DPF Deposit Protection Fund of Uganda
YOUR DEPOSITS ARE PROTECTED

INTEGRATED ANNUAL REPORT

JUNE 30, 2024

Deposit Protection Fund of Uganda

YOUR DEPOSITS ARE PROTECTED

INTEGRATED ANNUAL REPORT 2024

Contributing Institutions

There were thirty-one (31) Contributing Institutions as at June 30, 2024

Commercial Banks (22)

Credit Institutions (6)

Microfinance Deposit-taking Institutions (3)

CONTENTS

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 method of compiling this Integrated Annual Report emphasized a comprehensive and stakeholder-oriented strategy. This report is a crucial communication tool, allowing the Fund to illustrate its financial performance, operational strength, and societal contributions in an all-encompassing manner. The Fund identified material aspects through thorough evaluation of both financial and non-financial factors. By adhering to internationally acknowledged reporting frameworks and standards, the Fund is dedicated to transparency, accuracy, and relevance in presenting its operations, risk management approaches, and positive impacts. This strategy aims to boost confidence, support informed decision-making, and promote sustainable growth within the financial ecosystem and among the public.

1.2 Reporting Boundary

This integrated report presents our financial, operational, environmental, social, and governance performance for the financial year ended June 30, 2024, and provides insights into the future prospects.

1.3 Reporting Frameworks

The Fund adheres to the International Financial Reporting Standards (IFRS), which are globally respected and widely used to ensure consistency and comparability of the financial statements. By implementing IFRS, the Fund aligns its reporting practices with international standards, allowing stakeholders to make well-informed evaluations of its financial performance and status. This Integrated Annual Report has been prepared following the guidelines of the International Integrated Reporting <IR> Framework.

1.4 Materiality

Materiality is essential in guaranteeing the clarity and significance of disclosed information. In the context of the Deposit Protection Fund of Uganda's (Fund) Integrated Annual Report, materiality refers to the importance of financial and non-financial information that might affect stakeholders' decisions. By emphasizing material aspects, the report aims to offer a thorough overview of the Fund's operations, financial condition, risk management, and social impact. This method enables the Fund to communicate its commitment to protecting depositors' interests while addressing relevant stakeholder concerns, thus fostering transparency, confidence, and informed decision-making.

The credibility of this Integrated Annual Report is enhanced by adherence to the Fund's integrated reporting framework which was approved by the Board of Directors. The process of preparing the Integrated Report involved multiple approval stages, including reviews by senior management and the Board. The assurances that underpin the report's reliability are based on robust internal reporting mechanisms governed by the Fund's Enterprise Risk Management Framework (ERMF) and internal audit procedures. Additionally, the Fund's annual financial statements undergo a thorough assurance process overseen by the Auditor General, reinforcing the Fund's dedication to transparency and precision. Through these diverse measures, the Fund ensures the highest level of credibility in the Integrated Annual Report.

1.6 Responsibility for the Integrated Report and Statement from the Board

The Board assumes responsibility for the content, accuracy, and integrity of this report. In the Board's view, the Integrated Annual Report offers an accurate and balanced representation of the Fund's performance, strategy, and management, as well as its capacity to generate value for stakeholders. This report also addresses substantial opportunities and risks arising from our strategy. Additionally, this report has been prepared in accordance with the International Integrated Reporting <IR> Framework. It is worth noting that in accordance with Section 114(1) of the Financial Institutions Act (FIA) Cap 57, the Board submits this report to the Minister of Finance, Planning and Economic Development, within four months after the close of each financial year.

2.0 Board Chairman's statement

"It is a pleasure to report that the financial position of the Fund has remained strong, buttressed by sound investment strategies. During the year, total assets increased from UGX 1.4 trillion posted in June 2023 to UGX 1.6 trillion in June 2024, with 97 percent of the asset portfolio held in Government of Uganda treasury instruments. This is in line with the Fund's investment policy which places emphasis on value preservation while ensuring adequate liquidity."

Mr. Ben Patrick Kagoro
Board Chairman

Similarly, over the past 5 years, the Fund's reserves have more than doubled moving from UGX 772 billion in June 2020 to UGX 1,560 billion in June 2024. This growth has been largely driven by investment income whose trends are detailed in this report. On the other hand, expenditure has been contained over the same period, rising very slightly from UGX 27 billion to UGX 28 billion. The cost-to-investment income ratio of 12% has remained within the Board's approved limit of 25%.

In the second half of the financial year 2023/2024, the capability of the Fund to execute its mandate was put to the test following the closure of two financial institutions by the Central Bank. Depositors of the closed institutions were paid their protected deposits in record time, as required under the core principles of deposit insurance.

The positive strides that have been posted have been a result of the concerted efforts of various key stakeholders. To this end, I wish to express, on behalf of the Board and Management, our sincere gratitude to the Hon. Minister of Finance, Planning and Economic Development, for his professional stewardship. In the same spirit, we wish to extend our sincere appreciation to the Deputy Governor, the Board and Management of Bank of Uganda, the Financial Sector Stability Forum members for their guidance and Contributing Institutions for timeously honoring their obligations. We also extend special gratitude to the leadership of the International Association of Deposit Insurers (IADI) and sister deposit insurance agencies within the African Region, for their cooperation.

In the year ahead, the Board, management and staff will remain focused on building on the gains so far attained to enhance depositor's confidence and contribute to financial stability.

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 the London School of Accountancy. He is a member of the Chartered Institute of Secretaries and Administrators (ACIS), a Certified Public Accountant (U) – 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 in Central Banking, having worked with the 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 the Board of Directors Eagle Air Uganda Ltd, and Chair of the Board Audit Committee of CASE Medical Centre.

Mr. I.K. John Byaruhanga

Mr. Byaruhanga is a Non-Executive Director and Chairman of the Audit Committee of the Board. He is also 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 making 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 the 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.

Mrs. Susan Wasagali Kanyemibwa

Mrs. Kanyemibwa is a Non-Executive Director and 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 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.

Ms. Roy Nambogo

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

She holds a Master's degree 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 Nambogo & Co. Advocates law firm, where she still works as a 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 the Almeda College & University, Boise Idaho, USA, a Certified Diploma in Finance & Accounting from the Association of Chartered Certified Accountants and Bachelor of Arts (Economics) from Makerere University.

He has 30 years of 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. Dr. Obara 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.

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, during which time 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 of 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.

Mr. Wilbrod Humphreys Owor

Mr. Owor is the Chairman 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 & 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 of work experience, 20 of which were at senior management level in banking, business development and consumer services institutions in East Africa. He is the Executive Director of the 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, Consumer Banking DFCU Bank, Head of Liabilities & Channel Expansion (Retail) at Barclays Bank of Uganda.

3.0 Chief Executive Officer's statement

16% ↗

UGX 1,350 billion
to
UGX 1,560 billion

Total reserves posted a positive change of 16 percent to UGX 1,560 billion from UGX 1,350 billion recorded in the previous financial year.....

Preamble

I am delighted to report that during the financial year 2023/24, the Fund witnessed remarkable growth in its key financial parameters and accomplished 90 percent of the major activities which were highlighted in its Corporate Balanced Scorecard.

Financial outlook

During the period under review, total assets of the Fund increased by 15 percent, from UGX 1,405 billion to UGX 1,620 billion as at June 30, 2023 and June 30, 2024 respectively. The increase was largely attributed to investments in treasury instruments, which increased from UGX 1,374 billion to UGX 1,595 billion over the same period. On the other hand, total liabilities were largely stable with a 6 percent increase to UGX 59 billion. Total reserves posted a positive change of 16 percent to UGX 1,560 billion from UGX 1,350 billion recorded in the previous financial year. The comprehensive income of UGX 211 billion earned over the year, was the primary driver for the growth in total reserves. The Fund therefore ended the year with a strong financial position.

Key achievements

During the year, DPF demonstrated its resolve and ability to contribute to financial sector stability, by starting to pay depositors of the two financial institutions which were closed, within an average record period of less than 6 days after closure. The swift and decisive action taken by the Fund, working very closely with Bank of Uganda, no doubt fostered the much-needed confidence in the banking sector at that time.

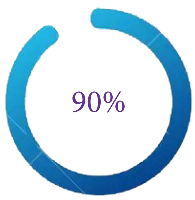
Cognizant of the key role public awareness plays in a deposit insurance system, the first extensive public awareness survey on the role and mandate of the Fund, was conducted. The activity spanned across more than 70 districts across Uganda and will inform the communication strategy going forward. In a bid to strengthen governance and operations within the Fund, the Board recruited competent professionals in the areas of information technology, audit and research.

Economic outlook

The conflicts in Europe and the Middle East were the major factors that continued to adversely affect the global economic situation, Uganda inclusive. This notwithstanding, the Ugandan economy exhibited the capability to absorb and minimize the resultant negative impact of these developments. Headline and core inflation averaged 3.2 percent and 3.0 percent respectively throughout the year. The favorable weather played a major role in preventing the inflation rate from spiraling to higher levels.

The banking industry

The banking sector remained resilient despite the closure of some financial institutions. Aggregate assets in the banking sector posted a growth of 8.4 percent to UGX 53.9 trillion by the end of the financial year. Core capital adequacy increased to 24.2 percent as at June 2024. Similarly, total deposits in commercial banks experienced growth of 4.2 percent by the end of the period in June 2024. With the upward revision of the regulatory minimum capital requirement, a few banks opted to re-strategize and change their status from Tier 1 to Tier 2 institutions while others used their retained earnings to boost their paid-up capital levels.



accomplished 90 percent of the major activities

total assets of the Fund increased by 15 percent

What lies ahead?

As we embark on the new financial year, emphasis will be placed on enhancing the depositor payout system, to serve depositors more conveniently. Automation of the accounting, human capital and investment management system will be completed. In order to reduce operational costs in the long run, the Fund will embark on the project of identifying a suitable piece of land on which the DPF office premises will be built. Finally, towards the end of the year, a mid-term review of the Strategic Plan 2022-2027 will be conducted to ensure that the Fund is on track to achieve the set objectives.

Conclusion

The just concluded financial year was indeed an eventful year. The achievements which were posted would not have been possible without the concerted effort of all key stakeholders. On behalf of Management, I extend sincere gratitude to the Ministry of Finance, Planning and Economic Development, Bank of Uganda, the Contributing Institutions and sister institutions for their continued collaboration. In the same spirit, I extend deep appreciation to the Board of Directors for their steadfast and pragmatic stewardship of the Fund. I thank the staff for always exerting themselves amidst various challenges to deliver results which are beyond expectation.

