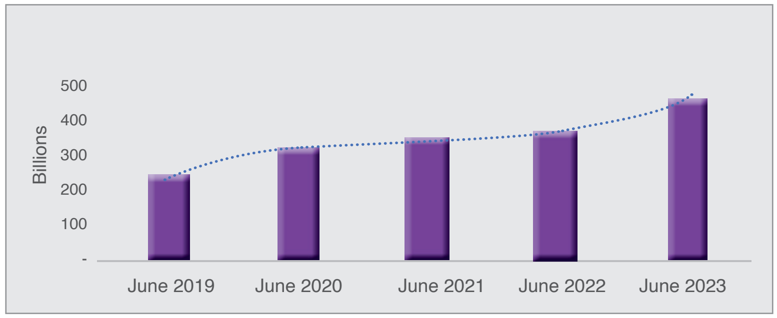


Source: BoU

Figure 6: Growth in deposits at Credit Institutions

6.3.3 Microfinance Deposit-taking Institutions

Total assets held by Microfinance Deposit-taking Institutions (MDIs) increased by 14.7 percent to UGX 864.4 billion as at June 30, 2023, largely due to a 15.8 percent increase in gross loans and advances. Despite an improvement in the MDIs' NPL ratio from 6.8 percent to 5.7 percent, the aggregate core capital to risk weighted assets and total capital to risk weighted assets ratios reduced from 38.6 percent and 41.3 percent in June 2022 to 34.8 percent and 37.5 percent in June 2023. This reduction was partly due to the introduction of Basel's operational risk requirements for SFIs' capital, which emphasized the necessity of robust capital buffers in counteracting operational risks. The total deposits for Microfinance Deposit-taking Institutions grew by 23.9 percent from UGX 374.8 billion to UGX 464.2 billion in June 2023. A trend analysis of growth in deposits is shown in Figure 7 below.



Source: Bank of Uganda

Figure 7: Growth in deposits at MDIs

6.3.4 Regulatory developments

6.3.4.1 The Micro Finance Deposit-Taking Institutions (Amendment) Act, 2023

An amendment to the Microfinance Deposit-Taking Institutions Act, 2003 was made through the enactment of the Microfinance Deposit-Taking Institutions (Amendment) Act, 2023, which took effect on May 16, 2023. The amendment under Part IIIA introduced Islamic microfinance business (Islamic banking) for microfinance institutions that is, Islamic microfinance institutions and microfinance institutions conducting Islamic microfinance business through an Islamic window. Part IIIA provides for the licensing of such institutions to conduct Islamic microfinance business (Section 20A) as well as their obligation to appoint and maintain Shari'ah Advisory Boards (Section 20B). Other amendments included permitting of microfinance institutions to engage in bancassurance business (Section 20C (Part IIIB)), provision of agent banking for microfinance institutions (Section 4), provision of special access to the Credit Reference Bureau, among other amendments.

6.3.4.2 The Financial Institutions (Revision of Minimum Capital Requirements) Instrument, 2022

Another significant regulatory development observed during the financial year was the revision of the minimum capital requirements for financial institutions. This revision was carried out through the enactment of the Financial Institutions (Revision of Minimum Capital Requirements) Instrument 2022, issued in accordance with Section 26(5) of the Financial Institutions Act of 2004, as amended.

Paragraph 2(1) of the Instrument provides that a person proposing to transact financial institution business in the capacity of a bank shall have a minimum paid-up cash capital of not less than six million currency points **(UGX 120,000,000,000 - Uganda Shillings One Hundred Twenty Billion Only)** by December 31, 2022, invested initially in such liquid assets in Uganda as the Central Bank may approve. The minimum capital funds unimpaired by losses shall not be less than the above amount.

The Instrument further provides that by June 30, 2024, a person proposing to transact financial institution business in the capacity of a bank shall have a minimum paid-up cash capital of not less than seven million five hundred thousand currency points **(UGX 150,000,000,000 – Uganda Shillings One Hundred Fifty Billion Only)** invested initially in such liquid assets in Uganda as the

Central Bank may approve. The minimum capital funds unimpaired by losses shall not be less than the above amount.

In the case of non-bank financial institutions, paragraph 3(1) of the Instrument stipulates that a person proposing to transact business as a non-bank financial institution shall have a minimum paid-up cash capital of not less than one million currency points **(UGX 20,000,000,000 – Uganda Shillings Twenty Billion Only)** invested initially in such liquid assets in Uganda as the Central Bank may approve. The minimum capital funds unimpaired by losses shall not be less than the above amount.

Further, the Instrument guides that by June 30, 2024, a person proposing to transact business as a non-bank financial institution shall have a minimum paid-up cash capital of not less than one million Two Hundred Fifty Thousand currency points **(UGX 25,000,000,000– Uganda Shillings Twenty-Five Billion Only)** invested initially in such liquid assets in Uganda as the Central Bank may approve. The minimum capital funds unimpaired by losses shall not be less than the above amount.

6.3.4.3 Microfinance Deposit-taking Institutions (Registered Societies) Regulations, 2023

On February 14, 2023, Bank of Uganda issued the Microfinance Deposit-taking Institutions (Registered Societies) Regulations, 2023. These regulations were intended to operationalize the amendment made to the Microfinance Deposit Taking Institutions Act, 2003 by the Tier 4 Microfinance Institutions and Moneylenders Act, 2016 under Section 110 therein.

Section 7(1a) of the Microfinance Deposit Taking Institutions Act, 2003 (amended through Section 111C of the Tier 4 Act) provides that a registered society which intends to provide financial services among its members shall apply in writing to the Central Bank for a license if its voluntary savings are in excess of one billion five hundred million shillings and its institutional capital is above five hundred million shillings (restated under Regulation 2 of the Microfinance Deposit-taking Institutions (Registered Societies) Regulations, 2023). The effect of the above section is that the registered society becomes obliged to contribute premiums to the Deposit Protection Fund as a Contributing Institution. Registered Societies below the above threshold remain under the domain of the Uganda Microfinance Regulatory Authority (UMRA).

Part VIII (Regulation 28 and 29) of the Microfinance Deposit-taking Institutions (Registered Societies) Regulations, 2023 establishes obligations for registered societies and the Fund. These obligations are similar to those available to financial institutions under the Financial Institutions Act, 2004 as amended. The obligations include minimum annual contribution (premium), risk-adjusted premium, and penalties, among other obligations.

6.3.4.4 The Law Revision (Miscellaneous Amendments) Act, 2023

The Law Revision (Miscellaneous Amendments) Act, 2023 came into force on May 10, 2023. It was passed to provide for the repeal of specified laws (Acts) which are now no longer effective (Schedule 1 therein). This law also provides for a conversion of fines and other financial amounts in specified laws to currency points, provides a conversion to currency points for specified amounts such as fines, financial amounts and other amounts expressed in pound currency (Schedule 2 & 6 therein). It also addresses anomalies that were existing in specified laws thereby aligning them with the relevant decisions made by Uganda's Supreme Court and Constitutional Court.

6.3.4.5 Bills in progress

As at June 30, 2023, there were several bills in progress which were anticipated to become law during the financial year 2023/24. These included among others, the Financial Institutions (Amendment) Bill, 2023 which sought to repeal the Central Shari'ah Advisory Council, originally established under the Financial Institutions (Amendment) Act of 2016, tax bills such as the Income Tax (Amendment) (No.2) bill, 2023, Stamp duty (Amendment) bill, 2023, the Value added (Amendment) (No.2) bill, 2023 and the Excise duty (Amendment) (No.2) Bill, 2023 which sought to, among others, establish equivalent tax treatment for Islamic financial business and takaful (Islamic insurance) business, similar to that provided for under conventional financial services or insurance business.

6.4 Deposit protection activities

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 if a Contributing Institution is closed through outright liquidation.

DPF is obliged to pay depositors of a Contributing Institution up to the deposit protection limit of UGX 10 million. 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.

6.4.1 Deposit coverage

Total deposits within the banking sector grew by 6.1 percent from UGX 33 trillion as at June 30, 2022, to UGX 35 trillion as at June 30, 2023. Out of these, 19.7 percent (UGX 6.9 trillion) of the total deposits, were protected. This was above the 10 percent benchmark put in place by the East African Monetary Affairs Committee. With a fund size of UGX 1.36 trillion as at June 30, 2023, the DPF could pay 19.7 percent of total protected deposits which was slightly below the 20 percent benchmark recommended by the East African Monetary Affairs Committee. On the other hand, the Fund could pay up to 3.9 percent of total deposits which was slightly higher than the 3 percent benchmark set by the East African Monetary Affairs Committee. Figure 8 below shows the total deposits vs protected deposits.

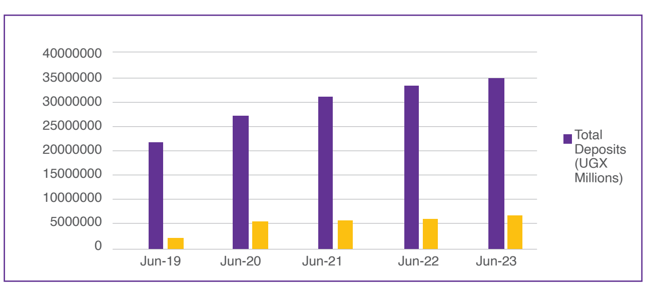


Figure 8: Total deposits versus total protected deposits

The sector witnessed a 15.9 percent increase (3.3 million) in the total number of accounts from 20.7 million as at June 30, 2022, to 24 million as at June 30, 2023. This reflects amongst others the growing confidence in the sector. It is important to note that 98 percent of the total number of accounts in the sector had balances of UGX 10 million and below, hence fully protected by the DPF. This was well above the 90 percent benchmark set by the East African Monetary Affairs Committee. Details are indicated in Figure 9 below:

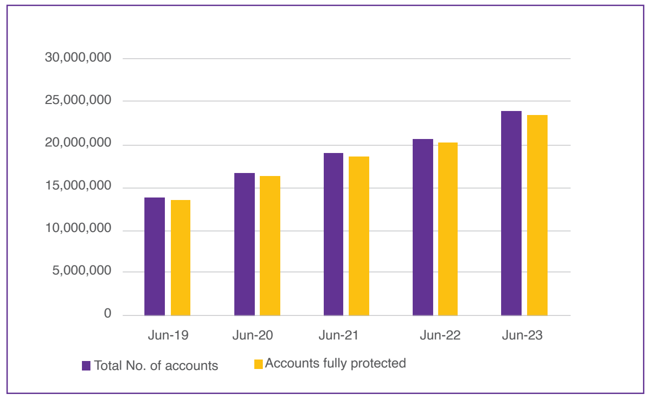


Figure 9: Total number of accounts versus accounts fully protected.

A study of a five-year period indicates that deposits in the sector have consistently grown. In June 2019, total deposits stood at UGX 21.8 trillion compared to UGX 35.0 trillion registered in June 2023. Additionally, the number of deposit accounts in the formal financial sector have grown substantially from 13.5 million in June 2019 to 23.5 million in June 2023. Below is a table and graph showing statistics on deposit coverage at the current deposit protection limit of UGX 10 million. Details are shown in Table 6 below:

Table 6: Trends in deposit coverage

Period	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23
Total Deposits (UGX Millions)	21,762,730	27,158,732	31,108,166	33,352,123	34,993,532
Total protected Deposits (UGX Millions)	2,054,744	5,575,440	5,803,730	6,124,248	6,873,395
Total No. of accounts	13,866,830	16,682,703	19,068,805	20,698,543	24,005,272
Accounts fully protected	13,502,409	16,298,132	18,671,562	20,283,030	23,536,450
Percentage of Accounts fully protected	97%	98%	98%	98%	98%

6.4.2 Trends in premium contributions

Financial institutions regulated by Bank of Uganda are required to contribute annual premiums to the Fund. Annual premiums are computed at 0.2 percent of the average weighted deposit liabilities for the Contributing Institution in the previous financial year while risk adjusted premiums are based on the quarterly ratings from Bank of Uganda.

An institution rated marginal pays an extra charge of 0.1 percent of average weighted deposit liabilities while an institution rated unsatisfactory pays an extra charge of 0.2 percent of the average weighted deposit liabilities, in addition to the annual premium. Premiums have continued to grow steadily for the past five years since 2019 due to growth in deposits. This trend is illustrated in the Figure10 below:

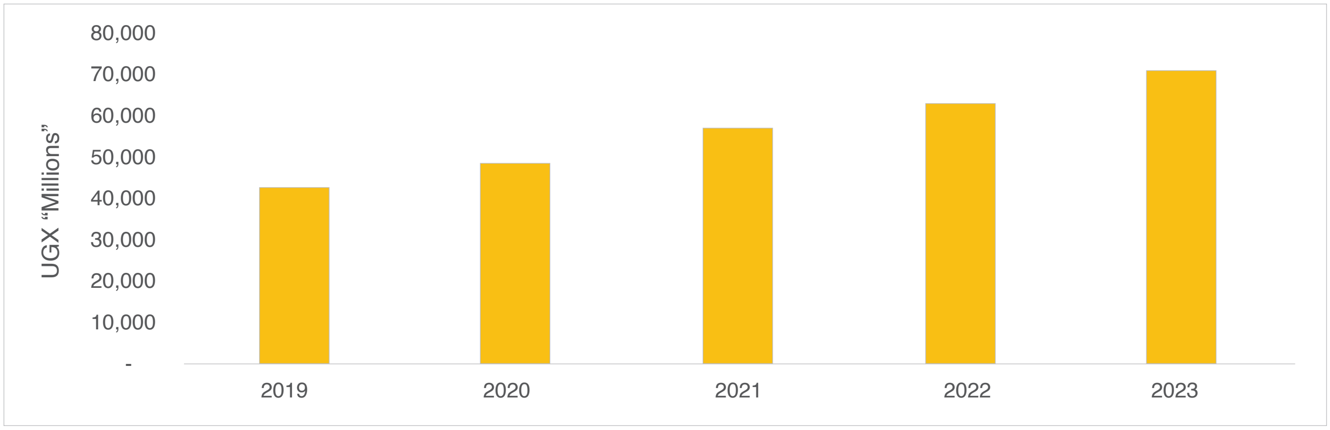


Figure 10: Trend of premiums contributions

7.0

CORPORATE GOVERNANCE AND ENTERPRISE RISK MANAGEMENT

7.1 The Board of Directors

7.1.1 Roles and responsibilities

In accordance with Regulation 6 of the Financial Institutions (Deposit Protection Fund) Regulations, 2019, the Board of Directors (hereafter referred to as 'the Board') is responsible for the providing oversight, insight, and foresight to the operations of the Fund towards achieving the long-term success of the Fund. It is entrusted with the responsibility of setting the strategic direction of the Fund and ensuring that the required checks and balances to manage enterprise-wide risks are effective. The Board provides oversight on management to ensure that the key strategic objectives are achieved within a reasonable time. These governance practices are subjected to continuous review and are periodically benchmarked against the core principles of the International Association of Deposit Insurers, other deposit insurance schemes as well as other key financial sector safety net players.

7.1.2 Composition of the Board of Directors

The Board members are appointed by the Honorable Minister of Finance, Planning and Economic Development. They include the Chairman, representatives of the Governor of the Central Bank, Secretary to the Treasury, Contributing Institutions as well as the general Public. Apart from 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. Table 7 shows the composition of the Board.

Table 7: Composition and Membership of the Board and Board Committees as at June 30, 2023

Name	Date of Appointment	Board Committees			
		ACB	FIRMCB	CGHCCB	TITGCB
Mr. Ben Patrick Kagoro (Board Chairman)	February 3, 2017 (re-appointed effective February 7, 2022)				
Mr. I.K John Byaruhanga	February 3, 2017 (re-appointed effective February 7, 2022)	Chairman		Member	
Dr. Andrew Obara	February 23, 2017 (re-appointed effective February 23, 2022)		Chairman	Member	Member
Ms. Nambogo Roy	August 20, 2018		Member	Chairperson	Member
Mr. Wilbrod Humphreys Owor	February 23, 2017 (re-appointed effective February 23, 2022)	Member	Member		Chairman
Mr. Emmanuel Kalema Musoke	February 3, 2017 (re-appointed) effective February 7, 2022)	Member	Member		
Mrs. Susan Wasagali Kanyemibwa	March 14, 2022	Member		Member	Member

Key

- ACB – Audit Committee of the Board
- FIRMCB – Finance, Investment and Risk Management Committee of the Board
- CGHCCB – Corporate Governance and Human Capital Committee of the Board
- TITGCB - Technical and IT Governance Committee of the Board

7.1.3 Secretary to the Board

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

7.1.4 Functions and duties of the Board

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

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

7.1.5 The Board of Directors' Charter and Code of Conduct

The Board is committed to 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.

7.1.6 Meetings of the Board

As per the Board Charter, the Board meets at least once a quarter. Ad hoc and 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) and the attendance was as indicated in Table 8 below:

Table 8: Attendance of the Board and Board Committees meetings for the period July 01, 2022– June 30, 2023

BOARD OF DIRECTORS	BOARD MEETING	FIRMCB	CGHRCB	TITGCB	ACB
Mr. Ben Patrick Kagoro	19/19	n/a	n/a	n/a	n/a
Dr. Andrew Obara	17/19	6/6	10/12	4/5	n/a
Mr. Wilbrod Humphreys Owor	13/19	4/6	n/a	5/5	5/6
Mr. Emmanuel Kalema Musoke	19/19	6/6	n/a	n/a	6/6
Ms. Roy Nambogo	17/19	5/6	12/12	5/5	n/a
Mr. I.K. John Byaruhanga	16/19	n/a	6/12	n/a	4/6
Mrs. Susan W. Kanyemibwa	16/19	n/a	12/12	3/5	4/6

7.1.7 Board Committees

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

a) Corporate Governance and Human Capital Committee of the Board (CGHCCB).

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

c) Audit Committee of the Board (ACB).

d) Technical and IT Governance Committee of the Board (TITGCB)

7.1.7.1 Corporate Governance and Human Capital Committee of the Board (CGHCCB)

The CGHRCB is composed of four 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 may attend by invitation. The Committee is responsible for providing strategic direction to the Fund and building strategic partnerships in the areas of Human Resource management and administration. In addition, it considers the organizational structure, proposes human resource policies, and oversees the recruitment, remuneration, promotion, and capacity building processes. Meetings are held quarterly or as and when there is business to be discussed. The Committee reports and makes recommendations to the Board.

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

FIRMCB is composed of four Non-Executive Directors including the Committee Chairperson. The Board Secretary is Secretary to the Committee. The Chief Executive Officer attends the Committee meetings as ex-officio. The meetings are held at least once every quarter. Special meetings are convened 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.

7.1.7.3 Audit Committee (ACB)

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

7.1.7.4 Technical and IT Governance Committee of the Board

The TITGCB is composed of four Non-Executive Directors including the Committee Chairperson. The Board Secretary is secretary to the Committee. The Chief Executive Officer attends the Committee meetings as ex-officio.