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

3.1 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.

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

Dr. Julia Clare Olima Oyet (Mrs.) is the pioneer CEO and the Chairperson of the Africa Regional Committee of International Association of Deposit Insurers (IADI).

She holds a Doctorate Degree in Business Administration from Herriot Watt University in the field of financial inclusion and a master's degree in business administration with a Distinction, from the same institution. She is an ACCA fellow and a member of the Institute of Certified Public Accountants of Uganda. Dr. Oyet holds a bachelor's degree in business administration and management from Uganda Martyr's University, Nkozi. Prior to joining the Fund, she had vast experience in bank supervision, auditing and accounting.

Mr. Alan N. Lwetabe
Director Investments

Alan N. Lwetabe, CFA, CAIA, CIPM, is the Fund's Director Investments.

He 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.

Prior to joining DPF, Alan was an Assistant Director at the Bank of Uganda where he led portfolio management, managing a G7-focused portfolio invested in global bonds, FX, and interest rate strategies. In his current role, Alan oversees the Fund's investment program.

Mrs. Angela Kiryabwire Kanyima
Director Legal and Board Secretary

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 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 Laws of Judicature and has served as a Director on the Boards of several organizations.

Mr. Balaam Ssempala
Director Information Technology

As Head of Information Technology, Mr. Ssempala is responsible for driving the functional and operational delivery of IT services in line with the Fund's strategic objectives. Prior to joining the Fund in February 2018, Balaam served for over 20 years in Bank of Uganda within the Information Technology Department in various capacities.

Balaam 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).

Dr. Michael Mayanja Lugemwa
Director Finance and Operations

Dr. Lugemwa leads the Finance and Operations Department at the Deposit Protection Fund, overseeing financial reporting, financial management, and deposit insurance. He previously served as the Manager of Accounts at the Uganda National Roads Authority and as an Auditor at the Office of the Auditor General. He is also an Advisor to the Audit and Risk Management Committee for the Board of the Uganda Retirement Benefits Regulatory Authority (URBRA).

With 15 years of experience, Dr. Lugemwa holds a PhD in Accountancy from North-West University, South Africa; an MSc in Oil and Gas Accounting 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), a PECB Certified ISO 31000 Lead Risk Manager, and a member of the Institute of Internal Auditors, USA.

Mr. Moses Apell Odongo
Director Human Capital and Administration

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

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

Mr. Patrick O. Ezaga
Director Communications

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.

Mr. Samuel Aggrey Mankaati
Ag. Director Internal Audit

CPA Samuel Aggrey Mankaati oversees the operations of the Internal Audit Department. The Department is responsible for providing independent assurance and advisory services to the Management and Board of the Fund.

Samuel has over 10 years of professional experience in financial reporting, internal and external audits in both the private and public sectors. He holds a Master of Business Administration, a First Class Bachelor of Business Administration (Accounting) from Makerere University, and PECB Certification in ISO 31000 Lead Risk Manager. He is a full member of the Institute of Certified Public Accounts of Uganda (ICPAU) and the Institute of Internal Auditors (IIA).

4.0 Corporate Information

Principal Place of Business & Registered Address

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

Custodian

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

Investments Managers

Sanlam Investments East Africa 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, Cap 57 of the Laws of Uganda. 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

Fund Size

As of June 30, 2024, the investment portfolio had grown by 15 percent from UGX1.36 trillion in June 2023 to UGX 1.56 trillion in June 2024. This was mainly due to a surplus investment income of UGX 21.8 billion above the target of UGX 177 billion.

Operating Surplus

The operating surplus recorded for the period ended was UGX 253 billion versus a target of UGX 218 billion.

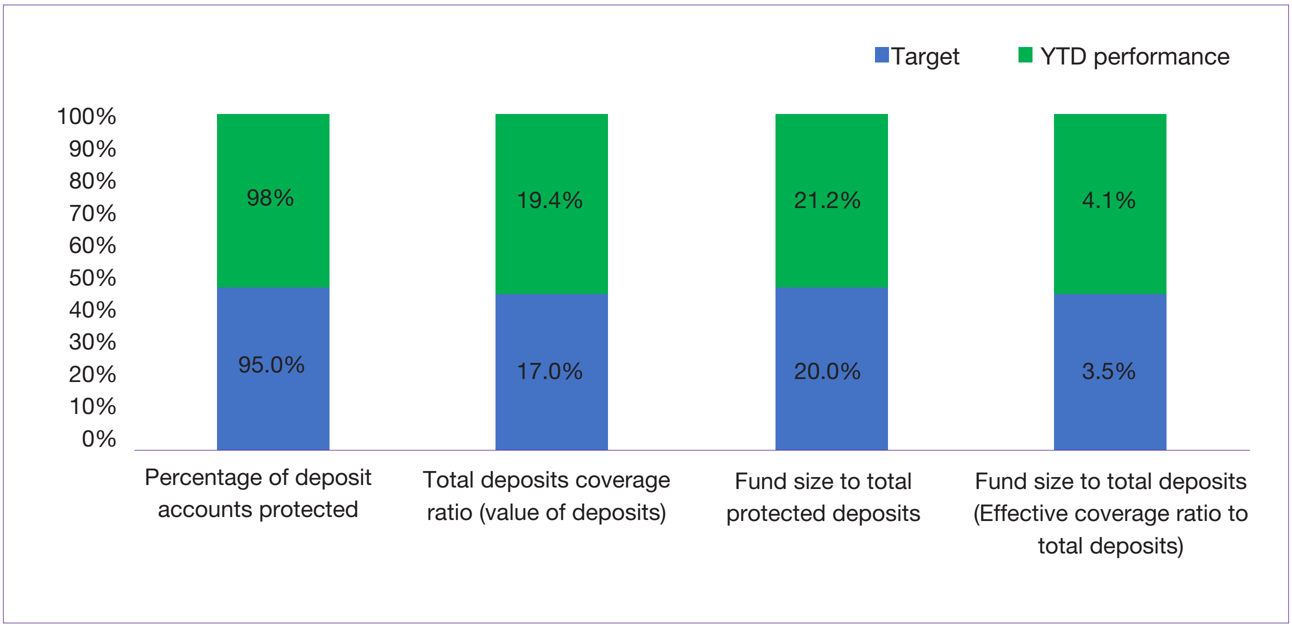
Cost to investment income

A cost to investment income ratio of 12 percent was realized against an annual target of 18 percent.

Deposit coverage ratio

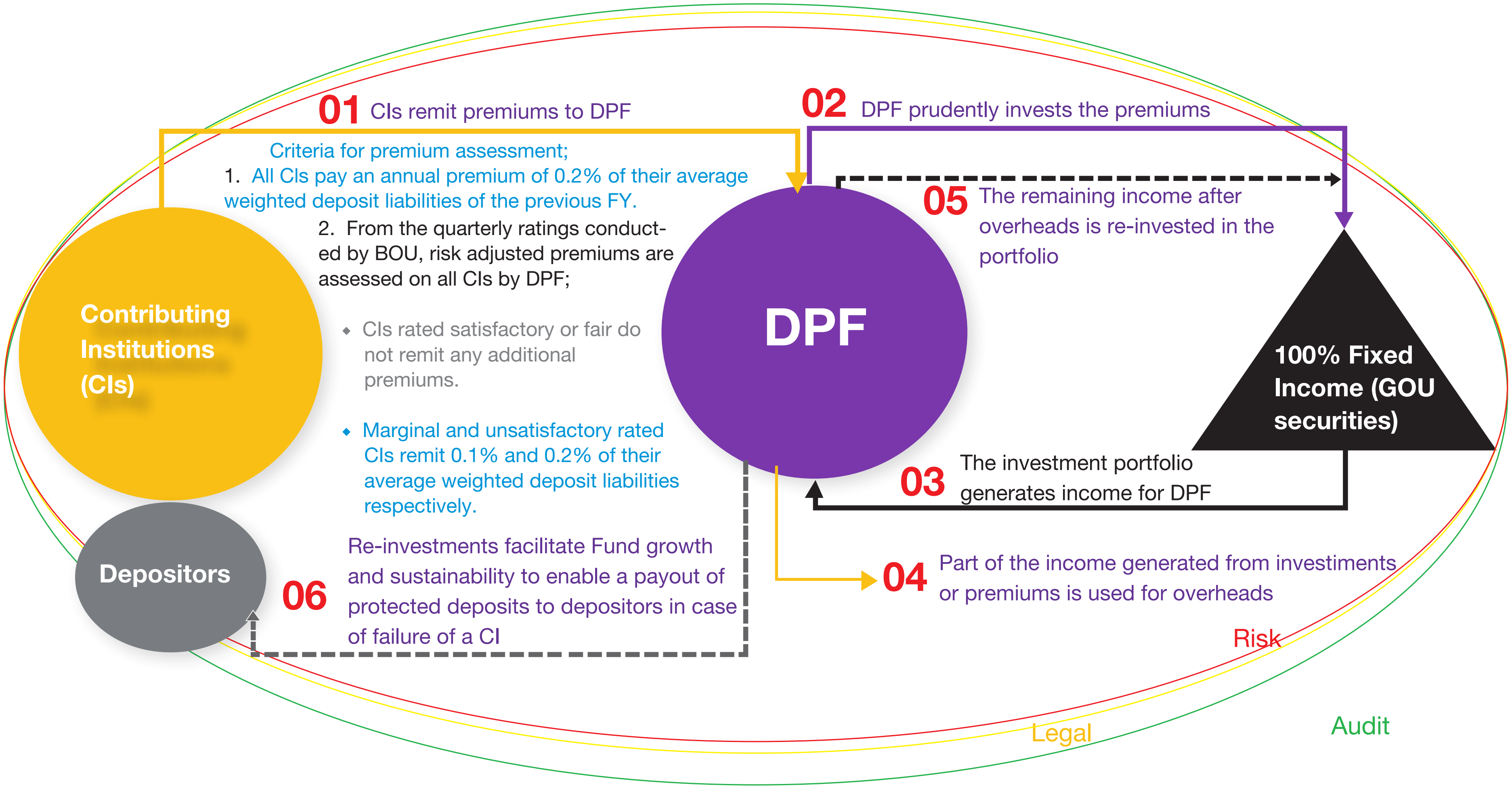
98% of the deposit accounts are fully protected, surpassing the 95% target.

Figure 1: Performance of key deposit coverage ratios as of June 30, 2024



5.5 Business Model

Figure 2. 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	i) Guarantee safety of protected deposits. ii) Prompt and accurate payout of protected deposits in case of a CI failure. iii) Contribute towards a stable financial system. iv) Prudent administration of the fund.	i) Deposit money with CIs. ii) Provision of accurate information to CIs to support fast payment. iii) Participate in awareness surveys, and customer satisfaction surveys, among others.	i) 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. ii) 98.2 percent of deposit accounts are fully protected, and 22.2 percent of deposit balance are covered.
Contributing Institutions	i) Contribute towards a stable financial system. ii) Prudent administration of the fund. iii) Affordable insurance premiums. iv) Prompt payment of protected deposits for a failed institution.	i) Pay premiums on time. ii) Adhere to best corporate governance practices. iii) Compliance with established laws. iv) Provision of accurate information.	i) Through its initiatives focused on financial stability, the DPF ensures a stable financial system for contributing institutions. ii) Timely premium payments and compliance with regulations are essential for DPF's operations.
DPF Board	i) Prompt implementation of Board resolutions by management ii) Prudent administration of the Fund by management iii) Upholding the core values of Respect, Integrity, Transparency and Excellence	i) Policy and strategy direction. ii) Good corporate governance. iii) Sound and timely decision making. iv) 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	i) Contribute towards a stable financial system. ii) Prudent administration of the Fund iii) Compliance with laws and regulations	i) Financial sector policies and oversight ii) Backstop financing iii) 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	i) Contribute towards a stable financial system. ii) Prudent administration of the Fund iii) Compliance with relevant laws and regulations	Enactment 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	i) Contribute towards a stable financial system. ii) Prudent administration of the Fund iii) Affordable insurance premium iv) Prompt payment of protected deposits for a failed institution.	i) Share information on Contributing Institutions in a timely manner ii) Take prompt action on problem banks. iii) Address emerging sector wide challenges. iv) Close coordination before, during and after bank closure v) 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	i) Contribute towards a stable financial system. ii) Prudent administration of the Fund. iii) Information sharing on deposit protection. iv) Conduct CSR activities and awareness campaigns	i) Participate in public awareness campaigns. ii) Deposit money with Contributing Institutions. iii) Participate in CSR activities.	i) DPF contributes to a stable financial system, ensuring the public's financial security. ii) Public participation in awareness campaigns and depositing funds with Contributing Institutions supports DPF's mission.
IADI and other Deposit Insurance agencies	i) Observe deposit insurance best practices. ii) Share knowledge and experiences on deposit insurance iii) Collaborations	i) Knowledge sharing and capacity building. ii) Technical support iii) Access to industrial information and research	Collaboration and knowledge sharing among deposit insurance agencies improve industry standards and effectiveness, benefiting all stakeholders.

Stakeholder	Stakeholder expectations of DPF	DPF's expectations of stakeholder	Value created by the DPF
World Bank and IMF	i) Contribute towards a stable financial system. ii) Prudent administration of the fund iii) Observe deposit insurance best practices. iv) Collaborations	i) Knowledge sharing and capacity building. ii) Technical support	Collaboration with international financial organizations enhances DPF's capabilities and aligns its practices with global standards, contributing to financial stability.
Media	i) Timely provision of accurate information ii) Prudent administration of the Fund	i) Accurate coverage ii) Collaboration on public awareness campaigns	The Fund provides accurate information to the media and as such contributes to widespread public awareness and confidence.
Pay Out Agents	i) Prudent administration of the Fund ii) Timely submission of accurate information and data	i) Prompt payment of protected depositors during failure of CIs. ii) Record keeping	Pay Out Agents enhance DPF's effectiveness through ensuring efficient payout processes, which are vital during CI failures.
Other safety net players	i) Prudent administration of the Fund ii) Collaboration	i) Knowledge and information sharing ii) Technical support	Collaboration among safety net players ensures a coordinated response during financial crises and supports DPF's mission.
DPF staff	i) Competitive renumeration ii) Favourable working environment iii) Personal and professional development iv) Talent recognition, reward, and retention	i) Integrity ii) Professionalism iii) Dedication to service and excellence iv) Contribute towards a stable financial system	i) The Fund provides a conducive work environment and competitive remuneration/ benefits to staff. ii) The Fund provides opportunities for professional growth and recognition for its staff.
Academia	i) Collaborate with DPF to contribute towards the generation of new knowledge on deposit insurance. ii) Up to date research publications and information sharing	Collaborate with learning institutions to generate new knowledge on deposit insurance	The Academia supports the Fund's public awareness campaign through research and dissemination of literature to other scholars and the public.
Suppliers	i) Timely payment of payables ii) Fair and transparent procurement processes	i) High quality service ii) Timely delivery of purchased goods and services	The Fund ensures payment of 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, 2024.

5.7.1 Advertising campaigns

The Fund conducted awareness campaigns on different media platforms to inform depositors about the mandate of DPF and these included television, newspapers, magazines, radio and digital platforms.
In addition, the Fund run payout notices for depositors of EFC Uganda Limited (in-liquidation) and Mercantile Credit Bank Limited (in-liquidation) with an aim of informing them on how they shall be reimbursed their protected deposits.

EKIRANGO

Bukedde 9

DPF Deposit Protection Fund of Uganda

Address: AHA Towers, 3rd Floor, Plot 7 Lourdel Road, Nakasero. P.O. Box 37228, Kampala - Uganda
General Line: +256-312-206400
Website: www.dpf.or.ug Email: info@dpf.or.ug

EKIRANGO

OLUKALALA LWA BBANKA N'EBITONGOLE EBIKOLAGANA NE DPF OKUKUUMA SSENTE ZA BAKASITOMA

COMMERCIAL BANKS

CREDIT INSTITUTIONS

MICROFINANCE DEPOSIT INSTITUTIONS

Your deposits are protected up to UGX 10 million.

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

Perspective

debasing education

DPF Deposit Protection Fund of Uganda

PUBLIC ANNOUNCEMENT

The Deposit Protection Fund of Uganda (DPF) informs depositors of the closed EFC Uganda Limited that payment of protected deposits of UGX 100,000 and below, for those who submitted accurate National ID information and mobile money numbers has been completed.

Individual account holders with deposits above UGX 100,000 up to UGX 10 million and with **verified** National ID information, shall be paid their protected deposits through Stanbic Bank, Lugogo Branch with effect from Monday February 05, 2024, during working hours. Depositors are required to present **their valid original National Identity Cards.**

Please note that:

1. Depositors who had credit facilities shall be paid less the outstanding loan amount.
2. Depositors who had not updated their personal information such as the National Identification Numbers and mobile money numbers with EFC Uganda Limited, are urged to do so at Stanbic Bank, Lugogo Branch, effective Monday 05, 2024.

The DPF is making arrangements to pay Company and Joint Account holders their protected deposits effective February 12, 2024. Depositors are advised to beware of fraudsters. For any inquiries, please contact the DPF Director Communications, on 0312 206 400, WhatsApp: 0709 015 012 or email: info@dpf.or.ug

DR. JULIA CLARE OLIMA OYET
CHIEF EXECUTIVE OFFICER

Deposit Protection Fund of Uganda

Some of adverts placed in the newspapers during the year.

5.7.2 Radio and television talk shows

In addition to advertising, the Fund held radio and television talk shows on various stations across the country in a bid to reach as many depositors as possible in the different sub-regions and in different languages.

Talk show held on Mighty Fire FM Kitgum on September 19, 2023

Talk show held on Endigyito FM Mbarara on March 21, 2024

Talk show held on Baba TV on September 5, 2023

Talk show held on TV East on November 16, 2023

5.7.3 Board Town Hall Meetings

The DPF Board of Directors held and participated in town hall meetings in a bid to foster interactions with strategic partners and stakeholders such as policymakers, Local Government officials and the public, specifically the less sophisticated depositors. The Fund therefore held regional Town Hall meetings in Jinja City and Fort Portal City.

DPF Board members, management and staff pose for a photo with guests after the Townhall meeting on April 12, 2024 in Fort Portal City

5.7.4 Regional Media Engagements

In a bid to foster and build relationships with the different media houses across the various sub-regions of the country, the Fund held regional media engagements in which journalists and editors were enlightened about the Fund's existence and its mandate. This is because media are the main vehicle for information dissemination to the public, and as such, they ought to report factually. The Fund therefore held regional media engagements in Hoima City and Gulu City.

DPF Director Communications & the media pose for a group photo after the engagement held in Gulu City on June 11, 2024

5.7.5 Meetings with Contributing Institutions (CIs)

The Fund's senior management team undertook courtesy visits to Contributing Institutions (CIs) as part of its routine engagements to not only build relationships with the management team of the CIs but also share updates on the different projects the Fund is undertaking as well as ensuring compliance on the implementation of the Single Customer View (SCV) project. In the financial year under review, courtesy visits were undertaken to Equity Bank, KCB Bank and Bank of India.

Dr. Julia Clare Olima Oyet, DPF CEO (front centre) and Mr. Anthony Kituuka (front left) pose for a photo with DPF management team and Equity Bank management team after the courtesy visit held on October 25, 2023 at the Bank's Head Office at Church House in Kampala.

KCB Bank Uganda Managing Director Mr. Edgar Byamah (L) hands over a courtesy gift to DPF Chief Executive Officer Dr. Julia Clare Olima Oyet (right) after the courtesy visit held on December 12, 2023 at the Bank's Head Office in Kampala.

5.7.6 Strategic Engagements

Mr. Hatwib Mugasa (NITA-U Executive Director), receives a courtesy gift from Dr. Julia Oyet (DPF Chief Executive Officer)

The Fund's senior management team led by the Chief Executive Officer; Dr. Julia Clare Olima Oyet (Mrs.) held strategic engagements with Chief Executive Officers and management teams of other government agencies.

The engagements are part of the Fund's efforts to foster collaboration in the public sector between other government entities and establish ways in which they can each contribute towards achieving the other agency's mandate. Engagements were held with entities such as Uganda Communications Commission (UCC), Insurance Regulatory Authority (IRA), Capital Markets Authority (CMA), Financial Intelligence Authority (FIA), Uganda Registration Services Bureau (URSB), National Information Technology Authority Uganda (NITA-U) among others.