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

Effective February 24, 2022, the committee adopted the roles and responsibilities of Information Technology Governance as:

a) Monitor the strategic direction of the IT department to ensure it supports the Fund's objectives within the ambit of its strategic framework.

b) Review proposals on the IT strategy, structure, and size of the department, considering what is appropriate for the adequate management of the IT department and recommend to the Board for approval.

c) Review and make recommendations to the Board on IT strategic plans, budgets, workplan, policies, procedures, manuals, frameworks, methodologies, standards, prioritization, execution and matters in relation to IT governance.

d) Guide the establishment of structures, processes, and practices for the governance of IT in line with agreed-on governance design principles, decision-making models, and authority levels of the Fund.

e) Review IT policies, procedures, practices, and risk management frameworks and well as the strategic direction of the Fund

7.1.7.5 Remuneration of Directors

During the period, the Chairman was paid a monthly retainer fee of UGX 3,000,000 (Three Million Shillings) and UGX 1,000,000 (One Million shillings) as sitting allowance per meeting. The other Directors were each paid a monthly retainer fee of UGX 2,600,000 (Two Million Six Hundred Thousand Only) and sitting allowance of UGX 750,000 (Seven Hundred Fifty Thousand only) per meeting. All these figures are inclusive of taxes. Details of fees and other emoluments of directors are included in note 26.3.

7.2 Corporate governance

7.2.1 Regulatory framework

The Deposit Protection Fund (herein after referred to as the 'Fund' or 'DPF' or 'The Deposit Protection Fund of Uganda') had its initial establishment under Section 34 (1) of the Financial Institutions Statute, 1993, as a Fund situated within the Central Bank, under the control, management, and governance of the Central Bank. The Financial Institutions Statute, 1993, was subsequently repealed and succeeded by the Financial Institutions Act Cap. 54, providing for the Fund under Section 33 (1). This law, in turn, was later replaced by the Financial Institutions Act, 2004 ('FIA 2004'), establishing the Fund under Section 108(1). Throughout the enactments mentioned above, the Fund operated as unit within the Central Bank under its oversight and control. In 2016, the Fund was reestablished under Section 108 of the Financial Institutions Act, 2004 as amended 2016, as a body corporate with perpetual succession capable of suing and being sued in its corporate name and as a separate legal entity from the Central Bank. This was in adherence to international best practices on deposit insurance on development of deposit insurance schemes. The mandate of the Deposit Protection Fund is stated under Section 109 of the Financial Institutions Act, 2004 as amended that is, the Fund.

a) Shall be a deposit insurance scheme for customers of Contributing Institutions.

b) may act as a receiver or liquidator of a financial institution, if appointed for that purpose by the Central Bank; or

c) may perform such other functions as may conferred upon it by law.

Section 110 of the FIA, 2004 as amended, vests the authority of the Fund in the Board of Directors.

To support the operationalization of the Fund, the Board in accordance with Section 111G of the Financial Institutions Act, 2004 as amended and in consultation with the Hon. Minister Finance Planning and Economic Development together with support from key stakeholders and development partners, including the Central Bank, Contributing Institutions, the World Bank, and the International Association of Deposit Insurers (IADI), issued the Financial Institutions (Deposit Protection Fund) Regulations, 2019. These regulations were crucial in providing the necessary management framework for the Fund. Further, the Board issued the Financial Institutions (Protected Deposit) Regulations, 2019, which revised the protected deposit limit from UGX 3,000,000 (Uganda Shillings Three Million Only) to UGX 10,000,000 (Uganda Shillings Ten Million Only).

7.2.2 Corporate governance statement

Pursuant to its mission to foster public confidence in the financial system through protection of depositors of Contributing Institutions and in alignment with the principles of good governance, the Deposit Protection Fund of Uganda administers its operations through a robust governance structure comprising Board of Directors, Board Committees and Management. The execution and oversight of Fund operations adhere to an Annual Work Plan and regular reporting to appropriate governance channels. The Deposit Protection Fund of Uganda steadfastly commits to upholding the highest standards of international best practices business integrity, ethical values, and governance. To this end, the Board of Directors subscribe to the provisions of the Board Charter and Code of Conduct underscoring the significance of accountability, transparency, integrity, compliance, confidentiality, prudence, professionalism, and excellence in the management of the affairs of the Fund. The Deposit Protection Fund Board of Directors adopted a new Strategic Plan implemented for a period of five (5) years effective FY2022/2023 to FY2026/2027 using the Balanced Scorecard (BSC) methodology. The new Strategic Plan contains revalidated and enhanced Strategic Elements that were present in the preceding Strategic Plan.

In compliance with International Best Practice guidelines concerning disclosure requisites, this Corporate Governance Statement provides the following information: Director profiles, committee composition information, Directorship/ Chairmanship in other entities, attendance records of Board and Board Committee meetings, brief descriptions of the functions of the Board and each of the Board Committees, Director remuneration particulars and pivotal Board accomplishments.

7.3 Human capital management

7.3.1 Introduction

The Fund attracts and retains an engaged team with a high-performance culture. In this regard, the Fund undertakes a continuous review and assessment of its performance management and rewards framework. This in turn is closely linked to the Balanced Scorecard Strategic management framework and together, both frameworks ensure clarity of annual performance targets and contributions to the mandate of the Fund.

The Fund provides a robust capacity-building program intended to develop and strengthen the skills, instincts, abilities, processes, and resources that the Fund requires to adapt and thrive in a fast-changing world.

7.3.2 Employee establishment

Based on a workforce analysis conducted in 2022, the Fund conducted a structural re-organization in 2023 that saw the addition of nine new positions to the organization structure and placement of roles such as strategic management, risk, and compliance under the Office of the CEO to enhance their oversight and monitoring functions. The details are shown in Table 9 below.

Table 9: Composition of staff by Category 2022/23

S/N	Category	No. of Staff
	CEO	1
	Directors	7
	Managers and Assistant Managers	13
	Senior Officers and Officers	20
	Administrative Assistants	2
	General service staff	4
Total		**47**

7.3.3 Performance management

The Fund recognizes that a robust performance management framework ensures that its employees and teams are given the support they need to develop, the recognition they deserve to be motivated, and the accountability to know what is expected. Furthermore, the Fund's performance management framework ensures that teams are aligned to strategic priorities and that the Fund's values and culture are reinforced in practice. To ensure alignment, the Fund used the Balanced Scorecard as the strategy formulation, monitoring, measurement, and reporting framework. The following are key highlights on performance management during the year.

- The Fund reviewed its employee performance management framework aimed at strengthening the correlation between reward and performance while being cognizant of related costs to the organization.
- Corporate, Departmental, and individual Scorecards across the Fund were developed. This involved the formulation of annual corporate objectives and goals aligned with the Strategic Plan of the Fund. The corporate objectives were broken into initiatives that cascaded to departments and individuals. This process supported performance monitoring and appraisal.
- Performance management, grievance management policies and procedures were developed to promote fair and transparent performance management practices.

7.3.4 Employee learning and development (capacity building)

The Fund recognizes that Learning and development (L & D) plays a critical role in empowering employees' growth and development of their knowledge, skills, and capabilities to drive better organizational performance and achievement of the Fund's mandate. Furthermore, an increasingly shorter shelf life for knowledge has placed a premium on the reskilling and upskilling of employees. The Fund's L & D initiatives are intended to encompass three domains including individual, professional, and organizational capabilities.

To enable achievement in these domains, the Fund's Learning and Development framework, which is part of the 2022-2027 Strategic Plan identified critical strategic areas that include Deposit Insurance, Business Continuity and Crisis Management, IFRS updates, Liquidation Management, Depositor payout, Balanced Scorecard, Internal Audit, Information Technology Governance, Leadership Development, Legal and Regulatory Development and Professional Development.

The above areas are broken into annual Learning and Development Plans which form the basis of the annual training budgets. In addition, learning and development was delivered through conferences, professional short courses, study visits and in-house engagements.

Some of the key Learning and Development activities undertaken are highlighted below:

7.3.4.1 Deposit insurance

The Fund collaborates with local, regional, and international partners to provide technical assistance and capacity-building to its staff in Deposit Insurance. Accordingly, during the period under review, three (3) staff attended a Technical Assistance program in Abuja, Nigeria. Additionally, three (3) staff attended an International Association of Deposit Insurers (IADI) Core Principles Practitioner workshop in Basel, Switzerland. The IADI Core Principles are intended to support and guide jurisdictions that wish to establish or enhance their deposit insurance systems.

The second mandate of the Fund is to act as a receiver or liquidator of a financial institution if appointed for that purpose by the Central Bank. Accordingly, in preparation for this activity, three (3) staff attended specialized training on the management of bank closure while another three (3) staff attended a regional training on contingency and recovery planning in Tanzania.

The Fund also supported three (3) staff to attend a program on fundamentals of Deposit Insurance at the Nigeria Deposit Insurance Corporation (NDIC).

7.3.4.2 Leadership development

The Fund facilitates development programs to expand the capacity of staff to perform leadership roles within the organization and prepare the middle and lower management to take on additional roles. During the period under review, one (1) staff attended a program in Stakeholder management and leadership skills for administrative professionals while three (3) attended an effective management leadership development program.

7.3.4.3 Balanced scorecard

The Fund adopted the Balanced Scorecard (BSC) as its strategic planning and management system. The BSC is used to communicate strategic objectives and align the day-to-day work with strategy. Following the roll-out of the 2022-2027 Strategic Plan, to facilitate the implementation of the scorecard, four (4) staff attended Balanced Scorecard training in Nairobi, Kenya.

7.3.4.4 Professional development

Several of the Fund's employees are members of professional bodies such as the Institute of Certified Public Accountants of Uganda (ICPAU), Uganda and East Africa Law Societies, Public Relations Association of Uganda (PRAU), Uganda Public Service Human Resources Network (UPSHRMNet), Human Resources Managers Association of Uganda (HRMAU), Institute of Procurement Professionals of Uganda (IPPU), among others. These bodies require staff to undertake Continuous Professional Development (CPD) activities to develop, maintain and document professional skills.

During the period under consideration, staff attended various programs intended to enhance their professional development. These included among others, IFRS 9 Training in Nairobi, Kenya at the Kenya School of Monetary Studies. Others included Risk-based auditing workshops and training on high-impact audit reporting for internal audit staff. In addition, three (3) staff attended an Internal Audit, Risk and Forensic Conference held by the Institute of Public Accountants of Kenya.

Staff also attended programs in Information Technology which included among others Microsoft Exchange Server and Azure Active Directory Domain Services training.

Given the importance of ESG in the management of activities in organizations, two (2) staff members attended a program on Sustainable Procurement in Johannesburg, South Africa.

Staff from the Fund also attended the ICPAU Public Finance Management Annual Conference and in-house counsel training by the Uganda Law Society.

7.3.4.5 E-learning

As a requirement, all staff of the DPF irrespective of deployment should possess basic knowledge of deposit insurance and should be ambassadors of the Fund whenever the need arises. Accordingly, the DPF subscribes to the Financial Stability Institute (FSI) e-learning portal where all staff are obligated to undertake at least two (2) courses on deposit insurance each financial year. Staff utilized the tool with several of them completing more than two courses.

7.3.4.6 Internal employee knowledge-sharing sessions and engagements

The Fund promotes the utilization of its internal knowledge base to enhance staff development and awareness through knowledge-sharing sessions. During the period under review, in line with organizational policy, knowledge-sharing sessions were conducted by staff who had attended programs sponsored by the Fund.

To promote team cohesion, the Fund held its annual team-building event at Jinja Nile Resort. During the engagement, staff participated in several team-building activities to enhance team bonding. In addition, sensitization sessions were held in areas such as strategic planning, bank closure, IADI core principles as well as creating resilient teams.

7.3.5 Organizational culture

The Board and Management of the Fund believe that a resilient organization should be founded on values that are strongly adhered to. All internal and external interactions at the Fund are therefore shaped by the Fund's core values of Respect, Integrity, Transparency and Excellence.

To ensure that the entire DPF team observes these values, Management and the staff hold quarterly town hall meetings through which feedback is provided on all matters affecting the employees at the Fund. In addition, a Human Capital Committee comprising representatives from the different employee categories was constituted to be a forum through which employee welfare matters are recognized and brought to the attention of Management.

7.3.6 Key highlights 2022/2023

All staff attended the annual team building retreat intended to build relationships that benefit all employees and the Fund as a whole. The team-building activities are structured to teach employees how to trust each other and work together to achieve common objectives.

7.4 Risk management

7.4.1 Risk management governance

The Board of Directors is responsible for the oversight of the Fund's Enterprise-wide Risk Management Framework. In addition, the Board is responsible for setting and reviewing the risk appetite of the Fund. The implementation role is delegated to management. The Fund's Risk Management practices are based on the ISO 31000 Framework and the 16 Core Principles of International Association of Deposit Insurance (IADI). The risk oversight and management practices are integrated with strategy development, implementation, and monitoring. This enables the Fund to effectively monitor key strategic initiatives.

7.4.2 Risk management framework

Risk is an inherent part of the DPF's business, and the effective management of risk is a fundamental enabler of the Fund's strategic plan. The strategy for managing risk is aimed towards depositor protection and enabling sustained performance. This is achieved through the Risk Management Framework of the Fund. The DPF is exposed to both financial and non-financial risks and is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities.

DPF's Strategy and Risk function oversees the Risk Management Framework to allow the Fund to identify, measure and manage risks within the risk appetite. The DPF's risk management is based on the 'three lines of defence' model. The overarching principle of the model is that risk management capability must be embedded within the business to be effective. These act as the foundation for effective risk management across the Fund. The Risk Management Framework covers all systems, structures, policies, processes, and people that identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk. The Risk Management Framework is regularly reviewed considering emerging risks arising from the changing business environment, better practice approaches and stakeholder expectations.

7.4.3 Leadership and accountability

The Fund leadership demonstrates visible commitment to risk management through the continuous support rendered during implementation of sound risk management practices across different business units. Education, coaching 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 takes place quarterly.

7.4.4 Risk matrix

As provided for in the Risk Management policy and procedures manual, the Fund prepares a corporate 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 directional expectation of the risk is assessed as either stable, increasing or decreasing, depending on various underlying factors under consideration. In addition, a risk trend analysis is illustrated using an evolution chart. As described below, the Fund provides a risk assessment for risks that have been classified as either high or moderate. The risks that were classified as low included interest rate, credit, inflationary, exchange, liquidity, reporting, compliance, legal and political risk. See Table 10 with details of the high and moderate risks:

Table 10: Risk Matrix as of June 30, 2023

Risk	Likelihood (1 - 3)	Impact (1 - 3)	Overall Risk (L*I)	Direction	Mitigation measures
Reinvestment Risk	3	2	6	↑	• The Fund will reinvest maturing cashflows to take advantage of the current yields before they reach the lowest level while maintaining portfolio compliance with the set limits in the IPS. • The biggest percentage of the portfolio is currently held in long term bonds and only a few maturing securities are reinvested at the current rates.
Receivership/Liquidation management risk	2	3	6	↔	• Staff in the Operations division are being trained in bank closure management. • There is a Liquidations policy in place. • Procedures to be followed in handling liquidations were approved.
Pay out Risk	3	3	9	↔	• The Fund has a Depositor Payout and Premium Management System (DPPS) which it rolled out to all Contributing Institutions (CIs) • The system will facilitate a seamless payout if a CI(s) is closed. • SCV data was successfully uploaded on the system for all CIs. • Inspection teams together with the BOU team verify the records and recommend appropriate actions to the discovered errors. • There is a crisis management plan and a crisis simulation plan in place. • The first edition of the simulation test was carried out in July 2023 and the required adjustments were recorded and discussed with the vendor.
IT risk	2	3	6	↔	• There are IT policies in place. • The Fund has a disaster recovery site. • IT risk assessments are conducted. • Training of IT staff to enhance their skill levels is on-going in areas of IT system administration, information security, service delivery, process automation and risk management. • Also, new systems have been implemented such as the firewall security solution to address the information security needs of the Fund. • The Fund plans to have an Internal Segmentation Firewall (ISFW) in next FY 2023/2024
People risk	2	3	6	↔	• The Fund has recruited additional staff to fill vacant posts. • All staff are being trained in various areas of the Fund's operations and Deposit Insurance. • Knowledge sharing sessions are being conducted. • Quarterly town halls and feedback sessions are held. • Staff sensitization programs are held, and staff are encouraged to take leave to avoid burn outs. • New staff are yet to have their balanced scorecards signed off.
Strategic risk	2	2	4	↔	• The Fund has got a mechanism of tracking its Strategic Plan 2022-2027. • The performance of the Fund stands at 91% of its set deliverables for FY2022/2023 organizational Balanced Scorecard • A few activities were rolled over to FY2023/2024. • The organization, together with all staff have their scorecards for FY2023/2024 ready and launched.

Risk	Likelihood (1 - 3)	Impact (1 - 3)	Overall Risk (L*I)	Direction	Mitigation measures
Reputational risk	2	3	6	↔	• The DPF conducts awareness to the public and CIs through various platforms. The Fund also manages issues which could cause reputational risk. • The Fund is currently following up with CID on two cases of impostors (“Green Monday” and “On passive”). • Management was guided that the cases be moved to external lawyers who will liaise with CID. • Management has already contacted these lawyers to kickstart the process.
Risk of floods	2	2	4	↑	• The building was professionally constructed with a good, piped water system and strong roof. • HC&A and Property Management are aware of mild flooding on 6th floor whenever it rains, and this is being resolved.
Physical Security risk	2	3	6	↑	• The building has security guards, & DPF has its guards on the 3rd & 6th floors. • Cameras, sensors, and intrusion detection system were installed on the 3rd floor and there are plans to install on the 6th floor. • Management also plans to procure a walkthrough security detection system, and this has been budgeted for FY2023/2024. • There are still gaps in management of security at the main gate which increase the risk to DPF. • Management is in touch with the property manager and the landlord to address the security gaps at the main gate.
Project risk	2	3	6	↔	• There is a project management policy in place. • Business cases with risk assessments are prepared for all the projects. • For capital purchases which are not part of a project, justifications are made. • The Fund adopted Prince 2 Project management methodology and most staff are being trained to implement all Fund Projects using Prince 2. • Training on Prince 2 project management is scheduled for Q3 FY2023/2024
Health related risks	2	3	6	↔	• Occupational Health and Safety Committee (OHSC) is in place. • HC&A conducts general health and safety related sensitizations; all staff have medical insurance and physical exercises are encouraged. • The Fund has counselling services to help staff manage mental health. • Staff have been sensitized and encouraged to avoid crowded places and be vigilant for their own security. • An annual health check-up for all staff is being arranged. • There are aerobics sessions to improve staff well-being and fitness levels.

7.4.5 Evolution of risk

The table below shows the overall risk rating of the key risks that were rated high and moderate as at June 30,2023. The table illustrates the evolution of risk over a twelve (12) months period, from June 2022 to June 2023. The Payout risk remained high. There are deliberate efforts by the Board and Management to reduce this risk. The other risks increased from low to moderate rating as seen in Table 11 below.