Capital Markets Authority Chief Executive Officer Mrs. Josephine Okui Ossiya (6th Left) and DPF Chief Executive Officer Dr. Julia Clare Olima Oyet (6th Right) and members of the management teams of Deposit Protection Fund and Capital Markets Authority

5.7.7 Exhibitions

In a bid to reach the depositors who are the Fund's primary stakeholders, the Fund participated in exhibitions namely the Uganda Manufacturers Association (UMA) International Trade Fair Lugogo, CBS Pewosa Exhibition and UMA regional trade fair Mbale. The exhibitions attract thousands from a cross section of the public.

Guests at DPF stall at UMA exhibition Lugogo

A guest at the DPF stall during the UMA regional trade fair Mbale

5.7.8 Sponsorship of Professional Bodies

As part of its public awareness efforts to communicate the Fund's mandate to different audiences who are depositors, the Fund committed funds towards sponsorship of activities of some professional bodies. The Fund sponsored conferences and activities of the Institute of Certified Public Accountants of Uganda (ICPAU), Uganda Law Society (ULS), Chartered Financial Analyst (CFA), Institute of Internal Auditors (IIA), Information Systems Audit and Control Association (ISACA), Public Relations Association of Uganda (PRAU) and Uganda Public Service Human Resource Managers Network (UPS-HRMNet).

DPF CEO Dr. Julia Oyet delivering a presentation about the Fund and its mandate at the ICPAU Annual Seminar

DPF Director Information Technology Mr. Balaam Ssempala addressing guests during the ISACA Kampala Chapter Conference

5.7.9 Partnerships with Financial Sector Players

The Fund had engagements with other players in the financial sector as part of its efforts towards contributing to financial stability. The Fund supported initiatives by other financial sector players such as the World Savings Day organized by Uganda Institute of Banking & Financial Services (UIBFS), Bank of Uganda and Uganda Bankers Association (UBA). Insurance Week organized by the Insurance Regulatory Authority (IRA), Bank of Uganda sensitization workshop for large SACCOs held in Mbarara City and various Bank of Uganda Townhall meetings.

Dr. Julia Oyet (2nd R) responding to participants' questions during the Bank of Uganda Townhall meeting in Mbarara City. Left is the Deputy Governor, Dr. Michael Atingi-Ego and the DPF Director Communications, Mr. Patrick Ezaga (2nd Left).

DPF Director Communications Mr. Patrick Ezaga (R) receives a certificate for DPF from the former Chairperson Uganda Bankers Association Ms. Sarah Arapta (C). UIBFS Chief Executive Officer Goretti Masadde (L) looks on, during the World Savings Day event held in Kampala

5.8 The Capitals

The capitals are resources of value that are affected or transformed by the activities and outputs of an organization. The capitals defined in the International Integrated Reporting <IR> framework are used to fulfill 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 reputation and image.
	Manufactured Capital encompasses the tangible resources and facilities that an organization uses to operate and deliver its products or services. 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 currently has an ESG policy in place.
	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 Fund's initiatives.

5.9 Material Matters

Material matters for the Deposit Protection Fund (DPF) encompass the key factors that significantly influence the Fund's ability to fulfill its responsibility of protecting depositors and maintaining financial stability. These factors are assessed based on their likelihood and potential consequences. The Fund evaluates material matters based on their impact on the six capitals, alignment with strategic objectives and its core responsibilities such as reimbursing protected deposits when a Contributing Institution (CI) is closed and acting as a liquidator when appointed by the Bank of Uganda.

By focusing on these material matters, the DPF ensures that its strategic decisions, resource allocation, and operational efforts are aligned with its mandate. This approach allows the Fund to manage risks, safeguard depositor confidence and efficiently pay depositors their protected deposits in event of a bank closure, thus contributing to sustainability of the financial sector.

The following factors were considered in identifying material matters:

(i) Strategic objectives
(ii) Operating environment
(iii) The Fund's mandate
(iv) Board and Committee deliberations
(v) Stakeholder concerns
(vi) Risk management insights
(vii) Significant events over the past year.

Through this process, we have identified key material matters that, if not effectively managed, could hinder our ability to fulfill our mandate and support the sustainability of the financial sector.
The key material matters identified are listed in table 3 below.

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: i) systems and processes ii) competence and capability of our people iii) financial safety net coordination and cooperation iv) legislative framework v) funding	**Stakeholders** i) Depositors ii) Contributing Institutions iii) DPF Board iv) Safety net players v) Media vi) Pay Out Agents vii) DPF staff **Capitals** i) Human capital ii) Financial capital iii) Social and relationship capital iv) Manufactured capital v) Intellectual capital	i) Regularly conduct simulation tests to ascertain the Fund's readiness to pay in case of a CI closure. ii) Continuously monitor the macroeconomic and financial sector performance. iii) 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. iv) 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	i) Achieving public awareness, and trust, to foster confidence among depositors. ii) 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** i) Contributing Institutions ii) Safety net players iii) Media iv) Academia v) Depositors **Capitals** i) Human capital ii) Financial capital iii) Social and relationship capital iv) Intellectual capital	i) Increase visibility and understanding among the public as well as targeted stakeholders through mass media and stakeholder engagements. ii) Regularly seek feedback from the different stakeholders on the implementation of the Fund's mandate as well as public awareness campaigns. iii) Adhere to communication protocols in the Crisis Communication Plan in times of a crisis.

Material matter	Definition	Stakeholder and Capital affected	Strategy
3. Corporate governance	Commitment to the Fund's values and ensuring strategic, sound, and best management practices.	**Stakeholders** i) Depositors ii) Contributing Institutions iii) DPF Board iv) MoFPED v) Safety net players vi) DPF staff vii) Public **Capitals** i) Human capital ii) Financial capital iii) Social and relationship capital iv) Manufactured capital v) Intellectual capital	Adhere to the Board charter as well as Fund policies and procedures.
4. Leadership, employee engagement and development	Commitment to employee engagement, succession planning and skills development for current and future needs.	**Stakeholders** i) Depositors ii) Contributing Institutions iii) DPF Board iv) Safety net players v) DPF staff **Capitals** i) Human capital ii) Financial capital iii) Social and relationship capital	i) Ensure that human capital and administration aligns all staff towards the DPF's strategic direction, organizational objectives, and values. ii) Ensure ongoing employee engagement and management of employee welfare. iii) Ensure staff are trained in key areas such as Deposit Insurance, liquidation, ESG and financial reporting. iv) Ensure alignment of people, processes, and systems to the changing operating environment.

Material matter	Definition	Stakeholder and Capital affected	Strategy
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** i) Depositors ii) Contributing Institutions iii) DPF Board iv) Safety net players v) Pay Out Agents vi) DPF staff vii) Suppliers **Capitals** i) Human capital ii) Financial capital iii) Manufactured capital	i) 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. ii) 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** i) Depositors ii) Contributing Institutions iii) DPF Board iv) MoFPED v) Safety net players vi) Media vii) Pay Out Agents viii) DPF staff ix) Public **Capitals** i) Human capital ii) Financial capital iii) Social and relationship capital iv) Manufactured capital v) Intellectual capital	i) 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). ii) 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** i) Depositors ii) Contributing Institutions iii) DPF Board iv) Safety net players v) MoFPED **Capitals** i) Human capital ii) Financial capital iii) Social and relationship capital	Discussions with the relevant stakeholders are ongoing.
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** i) Depositors ii) Contributing Institutions iii) DPF Board iv) Safety net players **Capitals** i) Human capital ii) Financial capital iii) Social and relationship capital iv) Manufactured capital v) Intellectual capital	i) Promptly Assess, bill, and collect premiums from CIs to ensure investments are done on time, to benefit from time value of money. ii) Prudently invest the Fund's assets to generate returns without compromising safety and liquidity. iii) Conduct fund size assessments every five years in line with IADI Core Principles. iv) Manage the Fund's costs.

6.0 The Operating Environment

6.1 Global Macro-economic Outlook

6.1.1 Global Growth

The global economy is projected to grow at 3.2 percent in 2024 and 3.3 percent in 2025, which is a close level of growth recorded for 2023, according to April 2024 IMF World Economic Outlook. The April report of the IMF indicates that GDP growth for Advanced Economies should rise to 1.7 percent in 2024 and 1.8 percent in 2025, up from 1.6 percent in 2023. The level of GDP growth for Emerging Markets, in general, is projected to slow down from 4.3 percent in 2023 to 4.2 percent in 2024 and 2025.

The moderate level of global GDP growth has been influenced by the ongoing war between Ukraine and Russia since February 2022, and the armed conflict between Israel, Hamas, Iran and Houthis in Yemen, which have affected the movement of goods, grain and general trade in the Black Sea, and in the Suez Canal. The conflicts initially caused supply-side shocks to global trade through increased premiums on global shipping, logistics and container movements, resulting in relatively higher global inflation levels. The effects have since moderated as global shipping is now via the Cape of Good Hope route, and Ukraine has established a navigation corridor for its grain and general trade across the Black Sea.

6.1.2 Global Rates

Global inflation is projected to decline to 5.9 percent in 2024 and 4.5 percent in 2025, from its peak levels of 8.7 percent in 2022 according to the July 2024 IMF World Economic Outlook. The decline in global inflation was likely due to tight global monetary conditions following the hike in interest rates by the Central Banks in developed markets.   Tables 1 and 2 indicate four-year inflation levels and 365-day interest rates for different global markets in relation to the domestic market.

Table 4: Comparison of inflation levels from 2021 to date

	2021	2022	2023	2024
Global (World)	4.7	8.7	6.8	5.9
European Union	2.9	9.3	6.3	2.7
United Kingdom	2.6	9.1	7.3	2.5
United States	4.7	8.0	4.1	2.9
Uganda	2.2	7.2	5.4	3.8

Table 5: Comparison of interest rate levels from 2021 to date

	2021	2022	2023	2024
European Union	-0.72	0.47	3.16	3.19
United Kingdom	0.96	2.32	3.93	4.16
United States	0.10	2.80	5.08	4.96
Uganda	11.00	11.90	12.50	13.40

Source: ECB, BoU, UK DMO

6.2 Domestic Macro-economic Outlook

6.2.1 Economic activity (GDP).

According to the Uganda Bureau of Statistics' preliminary estimates, the economy grew by 6.0 percent for the fiscal year 2023/24 up from 5.3 percent in 2022/23. In nominal terms, the size of the economy is estimated to have expanded to UGX 202,131 billion over the same period from UGX 183,004 billion in FY 2022/23.

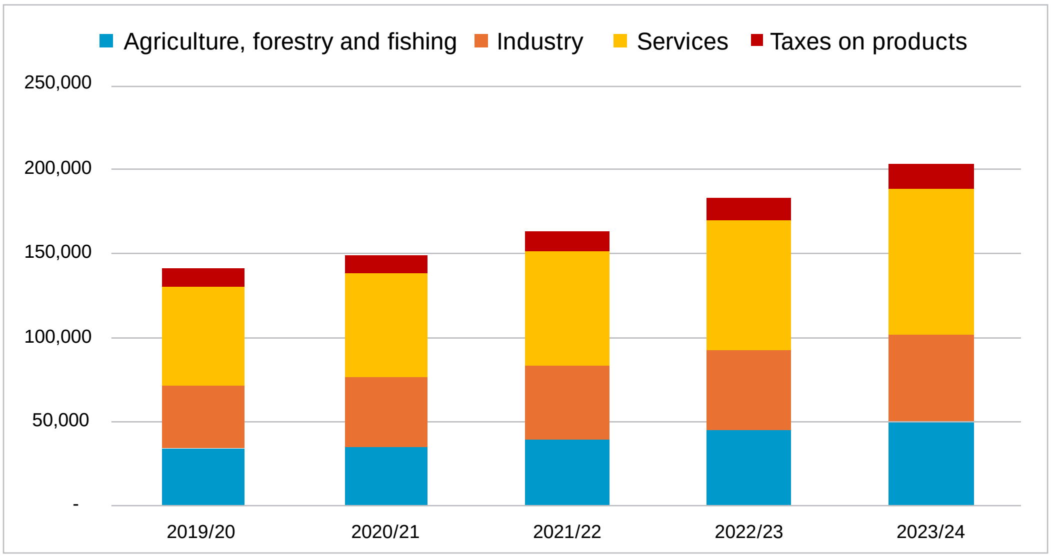
Table 6: Percentage growth of GDP at constant prices

	17/18	18/19	19/20	20/21	21/22	22/23	23/24
GDP growth (%)	6.3	6.4	3	3.5	4.6	5.3	6.0

Source: Uganda Bureau of Statistics

The services sector was the biggest contributor to GDP, with a share of 42.8 percent followed by the industrial sector at 25.2 percent and Agriculture, forestry and fishing at 24.6 percent. The gross value addition for agriculture, forestry, and fishing grew by 5.1 percent, driven mainly by food crops, cash crops, and livestock. The Industrial sector registered a gain of 5.8 percent and was 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 accommodation and food services.

Figure 3: Gross Domestic Product by sector



Source: Uganda Bureau of Statistics

BoU projects that the economy will grow in a range between 6.0 percent and 6.5 percent for FY 2024/25, supported by increased investments in the oil & gas sector, ongoing reforms in the gold mining and export industry, and continued government investments in public infrastructure like airports, road interchanges and science technology and innovations.

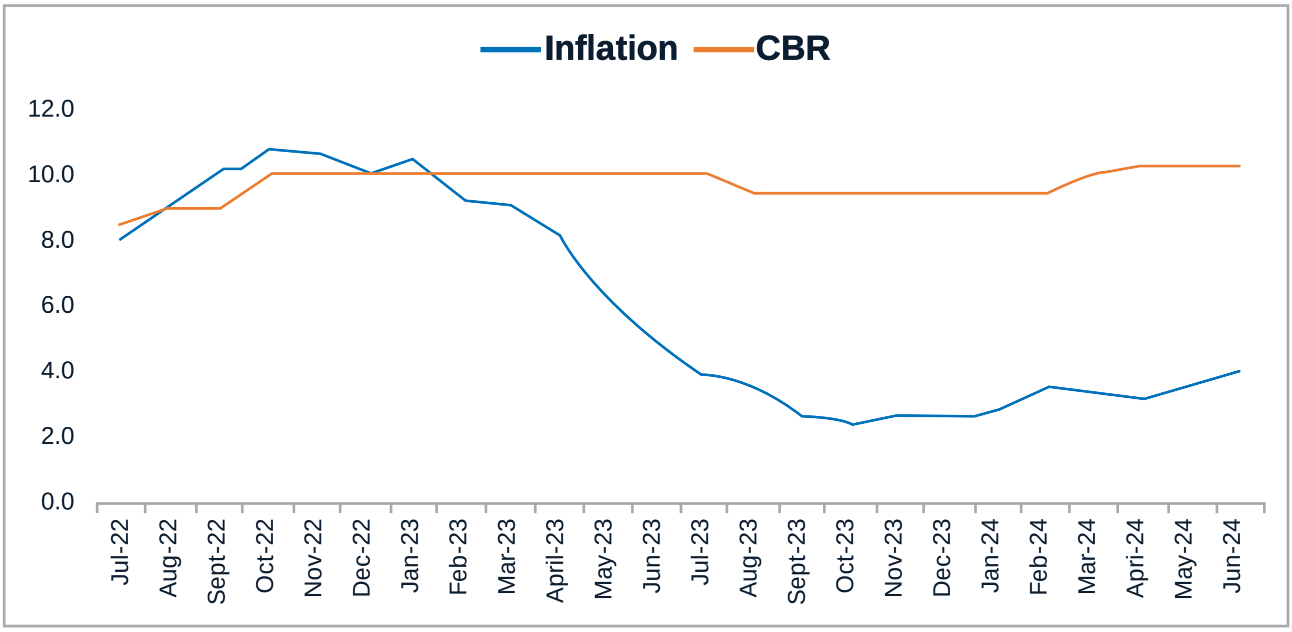
6.2.2 Monetary policy and Inflation

6.2.2.1 Inflation

Uganda's inflation during the financial year 2023/24 was maintained below the Central Bank target of 5.0 percent. In the first half of the year, inflation continued to decline, with headline and core inflation rates closing at 2.6 percent and 2.0 percent, respectively, in December 2023. This was in line with the expectations of the Bank of Uganda in August 2023, that inflation should decline to below 5 percent by the end of 2023 due to reduced food crop prices and stable costs for energy and utilities. However, in the second half of the financial year, inflation rates rose, with headline inflation closing at 3.9 percent and core inflation at 3.8 percent. This was driven by the depreciation of the exchange rate, rising prices in transport, health, education and hospitality services, while energy, fuel, & utilities inflation surged to 10.3 percent due to higher fuel costs.

The Central Bank reduced the policy rate by 25 basis points to 10.00 percent at the August 2024 Monetary Policy Committee meeting, with the objectives of containing inflation around the 5 percent policy target and economic growth consistent with the socio-economic transformation. Although the risks of higher inflation remain, the adverse impact from external shocks has abated and some progress has been made in moderating the risks of inflation persistence.

Figure 4: Inflation rate movements and the Central Bank Rate



Source: Bank of Uganda

6.2.2.2 Exchange rate

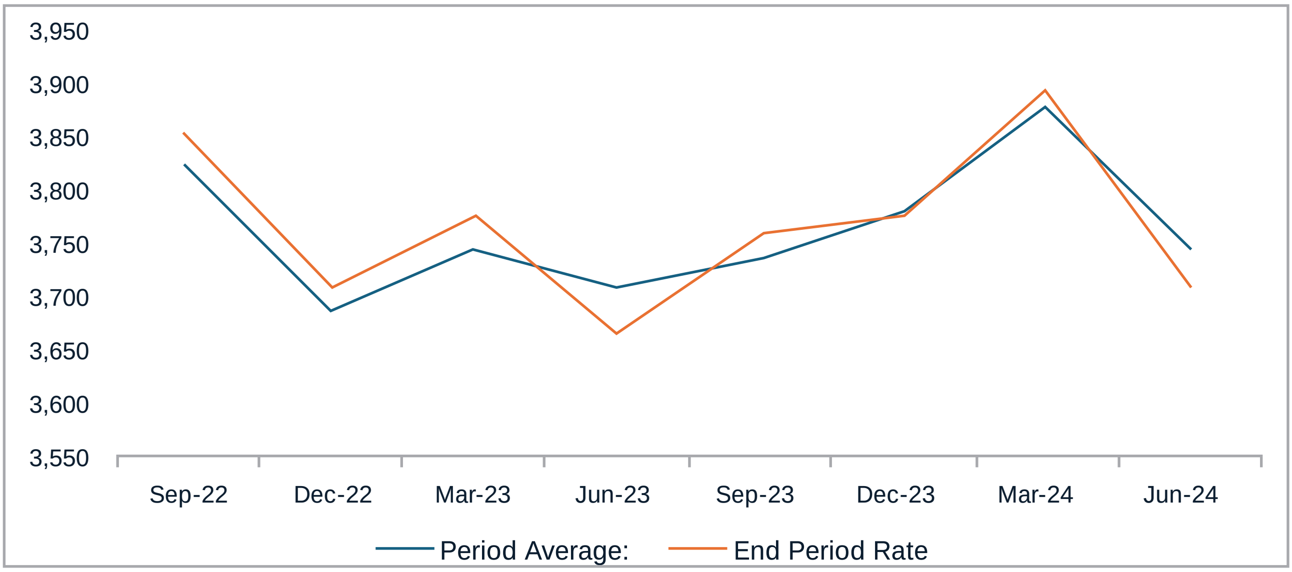
The Uganda shilling has traded relatively stable with a slight appreciation of 1.9 percent over the 12-month period that ended June 2024, and 2.8 percent appreciation for the quarter ended June 2024, as shown in the Chart below. The positive performance of the Uganda Shillings was driven by inflows from diaspora remittances, export earnings from gold and agricultural commodities, and foreign direct investments in the oil & gas sector, and investments in the science, technology and innovation segment.

Table 7: Developments in the exchange rate

Period	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Period Average	3,825	3,691	3,745	3,708	3,738	3,781	3,885	3,747
End Period Rate	3,854	3,716	3,778	3,667	3,757	3,782	3,896	3,707

Source: Bank of Uganda

Figure 5: Period Average and End Period UGX/USD Exchange rate



Source: Bank of Uganda

The outlook for the exchange rate is for relative stability over the next 12 months due to expectations of lower rates in the Developed Markets.