Table 11: Evolution of overall risk score

Risk category	Jun-22	Jun-23
Payout risk	9	9
Re-investment risk	3	6
Project risk	6	6
Physical security risk	6	6
Reputational risk	3	6
People risk	6	6
IT risk	6	6
Receivership/Liquidation management	3	6
Risk of floods	3	4
Strategic risk	6	4

Key

Overall Risk Rating	
Level	**Score**
Low	1, 2 and 3
Moderate	4 and 6
High	9

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 was high, the journey to mitigate it commenced with the development of a comprehensive procedures manual for handling the depositor pay-out process followed by implementation of the depositor payout and premium management system (DPPS). The system was rolled out to all Contributing Institutions (CIs) to facilitate a seamless payout in the unlikely circumstance that a CI(s) is closed. Single Customer View (SCV) data was successfully uploaded on the system for all CIs. Our inspection team together with the BOU team verifies the records and recommends appropriate actions to the discovered errors. The documentation to support re-imbursement is in place. These include the crisis management plan, depositor payout manual and a crisis simulation plan among others. The Fund conducted its first simulation of the depositor payout system to test its functionalities and readiness to execute payouts. Some issues were discovered and are being addressed by the vendor.

Additionally, the Fund has embarked on cleaning up the data submitted by the CIs, by conducting quarterly reviews of the data that has been uploaded on the system and advising the CIs on areas that need to be improved. The major areas of non-compliance relate to having invalid alternative modes of payment and invalid NINs among others.

7.4.6 Managing risk

7.4.6.1 Internal controls and compliance management

The Fund has a compliance universe of mainly written policies, procedures and controls established to detect and prevent non-compliance amongst staff. The Fund continually seeks to enhance effectiveness of its internal control environment and improve its procedures and processes to close compliance gaps identified by its internal assurance functions, the external auditors, and other stakeholders. Controls that are designed to reduce risks to acceptable levels are assessed in terms of sufficiency and effectiveness. Where necessary, additional controls are recommended to increase effectiveness.

As at 30 June 2023, the Fund was compliant with the provisions of FIA 2004 as amended as well as other laws that affect the operations of the Fund.

7.4.6.2 Code of ethics

i. Codes of conduct

DPF maintains and has in place policies and codes of conduct that capture not only the Fund's legal obligations, but also the reasonable expectations of its stakeholders, including depositors. These policies apply to all employees and Directors of the Fund, and to anyone working on the Fund's behalf, including vendors and consultants. The Fund adopts zero tolerance to all forms of corruption, bribery, and unethical business practices.

ii. Ethical conduct

The Fund's Code of Ethical Conduct covers a range of areas including personal conduct, integrity, honesty, transparency, accountability, fairness, and prevention of corruption. It emphasizes the importance of making the right decisions and behaving in a manner that builds respect and trust in the organization. The Code sets out clear behavioral requirements and consequences where these are not met. The Fund has in place several policies and practices to promote a culture of compliance, honesty, and ethical behavior. During the year ended June 2023, there were no cases of breach of code of ethics by staff and senior management of the Fund.

7.4.6.3 Compliance with IADI Core Principles for Effective Deposit Insurance Systems

The International Associational of Deposit Insurers is the umbrella body that promotes guidance and international cooperation on deposit insurance, globally. DPF is one of the members of the association, which was founded in 2002, and has a current membership of 123 participants (94 members, 12 associates and 17 partners). The 16 IADI Core principles for effective deposit insurers are developed for adoption by jurisdictions considering the adoption or reform of their deposit insurance systems. The Fund continuously aligns its operations and legal framework to the guidance of these principles. The Fund conducted a self-assessment to ascertain the level of compliance with these core principles. The Fund is compliant with most of the CPs and efforts are being put in place to address the gaps for the CPs that were largely compliant and materially non-compliant.

Figure 11: Core Principles for Effective Deposit Insurance Systems

7.4.7 Internal audit

The Internal Audit department provides risk-based and objective assurance, advice, and insights to the Board and Management to enhance and protect the Fund's value. To strengthen the independence of the Internal Audit Department, the Director Internal Audit reports functionally to the Audit Committee of the Board and administratively to the Chief Executive Officer, who is responsible for ensuring that the audit recommendations are implemented appropriately within the agreed timelines. The Director Internal Audit communicates regularly with the Audit Committee of the Board through the quarterly meetings. In addition, frequent discussions are held with the Chairperson of the Audit Committee to supplement the formal meetings and communications.

The approved Internal Audit Charter provides the framework that guides internal audit activities. It sets out the mission, purpose, authority, and responsibilities of Internal Audit. Accordingly, an annual risk-based audit plan aligned with the Fund's priorities and strategic objectives is developed in consultation with Management and the Board.

Under the theme, "Value Creation through Internal Auditing", Internal Audit assessed the adequacy and effectiveness of the governance processes, risk management practices and internal controls in the Human Capital and Administration, Finance and Operations, Board Secretariat and Legal, Investments, and Communications departments of the Fund during the financial year ended June 30, 2023. In addition, Internal Audit followed up on the implementation status of prior internal and external audit recommendations to ensure that the agreed management actions had been effectively implemented. All audit reports prepared during the year were presented to the Audit Committee of the Board during its quarterly meetings. As at June 30, 2023, Internal Audit had accomplished 94% of the planned activities for the financial year, and the Fund had implemented adequate controls to mitigate current risk exposures.

As part of the consulting engagements, Internal Audit independently assessed the Fund's compliance with the IADI core principles for effective deposit insurance systems. We noted that the Fund largely complied with most of the IADI core principles and recommended actions to ensure full compliance with all the Core Principles.

In accordance with the Board Charter, the Audit Committee of the Board is mandated to oversee the integrity of the Fund's financial reporting process. Therefore, on behalf of the Audit Committee, Internal Audit reviewed the Fund's annual report and financial statements for the year ended June 30, 2023. We noted that the relevant notes adequately supported the amounts presented in the financial statements. However, there is a need to automate the Fund's financial reporting process by finalizing the procurement of the Human Capital, Investments and Accounting System.

In the forthcoming financial year 2023/2024, the internal audit theme will be "Sustainability of the Fund's operations through Internal Auditing". To operationalize this theme, the Department will focus on providing assurance services to assess the short, medium, and long-term impact of the Fund's processes based on the risk profile. In addition, the Department will provide forward-looking advisory and consulting services on current and emerging risks that need to be considered by the Fund while preserving the independence and objectivity of Internal Audit staff.

8.0

PERFORMANCE HIGHLIGHTS

8.1 Key strategic achievements

The Fund successfully completed its first year of implementing the new Strategic Plan 2022-2027 and realized **91 percent** of its set annual targets. The year was full of many achievements as well as several lessons learnt.

In the period under review, the Fund registered the following achievements:

a) Depositor Payout and Premium Management System

The Depositor Payout and Premium System was successfully rolled out to all the 33 Contributing Institutions which uploaded their depositor's information as at December 31,2022 in the Single Customer View format. This information at a minimum includes among others the unique identifier and depositors' alternative modes of payment.

b) Crisis Management Plan

As per the requirements of the Financial Sector Stability Forum, the Fund developed a Crisis Management Plan during the year. The Plan based on the Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers (IADI), aims at enabling fast and decisive actions in the event of a crisis. While developing the plan, the Fund benchmarked with the Financial Sector Crisis Management Plan (FSCMP) to ensure a coordinated approach to crisis management in case of bank closure.

c) Strategic Plan 2022 -2027

During the year, the Fund launched the Strategic Plan 2022-27. The Strategy focuses on the following objectives.

i. Increase public awareness about deposit insurance across the country.

ii. Grow the Fund to protect a larger percentage of deposits in the sector.

iii. Put in place mechanisms to effect payouts in less than the stipulated 90 days.

iv. Attain an enhanced mandate in deposit insurance.

v. Equip Board members and staff with skill, knowledge, and competencies in deposit insurance.

vi. Ensure that staff are motivated and engaged.

d) IADI self-assessment

During the year, an internal IADI self-assessment was completed by the Internal Audit Department of the Fund and the report was adopted by the Board. The Fund was fully compliant with 7 core principles and largely compliant with 7 principles. The Fund was found to be non-compliant with two principles on readiness to payout (CP 15) and cross boarder relations (CP 11), both of which were rated as "materially non-compliant".

e) Liquidation policy and guidelines

In view of expanding the Fund's mandate, the Fund put in place a Liquidation Policy and Procedures Manual. These were anchored on the IADI core principles and best practices which have been adopted by other deposit insurers. The Policy and Manual provide guidance on the orderly and efficient closure of a failed bank, minimize systemic risks, and maximize asset recovery.

f) Growth of investment portfolio

The Fund portfolio grew by over 100 percent to UGX 1.355 trillion as at June 2023 from UGX 523.8 billion as of December 2017. The Fund commenced internal fund management of part of its Portfolio in June 2021 and currently, 54 percent is managed internally. The set target Fund size for the next 5 years is at UGX 2 trillion to protect at least 3.5 percent of total deposits in the sector.

g) Enhanced public awareness

To ensure that more Ugandans appreciate the role and mandate of the Fund, the Fund's core message on the depositors protected limit shared by Contributing Institutions was enhanced to include the UGX 10 million which was creating information gap hence eliciting several enquiries from depositors. The Fund also enhanced its visibility through its Corporate Social Responsibility initiatives where support was extended to the Obstetric Women's

Hospital and the special needs schools. Other public awareness initiatives included radio and TV talk shows, dip-stick surveys, exhibitions, engagements with the media and CIs among others.

h) Next Generation external firewall

The technology revolution experienced across the globe has improved business efficiency but has also increased incidences of system and data breaches by malicious parties. The Fund put in place a Next Generation firewall to detect and prevent any attacks on its systems by external hackers. This shall enable the Fund to preserve data integrity and maintain the trust of its key stakeholders including depositors, Contributing Institutions, other safety net players and the public.

i) Recruitment of new staff

Upon approval of a new staff structure by the Board, the Fund began the process of recruiting nine new staff. To this end, job adverts were made to the public through newspapers, DPF website, and social medial accounts and over 3,000 applications were received. The applications received were reviewed and successful candidates were shortlisted and invited for interviews. The interview process was completed, and the most suitable candidates were chosen and formally notified. Upon selection, the candidates received their appointment letters and subsequently submitted their acceptance letters to the Fund. The first cohort of new staff reported for work on August 1, 2023.

DPF staff who reported for work on August 1, in a photo with the DPF CEO, Dr. Julia Oyet (seated, center).

8.2 Challenges

a) Delays in procurement processes. This was mainly attributed to low response rates from bidders, prompting a repeat of procurement cycles. Furthermore, some bids submitted by suppliers were much higher than the budget due to a rise in market prices following a spike in inflation. This affected the capital budget absorption rate. Furthermore, staff were still going through a learning curve of procurement processes, especially drafting clear and concise terms of reference.

b) Submission of incomplete data by Contributing Institutions. Some CIs uploaded incomplete depositor data on the Depositor Payout and Premium Management System. However, the Fund engaged the respective CIs to address the matter and solve any issues they faced while using the system.

c) The Fund did not collect its budgeted annual premium earnings due to the customer deposit base of Contributing Institutions growing less than expected. While the Fund had initially forecasted a 13 percent growth in deposits, the actual growth rate turned out to be 8 percent.

8.3 Opportunities

These are external factors that the Fund may be able to exploit to its advantage. The Fund periodically conducts an extensive analysis of the opportunities in the environment which it could exploit in order to be more effective in executing its mandate. These include the following amongst others:

- Leveraging on emerging technology.
- Being a thought leader in deposit protection within the African Region and beyond.
- Expanding collaborations with stakeholders, especially the more established deposit insurance entities.
- Promoting growth of the banked population.

The Fund seeks to exploit all these to contribute more to financial sector stability.

8.4 The year ahead

During the second year of implementation of the Strategic Plan, the Fund will leverage the achievements and insights gained in FY2022/23 to further enhance its progress towards its strategic objectives. The Fund will place emphasis on the following initiatives during FY 2023/24 in accordance with the approved Corporate Balance Score Card.

Figure 12: Initiatives for FY 2023/24

8.5 Focus on Environmental, Social, and Governance (ESG)

To ensure sustainability in the fulfillment of its mandate and achievement of its strategic objectives, the Fund is cognizant of executing its operations in line with Environmental, Social and Governance efforts.

8.5.1 Governance

The Fund is in the early stages of developing the ESG framework. During the year, the Board of Directors was trained in the areas of ESG. In FY 2023/24, the Board will consider and approve the ESG framework for the Fund to address the risks and opportunities presented by ESG, governance of ESG and strategies among others.

Dr. Andrew Obara (DPF Board Member) makes a presentation during an internal engagement for Members of the DPF Board of Directors.

Workplace inclusivity and diversity

The Deposit Protection Fund (DPF) prides itself on its commitment to Diversity, Equity, and Equal Opportunities within its workforce. Our team comprises individuals from diverse ethnic backgrounds across the country, fostering an inclusive environment. In terms of gender balance, we maintain a fair representation with 40 percent of our staff being female, including our Chief Executive Officer. Furthermore, our board includes two female members out of seven, demonstrating our commitment to gender equality. In management positions, 35 percent are held by female staff, while 65 percent are occupied by their male counterparts. Our age structure is also diverse, with over 55 percent of our workforce falling below the age of 35, 28 percent between 35 and 45, and 15 percent above 45, mainly within the management category.

We value and appreciate this diversity, actively engaging our staff through various forums such as team-building events, town hall meetings, and brainstorming sessions to ensure their perspectives influence policy formulation and implementation. Special occasions and key achievements are celebrated to foster a sense of belonging. Our office layout promotes transparency and unity, with most staff working in an open office setting.

In our recruitment processes, we uphold equity and fairness, ensuring no discrimination based on race, color, religion, gender, political affiliation, HIV status, disability, or any other form of bias. Equal remuneration for work of equal value is a fundamental principle embedded in our Balanced Scorecard, which rewards staff based on timeliness and work quality. When it comes to promotions, all staff have an equal opportunity to compete for vacant positions based on qualifications and experience. We also support continuous professional development, offering capacity-building programs to help our staff contribute effectively to our strategic objectives.

DPF is dedicated to creating a supportive and inclusive environment where every staff member feels comfortable. Our offices are accessible to Persons with Disabilities (PWD), equipped with amenities such as lifts for easy access, ensuring inclusivity for all, including those who use assisted devices like crutches and wheelchairs. Additionally, all staff, regardless of rank or medical condition upon joining, are provided with comprehensive medical insurance. These initiatives reflect our commitment to best practices in managing our human capital and fostering an equitable workplace. The details of composition of staff by gender are shown in Table 12 below.

Table 12: Composition of staff by gender 2022/2023

S/N	Gender	No. of Staff
1		19
2		28
Total		**47**

8.5.2 Corporate Social Investment

The Fund also made an impact on society through its Corporate Social Investment initiatives such as supporting TERREWODE Women's Community Hospital with a 20,000-litres capacity water tank reservoir worth UGX 37,888,000. The hospital is one of the two in the country that is solely dedicated to and specializes in the management of obstetric fistula conditions. This medical specialization necessitates a consistent supply of water to ensure optimal care for the patients, which the hospital lacked.

Mr. Patrick Ezaga (Director Communications) – fourth left and Dr. Julia Oyet (DPF CEO) – fifth left, share a light moment with the TERREWODE team and the Soroti District leadership, after commissioning the water tank reservoir.

In addition, the Fund also donated vocational items and assistive devices to Masindi Centre for the Handicapped worth UGX 13,318,960 and these included 8 wheelchairs, 12 pairs of clutches, 6 walkers, 10 pairs of hearing aids, 6 neck supporters, 10 sewing machines, 1 knitting machine, 2 hand dryers, 7 jack planes, 7 hammers, 7 handsaws and 6 slates and stylus. The centre has an enrolment of learners with different kinds of handicaps including the lame, the deaf, the intellectually impaired, autistic children, children with dyslexia and those with hydrocephalus. The Centre instructs learners using the primary school curriculum with an emphasis on vocational training. Education is a fundamental right that should be accessible to all, regardless of physical or mental challenges. It is against this background that the Deposit Protection Fund of Uganda donated the vocational items and assistive devices to the school.

Mr. Patrick Ezaga (white t-shirt) shakes hands with Ms. Zainabu Akugizibwe as a gesture to signal handing over of the items donated to the school. To witness the ceremony were officials from Masindi District Local Government, Members of the School Management Committee, staff of the Centre parents and pupils.

The Fund donated vocational items to the Special Needs Section – Nyakibale Lower Primary School. The school has supported over 300 children with disabilities to access both formal and vocational education. These children include those with physical handicaps, speech difficulty and hearing impairments as well as those with multiple impairments. The Fund supported the school with vocational items worth UGX 21,217,420 and these included six (6) knitting machines, five hundred (500) knitting threads, fifty (50) bottles of machine oil, three hundred (300) needles and two (2) metallic cases for safe custody of the items.

Mr. Patrick Ezaga (DPF – Director Communications) shaking hands with Sister Bonny Atuhairwe (In-charge Special Needs Section) during the handover of the vocational items. Pupils from the Special Needs Section, members of the School's Management and the Clergy witnessed the handover.

8.5.3 Environment

As part of its commitment to the environment, the Fund has implemented several initiatives aimed at reducing its environmental footprint. These are discussed below.

Paper use reduction

To minimize paper consumption and promote a paperless environment, the Fund is in the process of implementing digital documentation and communication systems wherever possible. The Fund uses a digital platform to circulate Board documents and store information online. This not only reduces the Fund's environmental impact but will streamline the Fund's processes for greater efficiency.

Waste disposal

DPF has adopted responsible waste disposal practices. The Fund segregates and recycles waste materials in its premises, thereby contributing to a cleaner environment. The Fund will also explore ways to further reduce waste generation.

Building with natural light

The Fund has designed its office premises to maximize natural light, reducing its reliance on artificial lighting during day time hours. This initiative not only conserves energy but also provides a more pleasant and sustainable working environment for its staff.

Artificial flowers and plants

The Fund replaced artificial flowers and plants in its office premises with natural plants. This not only improves indoor air quality but also aligns with the Fund's commitment to a more natural and sustainable environment.

Printers

The Fund encourages responsible printing practices among its staff, including duplex (double-sided) printing, and has adopted password protected printing, energy-efficient printers, and multifunction devices. Additionally, the Fund actively promotes digital alternatives for documentation and communication to reduce the need for printing.

9.0

FINANCIAL PERFORMANCE HIGHLIGHTS FOR THE YEAR 2022/23

9.1 Introduction

The financial statements of the Fund include the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and the accompanying notes.

9.2 Statement of profit or loss and other comprehensive income

The Fund registered total comprehensive income for the year of UGX 253 billion in FY 2022/23 compared to a surplus of UGX 144 billion in FY 2021/22. The growth in the surplus for the year is mainly explained by the other comprehensive income of UGX 39 billion in FY 2022/23 compared to other comprehensive loss of 68 billion in FY 2021/22. As at June 30, 2023, the Fund's debts instruments at fair value through other comprehensive income registered unrealized fair value gains amounting to UGX 39 billion due to net increase in the prices of the treasury bonds (yields on treasury bonds declined) compared to unrealized fair value losses of UGX 68 billion that were registered in FY 2021/22. The summary of the total comprehensive income for the year is presented in Table 13 below:

Table 13: Total comprehensive income

Particulars	June 30, 2023 UGX '000	June 30, 2022 UGX '000	Change %
Operating Income	235,522,914	217,870,362	8
Operating expenses	(21,486,396)	(5,614,675)	283
Surplus for the year	**214,036,518**	**212,255,687**	**1**
Other comprehensive income	39,092,618	(68,094,345)	(157)
Total comprehensive income	**253,129,136**	**144,161,342**	**76**

9.2.1 Operating income

The Fund realized a total operating income of UGX 236 billion in FY 2022/23 compared to UGX 218 billion in FY 2021/22. The growth is attributable to the increment in interest income calculated using the effective interest method due to a 22 percent growth in the portfolio of treasury bills and bonds and premiums from Contributing Institutions (CIs) due to growth in deposit liabilities of CIs. The details are shown in Table 14.