6.2.4 Inflation and Interest rates

The level of inflation was relatively moderate and remained below the Central Bank target of 5.0 percent. Overall inflation was 3.9 percent in June 2024, as shown in the Chart below.

Chart 1: Comparison of domestic and regional rates

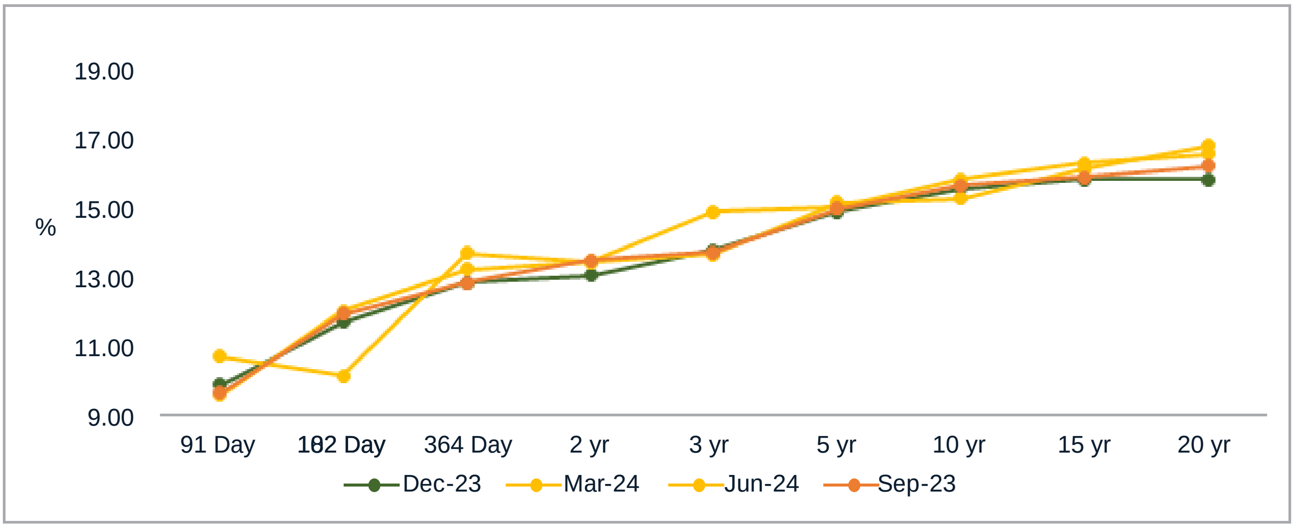
Regional Inflation & Key Interest Rates for June 2024

	Uganda	Kenya	Tanzania	Rwanda
Overall Inflation Rate (latest)	3.9%	4.6%	3.1%	4.5%
Central Bank Rate	10.3%	13.0%	6.0%	7.0%
Average 91 Day Treasury Bill	10.0%	16.0%	8.1%	8.5%
Average 2 Year Treasury Bond Yield	13.5%	16.8%	6.8%	9.3%

* Rwanda and Tanzania Inflation as of May 2024
Source: Kenya, Uganda, Rwanda and Tanzania National Bureau of Statistics & Bloomberg
Rates are in respective local currencies.

Due to the controlled level of inflation and the limited actions by the Central Bank in changing its monetary policy rate, the overall level of yield on government securities remained stable. As at June 2024, the interest rate on the 20-year bond was 16.7 percent compared to 15.7 percent as at December 2023, resulting in a change of 1 percent. The interest rate on the 10-year bond was at 16.0 percent compared to 15.5 percent, posting a change of 0.5 percent. The stability of interest rates was mainly due to the Government of Uganda financing the fiscal budget from the domestic debt markets as well as from commercial lending arrangements with domestic banks.

Figure 6: Yield curve developments in FY2023/24



Source: Bank of Uganda

The outlook for domestic interest rates is for a further increment in yields on Government Securities due to expectations of higher domestic borrowing following the increase of fiscal financing targets from UGX 3.2 trillion to UGX 8.9 trillion for FY 2024/25.

6.3 Banking Sector Performance and Developments

The overall performance of the Banking sector improved in the year ended June 2024, owing to improved macroeconomic conditions, stronger liquidity and capital buffers. The highlights of the performance for the year are detailed below.

6.3.1 Capital adequacy and profitability

The sector remained profitable and adequately capitalized during the year. The sector-wide aggregate Net Profit After-Tax (NPAT) amounted to UGX 1.42 trillion for the year ended June 2024 as compared to UGX 1.39 trillion for the year ended June 2023. The growth in earnings was driven by increased interest income and a reduction in provisions for bad debts.

The aggregate regulatory capital to risk-weighted assets ratio (total CAR) was 25.5 percent, while the Tier 1 capital to risk-weighted assets ratio (core CAR) stood at 24.2 percent. Both ratios were well above the sectoral year-end prudential minimum of 25.13 percent and 23.86 percent respectively. This positive trend in the SFIs' capital was mainly driven by efforts to comply with the revised regulatory minimum paid-up capital requirements by June 30, 2024, in accordance with the Financial Institutions (Revision of Minimum Capital Requirements) Instrument, 2022.

Total Assets

25.5%

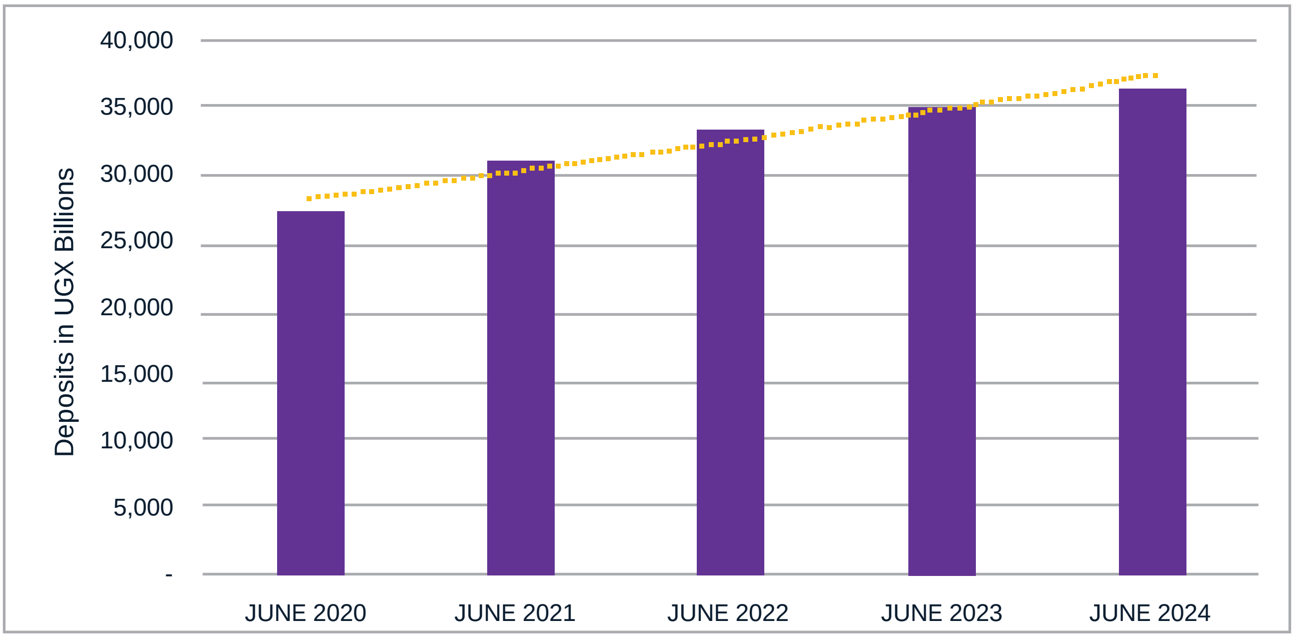
6.3.2 Changes in deposits

Total deposits in the sector increased by 4.2 percent, rising from UGX 35.0 trillion to UGX 36.4 trillion as of June 2024. By category, demand deposits grew by 3.2 percent, savings deposits by 4.7 percent, and time deposits by 5.7 percent. A five-year trend analysis of deposit growth is shown in Figure 7 below.

Total Deposits

4.2%

Figure 7: Annual trend in deposit growth



Source: BoU

6.3.3 Changes in Assets

The total assets in the sector grew by 8.5 percent from UGX 49.7 trillion in June 2023 to UGX 53.9 trillion as at end of June 2024. The growth was primarily driven by SFIs' deposits in foreign financial institutions and holdings of Government Securities. Lending activities improved with SFIs' gross loans growing by 7.6 percent from UGX 21.0 trillion in June 2023 to UGX 22.6 trillion in June 2024. This growth was supported by increased net credit extensions and a decline in non-performing loans (NPLs), largely due to substantial write-offs of bad loans totaling to UGX 746.6 billion. Detailed movements in SFIs' assets by subsector are highlighted below:

6.3.3.1 Commercial Banks

The total assets of Commercial Banks (CBs) increased by 8.9 percent from UGX 48.3 trillion in June 2023 to UGX 52.6 trillion in June 2024. The Banks' loans experienced a 7.7 percent growth from UGX 19.4 trillion in June 2023 to UGX 20.9 trillion in June 2024.

6.3.3.2 Credit Institutions

Credit Institutions (CIs) experienced a 21.5 percent decline in assets, dropping from UGX 490.6 billion to UGX 385.2 billion by June 2024. This sharp reduction was primarily due to the closure of one of the CIs, Mercantile Credit Bank Limited on June 18, 2024, whose assets accounted for 26.7 percent of total CIs' assets. The total loans for CIs fell by 19.2 percent, from UGX 280.7 billion in June 2023 to UGX 226.8 billion by June 2024.

6.3.3.3 Microfinance Deposit Taking Institutions

Microfinance Deposit-taking Institutions' (MDIs) assets grew by 2.1 percent from UGX 864.4 billion in June 2023 to UGX 882.6 billion in June 2024. However, the stock of loans in the subsector declined by 7.3 percent to UGX 451.4 billion by June 2024 because of the closure of EFC (U) Limited.

6.3.4 Regulatory Developments

Financial Institutions (Liquidity) Regulations, 2023

The Financial Institutions (Liquidity) Regulations 2023 were issued to SFIs in November 2023. The amended Regulations are expected to enhance liquidity risk management within Uganda's banking system through the Internal Liquidity Adequacy Assessment Process (ILAAP), and to cater for developments in the financial system. Additionally, the Regulations introduced the Basel III Net Stable Funding Ratio as a statutory requirement and elevate the Liquidity Coverage Ratio, which was introduced in 2014, from a prudential requirement to a statutory requirement.

Financial Institutions (Credit Reference Bureau) Regulations

Following the gazetting of the Financial Institutions (Credit Reference Bureau) Regulations, 2023, which intended to expand access to credit reference services by credit providers not regulated by Bank of Uganda. The accreditation criteria was issued by Bank of Uganda to guide the on-boarding of Accredited Credit Providers (ACPs), the revised data submission manual, validation rules, and the code of conduct. As of June 30, 2024, the number of ACPs accredited by Credit Reference Bureaus (CRBs) was eight, of which four were non-deposit taking institutions.

The Microfinance Deposit-Taking Institutions (Revision of Minimum Capital Requirements) Instrument, 2023, effective from 1st March 2024, revised the minimum capital requirements for MDIs, stipulating that companies must have a minimum paid-up capital of 250,000 currency points (5,000,000,000 Uganda shillings Five Billion only) invested initially in liquid assets approved by Bank of Uganda. Additionally, these capital funds must always remain unimpaired by losses and not fall below the 250,000-currency points threshold.

6.4 Deposit Protection

The Deposit Protection Fund of Uganda (DPF) protects all depositors of regulated deposit taking institutions up to UGX 10 million. Out of these, 98 percent are fully protected, thus providing confidence in the financial sector by ensuring that a majority of depositors are paid in time if a Contributing Institution is closed, and the Fund is advised to payout.
It is worth noting that 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.

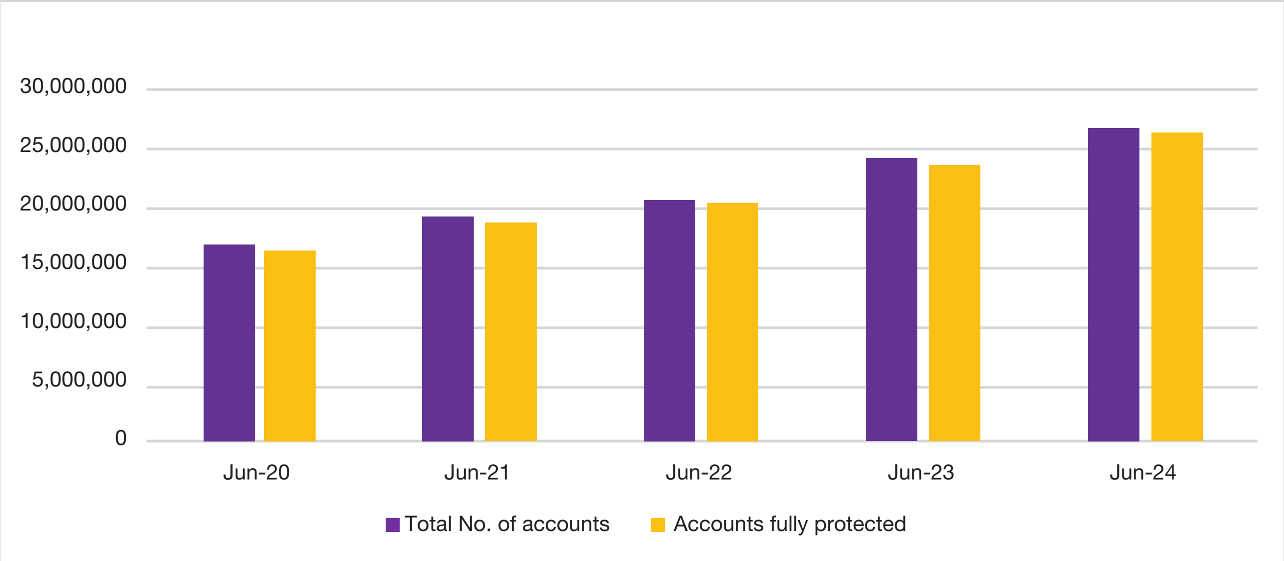
6.4.1 Deposit coverage

Total deposits within the banking sector grew by 4.0 percent from UGX 35.0 trillion as at June 30, 2023, to UGX 36.4 trillion as at June 30, 2024. Out of these, 19.3 percent (UGX 7.0 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 1.56 trillion as at June 30, 2024, the DPF could pay 22.3 percent of total protected deposits which was slightly above the 20 percent benchmark recommended by the East African Monetary Affairs Committee. On the other hand, the Fund could pay up to 4.3 percent of total deposits which was slightly higher than the 3 percent benchmark set by the East African Monetary Affairs Committee.

Figure 8: Total deposits vs protected deposits.

The sector witnessed an 11.7 percent increase (2.8 million) in the total number of accounts from 24 million as at June 30, 2023, to 26.8 million as at June 30, 2024. This reflects amongst others the growing confidence in the sector. It is important to note that 98.2 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 2020, total deposits stood at UGX 27.2 trillion compared to UGX 36.4 trillion registered in June 2024. Additionally, the number of deposit accounts in the formal financial sector has grown substantially from 16.7 million in June 2020 to 26.8 million in June 2024. 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 8 below

Table 8: Trends in deposit coverage

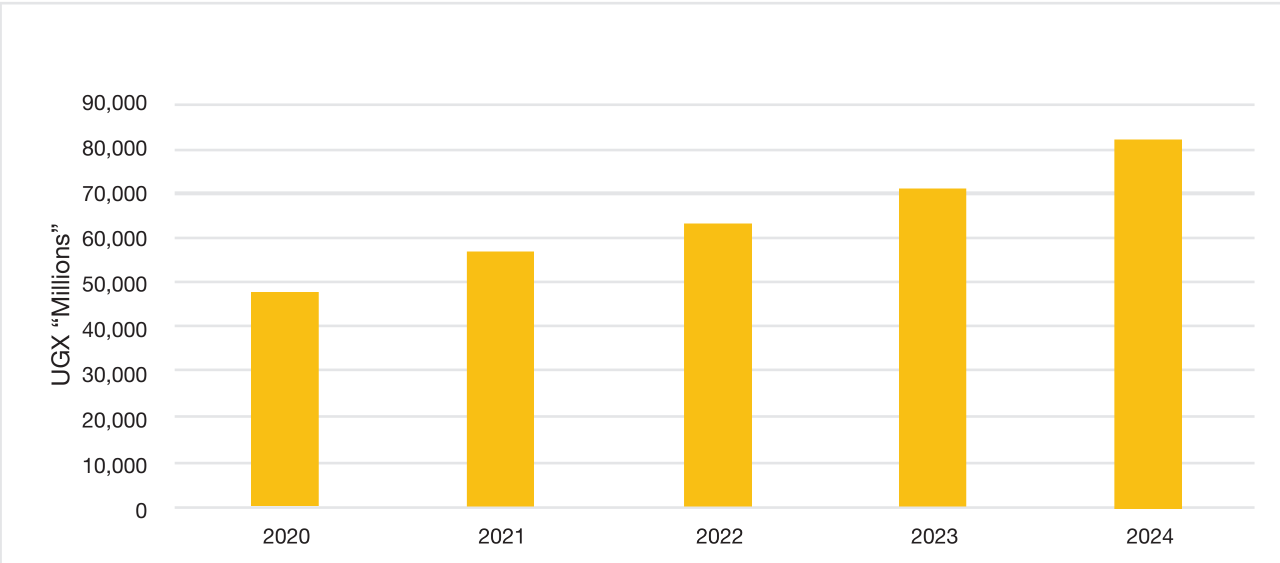
Period	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24
Total Deposits (UGX trillions)	27.15	31.1	33.3	34.9	36.4
Total protected Deposits (UGX trillions)	5.6	5.8	6.1	6.8	7.3
Total No. of accounts	16,682,703	19,068,805	20,698,543	24,005,272	26,788,843
Accounts fully protected	16,298,132	18,671,562	20,283,030	23,536,450	26,313,619
Percentage of Accounts fully protected	98%	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 2020 due to growth in deposits. This trend is illustrated in Figure 10 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 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.

Additionally, the Board is focused on key developments and innovations within the financial sector. To enhance strategic oversight capabilities, the Board launched capacity-building initiatives designed to provide members with essential expertise in new and evolving fields. During the Financial Year, focus areas included Cyber Security, Islamic Banking, and Deposit Insurance.

7.1.2 Composition of the Board of Directors

The Board comprises seven Non-Executive Directors [NEDs], including the Chairman of the Board. 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 9 shows the composition of the Board.

Table 9: Composition and Membership of the Board and Board Committees as at June 30, 2024

Name	Date of Appointment	Board Committees			
		ACB	FIRMCB	CGHCCB	TITGCB
Mr. Ben Patrick Kagoro (Board Chairman)	03- February-2017 (re-appointed effective February 7, 2022)				
Mr. I.K John Byaruhanga	03- February-2017 (re-appointed effective February 7, 2022)	Chairman		Member	
Mr. Andrew Obara	23-February-2017 (re-appointed effective February 23, 2022)		Chairman	Member	Member
Ms. Nambogo Roy	20-August-2018 (re-appointed effective August 20, 2023)		Member	Chairperson	Member
Mr. Wilbrod Humphreys Owor	23-February-2017 (re-appointed effective February 23, 2022)	Member	Member		Chairman
Mr. Emmanuel Kalema Musoke	03- February-2017 (re-appointed effective February 7, 2022)	Member	Member		
Mrs. Susan Wasagali Kanyemibwa	14-March-2022	Member		Member	Member

Key

a) ACB – Audit Committee of the Board
b) FIRMCB – Finance, Investment and Risk Management Committee of the Board
c) CGHCCB – Corporate Governance and Human Capital Committee of the Board
d) 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 policymaking with policy implementation. She also provides independent and professional advice to the Board on legal and corporate governance matters. In consultation with the Chairman of the Board 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 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:

a) Shall be a deposit insurance scheme of customers of Contributing Institutions (deposit taking institutions regulated by Bank of Uganda).