Table 14: Operating income

Particulars	June 30, 2023 UGX '000	June 30, 2022 UGX '000	Change %
Interest income calculated using the effective interest method	166,181,765	144,350,697	15
Contributions	68,607,243	60,660,056	13
Other income	12,221	6,541,197	(100)
Net trading income	721,685	6,318,412	(89)
	235,522,914	**217,870,362**	**8**

9.2.2 Operating expenditure

Operating expenses increased by UGX 16 billion to UGX 21 billion in FY 2022/23 from UGX 5 billion in FY 2021/22. This was majorly due to a UGX 11 billion reversal in provisions for doubtful amounts in FY 2021/22. The details of the operating expenditure are presented in Table 15 below:

Tale 15: Operating expenditure

Particulars	June 30, 2023 UGX '000	June 30, 2022 UGX '000	Change %
Employee costs	(11,666,110)	(11,353,301)	3
Other operating (expenses)/ income	(6,998,514)	7,575,010	(192)
Fund management fees and expenses	(1,055,694)	(1,084,811)	(3)
Depreciation and amortization	(1,579,887)	(761,123)	108
Impairment losses (reversals) on financial assets	(62,624)	118,506	(153)
Interest on lease liabilities	(123,567)	(108,956)	13
	(21,486,396)	**(5,614,675)**	**283**

i. Employee costs

Employee costs majorly comprise staff salaries, allowances, and retirement benefits. The 3 percent increment in employee balance is majorly explained by cost-of-living adjustment made to employee salaries during FY 2022/23.

ii. Other operating (expenses)/ income

Other operating (expenses)/ income include board fees and expenses, general expenses, maintenance costs, provision for unrecoverable tax amounts and capacity building expenses. Other operating expenses increased by 192 percent majorly due to a UGX 11 billion reversal in provisions for unrecoverable tax amounts in FY 2021/22. The increment is also due to an increment in staff and board training expenses following the easing of Covid-19 restrictions.

iii. Fund management fees and expenses

Fund management fees and expenses declined by 3 percent majorly due to transfer of debt instruments from the externally managed portfolio to the internally managed portfolio in October 2021. The transfer of debt instruments reduced the value of the externally managed portfolio and thus less management fees were paid.

iv. Depreciation and amortization

The increment in depreciation and amortization expenses is explained by the additions in property and equipment made during FY 2022/23.

v. Impairment losses (reversals) on financial assets

The increment in impairment losses is explained by the growth in the financial assets held by the Fund.

vi. Interest on lease liabilities

The 13 percent increment in interest on lease liabilities is explained by the acquisition of additional office space in FY 2022/23 to accommodate new staff.

9.2.4 Cost to investment income ratio

Particulars	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Investment income	165,869,838	144,117,771
Operating expenses	21,486,396	5,614,675
Less:		
Depreciation and amortization	1,579,887	761,123
Expected credit loss (expense)/ release on financial assets	62,624	(118,506)
Interest expense on lease liabilities	123,567	108,956
Provision for unrecoverable tax amounts	82,156	(10,954,516)
Operating expenses less non cash flow items	19,638,162	15,817,618
Adjusted cost to investment income ratio	**12%**	**11%**

The adjusted cost to investment income ratio stood at 12 percent for the year ended June 2023 compared to 11 percent of the prior year.

9.3 Statement of financial position

Table 16: Abridged statement of financial position

Particulars	June 30, 2023 UGX '000	June 30, 2022 UGX '000	Change %
Assets	1,404,999,922	1,150,067,763	22
Liabilities	55,567,662	53,764,639	3
Reserves	1,349,432,260	1,096,303,124	23

9.3.1 Assets

Total assets increased by UGX 255 billion to UGX 1,405 billion in FY 2022/23 from UGX 1,150 billion in FY 2021/22. The movement is majorly due to an increase in the debt instruments at amortized cost (UGX 61 billion) and debt instruments at fair value through other comprehensive income (UGX 185 billion). Cash in hand and at bank increased by UGX 10 billion to UGX 18 billion in FY 2022/23 from UGX 8 billion in FY 2021/22. The increment in cash balances was due to funds set aside to operationalize the proposed working capital portfolio as at June 30, 2023.

9.3.2 Liabilities

The Fund's liabilities are categorized into deferred income, trade and other payables and lease liabilities. Total liabilities increased by 3 percent (by UGX 2 billion) majorly due to an increment in deferred income following an increment in annual premiums.

9.3.3 Reserves

Total reserves increased by 23 percent to UGX 1,350 billion as at June 30, 2023 from UGX 1,096 billion as at June 30, 2022. The movement is attributed to the total comprehensive income (UGX 253 billion) earned over the year.

9.4 Trend of financial performance

The trend of financial performance for the five-year period is presented in Table 16 below:

Table 16: Trend of financial performance

Particulars	FY 2022/23 **UGX Billions**	FY 2021/22 **UGX Billions**	FY 2020/21 **UGX Billions**	FY 2019/20 **UGX Billions**	FY 2018/19 **UGX Billions**
Total Assets	1,405	1,150	1,000	821	695
Total Liabilities	56	54	48	49	45
Surplus and Reserves	1,350	1,096	952	772	650
Operating income	236	218	177	145	127
Operating expenses	21	6	20	27	24
Surplus	214	212	157	119	103

9.4.1 Assets, liabilities, and reserves

Over the past five (5) years, the Fund's total assets have grown significantly by 102 percent, to UGX 1,405 billion as at June 30, 2023, from UGX 695 billion as at June 30, 2019. This growth was mainly due to debt instruments, which increased from UGX 689 billion to UGX 1,374 billion during this time. Total liabilities have been stable, with a 23 percent increment over the five-year period, due to higher yearly premium collections from Contributing Institutions. Notably, the fund surplus and reserves account has risen gradually by UGX 700 billion over this period. Figure 13 shows the five-year trend of assets, liabilities, and reserves.

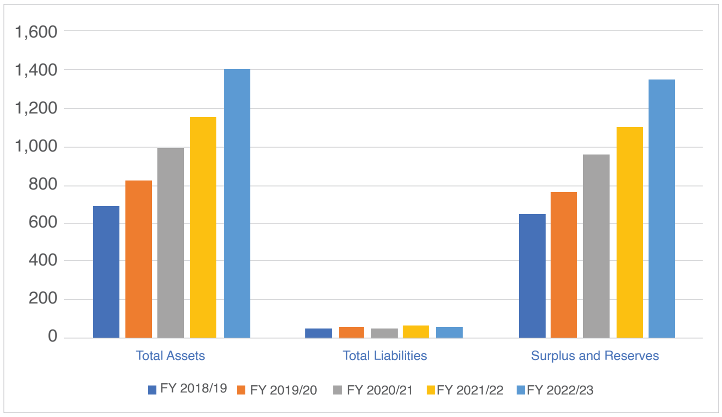


Figure 13: Five-year trend of assets, liabilities, and reserves

9.4.2 Operating income, operating expenses, and total comprehensive income

The operating income has exhibited a consistent upward trend, surging to UGX 236 billion in FY 2022/23 from UGX 127 billion in FY 2018/19. This significant rise in income can be predominantly attributed to an increase in premiums from Contributing Institutions, in line with the growth in customer deposits. Furthermore, the expansion of debt instruments has contributed to the surge in interest income, further enhancing the Fund's operating income.

Conversely, operating expenses have shown fluctuations during this period. An increase to UGX 27 billion in FY 2019/20 from UGX 24 billion in FY 2018/19 was followed by a sharp decline to UGX 6 billion in FY 2021/22, and a notable rise to UGX 21 billion in FY 2022/23. The decline in FY 2021/22 was explained by a reversal of provision for doubtful balances amounting to UGX 11 billion (FY 2022/23: UGX 82 million). Despite this recent increase, the Fund's prudent financial management and cost containment efforts remain evident.

The trend analysis depicts a general increase in the surplus levels between the financial years ended June 30, 2019, and June 30, 2023. There has been a gradual growth in surplus from UGX 103 billion to UGX 214 billion over the period. The five-year trend of operating income, expenses and total comprehensive income is shown in Figure 14 below.

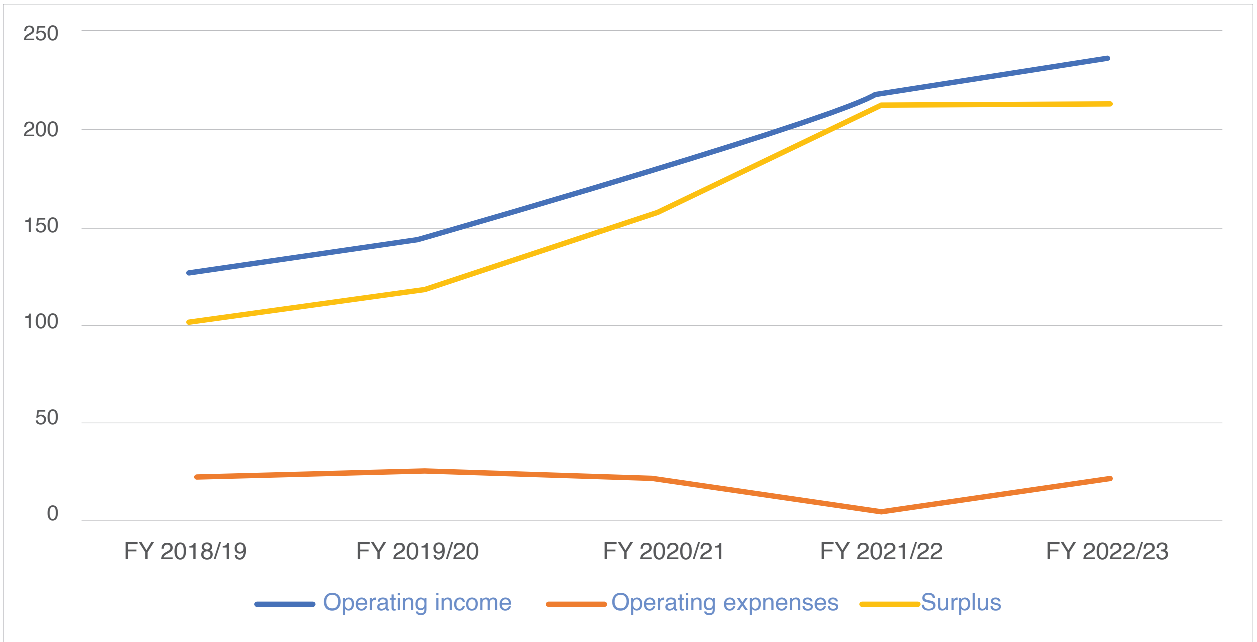


Figure 14: Five-year trend of operating income, expenses, and total comprehensive income

10.0

FINANCIAL STATEMENTS

10.1 Directors' report

The Directors are pleased to present the Integrated Annual Report of the Deposit Protection Fund, for the year ended June 30, 2023.

Incorporation

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

Principal activities

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

Operating financial results

The Directors present the financial statements for the period ended June 30, 2023, as set out on pages 103 to 176 of this report. The Fund's total assets have increased by 22 percent to UGX 1,405 billion from UGX 1,150 billion as at June 30, 2023, and June 30, 2022, respectively. The increase has been largely reflected in treasury instruments which increased to UGX 1,374 billion from UGX 1,128 billion over the same period.

Directors

The Directors who held office at the date of this report were: Mr. Ben Patrick Kagoro (Chairman), Mrs. Susan Kanyemibwa, Mr. I.K. John Byaruhanga, Dr. 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 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 85 to144 were approved on October 12, 2023.

BOARD CHAIRMAN

Date: 12th October, 2023

Place: Kampala, Uganda

10.2 Statement of Directors' responsibilities

The Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at June 30, 2023, and the statement of profit or loss and other comprehensive income and statement of cash flows for the year ended June 30, 2023, 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 and 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 85 to 144 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 and as amended. The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Fund and of the disposition of its assets and liabilities for the period ended June 30, 2023. 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 the next twelve months from the date of this statement.

The financial statements were approved by the Board of Directors on October 12, 2023 and signed by:

Chairman	Director	Director

10.3 Report of the Auditor General on the Financial Statements of the Deposit Protection Fund for the Financial Year Ended June 30, 2023 to 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 ("the 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 financial statements of Deposit Protection Fund ("the Fund") set out on pages 85 to 144, which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss and other comprehensive income, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and 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 the 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, International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Uganda. I have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on financial assets The allowance for expected credit losses on financial assets is considered to be matter of most significance as it requires the application of significant judgment and use of subjective assumptions by Directors. See notes 2.4, 3.6.4, 12, 15, 17, 18 and 19 to the financial statements. The Directors have estimated allowances for expected credit losses of UGX 567 million as at June 30, 2023 (2022: UGX 504 million). Directors' judgements and estimates which are especially subjective to audit due to significant uncertainty associated with the judgement and assumptions used include: • The appropriateness of the ECL 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; and • The assumptions and estimates applied in the calculation such as probability of default, loss given default, forward looking macro-economic factors, among others.	My audit procedures in this area included, among others: • 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 ECL models for its 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 and compared our results to those obtained by the Directors to evaluate the reasonableness of the allowance for expected credit losses in these financial statements.

Other information

Directors are responsible for the other information on pages 5 to 77. Other information does not include the financial statements and our auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or 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 and fair presentation of the financial statements in accordance with IFRSs and the requirements of the Financial Institutions Act, 2004, as amended, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 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 judgement and maintain professional skepticism throughout the audit. I also:

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

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

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to 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 the Directors, I determine those matters that were of most significance in the audit of the financial statements of the current year 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 Section 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of financial statements that, the activities, financial transactions, and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

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

13th October, 2023

10.4 Statement of profit or loss and other comprehensive income

	Note	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Operating income			
Interest income calculated using the effective interest method	4	166,181,765	144,350,697
Premium contributions	5	68,607,243	60,660,056
Other income	6	12,221	6,541,197
Gains arising from derecognition of financial assets measured at FVOCI	7	721,685	6,318,412
		235,522,914	**217,870,362**
Operating expenses			
Employee costs	8	(11,666,110)	(11,353,301)
Other operating (expense)/ income	9	(6,998,514)	7,575,010
Fund management fees	10	(1,055,694)	(1,084,811)
Depreciation and amortization	11	(1,579,887)	(761,123)
Expected credit loss (expense)/ release on financial assets	12	(62,624)	118,506
Interest expense on lease liabilities	13	(123,567)	(108,956)
		(21,486,396)	**(5,614,675)**
Surplus for the year		**214,036,518**	**212,255,687**
Other comprehensive income			
Other comprehensive income to be reclassified subsequently to profit or loss			
Net change in fair value for debt instruments at FVTOCI	24	38,499,068	(64,826,185)
Net amount reclassified to profit or loss for debt instruments at FVOCI	24	568,540	(3,308,198)
Net change in impairment for debt instruments at FVTOCI	24	25,010	40,038
Other comprehensive income for the year		**39,092,618**	**(68,094,345)**
Total comprehensive income for the year		**253,129,136**	**144,161,342**

The notes on pages 89 to 144 form an integral part of these financial statements.

10.5 Statement of financial position

	Note	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Assets			
Cash in hand and at bank	14	17,803,143	7,877,668
Trade and other receivables	15	3,437,890	2,896,544
Income tax receivable	16	348,375	2,851,919
Loans and advances to staff	17	1,885,421	1,558,215
Debt instruments at amortized cost	18	290,339,017	229,458,506
Debt instruments at FVOCI	19	1,083,186,145	898,215,609
Intangible assets	20	2,105,540	2,446,429
Property and equipment	21	4,068,829	2,673,960
Right-of-use assets	13	1,825,562	2,088,913
Total assets		**1,404,999,922**	**1,150,067,763**
Liabilities			
Deferred income	22	30,936,683	28,564,189
Trade and other payables	23	22,742,398	23,085,643
Lease liabilities	13	1,888,581	2,114,807
Total liabilities		**55,567,662**	**53,764,639**
Reserves			
Fair value through other comprehensive income reserves	24	2,785,576	(36,307,042)
Accumulated surplus	24	1,346,646,684	1,132,610,166
Total reserves		**1,349,432,260**	**1,096,303,124**
Total liabilities and reserves		**1,404,999,922**	**1,150,067,763**

The notes on pages 89 to 144 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on October 12, 2023 and signed on its behalf by:

Chairman

Director

CEO

10.6 Statement of changes in equity

	Accumulated surplus UGX '000	FVOCI reserve UGX '000	Total UGX '000
As at 1 July 2021	**920,354,479**	**31,787,303**	**952,141,782**
Surplus for the year	212,255,687	-	212,255,687
Other comprehensive income			
Net change in fair value for debt instruments at FVTOCI	-	(64,826,185)	(64,826,185)
Net amount reclassified to profit or loss for debt instruments at FVTOCI	-	(3,308,198)	(3,308,198)
Change in impairment for debt instruments at FVTOCI	-	40,038	40,038
As at June 30, 2022	**1,132,610,166**	**(36,307,042)**	**1,096,303,124**
Surplus for the year	214,036,518	-	214,036,518
Other comprehensive income			
Net change in fair value for debt instruments at FVTOCI	-	38,499,068	38,499,068
Net amount reclassified to profit or loss for debt instruments at FVTOCI	-	568,540	568,540
Change in impairment for debt instruments at FVTOCI	-	25,010	25,010
As at June 30, 2023	**1,346,646,684**	**2,785,576**	**1,349,432,260**

The notes on pages 89 to 144 form an integral part of these financial statements.

10.7 Statement of cash flows

	Note	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Cash flows from operating activities			
Surplus for the year		214,036,517	212,255,687
Adjustments for:			
Depreciation and amortization	11	1,579,887	761,123
Expected credit loss (expense)/ release on financial assets	12	62,624	(118,506)
Interest on lease liabilities	13	123,567	108,956
Income from tax claim	16	-	(6,436,466)
Provision for doubtful receivables	16	82,156	(10,954,516)
Loss on asset disposal		10,044	-
Changes in:			
Trade and other receivables	15	(567,160)	1,536,492
Loans and advances to staff	17	(328,963)	(523,933)
Debt instruments at amortized cost	18	(60,890,555)	(31,632,909)
Debt instruments at FVOCI	19	(145,902,928)	(175,157,420)
Deferred income	22	2,372,495	2,683,027
Trade and other payables	23	(343,245)	1,853,976
Cash generated from operations		**10,234,439**	**(5,624,489)**
Interest paid	13	(123,567)	(108,956)
Tax received/(paid)	16	2,421,388	14,539,063
Net cash generated from operating activities		**12,532,260**	**8,805,618**
Cash flows from investing activities			
Purchase of intangible assets	20	-	(942,474)
Purchase of property and equipment	21	(2,241,098)	(821,767)
Net cash used in investing activities		**(2,241,098)**	**(1,764,241)**
Cash flows from financing activities			
Principal payment of leases	13	(365,687)	(217,214)
Net cash used in financing activities		**(365,687)**	**(217,214)**
Net change in cash in hand and at bank		9,925,475	6,824,163
Cash in hand and at bank at the beginning of the year		7,877,668	1,053,505
Cash in hand and at bank at end of year	**14**	**17,803,143**	**7,877,668**

The notes on pages 89 to 144 form an integral part of these financial statements.

10.8 Notes to the financial statements

1.0 Reporting entity

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

2.0 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 and as amended.

Details of significant accounting policies are included in Note 3.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial 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. Except as otherwise indicated, financial information presentation in Uganda Shillings has been rounded to the nearest thousand (UGX'000). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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.

2.4.1 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 the 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.

2.4.2 Assumptions and estimates of uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended June 30, 2023, 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.

3.0 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 New standards, amendments, and interpretations

3.1.1 New standards, amendments, and interpretations effective and adopted by the Fund.

The Fund has applied the following standards and amendments for the first time for their annual reporting period commencing July 1, 2022. These standards and amendments did not have a material impact on the financial statements.

New or revised pronouncement	Effective date	Effect on DPF
Applying IFRS 9 'Financial Instruments with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: • an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach. • an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional, and an entity is permitted to stop applying them before the new insurance contracts standard is applied.	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after January 1, 2018, and only available for five years after that date.	No impact on the Fund
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	Annual reporting periods beginning on or after January 1, 2024	No impact on the Fund
Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	Annual reporting periods beginning on or after January 1, 2022	No impact on the Fund

New or revised pronouncement	Effective date	Effect on DPF
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) The amendments prohibit 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 recognized the proceeds from selling such items, and the cost of producing those items, in profit or loss.	Annual reporting periods beginning on or after January 1, 2022	No impact on the Fund
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	Annual reporting periods beginning on or after January 1, 2022	No impact on the Fund
Annual Improvements to IFRS Standards 2018–2020 **Makes amendments to the following standards:** • **IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • **IFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity	Annual reporting periods beginning on or after January 1, 2022	No impact on the Fund

New or revised pronouncement	Effective date	Effect on DPF
(the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. • **IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. • **IAS 41** – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.		

3.1.2 New standards, amendments and interpretations issued but not yet effective.

The below new accounting standards and interpretations have been published that are not mandatory for June 30, 2023, reporting periods and have not been early adopted by the Fund. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

New or revised pronouncement	Effective date
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2023.	Applicable to annual reporting periods beginning on or after January 1, 2023.
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: • An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach. • An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after January 1, 2018, and only available for five years after that date.
The application of both approaches is optional, and an entity is permitted to stop applying them before the new insurance contracts standard is applied.	

New or revised pronouncement	Effective date
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	Annual reporting periods beginning on or after January 1, 2024
Amendments to IFRS 17 **Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:** • Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. • Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. • Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination. • Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. • Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements. • Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. • Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. • Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. • Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach	Annual reporting periods beginning on or after January 1, 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) • The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.	Immediately available.

New or revised pronouncement	Effective date
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	Annual reporting periods beginning on or after January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	Annual reporting periods beginning on or after January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	Annual reporting periods beginning on or after January 1, 2023
Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17) The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.	An entity that elects to apply the amendment applies it when it first applies IFRS 17
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	Annual reporting periods beginning on or after January 1, 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	Annual reporting periods beginning on or after January 1, 2024
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.	The application of the exception and disclosure of that fact is effective immediately, the other disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023, but not required in any interim financial statements for 2023

New or revised pronouncement	Effective date
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	Annual reporting periods beginning on or after January 1, 2024

3.2 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

3.3 Recognition of income

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized.

3.3.1 Interest income

Interest income is recognized in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of financial liability.

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

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received 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.

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 amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest

Rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets measured at amortised cost.
- Interest on debt instruments measured at FVOCI.

3.3.2 Net gains/ losses on de-recognition of financial assets measured at amortised cost or FVOCI.

Net gains/losses on de-recognition of financial assets measured at amortized cost include loss (or income) recognized on sale or de-recognition of financial assets measured at amortized 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.

3.3.3 Premium contributions

Premium contributions from Contributing Institutions include annual contributions and other contributions like risk adjusted premiums. These are recognized in the period when they are receivable.

3.3.4 Other income

Other income falling under IFRS 15 is recognized after satisfaction of performance obligations at a point in time or over time. These include income from the sale of bids and other refunds from staff. Other income out of the scope of IFRS 15 is recognized in the period in which it is earned.

3.4 Expenses

These are losses and other expenses that arise in the course of the Fund's ordinary activities. They include operating costs and fund management fees. Generally, expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen and can be measured reliably.

This includes expenses that produce no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as an asset. Such expenses are recognized immediately in the income statement in the accounting period that the cost has been incurred. These include maintenance, transport and travelling, meetings, conference and seminars, water and electricity, fees, rates and security expenses, telecommunication and postage, board expenses, audit fees, budget and annual accounts preparation, loss on disposal of property and equipment, hospitality, legal and investigation expenses. In addition, administrative expenses include expenses whose economic benefits are expected to arise over several accounting periods and the association with benefit can only be broadly or indirectly determined. Such expenses are recognized in the income statement in the accounting period in which the economic benefits are consumed or have expired. They may include stationery and office supplies.

3.5 Provisions and contingencies

Provisions are recognized 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 recognized. Contingencies are disclosed in note 27.

3.6 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, staff loans and advances, trade and other receivables, 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.

3.6.1 Recognition and initial measurement

Financial assets and liabilities, with the exception of loans and advances to staff are initially recognized on the trade date, i.e., the date on which the Fund becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to staff are recognized when funds are transferred to their respective accounts. Recognized financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Fund will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e., day 1 profit or loss); and
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e., day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability). After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

3.6.2 Classification and measurement of financial instruments

3.6.2.1 Financial assets

All financial assets are recognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Fund's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

IFRS 9 requires:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost.
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments and that have

contractual cash flows that are SPPI, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI).

- All other debt instruments (debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

  However, the Fund may make the following irrevocable election /designation at initial recognition of a financial asset on an asset-by asset basis.

- The Fund may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Financial assets at amortised cost or at FVTOCI

The Fund assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Fund's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Fund determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Fund's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Fund has more than one business model for managing its financial instruments which reflect how the Fund manages its financial assets in order to generate cash flows. The Fund's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Fund considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Fund does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Fund takes into account all relevant evidence available such as:

How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.

The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

How managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Fund determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Fund reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the Fund has not identified a change in its business models.

When a debt instrument measured at FVTOCI is recognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. See Note 3.9.2.

3.6.3 Reclassifications

If the business model under which the Fund holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Fund's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Fund holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

3.6.4 Impairment of financial assets

The Fund recognized loss allowances for ECLs on the following financial instruments that are not measured at FVTPL.

- Cash and cash equivalents
- Debt instruments at fair value through other comprehensive income
- Debt instruments at amortised cost
- Trade and other receivables
- Loans and advances to staff

With the exception of Purchased Originated Credit Impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 3.9.2.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Fund under the contract and the cash flows that the Fund expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

3.6.5 Credit impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or past due event.
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having

granted to the borrower a concession that the lender would not otherwise consider.

- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit impaired. The Fund assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign debt instruments are credit impaired, the Fund considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back- stop if amounts are overdue for 90 days or more.

3.6.6 Purchased or originated credit impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Fund recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates a credit loss release.

3.6.7 Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Fund considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Fund; or
- The borrower is unlikely to pay its credit obligations to the Fund in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Fund takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counter party are key inputs in this analysis. The Fund uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

3.6.8 Significant increase in credit risk

The Fund monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Fund will measure the loss allowance based on lifetime rather than 12-month ECL. The Fund's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Fund monitors all financial assets that are subject to impairment for a significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Fund's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For Government of Uganda securities, the Fund considers forward-looking information includes such as forecast macro-economic information. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.
- The PDs used are forward-looking and the Fund uses the same methodologies and data used to measure the loss allowance for ECL.
- The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Fund still considers separately some qualitative factors to assess if credit risk has increased significantly.

For loans and advances to staff there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counter party has deteriorated.

- Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a backstop when an asset becomes 30 days past due, the Fund considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e., the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit-impairment, the assets are at stage 3 of the impairment model.

More information about the significant increase in credit risk is provided in Note 3.9.2.

3.6.9 Derecognition of financial assets

i. Derecognition due to substantial modification of terms and conditions

The Fund derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Fund considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counter party.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Fund records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

ii. Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Fund also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Fund has transferred the financial asset if and only if, either:

- The Fund has transferred its contractual rights to receive cash flows from the financial asset or

- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

- Pass-through arrangements are transactions whereby the Fund retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Fund has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.

- The Fund cannot sell or pledge the original asset other than as security to the eventual recipients.

- The Fund has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Fund is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Fund has transferred substantially all the risks and rewards of the asset or

- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Fund considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Fund has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Fund's continuing involvement, in which case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Fund would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.6.10 Write off

Loans and debt securities are written off when the Fund has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Fund may apply enforcement activities to financial assets written off. Recoveries resulting from the Fund's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

3.6.11 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:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- For debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investment's revaluation reserve through OCI.

3.6.12 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals.

Financial liabilities are classified as at FVTPL when the financial liability is.

(i) Held for trading, or

(ii) It is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy and information about the banking is provided internally on that basis; or
- It forms part of a hybrid (combined) contract, containing one or more embedded derivatives that significantly modifies the cash flows of the contract, or it is clear with little or no analysis that separation of the embedded derivative is not prohibited.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account. The Fund does not have any financial liabilities classified as FVTPL.

3.6.13 Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The Fund's liabilities subsequently measured at amortised cost include trade and other liabilities.

3.6.14 Reclassification of financial assets and liabilities

The Fund does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Fund acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.6.15 Derecognition of liabilities

i. Derecognition due to substantial modification of terms and conditions

For financial liabilities, the Fund considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

ii. Derecognition other than for substantial modification

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

The following tables provide a reconciliation between line items in the statement of financial position (carrying amounts) and categories of financial instruments.

Financial assets and liabilities

As at June 30, 2023	Note	Total carrying amount UGX '000	Amortized cost UGX '000	FVTOCI UGX '000
Cash at bank	14	17,802,908	17,802,908	-
Trade and other receivables	15	2,518,299	2,518,299	-
Loans and advances to staff	17	1,903,925	1,903,925	-
Debt instruments at amortized cost	18	290,391,000	290,391,000	-
Debt instruments at FVOCI	19	1,083,186,146	-	1,083,186,146
Total financial assets		**1,395,802,278**	**312,616,132**	**1,083,186,146**
Trade and other payables	23	22,741,979	22,741,979	-
Total financial liabilities		**22,741,979**	**22,741,979**	**-**

As at June 30, 2022	Note	Total carrying amount UGX '000	Amortized cost UGX '000	FVTOCI UGX '000
Cash at bank	14	7,876,668	7,876,668	-
Trade and other receivables	15	1,613,040	1,613,040	-
Loans and advances to staff	17	1,574,961	1,574,961	-
Debt instruments at amortized cost	18	229,500,445	229,500,445	-
Debt instruments at FVOCI	19	898,215,609	-	898,215,609
Total financial assets		**1,138,780,723**	**240,565,114**	**898,215,609**
Trade and other payables	23	23,085,643	23,085,643	-
Total financial liabilities		**23,085,643**	**23,085,643**	**-**

3.6.16 Impairment of non-financial assets

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

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss except for property, plant and equipment previously revalued with the revaluation surplus taken to OCI. For such property, plant and equipment, the impairment is recognized in OCI up to the amount of any previous revaluation. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so as that carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation recognized, had no impairment loss been recognized the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.6.17 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 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including: notes and coins on hand, demand deposits held with commercial banks and central banks and highly liquid assets, subject to insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments. Cash and cash equivalents are measured at amortized cost using an effective interest method in the statement of financial position.

3.8 Taxes

According to the Income Tax (Amendment) Act 2020, the Fund is exempt from payment of income tax in respect of its functions.

3.9 Financial risk management

The Board has overall responsibility for the determination of the Fund's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the heads of departments.

Most of the Fund's financial risks arise from the Fund's investments in Government of Uganda securities. The Risk and Compliance Division in CEO's office an independent risk reporting system that monitor and report compliance with various risk limits and policies. The Internal Audit function reports to the CEO and the Audit and Governance Committee of the Board of Directors on internal audit and related issues. A risk-based framework, which evaluates key business risks and internal controls, is used to determine the extent and frequency of internal audits conducted. All Fund's departments are subject to periodic internal audit review. Auditing arrangements are overseen by an Audit and Governance Committee comprising all the Fund's non-executive directors, which meets regularly to monitor the financial reporting and audit function within the Fund.

The Committee reviews the internal audit function and has direct access to the external auditor. The Committee reports to the Board of Directors on its activities. The overall risk management framework is designed to strongly encourage the sound and prudent management of the Fund' risks. The Fund seeks to ensure the risk management framework is consistent with financial market best practice.

Below is a summary of information about the Fund's exposure risks, the Fund's objectives, policies, and processes for measuring and managing risk and the Fund's management of the Fund size.

3.9.1 Operational risk

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems.

Management of operational risk

Managing operational risk in the Fund is seen as an integral part of the day-to-today operations and management, which include explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes Fund's policies that describe the standard of conduct required of staff, several mandated generic requirements and specific internal control system designed around the particular characteristics of various activities of the Fund.

Compliance with corporate policies, generic requirements and departmental internal control systems are managed by:

- An induction program for new employees that makes them aware of the requirements;
- A quarterly management affirmation by each Director that corporate policies and departmental internal control systems have been complied with.
- Requirements for regular reconciliations and monitoring of transactions.
- Requirements for appropriate segregation of duties.
- Risk mitigation including insurance where this is effective.
- Training and professional development; and,
- An active internal audit function.

The above policies and procedures for managing operational risk are reinforced by the requirement to promptly report all important unexpected issues and to provide management with an opportunity to give immediate advice.

3.9.2 Credit risk

Credit risk is defined as the risk of loss due to a counterparty failing to meet its financial obligations. The Board has the overall responsibility for the establishment and oversight of the Fund's credit risk management framework.

The Fund has processes and policies that ensure an effective credit risk management framework aimed at preserving the security of its financial assets.

The Fund performs risk assessment prior to making an investment in various government securities to mitigate credit losses. Diversification strategies are employed when determining the tenor of government securities to invest in. This approach minimizes concentration risk and improves portfolio resilience.

Credit limits are in place for loans and advances to staff in terms of the Debt service Ratio. Through these limits, the Fund ensures that such loans and advances can easily be recovered from staff salaries. This measure guards against excessive exposure to a single counterparty.

The Fund continuously monitors its financial asset performance, ensuring timely identification of impending credit issues hence facilitating prompt action and risk mitigation. The Fund undertakes sensitivity analyses for investments in government securities to gauge the impact of hypothetical adverse credit events on financial assets. These analyses quantify potential losses under diverse stress scenarios, enabling the Fund to assess its resilience to credit risk shocks and inform future investment decisions.

The Strategy and Risk Division regularly presents quarterly risk reports to the Board of Directors, elucidating credit risk exposure, management activities, and developments. This interaction fosters informed decision-making and enhances the Fund's ability to adapt to evolving credit risk landscapes.

3.9.2.1 Sources of credit risk

The sources of credit risk of the impairable assets on the Fund's financial statements include the following:

- Cash in hand and at bank
- Trade and other receivables
- Loans and advances to staff
- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income
- Trade and other payables

3.9.2.2. Exposure to credit risk

Below is the summary of the exposure to credit risk.

	Note	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Cash at bank	14	17,802,908	7,876,668
Trade and other receivables	15	3,397,223	2,404,149
Loans and advances to staff	17	1,903,925	1,574,961
Investments in government securities	18	1,373,577,146	1,127,716,055
Total exposure		**1,396,681,202**	**1,139,571,833**

Its in government securities. While government of Uganda securities are generally considered low credit risk instruments, the Fund continuously monitors changes in government fiscal policies and economic conditions. The Fund has an investment management policy which restricts investments to low-risk Government securities. The Investment Management Committee also reviews investments on a periodic basis.

3.9.2.3 Credit risk measurement

A credit rating is an evaluation of the credit risk of a prospective debtor (an individual, a business, company, or a government), predicting their ability to pay back the debt and an implicit forecast of the likelihood of the debtor defaulting. This corresponds to a probability of default, which is the input to the Expected Credit Loss (ECL) computation for a particular instrument. Due to the diversity of the asset classes and their issuers, more than one rating sources and methodologies have been used herein including International Rating Agencies, and the transitional matrices for the staff loans and advances, and trade and other receivables.

(i) Cash at bank

Cash at bank represents funds held with reputable financial institutions. The Fund aims to mitigate credit risk by maintaining deposits with well-established and financially sound banks. Banks are assessed for stability and financial strength prior to opening bank accounts. The Fund's cash balances are held with Centenary Rural Development Bank and Bank of Uganda.

The credit risk on bank balances is considered very low since the central bank, which held 87 percent of the Fund's cash at the bank as at June 30, 2023, is assumed to be highly liquid and stable. The Fund's bankers are assumed to take on the highest credit risk assigned by Moody's. The likelihood that the banks will be able to avail cash balances on demand given the high credit rating by Moody's id 99.97 percent.

(ii) Trade and other receivables

Trade and other receivables majorly consist of risk adjusted premiums due from Contributing Institutions. Credit risk is managed through regular monitoring of receivables and maintaining close communication with debtors to ensure timely settlements.

Trade and other receivables are classified as Stage 1, Stage 2, and Stage 3.

Stage 1 receivables are those which are less than 31 days past due. The probability of default for this category is computed as the proportion Stage 1 loans that went into stage 3 in the past years.

Trade and other receivables move to Stage 2 when days past due are between 31 and 180 days or if the counterparty is considered financially unstable.

Beyond 180 days or if a Stage 2 counterparty is considered financially unstable, the receivables are classified as Stage 3. The probability of default for this category is 100 percent since recovery at this point is unlikely.

(iii) Loans and advances to staff

Loans and advances extended to staff members are subject to credit risk. The Fund implements credit policies and procedures to assess staff members' creditworthiness and to determine appropriate limits for loans and advances. Regular repayment monitoring and internal controls are in place to manage this credit risk exposure. The Fund has policies through which funds are only advanced to staff in good standing. Loans with a term of more than one year are backed by collateral. Furthermore, all loans undergo an approval process and instalments are deducted direct from the monthly payroll.

Staff loans are categorized into Active, Watch and Non-Performing Loans (NPL).

Active category: Loans which are recovered at source for active/employed staff fall under this category and carry the lowest probability of default. The probability is derived using the average attrition rate over the past four years.

Watch category: Loans are moved from the active to the watch category when a staff ceases to draw a periodic salary from the Fund. The probability of default for this category is derived as the proportion of staff loans that have, over time, been moved from the Watch to the NPL category.

NPL category: Loans for which are 90 days past due are moved from the watch category to the NPL category. Since there is evidence that recovery of the loan is unlikely due to delay in payment, the probability of default for this category is 100%. Loans in this category are provided for in full.

All loans and advances were active as at June 30, 2023.

(iv) Investments in government securities

The Fund invests in treasury bills and bonds issued by the Government of Uganda. Government of Uganda is assumed to be the issuer with lowest credit risk in Uganda. In effect, the Probability of Default (PD) reflects this aspect. The Fund uses Moody's to derive probabilities of default for government securities. Government of Uganda securities are assumed to take on the highest credit rating assigned by Moody's. The likelihood that the

Government of Uganda will be able to meet its debt obligations given the high credit rating by Moody's is 99.98 percent.

3.9.2.4 Significant increase in credit risk

The Fund monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Fund will measure the loss allowance based on lifetime rather than 12-month ECL. The Fund considers that the following credit events constitute a significant increase in credit risk:

(i) Cash at bank

- Bankers being under extreme liquidity stress.
- Commercial bankers being rated unsatisfactory over several Quarters by the Central Bank.
- Adverse Geo-political events.

(ii) Trade and other receivables

- When a Contributing Institution is determined to be under extreme liquidity stress.
- When a Contributing Institution is placed under statutory management and/or liquidation.
- Any credit event or adverse regulatory action that significantly affects a parent or subsidiary of the Contributing Institution.

(iii) Loans and advances to staff

- Resignation of an employee.
- Early or voluntary retirement.
- Dismissal.
- Leave without pay.
- Death.
- Staff exceeding their BA ratio limits under several circumstances.

(iv) Investments in government securities

- Adverse Geo-political events.

3.9.2.5 Migration between stages

Asset	Stage 1	Stage 2	Stage 3
Cash at bank	At inception	Increase in credit risk as described above	Increase in credit risk as described above
Trade and other receivables	Receivables within 30 calendar days past due	Receivables within 31 to 90 calendar days past due Increase in credit risk as described above	Significant increase in credit risk (as described above)
Loans and advances to staff	At inception	30-60 days past due Increase in credit risk as described above	Significant increase in credit risk (as defined above)
Investments in government securities	At inception	Increase in credit risk as described above	Significant increase in credit risk (as defined above)

3.9.2.6 Default

Default is deemed to have occurred if:

- An entity fails to honor its financial 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.

3.9.2.7 Write off

Outstanding credits shall be written off when conditions are such that no further recoveries can be made. This is done after approval from the Board.

3.9.2.8 Curing

Outstanding credits shall be cured when an instrument in stage 3 starts making good of its obligations for recoveries. This shall also be done after approval from the Board.

3.9.2.9 Incorporation of forward-looking information

The Fund uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The external information used includes global economic data and forecasts published by reputable authorities such as the World Bank or the IMF.

The Fund has identified and documented key drivers of credit risk and credit losses for each class of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

The table below summarizes the principal macroeconomic indicators included in domestic economic scenarios used at June 30, 2023, for the years 2022 to 2028, to reflect the investment environment that has a material impact in Fund's investment in securities ECLs.

Macroeconomic indicators	2022	2023	2024	2025	2026	2027	2028
Real GDP growth (Annual percent change)	3.4	2.8	3.0	3.2	3.2	3.1	3.0
Inflation rate, average consumer prices (Annual percent change)	8.7	7.0	4.9	3.9	3.6	3.5	3.5

3.9.2.10 Measurement of ECL

The expected credit loss of the debt instruments is calculated as the present value of the product of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); adjusted to reflect probability-weighted forward-looking information.

i. Investments in government securities

- PD for advances to Government of Uganda or Government securities is assumed to be that, attributed to the highest credit rating according to Moody's Investors Service (or equivalent) as default is highly unlikely.
- LGD is assumed to be 100 percent.

The table below shows the fair value/ gross carrying of the Fund's debt instruments measured at FVOCI or amortized cost classified per stage.

ii. Loans and advances to staff

- The PD for active staff loans is the projected 5-year average attrition rate, while the PD for ex-staff is derived as the proportion of staff loans that have, over time, been moved from the Watch to the NPL category.
- LGD is assumed to be 100 percent and 75 percent for unsecured and secured loans respectively.

iii. Trade and other receivables

- PD is derived from the quarterly rating of institution and contribution history in the past five years.
- LGD is assumed to be 100 percent.

3.9.2.11 Discount rates

The Effective Interest Rate (EIR) is used to discount the estimated future cash flows to the gross carrying amount through the expected life of the financial instrument. The EIR is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or the amortized cost of a financial liability.

The average yield to maturity (YTM) is used in the case of government debt instruments issued by government, while the commercial banks' lending rates are used for the loans and advances to staff.

An analysis of the Fund's credit risk exposure per class of financial asset, internal rating and "stage" is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The table below shows the fair value/ gross carrying of the Fund's debt instruments measured at FVOCI or amortized cost by internal rating grades and related ECLs.

	Year ended June 30, 2023				Year ended June 30, 2022			
Debt instruments at fair value through OCI	**Stage 1 (12-month ECL)**	**Stage 2- Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2- Lifetime ECL**	**Stage 3 - Life-time ECL**	**Total**
Internal rating grade	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000
Grade 1: Strong	1,083,186,146	-	-	**1,083,186,146**	898,215,609	-	-	**898,215,609**
Grade 2: Watch	-	-	-	**-**	-	-	-	**-**
Grade 3: Default	-	-	-	**-**	-	-	-	**-**
Total gross carrying amount	**1,083,186,146**	**-**	**-**	**1,083,186,146**	**898,215,609**	**-**	**-**	**898,215,609**

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
Fair value as at July 1, 2021	**727,920,852**	**-**	**-**	**727,920,852**
New assets originated or purchased	417,323,401	-	-	417,323,401
Assets derecognized or matured (excluding write-offs)	(178,894,261)	-	-	(178,894,261)
Changes in fair value	(68,134,383)	-	-	(68,134,383)
As at June 30, 2022	**898,215,609**	-	-	**898,215,609**
As at July 1, 2022	**898,215,609**	-	-	**898,215,609**
New assets originated or purchased	209,185,156	-	-	209,185,156
Assets derecognized or matured (excluding write-offs)	(63,282,228)	-	-	(63,282,228)
Changes in fair value	39,067,609	-	-	39,067,609
As at June 30, 2023	**1,083,186,146**	-	-	**1,083,186,146**

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
ECLs as at July 1, 2021	**121,333**	**-**	**-**	**121,333**
New assets originated or purchased	72,374	-	-	72,374
Assets derecognized or matured (excluding write-offs)	(32,336)	-	-	(32,336)
As at June 30, 2022	**161,371**	**-**	**-**	**161,371**
As at July 1, 2022	**161,371**	**-**	**-**	**161,371**
New assets originated or purchased	36,338	-	-	36,338
Assets derecognized or matured (excluding write-offs)	(11,328)	-	-	(11,328)
As at June 30, 2023	**186,381**	**-**	**-**	**186,381**

The above loss allowance is not recognized in the statement of financial position because the amount of debt instruments at FVOCI is their fair value.

Cash at bank	Year ended June 30, 2023				Year ended June 30, 2022			
Cash at bank	Stage 1 (12- month ECL)	Stage 2- Lifetime ECL	Stage 3 - Lifetime ECL	Total	Stage 1 (12- month ECL)	Stage 2- Lifetime ECL	Stage 3 - Lifetime ECL	Total
Internal rating grade	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**
Grade 1: Strong	17,802,908	-	-	**17,802,908**	7,876,668	-	-	**7,876,668**
Grade 2: Watch	-	-	-	**-**	-	-	-	**-**
Grade 3: Default	-	-	-	**-**	-	-	-	**-**
Total gross carrying amount	**17,802,908**	**-**	**-**	**17,802,908**	**7,876,668**	**-**	**-**	**7,876,668**
ECL allowance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount	**17,802,908**	**-**	**-**	**17,802,908**	**7,876,668**	**-**	**-**	**7,876,668**

An analysis of changes in the gross carrying amounts and corresponding ECLs is as follows.

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
Gross carrying amount as at July 1, 2021	**1,053,460**	**-**	**-**	**1,053,460**
New assets originated or purchased	7,876,668	-	-	7,876,668
Assets derecognized or matured (excluding write-offs)	(1,053,460)	-	-	(1,053,460)
As at June 30, 2022	**7,876,668**	**-**	**-**	**7,876,668**
As at July 1, 2022	**7,876,668**	**-**	**-**	**7,876,668**
New assets originated or purchased	17,802,908	-	-	17,802,908
Assets derecognized or matured (excluding write-offs)	(7,876,668)	-	-	(7,876,668)
As at June 30, 2023	**17,802,908**	**-**	**-**	**17,802,908**

There was no ECL recognized on cash at bank.

Loans and advances to staff	Year ended June 30, 2023 Stage 1 (12-month ECL)	Stage 2-Lifetime ECL	Stage 3 - Lifetime ECL	Total	Year ended June 30, 2022 Stage 1 (12-month ECL)	Stage 2-Lifetime ECL	Stage 3 - Lifetime ECL	Total
Internal rating grade	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000	UGX' 000
Grade 1: Strong	1,903,925	-	-	**1,903,925**	1,574,961	-	-	**1,574,961**
Grade 2: Watch	-	-	-	**-**	-	-	-	**-**
Grade 3: Default	-	-	-	**-**	-	-	-	**-**
Total gross carrying amount	**1,903,925**	**-**	**-**	**1,903,925**	**1,574,961**	**-**	**-**	**1,574,961**
ECL allowance	**18,504**	**-**	**-**	**18,504**	**16,747**	**-**	**-**	**16,747**
Carrying amount	**1,885,421**	**-**	**-**	**1,885,421**	**1,558,214**	**-**	**-**	**1,558,214**

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
Gross carrying amount as at July 1, 2021	**1,676,000**	**-**	**-**	**1,676,000**
New assets originated or purchased	1,780,275	-	-	1,780,275
Payments and assets derecognized (excluding write-offs)	(1,881,314)	-	-	(1,881,314)
As at June 30, 2022	**1,574,961**	**-**	**-**	**1,574,961**
As at July 1, 2022	**1,574,961**	**-**	**-**	**1,574,961**
New assets originated or purchased	2,078,953	-	-	2,078,953
Assets derecognized or matured (excluding write-offs)	(1,749,989)	-	-	(1,749,989)
As at June 30, 2023	**1,903,925**	**-**	**-**	**1,903,925**

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
ECLs as at July 1, 2021	**2,447**	**-**	**-**	**2,447**
New assets originated or purchased	16,747	-	-	16,747
Assets derecognized or matured (excluding write-offs)	(2,447)	-	-	(2,447)
As at June 30, 2022	**16,747**	**-**	**-**	**16,747**
As at July 1, 2022	**16,747**	**-**	**-**	**16,747**
New assets originated or purchased	18,504	-	-	18,504
Assets derecognized or matured (excluding write-offs)	(16,747)	-	-	(16,747)
As at June 30, 2023	**18,504**	**-**	**-**	**18,504**

	Year ended June 30, 2023				Year ended June 30, 2022			
Trade and other receivables	**Stage 1 (12-month ECL)**	**Stage 2- Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2- Lifetime ECL**	**Stage 3 - Lifetime ECL**	**Total**
Internal rating grade	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**
Grade 1: Strong	1,923,239	-	-	**1,923,239**	1,508,785	-	-	**1,508,785**
Grade 2: Watch	-	1,590	-	**1,590**	-	-	-	**-**
Grade 3: Default	-	-	104,846	**104,846**	-	-	104,255	**104,255**
Total gross carrying amount	**1,923,239**	**1,590**	**104,846**	**2,029,675**	**1,508,785**	**-**	**104,255**	**1,613,040**
ECL allowance	**204,298**	**921**	**104,846**	**310,065**	**179,996**	**-**	**104,255**	**284,251**
Carrying amount	**1,718,941**	**669**	**-**	**1,719,610**	**1,328,789**	**-**	**-**	**1,328,789**

An analysis of changes in the gross carrying mounts and corresponding ECLs is as follows.

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
Gross carrying amount as at July 1, 2021	**4,391,863**	**-**	**-**	**4,391,863**
New assets originated or purchased	1,508,785	-	104,255	1,613,040
Payments and assets derecognized (excluding write-offs)	(4,391,863)	-	-	(4,391,863)
As at June 30, 2022	**1,508,785**	**-**	**104,255**	**1,613,040**
As at July 1, 2022	**1,508,785**	**-**	**104,255**	**1,613,040**
New assets originated or purchased	1,923,239	1,590	591	1,925,420
Assets derecognized or matured (excluding write-offs)	(1,508,785)	-	-	(1,508,785)
As at June 30, 2023	**1,923,239**	**1,590**	**104,846**	**2,029,675**

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
ECLs as at July 1, 2021	**451,193**	**-**	**-**	**451,193**
New assets originated or purchased	179,996	-	104,255	284,251
Assets derecognized or matured (excluding write-offs)	(451,193)	-	-	(451,193)
As at June 30, 2022	**179,996**	**-**	**104,255**	**284,251**
As at July 1, 2022	**179,996**	**-**	**104,255**	**284,251**
New assets originated or purchased	204,298	921	591	205,810
Assets derecognized or matured (excluding write-offs)	(179,996)	-	-	(179,996)
As at June 30, 2023	**204,298**	**921**	**104,846**	**310,065**

	Year ended June 30, 2023				Year ended June 30, 2022			
Debt instruments at amortized cost	Stage 1 (12-month ECL)	Stage 2-Lifetime ECL	Stage 3 - Lifetime ECL	Total	Stage 1 (12-month ECL)	Stage 2-Lifetime ECL	Stage 3 - Lifetime ECL	Total
Internal rating grade	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**	**UGX' 000**
Grade 1: Strong	290,391,000	-	-	**290,391,000**	229,500,445	-	-	**229,500,445**
Grade 2: Watch	-	-	-	**-**	-	-	-	**-**
Grade 3: Default	-	-	-	**-**	-	-	-	**-**
Total gross carrying amount	**290,391,000**	**-**	**-**	**290,391,000**	**229,500,445**	**-**	**-**	**229,500,445**
ECL allowance	**51,983**	**-**	**-**	**51,983**	**41,939**	**-**	**-**	**41,939**
Carrying amount	**290,339,017**	**-**	**-**	**290,339,017**	**229,458,506**	**-**	**-**	**229,458,506**

An analysis of changes in the gross carrying amount and corresponding ECLs is as follows.

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
Gross carrying amount as at July 1, 2021	**261,139,256**	**-**	**-**	**261,139,256**
New assets originated or purchased	229,500,445	-	-	229,500,445
Payments and assets derecognized (excluding write-offs)	(261,139,256)	-	-	(261,139,256)
As at June 30, 2022	**229,500,445**	**-**	**-**	**229,500,445**
As at July 1, 2022	**229,500,445**	**-**	**-**	**229,500,445**
New assets originated or purchased	290,391,000	-	-	290,391,000
Assets derecognized or matured (excluding write-offs)	(229,500,445)	-	-	(229,500,445)
As at June 30, 2023	**290,391,000**	**-**	**-**	**290,391,000**

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
ECLs as at July 1, 2021	**47,841**	**-**	**-**	**47,841**
New assets originated or purchased	41,939	-	-	41,939
Assets derecognized or matured (excluding write-offs)	(47,841)	-	-	(47,841)
As at June 30, 2022	**41,939**	**-**	**-**	**41,939**
As at July 1, 2022	**41,939**	**-**	**-**	**41,939**
New assets originated or purchased	51,983	-	-	51,983
Assets derecognized or matured (excluding write-offs)	(41,939)	-	-	(41,939)
As at June 30, 2023	**51,983**	**-**	**-**	**51,983**

3.9.3 Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of movements in market interest rates. An increase (or decrease) in interest rates results in mark-to-market losses (or gains) on the existing bond portfolio. If interest rates rise, the price of a bond or other fixed-income investment declines leading to a loss in value. The Fund uses the following measures to manage interest rate risk exposures in its portfolio; Portfolio duration and Value at Risk (VaR).

3.9.3.1 Portfolio duration

Interest rate risk in the bond portfolio is controlled through duration and asset allocation limits as approved in the Investment Policy Statement (IPS). Interest rate risk on the Fund's portfolio is relatively moderate as most of the securities are held in the intermediate term.

As of June 30, 2023, portfolio duration stood at **6.67 years** while that of June 30, 2022, was **6.49 years.**

Table 17 and Table 18 below show duration in years and other characteristics of the Fund's portfolio.

Table 17: Portfolio duration FY 2022/23

Asset type	Number of Securities	Duration (Years)	Portfolio Value UGX '000
Debt instruments at FVOCI	451	6.67	1,083,186,146
Debt instruments at amortized cost	90	0.45	290,349,061

Table 18: Portfolio duration FY 2021/22

Asset type	Number of Securities	Duration (Years)	Portfolio Value UGX '000
Debt instruments at FVOCI	398	6.49	898,215,609
Debt instruments at amortized cost	66	0.52	229,458,506

3.9.3.2 Portfolio value-at-risk

The Fund uses Value-at-Risk (VaR) to measure and quantify the potential loss in the value of its portfolio. VaR is a probabilistic measure of risk, which provides an estimate of the maximum potential loss in value of an investment or portfolio due to adverse interest rate movements over a specified time horizon and at a given confidence level. The Fund applies a one-month time horizon and a 95 percent confidence level to calculate VaR. This means that, if the portfolio incurs a loss under normal conditions, then there is a 95 percent chance that the maximum expected loss will not exceed the VaR amount.

For comparable estimations, the Fund employed both the Historical and Monte Carlo simulation methods in estimation of the VaR amount. The historical method is a non-parametric method that uses past historical returns to estimate VaR while Monte Carlo Var is a simulation-based method that generates random scenarios for asset returns based on historical data and their statistical properties.

The amount of VaR was as follows.

Method	FY2022/23 95% VaR	FY2021/22 95% VaR
Historical (UGX'000)	141,830	275,279
Monte Carlo (UGX'000)	142,018	279,387

A sharp decline in VAR year on year corresponds to the drop in yields across the Govi – yield curve over the period.

3.9.4 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 the inability of the Fund to fully pay out the insured depositors of a Contributing Institution due to the limited size of the Fund.

The Fund does face liquidity risk in respect of assets and liabilities as shown in Table 18 and Table 19 below. The analysis is based on undiscounted amounts:

3.9.4.1 Exposure to liquidity risk as at June 30, 2023

	Year ended June 30, 2023 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	17,803,143	17,803,143	-	-	-	-
Debt instruments at amortized cost	290,339,017	-	108,646,415	181,692,602	-	-
Debt instruments at FVTOCI	1,083,161,136	-	-	-	624,040,545	459,145,601
Trade and other receivables	2,029,675	-	2,029,675	-	-	-
Current income tax receivable	348,375		348,375	-	-	-
Loans and advances to staff	2,761,042	-	-	757,606	839,344	1,164,092
Total assets	**1,396,442,388**	**17,803,143**	**111,024,465**	**182,450,208**	**624,879,889**	**460,309,693**
Liabilities						
Payable to the Government of Uganda	19,750,479	-	-	-	19,750,479	-
Unclaimed deposits	198,882	-	-	-	198,882	-
Lease liabilities	2,122,776	-	-	530,694	1,592,082	-
Expenses payable	2,793,039	-	2,793,039	-	-	-
Total liabilities	**24,865,176**	**-**	**2,793,039**	**530,694**	**21,541,443**	**-**
Net Liquidity gap						
As at June 30, 2023	**1,371,577,212**	**17,803,143**	**108,231,426**	**181,919,514**	**603,338,446**	**460,309,693**

3.9.4.2 Exposure to liquidity risk as at June 30, 2022

	Year ended June 30, 2022	Matured	Up to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
Assets						
Cash in hand and at bank	7,877,668	7,877,668	-	-	-	-
Investment in Government securities – amortized cost	229,458,506	-	12,001,728	217,456,778	-	-
Investment in Government securities – FVTOCI	898,215,609	-	-	-	271,717,613	626,497,996
Trade and other receivables	2,105,435	-	2,105,435	-	-	-
Current income tax receivable	2,851,919	-	2,851,919	-	-	-
Loans and advances to staff	2,349,324	-	-	546,535	719,243	1,083,546
Total assets	**1,142,858,461**	**7,877,668**	**16,959,082**	**218,003,313**	**272,436,856**	**627,581,542**
Liabilities						
Payable to the Government of Uganda	19,750,479	-	-	19,750,479	-	-
Unclaimed deposits	198,882	-	-	198,882	-	-
Lease liabilities	2,202,981	-	-	652,339	1,550,642	-
Expenses payable	3,136,282		3,136,282	-	-	
Total liabilities	**25,288,624**	**-**	**3,136,282**	**20,601,700**	**1,550,642**	**-**
Net Liquidity gap						
As at June 30, 2022	**1,117,569,837**	**7,877,668**	**13,822,800**	**197,401,613**	**270,886,214**	**627,581,542**

3.9.4.3 Management of liquidity risk

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

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. Furthermore, the Fund has an arrangement with Bank of Uganda to access liquidity during a payout by pledging treasury bills with a maturity of less than three months.

3.10 Going concern

Deposit Protection Fund of Uganda is a creation of the Financial Institutions Act 2004 (as amended). The Financial Institutions Act provides the basis upon which the Fund executes its core mandate. Therefore, the going concern of the Fund is assessed and determined to be appropriate. The Directors are confident that the Fund has all the resources and mandate to continue in existence into the foreseeable future.

3.11 Fair value

3.11.1 Fair value measurements

The Fund measures some of its financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value are recognized in the following notes:

Details

- Disclosures for valuation methods, significant estimates and assumptions **Note 2.4**
- Quantitative disclosures of fair value measurement hierarchy **Note 3.7**
- Debt instruments at FVOCI **Note 19**

Financial assets and financial liabilities

Financial assets

	Note	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Financial instruments at FVOCI			
Debt instruments at FVOCI	19	1,083,186,146	898,215,609
Financial instruments at amortized cost			
Cash at bank	14	17,802,908	7,876,668
Trade and other receivables	15	2,029,675	2,404,149
Loans and advances to staff	17	1,903,925	1,574,961
Debt instruments at amortized cost	18	290,391,000	229,500,445
Total financial assets		**312,127,508**	**241,356,223**

Financial liabilities

		June 30, 2023 UGX '000	June 30, 2022 UGX '000
Liabilities at amortized cost			
Trade and other payables	23	22,742,398	23,085,643
Total financial liabilities		**22,742,398**	**23,085,643**

3.11.2 Fair value of assets and liabilities

The following is a description of how fair values are determined for financial instruments. These incorporate the Fund's estimate of assumptions that a market participant would make when valuing the instruments. The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The fair values of other financial assets and financial liabilities are determined 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.

The fair values are based on net present value, discounted cash flow models and comparison with prices from observable current market transactions and dealer quotes for similar instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Fund uses widely recognized valuation models for determining the fair value of financial instruments such as interest rates yields that use only observable market data and require little management judgment and estimation.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The carrying amounts of the Fund's financial instruments approximate their fair values.

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

The following methods and assumptions were used to estimate the fair values:

i. Long-term fixed-rate and variable-rate receivables are evaluated by the Fund based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

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

The fair value hierarchy of financial instruments measured at fair value is provided below.

Fair value hierarchy as at June 30, 2023

	Level 1	Level 2	Level 3
Assets measured at fair value			
Debt instruments at FVOCI	-	1,083,186,146	-

Fair value hierarchy as at June 30, 2022

	Level 1	Level 2	Level 3
Assets measured at fair value			
Debt instruments at FVOCI	-	898,215,609	-

There were no transfers between levels during the period.

3.12 Property and Equipment

Property 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 labor, 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 capitalized as part of that equipment.

Gains and losses on disposal of property 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.

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

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

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

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

3.13 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.

3.14 Intangible assets

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Fund.

Intangible assets acquired separately are measured on initial recognition at cost. Using the Cost model, intangible assets shall be carried at cost less accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the statement of profit or loss and other comprehensive income.

Amortization of computer software is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as shown below:

Major Category	Minor category	Useful Life (Years)	Depreciation Rate	Salvage value
Computer Software	Applications	7	14%	0.00%
	Operating systems	7	14%	0.00%
	Databases	5	20%	0.00%
	Specialized software	7	14%	0.00%

The cost of replacing part(s), overhauling, or modifying an item of PPE or Intangibles shall be capitalized if it is probable that the subsequent cost will increase the useful life of the asset or enhance its functionality. Day to day maintenance/ service costs incurred to preserve the asset in its normal working condition will be expensed through the income statement.

3.15 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, which 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:

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.

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.

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 recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized 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:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the Fund under residual value guarantees.
- The exercise price of purchase options if the Fund is reasonably certain to exercise the option.
- Lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option; and
- 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 recognized 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. The 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:

- 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.
- 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.
- 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).
- 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
- 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 recognized 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 in the Statement of Financial Position.

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

- The initial amount of the corresponding lease liability.
- Any lease payments made at or before the commencement date.
- Any initial direct costs incurred.
- 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
- 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 recognized in profit or loss unless it is included in the carrying amount of another asset.

3.16 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 staff contribute 5 percent of their total wages.

3.16.1 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). The Fund does not operate an internally managed defined contribution scheme. All contributions are remitted to an external manager (UAP Umbrella Scheme).

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.

3.16.2 Other employee benefits

The estimated monetary liability for employees' accrued leave entitlement and gratuity at the reporting date is recognized as an accrued expense.

4. Interest income calculated using the effective interest method

	June 30, 2023 UGX '000'	June 30, 2022 UGX '000'
Debt instruments at amortised cost	29,916,787	25,341,146
Debt instruments at FVOCI	135,953,051	118,776,625
Loans and advances to Staff	311,927	232,926
	166,181,765	**144,350,697**

During the period under review, interest income increased by 15 percent majorly due to a 22 percent growth in treasury bills and bonds.

5. Premium contributions

The Fund's contributions are disaggregated by premium type and by type of Contributing Institution as follows:

		June 30, 2023 UGX '000'	June 30, 2022 UGX '000'
Annual premiums			
Commercial banks	5(a)	58,323,919	53,419,419
Credit institutions	5(b)	434,490	331,089
Microfinance deposit taking institutions	5(c)	742,464	694,843
		59,500,873	**54,445,351**
Risk adjusted premiums			
Commercial banks		8,494,225	5,669,090
Credit institutions		381,150	359,506
Microfinance deposit taking institutions		230,995	186,109
		9,106,370	**6,214,705**
		68,607,243	**60,660,056**

The growth in annual and Risk adjusted premiums is attributable to an increment in the deposit liabilities of CIS.

Annual premiums are reconciled are reflected in deferred income as follows:

		June 30, 2023 UGX '000'	June 30, 2022 UGX '000'
Deferred premium balance brought forward	20	28,564,189	25,881,162
Annual premiums for the calendar year		61,873,367	57,128,378
Deferred premium balance carried forward	20	(30,936,683)	(28,564,189)
Annual premiums		**59,500,873**	**54,445,351**

The following notes indicate the annual contributions obtained from various Contributing Institutions.

a) Commercial Banks	June 30, 2023 UGX '000'	June 30, 2022 UGX '000'
ABC Bank	48,376	47,046
Absa Bank	5,088,769	1,224,784
Bank of Africa	1,270,799	3,004,843
Bank of Baroda	3,245,066	522,492
Bank of India	558,123	4,814,940
Cairo Bank	331,667	302,388
Centenary Bank	7,056,539	6,200,105
Citibank	1,705,486	1,395,195
DFCU Bank	4,676,427	849,638
Diamond Trust Bank	3,013,880	4,755,399
Eco Bank	914,461	2,720,029
Equity Bank	4,293,570	1,017,063
Exim Bank	569,379	3,330,046
Finance Trust Bank	514,204	582,631
Guaranty Trust Bank	261,532	449,947
Housing Finance Bank	1,696,599	257,255
KCB Bank	1,204,002	1,288,399
NCBA Bank	1,013,508	1,052,923
Opportunity Bank	357,736	1,218,628
I&M Bank	1,233,699	10,926,411
Stanbic Bank	11,816,675	5,181,771
Standard Chartered Bank	5,265,108	412,980
Tropical Bank	383,458	679,355
United Bank of Africa	709,878	1,664
Afriland Bank	526	295,608
Post Bank	1,094,452	887,879
	58,323,919	**53,419,419**

b) Credit Institutions	30-Jun-23 UGX '000'	30-Jun-22 UGX '000'
Mercantile Credit Bank	248,709	174,426
Top Finance Bank	21,536	17,823
BRAC Bank	126,254	29,589
Yako Bank	37,991	109,251
	434,490	**331,089**

c) Microfinance Deposit Taking Institutions	30-Jun-23 UGX '000'	30-Jun-22 UGX '000'
Pride Microfinance	331,986	90,667
FINCA	213,859	196,404
UGAFODE	66,126	348,173
EFC Uganda Limited	130,493	59,599
	742,464	**694,843**

Each Contributing Institution contributes annually 0.2 percent of the average weighted deposit liabilities of the financial institution in its previous financial 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 deposit liabilities on a quarterly basis in accordance with Section 111 of the Financial Institutions Act 2004 as amended.

6. Other income

	30-Jun-23 UGX '000'	30-Jun-22 UGX '000'
Civil penalty interest from Commercial Banks	-	104,731
Civil penalty interest from Credit Institutions	118	-
Total penalties	**118**	**104,731**
Sale of bids	7,912	-
Other income	4,191	6,436,466
	12,221	**6,541,197**

Other income for the year comprised income from sale of bids, refunds from staff and penalties for late payment of annual contributions.

During the year ended June 30, 2023, some 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 percent 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.

7. Gains arising from derecognition of financial assets measured at FVOCI

	30-Jun-23 UGX '000'	30-Jun-22 UGX '000'
Sales proceeds	31,322,399	105,136,763
Amortized cost	(31,516,869)	(101,630,265)
(Loss)/ profit on trading	**(194,470)**	**3,506,498**
Interest accrued on traded securities	916,155	2,811,914
Gains on derecognition of FVOCI investments	**721,685**	**6,318,412**

Gains on derecognition of FVOCI investments relates to the gains realized by the Fund from sale of Government of Uganda treasury bonds. The movement in this balance is explained by the reduction in the sale of treasury bills and bonds. A gain of UGX 569 million(June 2022: loss of UGX 3,308 million) was recycled to profit or loss from Other Comprehensive income during the year.

8. Employee costs

	30-Jun-23 UGX '000'	30-Jun-22 UGX '000'
Salaries and wages	7,026,553	7,748,327
Staff allowances	1,621,410	1,083,293
Staff retirement and terminal benefits	1,995,504	1,808,486
Medical expenses	394,784	350,173
Other employee costs*	627,859	363,022
	11,666,110	**11,353,301**

Employee costs majorly comprise staff salaries, allowances and retirement benefits. The 3 percent increment in employee balance is majorly explained by cost-of-living adjustment made to employee salaries during FY 2022/23.

*Other employee costs comprised the deferred cost on staff loans and advances, the increase in leave provisions, costs of security provision to staff and workers' compensation among others.

9. Other operating expenses (income)

	30-Jun-23 UGX '000'	30-Jun-22 UGX '000'
Board fees and expenses	1,453,817	794,794
General expenses	1,398,326	856,918
Communication expenses	204,314	112,655
Utility and property expenses	203,175	103,167
Travel and transport	189,574	166,850
Maintenance costs	1,210,857	502,774
Publicity expenses	945,703	494,729
Professional and consultancy services	51,142	97,948
Auditor's remuneration	49,175	43,799
Capacity building	1,210,275	205,872
	6,916,358	**3,379,506**
Provision for unrecoverable tax amounts	82,156	(10,954,516)
	6,998,514	**(7,575,010)**

The provision for unrecoverable tax amounts relates to withholding tax receivable that could not be reconciled to URA records and such cannot be claimed by the Fund.

Other operating (expenses)/ income include board fees and expenses, general expenses, maintenance costs, provision for unrecoverable tax amounts and capacity building expenses. Other operating expenses increased by 192 percent majorly due to a UGX 11 billion reversal in provisions for unrecoverable tax amounts in FY 2021/22. The increment is also due to an increment in staff and board training expenses following the easing of Covid 19 restrictions.

10. Fund management fees

	30-Jun-23 UGX '000'	30-Jun-22 UGX '000'
Britam Asset Managers	379,005	444,843
GenAfrica Assets Managers	-	(7,807)
M/s Sanlam Investments East Africa Ltd	545,511	647,775
	924,516	**1,084,811**
Fund management expenses	131,178	-
	1,055,694	**1,084,811**

Fund management fees and expenses declined by 3 percent majorly due to transfer of debt instruments from the externally managed portfolio to the internally managed portfolio in October 2021. The transfer of debt instruments reduced the value of the externally managed portfolio and thus less management fees were paid.

11. Depreciation and amortization

		30-Jun-23 UGX '000'	30-Jun-22 UGX '000'
Depreciation on right-of-use asset	13	402,812	270,955
Amortization of intangible assets	20	340,889	1,873
Depreciation on property and equipment	21	836,186	488,295
		1,579,887	**761,123**

The increment in depreciation and amortization expenses is explained by the additions in property and equipment made during FY 2022/23.

12. Expected credit loss (expense)/ release on financial assets

The table below shows the ECL charges on financial instruments recorded in the income statement:

Year ended June 30, 2023	Stage 1 & 2 allowance	Stage 3 allowance	Releases	Total
Debt instruments at amortized cost	10,044	-	-	**10,044**
Debt instruments at FVOCI	25,010	-	-	**25,010**
Trade and other receivables	25,223	590	-	**25,813**
Loans and advances to staff	1,757	-	-	**1,757**
	62,034	**590**	**-**	**62,624**

Year ended June 30,2022	Stage 1 & 2 allowance	Stage 3 allowance	Releases	Total
Debt instruments at amortized cost	-	-	(5,901)	**(5,901)**
Debt instruments at FVOCI	40,038	-	-	**40,038**
Trade and other receivables	-	104,255	(271,197)	**(166,942)**
Loans and advances to staff	14,299	-	-	**14,299**
	54,337	**104,255**	**(277,098)**	**(118,506)**

The increment in impairment losses is explained by the growth in the financial assets held by the Fund.

13. Leases

The Fund leases its office premises and recognizes lease liabilities and right-of-use assets in accordance with IFRS 16 Leases. The leases typically run for three years. The Fund acquired additional office space hence the additions below. Remeasurements arose due to a change in the payment terms for the leases. Information about the lease is presented below:

i. Right-of-use assets

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Opening balance	**2,088,913**	**981,618**
Additions	142,457	718,406
Depreciation for the year	(402,812)	(270,955)
Re-measurement of leases	(2,997)	659,844
	1,825,561	**2,088,913**

i. Amounts recognized in the statement of profit or loss

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Interest on lease liabilities	123,567	108,956
Depreciation on right-of-use assets	402,812	270,955
	526,379	**379,911**

ii. Lease liabilities

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Opening balance	**2,114,808**	**953,771**
Additions	142,457	718,406
Interest on lease liability	123,567	108,956
Lease payments	(489,254)	(326,170)
Remeasurement of leases	(2,997)	659,844
	1,888,581	**2,114,807**

iii. Minimum lease payments due

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Within 1 year	530,694	652,339
In 2-5 years	1,592,082	1,793,933
Less: future finance charges	(234,195)	(331,465)
	1,888,581	**2,114,807**

iii. Present value of minimum lease payments due

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Within 1 year	530,694	652,339
In 2-5 years	1,357,887	1,462,468
	1,888,581	**2,114,807**

14. Cash in hand and at bank

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Cash at bank	17,802,908	7,876,668
Cash in hand	235	1,000
	17,803,143	**7,877,668**

The increment in cash balances was due to funds set aside to operationalize the proposed working capital portfolio as at June 30, 2023.

15. Trade and other receivables

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
		UGX '000
Financial instruments		
Trade receivables		
Annual premiums	482	-
Penalty on late payments	93,397	93,397
	93,879	**93,397**
Unbilled receivables		
Risk adjusted premiums	1,910,124	1,506,206
	1,910,124	**1,506,206**
Other receivables		
Other receivables	25,672	13,437
	25,672	**13,437**
Less: Allowance for ECL	(310,065)	(284,251)
	1,719,610	**1,328,789**
Non-financial instruments		
Prepaid expenses	839,357	776,646
Deferred staff cost	878,923	791,109
	3,437,890	**2,896,544**

a) Risk adjusted premiums

Contributing institutions which are rated Marginal or Unsatisfactory as per the Bank of Uganda quarterly off-site reports are charged an additional 0.1 percent and 0.2 percent respectively of the average weighted liabilities on a quarterly basis as per Section 111 of the Financial Institutions Act 2004 as amended. The premiums receivable relates to risk adjusted premiums for quarter 4 that was billed after the end of the financial year. The increment in risk adjusted premiums receivable is explained by the increase in deposit liabilities of CIs.

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 percent of the outstanding amount per day of default in accordance with the requirements of the Financial Institutions Act 2004 as amended.

c) Other receivables

Other receivables majorly comprise accountable imprest and the deferred staff cost which arose from the fair valuation of staff loans and advances in accordance with IFRS 9 Financial Instruments.

d) Prepaid expenses

Prepaid expenses arise from payments made during the year for services which were to be provided after the current reporting period.

e) Expected credit loss

All the financial assets under trade and other receivables have been subjected to impairment review according to guidelines set out in the DPF impairment policy and IFRS 9, leading to expected credit losses.

16. Taxation

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Tax receivable carried forward	**2,851,919**	**-**
Add: Reversal of provisions for doubtful amounts	-	10,954,516
Add: Tax paid in FY2021/22	-	6,436,466
Adjusted tax receivable	**2,851,919**	**17,390,982**
Less: Withholding tax received	(2,421,388)	(14,539,063)
Withholding tax receivable	**430,531**	**2,851,919**
Less: Provision for unrecoverable tax amounts ***	(82,156)	-
Tax receivable carried forward	**348,375**	**2,851,919**

Effective 1 July 2020, the Fund was exempt from withholding tax. The Fund however continued paying withholding tax until May 2022. The balance paid, and hence receivable from URA amounted to UGX 17.4 billion. The Fund's claim for the refund was accepted by URA, and UGX 14.5 billion was received during the year ended June 2022. The Fund received UGX 2.4 billion from URA during the year ended June 2023 leaving a receivable of UGX 430 million. Out of the receivable of UGX 430 million, UGX 348 million was paid by URA in August 2023 and a provision has been made for the balance of UGX 82 million.

*** The provision for unrecoverable tax amounts relates to withholding tax receivable that could not be reconciled to URA records and such cannot be claimed by the Fund.

17. Loans and advances to staff

	June 30, 2023 UGX ‘000	June 30, 2022 UGX ‘000
Loans and advances to staff	2,782,848	2,299,106
Loans and advances to ex staff	-	66,964
Less: Deferred staff cost	(878,923)	(791,109)
Less: Allowance for ECL	(18,504)	(16,746)
	1,885,421	**1,558,215**

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.

In accordance with the requirements of IFRS 9 Financial Instruments, these have been subjected to impairment review leading to expected credit losses.

Loans and advances increased due to an increase in the number of staff that are eligible for these facilities.

18. Debt instruments at amortized cost

The Government of Uganda treasury bills are analyzed as follows:

	June 30, 2023 UGX ‘000	June 30, 2022 UGX ‘000
Debt instruments at amortized cost		
Treasury bills	271,534,407	220,642,922
Interest accrued	18,856,593	8,857,523
	290,391,000	**229,500,445**
Less: Allowance for ECL	(51,983)	(41,939)
	290,339,017	**229,458,506**

Maturity analysis of the debt instruments at amortized cost:

	June 30, 2023 UGX ‘000	June 30, 2022 UGX ‘000
Debt instruments at amortized cost		
Maturity within 91 days	108,646,415	12,001,728
Maturity after 91 days & before 182 days	99,069,023	13,952,450
Maturity after 182 days	82,623,579	203,504,328
	290,339,017	**229,458,506**

The table below shows the movement in debt instruments at amortised cost.

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
As at 1 July	**229,458,506**	**261,091,415**
Additions	296,837,360	230,669,665
Sells/ maturities	(235,946,805)	(262,302,574)
Less: allowance for ECL	(10,044)	5,901
As at 30 June	**290,339,017**	**229,458,506**

19. Debt instruments at FVOCI

The Government of Uganda treasury bonds are analyzed as follows:

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Treasury bonds at cost	1,057,299,661	906,757,073
Interest accrued	23,318,850	27,926,911
Fair value gain/ (loss)	2,567,634	(36,468,375)
	1,083,186,145	**898,215,609**

Maturity analysis of the debt instruments at FVOCI:

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Maturity within 2 years	245,433,239	16,130,814
Maturity after 2 years and within 3 years	22,417,224	94,537,273
Maturity after 3 years and within 5 years	356,190,082	161,049,526
Maturity after 5 years and within 10 years	195,456,240	318,960,227
Maturity after 10 years	263,689,360	307,537,769
	1,083,186,145	**898,215,609**

The table below shows the movement in debt instruments at FVOCI:

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
As at 1 July	**898,215,609**	**727,920,852**
Additions	209,185,156	417,323,401
Sells/ maturities	(63,282,228)	(178,894,261)
Net change in fair value	38,499,068	(64,826,185)
Reclassified to profit or loss	568,540	(3,308,198)
As at 30 June	**1,083,186,145**	**898,215,609**

An ECL amount of UGX 186 million (June 2022: UGX 161 million) has been recognised on FVOCI financial assets and presented in OCI.

20. Intangible assets

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Opening balance	**2,446,429**	**-**
Transfer from property and equipment	-	1,505,828
Additions	-	942,474
Amortization	(340,889)	(1,873)
Closing balance	**2,105,540**	**2,446,429**

Intangible assets related to the Depositor Payout and Premium Management System that was commissioned during the year ended June 30, 2022, and other software. The movement in the intangible assets is explained by the amortization expense for the year under review.

21. Property and equipment

	Computer Hardware UGX '000	Equipment UGX '000	Motor Vehicles UGX '000	Furniture & Fittings UGX '000	Work in Progress UGX '000	Total UGX '000
Cost						
As at 1 July 2021	673,479	608,205	542,852	464,061	2,008,905	4,297,502
Additions	668,051	71,490	-	82,226	-	821,767
Transfers - Work in progress	401,200	101,877	-	-	(503,077)	-
Transfer to intangible assets	-	-	-	-	(1,505,828)	(1,505,828)
As at 1 July 2022	**1,742,730**	**781,572**	**542,852**	**546,287**	**-**	**3,613,441**
Transfer/Disposals	(11,080)	-	-	-	-	(11,080)
Additions	1,675,707	57,114	-	76,960	431,317	2,241,098
As at June 30, 2023	**3,407,357**	**838,686**	**542,852**	**623,247**	**431,317**	**5,843,459**
Accumulated depreciation						
As at 1 July 2021	204,738	41,559	180,350	24,540	-	451,187
Charge for the year	201,555	57,070	102,860	126,809	-	488,294
As at June 30, 2022	**406,293**	**98,629**	**283,210**	**151,349**	**-**	**939,481**
Disposals/ transfers	(1,037)	-	-	-	-	(1,037)
Charge for the year	526,625	75,477	102,578	131,506	-	836,186
As at June 30, 2023	**931,881**	**174,106**	**385,788**	**282,855**	**-**	**1,774,630**
Net carrying value						
As at June 30, 2023	**2,475,476**	**664,580**	**157,064**	**340,392**	**431,317**	**4,068,829**
As at June 30, 2022	**1,336,437**	**682,943**	**259,642**	**394,938**	**-**	**2,673,960**

Work in progress for the year ended June 30, 2023, related to a motor vehicle that was purchased, delivered by the supplier before year end but was only ready for use after year end.

22. Deferred income

Deferred income relates to the Contributing Institutions' annual contributions paid into the Fund in accordance with the Financial Institutions Act, 2004 as amended. Given that the annual contributions relate to a calendar year for the Contributing Institutions, the contributions are apportioned in line with accrual-based accounting principles. The increment in deferred income is due to growth in the deposit liabilities of CIs.

		June 30, 2023 UGX '000	June 30, 2022 UGX '000
Commercial banks	8(a)	30,324,580	27,999,339
Credit institutions	8(b)	236,127	198,363
Microfinance deposit taking institutions	8(c)	375,976	366,487
		30,936,683	**28,564,189**

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
a) Commercial Banks		
ABC Bank	24,954	23,421
ABSA Bank	2,494,786	622,222
Bank of Africa	648,577	1,547,017
Bank of Baroda	1,698,049	275,156
Bank of India	282,967	2,593,983
Cairo Bank	165,777	165,890
Centenary Bank	3,730,380	3,326,159
Citibank	930,985	774,501
DFCU Bank	2,329,263	465,081
Diamond Trust Bank	1,582,720	2,347,165
Ecobank	417,118	1,431,161
Equity Bank	2,381,917	497,343
Exim Bank	274,875	1,911,653
Finance Trust Bank	263,647	294,505
Guaranty Trust Bank	133,121	250,556
Housing Finance Bank	979,016	128,411
KCB Bank	662,306	717,583
NCBA Bank	548,427	541,696
Opportunity Bank	182,773	598,849
I & M Bank	634,850	5,699,822
Stanbic Bank	6,116,853	2,580,356
Standard Chartered Bank	2,684,752	193,962
Tropical Bank	189,495	349,486
United Bank for Africa	360,392	283
Afriland Bank	243	174,963
Post Bank	606,337	488,115
	30,324,580	**27,999,339**

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
b) Credit Institutions		
Mercantile Credit Bank	137,606	111,103
Top Finance Bank	8,863	13,999
BRAC Uganda	65,666	12,673
Yako	23,992	60,588
	236,127	**198,363**

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
c) Microfinance Deposit Taking Institutions		
Pride Microfinance	157,406	58,715
FINCA	112,271	101,588
Ugafode	34,521	174,580
Entrepreneurs Financial Centre	71,778	31,604
	375,976	**366,487**

23. Trade and other payables

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Unclaimed deposits	198,882	198,882
Payable to the Government of Uganda*	19,750,479	19,750,479
Audit fees	49,179	43,799
Fund management fees	246,155	219,648
Statutory payables	481,408	372,101
Defined contribution pension	109,528	99,283
Administrative expenses	975,555	1,158,772
Accruals and provisions	931,212	1,242,679
	22,742,398	**23,085,643**

*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 by Bank of Uganda or on demand by Government.

24. Reserves

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Accumulated surplus	1,346,646,684	1,132,610,166
Fair value through OCI reserve	2,785,576	(36,307,042)
	1,349,432,260	**1,096,303,124**

Total reserves increased by 23 percent to UGX 1,350 billion as at June 30, 2023, from UGX 1,096 billion as at June 30, 2022. The movement is attributed to the total comprehensive income (UGX 253 billion) earned over the year.

25. Current and non-current assets and liabilities

The current and non-current assets and liabilities as at June 30, 2023, are as highlighted below.

	As at June 30, 2023 UGX '000	Not more 12 months after the reporting date UGX '000	More than 12 months after the reporting date UGX '000
Assets			
Cash in hand and at bank	17,803,143	17,803,143	-
Trade and other receivables	3,437,890	3,437,890	-
Current income tax receivable	348,375	348,375	-
Loans and advances to staff	1,885,421	762,421	1,123,000
Debt instruments at amortized cost	290,339,017	290,339,017	-
Debt instruments at FVOCI	1,083,186,145	-	1,083,186,145
Property and equipment	4,068,829	-	4,068,829
Intangible assets	2,105,540	-	2,105,540
Right-of-use asset	1,825,562	-	1,825,562
Total assets	**1,404,999,922**	**312,690,846**	**1,092,309,076**
Liabilities			
Deferred income	30,936,683	30,936,683	-
Trade and other payables	22,742,398	2,793,038	19,949,360
Lease liabilities	1,888,581	530,694	1,357,887
Total liabilities	**55,567,662**	**34,260,416**	**21,307,247**

	As at June 30, 2022 UGX '000	Not more 12 months after the reporting date UGX '000	More than 12 months after the reporting date UGX '000
Assets			
Cash in hand and at bank	7,877,668	7,877,668	-
Trade and other receivables	2,896,544	2,896,544	-
Current income tax receivable	2,851,919	2,851,919	-
Loans and advances to staff	1,558,215	546,535	1,011,680
Debt instruments at amortized cost	229,458,506	229,458,506	-
Debt instruments at FVOCI	898,215,609	-	898,215,609
Property and equipment	2,673,960	-	2,673,960
Intangible assets	2,446,429	-	2,446,429
Right-of-use asset	2,088,913	-	2,088,913
Total assets	**1,150,067,763**	**243,631,172**	**906,436,591**
Liabilities			
Deferred income	28,564,189	28,564,189	-
Trade and other payables	23,085,643	3,136,282	19,949,361
Lease liabilities	2,114,807	652,339	1,462,468
Total liabilities	**53,764,639**	**32,352,810**	**21,411,829**

26. Related parties

The Deposit Protection Fund of Uganda and Bank of Uganda work on various aspects of financial stability. No trading is carried out with the Bank of Uganda.

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

Name	Designation
Dr. Julia Clare Olima Oyet (Mrs.)	Chief Executive Officer
Mr. Balaam Ssempala	Director Information Technology
Mr. Patrick O. Ezaga	Director Communications
Mrs. Angela Kiryabwire Kanyima	Director Legal & Board Affairs
Mr. Moses Apell Odongo	Director Human Capital & Administration
Dr. Michael Mayanja Lugemwa	Director Internal Audit
Mr. Alan N. Lwetabe	Director Investments
Mr. Yusuf Mukiibi	Director Finance and Operations

The transactions with related parties are indicated below.

26.1 Loans to key management personnel

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Opening balance	1,326,066	1,155,710
Advanced during the year	557,145	742,757
Repayments	(472,571)	(572,402)
	1,410,640	**1,326,065**

26.2 Compensation of key management personnel

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Short term employee benefits	3,693,431	3,175,305
Post-employment benefits	819,740	715,748
	4,513,171	**3,891,052**

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 Defined Contribution Scheme.

26.3 Directors' fees and emoluments

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Directors' fees and emoluments	528,550	668,167

The directors' fees and emoluments include retainer fees, gratuity, reimbursable costs, and training costs.

26.4 Rent payments to the Trustees of the Bank of Uganda Retirement Benefit Scheme

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Rent payments	489,254	326,170

26.5 Cash held at Bank of Uganda

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Cash held at Bank of Uganda	15,445,842	7,171,746

26.6 Investments in custody with Bank of Uganda

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Investment in Government securities	1,373,525,162	1,127,674,115

26.7 Payable to the Government of Uganda

	June 30, 2023 UGX '000	June 30, 2022 UGX '000
Total insured depositors	41,152,210	41,152,210
Claim by Deposit Protection Fund	(3,299,997)	(3,299,997)
Claim by Government of Uganda	**37,852,213**	**37,852,213**
Refund to Government of Uganda	(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 of Uganda	**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. In accordance with the Fund's policy, the amount to the Government will be paid after the conclusion of the liquidation exercise by Bank of Uganda.

27. Contingent liabilities

The Fund did not have any contingent liabilities as at June 30, 2023 (2022: Nil).

28. Capital commitments

The Fund's capital commitments as at June 30, 2023, were UGX 577 million (2022: UGX 1,021 million).

29. 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.

Q & A

1. What is the Deposit Protection Fund (DPF)?

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

2. What is a Contributing Institution & how do I know if my bank is one of them

A contributing institution is one, which is licensed by Bank of Uganda and periodically pays premiums to the DPF. These include commercial Banks, credit institutions and microfinance deposit-taking institutions. Depositors can know that their Bank is protected by the DPF by looking out for the license that Bank of Uganda issued to their Bank/ institution which is usually displayed in the banking hall.

3. Who is covered or protected by the Deposit Protection Fund of Uganda?

The DPF is a legal entity established by the government of Uganda to ensure that depositors are paid their protected deposits in the unlikely event of failure/ closure of contributing institution.

4. Why should citizens be interested in Knowing about DPF?

Depositors of contributing institutions should know that DPF is a government of Uganda Agency which was established with the primary purpose of protecting their depositors and will therefore pay them up to UGX 10 million in the unlikely event that their bank falls/ closers. Those who have more than the UGX 10 million will be paid to the excess from the liquidation proceeds.

5. What happens if a depositor's information is not up to date when the bank fails/closes?

Steps would be taken to confirm that the depositor was the owner of the account, and this would create a delay in payout to the depositor. This will include making a physical appearance at the Fund. This could present a lot of inconveniences to the depositor.

6. Incase a bank closes, how would a depositor get their protected deposits?

The fund`s duty to pay depositors up to the insured limit (protected deposit) is triggered upon closure of a contributing institution/ financial institution. The fund has established avenues within which claims and payments of the protected deposits may be made, and these include payment through the DPF payout system, payout agents such as mobile money companies and banks. These avenues are intended to facilitate the fund`s commitment to pay the protected deposit within ninety days after closure of the financial institution as guided by section 111(c)(5) of the act, 2004.

7. What happens to the rest of my money after a Contributing Institute is closed, incase I had more than 10m?

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

8. How soon can depositors get their money from DPF after the contributing Institution has been closed

According to the financial institutions act, 2004 as amended, depositors shall be paid within ninety (90) days of closure of the contributing institution. Nevertheless, DPF will ensure that depositors get their money earlier than the time provided for in the law. However, this will depend on whether DPF has up-dated depositor records, hence the need to up-date the same.

9

What happens if a depositor has more than one personal account in an institution?

DPF covers per depositor and not per account. Therefore, the contributing institution would amalgamate the two personal accounts and the depositor would be paid up to UGX 10 million after removing any non-performing loans.

10

What would happen to a joint account?

The joint account is considered as one account and therefore the DPF would still pay up to UGX 10 million to the individuals that own the joint account. In case one has a joint account, and a personal account within the same contributing Institution, they would be paid twice

11

How is the DPF funded?

Premiums: All contributing institutions make annual premium payments to the Fund.
Investments Income: The contributions of Uganda treasury instruments, and this helps to grow the Fund size.

12

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

a) The money received from contributing institutions is deposited on an account held at Bank of Uganda.
b) This money is then invested in assets with minimal risks such as Government of Uganda treasury bills and bonds. The income from then investment is reinvested.

13

Do depositors have to pay any money the Deposit Protection Fund of Uganda

No. It is only contributing institutions that are required to pay money to the DPF in form of premiums.

14

Does the DPF also protect deposits mobile money savings/ posits?

No, mobile money savings/ deposits do not form part of the deposit insurance scheme established under the financial institutions Act, 2004, and are therefore not subject to the protection of the Fund.
Mobile money savings are governed by the National payment systems Act, 2020, the National payment system Regulations, 2021, and other regulations made thereunder.

15

Are Dollar accounts covered? And if so, up to how much is covered?

Dollar accounts are protected and the funds are exchanged to Uganda shillings at the Bank of Uganda exchange rate the day before the bank closure and the 10million limit is applied.

16

Dose the DPF mandate extend to SACCOS?

Yes, the Fund`s mandate extends to a savings and credit cooperative “SACCO” / registered society providing financial services, which has voluntary saving in excess of 1.5 billion shillings and institutional capital above 500 million shillings. Section 110 of the Tier Microfinance Institutions Act and Money Lenders Act, 2016 which amends the Micro Finance Deposit Taking Institutions Act, 2003, requires such a society to apply for a license from the Bank of Uganda and upon license automatically joins the deposit insurance scheme. A registered society below the above threshold is regulated by Uganda Microfinance Regulatory Authority (UMRA).

If a bank is closed through the liquidation process, DPF considers the amount of money you have in your account. If the money is more than UGX 10 million, you will be paid up to UGX 10 million. However, if you have a non-performing loan, the UGX 10million will be reduced from your non-performing loan before any payment can be made to you.

In ensuring financial sector stability, the DPF works closely with the Bank of Uganda (BOU). BOU has a range of options it can use to ensure that contributing institutions exist the sector without inconveniencing depositors. As such, Bank of Uganda would advise DPF to pay depositors out of the Fund, as the very last option.
Thus is in line with international best practice.

A bank run is an unrestrained demand for cash by savers which places a liquidity strain on the bank causing it to collapse, because it cannot meet its obligations. Bank runs can destabilize the financial sector because depositors start withdrawing all their money from the banking system out of panic.
They usually stem from unfounded rumors about a bank closure. The DPF therefore gives comfort to the depositor that even if there was a rumor of a bank closure, they should not panic to withdraw their money because they will be paid

Depositor of contributing Institution are encouraged to.
a) Update their details with their respective financial institutions using their national ID and mobile phone numbers or alternative bank account so that they can be fast and conversantly paid, in the unlikely event that their bank is closed.
b) Bank with confidence because the DPF ensures that their deposits will be paid up to UGX 10 million, in the unlikely event of a bank closure.

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