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

c) 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. Special meetings are convened as and when required. In total, the Board and Committee meetings held during the period under review were fifty-seven (57), and the attendance was as indicated in table 10 below:

Table 10: Attendance of the Board and Board Committees meetings for the period July 01, 2023– June 30, 2024

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	18/19	6/8	14/15	6/7	n/a
Mr. Wilbrod Humphreys Owor	16/19	7/8	n/a	7/7	4/8
Mr. Emmanuel Kalema Musoke	19/19	8/8	n/a	n/a	8/8
Ms. Roy Nambogo	19/19	7/8	14/15	7/7	n/a
Mr. I.K. John Byaruhanga	12/19	n/a	11/15	n/a	7/8
Mrs. Susan W. Kanyemibwa	16/19	n/a	15/15	7/7	8/8

7.1.7 Board Committees

In discharging its functions, the Board delegates some of its responsibilities to the Board Committees. The committees constituted 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

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 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 inclusive of the Committee Chairperson. The Board Secretary is the 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 as and when necessary. The Committee considers and reviews proposed budgets and work plans, virements, business cases for new projects and the financial statements of the Fund. In addition, the Committee reviews matters related to funding, liquidity, investment and enterprise-wide risk management.

7.1.7.3 Audit Committee (ACB)

The ACB is composed of four Non-Executive Directors inclusive of the Committee Chairperson. The Board Secretary is the 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 with 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.

In line with Information Technology Governance, the roles and responsibilities of the Committee are as follows:

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 July 2023 to June 2024, 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 Uganda Shillings only) and a sitting allowance of UGX 750,000 (Seven Hundred Fifty Thousand Shillings only) per meeting. All these figures are inclusive of taxes.

7.1.7.6 Training of Directors

In line with good corporate governance practice, the Directors were trained in the areas of Environment, Social and Governance (ESG), Corporate Governance, Internal Audit, Islamic Banking and Deposit Insurance during the period July 2023 to June 2024.

7.1.7.7 Public awareness

The Directors participated in the DPF Townhall engagements in Jinja and Fort Portal. The purpose of this was to reach out to the public regarding the mandate of the Fund.

7.1.7.8 Board Evaluation

The Board in line with internationally accepted best practices and facilitated by the Institute of Corporate Governance Uganda, conducted a Board self-evaluation. This was to evaluate their performance and effectiveness. The overall rating in most aspects was very good.

7.2 Corporate Governance

7.2.1 Corporate governance practice

Pursuant to its mission to foster public confidence in the financial system through the protection of depositors of Contributing Institutions and in alignment with the principles of good governance, the Deposit Protection Fund of Uganda (hereinafter referred to as the 'Fund' or 'DPF') operates 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 Fund steadfastly commits to upholding the highest standards of international best practices in business integrity, ethical values and governance. To this end, the Board of Directors are guided by 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 Board of Directors of the Deposit Protection Fund put in place a Strategic Plan to be implemented for a period of five (5) years, effective FY2022/2023 to FY2026/2027, using the Balanced Scorecard (BSC) methodology.

7.2.2 Legal framework

The Deposit Protection Fund 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 a unit within the Central Bank under its oversight and control. In 2016, the Fund was re-established under Section 108 of the Financial Institutions Act, 2004, as amended 2016, as a corporate body 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 in developing deposit insurance schemes. The mandate of the Deposit Protection Fund is stated under Section 109 of the Financial Institutions Act, Cap 57 of the Laws of Uganda 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 vests the authority of the Fund in the Board of Directors.

To support the operationalisation of the Fund, the Board in accordance with Section 111G of the Financial Institutions Act and in consultation with the Hon. Minister of 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).

7.3 Human Capital Management

7.3.1 Human capital management at the Fund

The Fund recognizes that employees are its greatest asset. We focus on attracting and retaining an engaged team with a high-performance culture. To achieve high performance, we continue leveraging our reward framework to remain market competitive. To further support this goal, the Fund utilizes the Balanced Scorecard as a strategic management and monitoring framework that ensures the clarity of individual employee contributions to the Fund's mandate.

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 with the acronym R.I.T.E.

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 as a forum through which employee welfare matters are brought to the attention of Management. In addition, the Fund undertakes a continuous review of people centric policies and procedures to ensure we create a conducive environment for optimum performance.

7.3.2 Capacity building

Capacity-building plays a critical role in empowering employees' growth and development. The Fund, therefore, provides a robust capacity-building program intended to develop and strengthen the competencies, instincts, abilities, and processes that the Fund requires to adapt and thrive in a fast-changing environment. Our capacity-building initiatives are intended to encompass three domains: personal, professional, and organizational capabilities.

The Fund's capacity-building framework, which is part of the 2022-2027 Strategic Plan identifies the following critical strategic areas among others:

i) Leadership Development

ii) Environment, Social and Governance (ESG)

iii) Business Continuity and Crisis Management

iv) Integrated Financial Reporting Standards (IFRS)

7.3.3 Organizational culture

The Fund operates in a dynamic environment, which necessitates adaptability and flexibility in its organization structure. The Fund continuously reviews its structure to stay well positioned to deliver its mandate and tap into emerging opportunities and global practices.

In this regard, the Fund instituted a research division with an aim to enhance the Fund's vision of being a center of excellence in deposit insurance. The division shall enhance policy formulations, provide insights on topical issues, and contribute to public awareness through articles and dissemination of information to our stakeholders.

7.3.4 Wellness Programme

To enhance the Fund's commitment to our employees' physical well-being and mental health, the Fund provides a wellness subsidy to employees. In addition, the Fund's medical insurance provider offers aerobics, fitness sessions and counselling services to the employees. The Fund also embarked on a Hepatitis B

awareness and vaccination initiative for employees.
The Fund's focus will be on a change management drive to nurture an organizational culture that will propel the Fund to the next level. This will be achieved by a leadership and culture development program for all senior and middle management. Furthermore, to enhance the efficiency and effectiveness of Human Capital procedures, the Fund shall commission a Human Capital Management System.

7.4 Risk Management

7.4.1 Enterprise Risk management

The Board is responsible for overseeing the effective management of risks and making overall decisions. Through its risk management framework, risks continue to be identified, monitored and mitigated. The Fund's risk matrix is reviewed and assessed by the FIRMCB, which then reports to the full Board. The Fund's Management, through its Risk and Compliance function, implements risk management policies on a day-to-day basis and prepares and shares updates with the Board on a quarterly basis.

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 and its operations. The strategy for managing risk is aimed towards depositor protection and enabling sustained performance of the Fund. 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 the Board, Management and Staff to undertake prudent risk-taking activities.

DPF's Strategy and Risk division, under the Office of the CEO oversees the Risk Management Framework to allow the Fund to identify, measure and manage risks within its risk appetite. The DPF's risk management is based on the 'three lines of defense' 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.

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.

7.4.3 Risk Management Process

DPF uses its risk management framework to manage existing and emerging risks through:

1. Identification of risks to its strategy and business operations
2. Assessment of their likelihood & impact
3. Prioritization of risks based on the assessments.
4. Evaluation & execution of mitigation strategies
5. Continuous monitoring, reviewing, and reporting.

7.4.4 Promoting the right risk management culture

Maintaining a sustainable risk culture embraced by all staff is essential to our ability to effectively seize opportunities and manage key risks. Accordingly, the Fund takes deliberate steps to continuously reinforce a positive risk culture by:

1. Continuous capacity building and risk awareness programs to influence staff behavior and attitude towards risk management.
2. Incorporation of risk management into the business policies and procedures as well as the reporting framework at the different management levels.
3. Decision making based on prior comprehensive risk assessments results.
4. Orientation of new staff on risk management practices.

Overall, the risk culture enables the Fund to maintain a balanced risk portfolio.

7.4.5 Risk Matrix

As provided 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 on 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. According to the risk assessment conducted as of June 30, 2024, most of the risks were rated moderate and low, except for project risk which was rated high as represented in Table 11 below

Table 11: Risk Matrix as of June 30, 2024

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

To manage project risk, the Fund implemented Prince 2 Project management methodology, with most staff trained in its application for all Fund Projects. The Fund has established a project management policy and prepares risk assessments for all capital projects.

7.4.6 Managing risk

7.4.6.1 Internal Controls and Compliance management.

The Fund has a compliance framework of mainly written policies, procedures, and controls established to detect and prevent non-compliance among staff. The Fund continually seeks to enhance the effectiveness of its internal control environment and improve its procedures and processes to close compliance gaps identified by its internal assurance functions, 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 2024, the Fund was compliant with the provisions of FIA Cap 57, as well as other laws that affect its operations.

7.4.6.2 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 2024, there were no significant cases of breach of the 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 (CPs) 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 12: Core Principles for Effective Deposit Insurance Systems

1	Public Policy Objectives	5	Cross-border Issues	9	Sources and uses of funds	13	Early detection and Timely Intervention
2	Mandate & Powers	6	Deposit Insurer's role in contigency planning & crisis management	10	Public Awareness	14	Failure resolution
3	Governance	7	Membership	11	Legal Protection	15	Reimbursing depositors
4	Relationships with other Safety Net Participants	8	Coverage	12	Dealing with parties at fault in a bank failure	16	Recoveries

7.4.7 Internal audit

The Internal Audit Department provides the Board and Management with independent, risk-based, objective assurance, advice, insight, and foresight to strengthen the Fund’s ability to create, protect, and sustain its value.

To enhance its independence, the Internal Audit Department derives its mandate from the Board. The mandate specifies the Department’s authority and responsibilities as documented in the Internal Audit Charter. In line with the approved Internal Audit Charter, the Internal Audit Department executes its mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the Fund.

During the financial year 2023/2024, under the theme, *“Sustainability of the Fund’s operations through Internal Auditing”*, the Internal Audit Department provided assurance and advisory services to the Fund’s Information Technology, Finance and Operations, Communications, Human Capital and Administration and Investments Departments as well as the Risk and Compliance Division under the CEO’s Office. The key processes that were reviewed included Performance Management, Training, Procurement, Budget Management, Expenditure Management, General Accounting, Financial Reporting, Portfolio Management, IT Governance, IT Operations, Business Automation, Security and Compliance, Public Awareness, Corporate Social Responsibility Programs, Risk Management and Compliance.

In addition, the Internal Audit Department followed up on the implementation status of prior internal and external audit recommendations to verify that the agreed management action plans 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, 2024, the Internal Audit Department accomplished 89 percent of the planned activities for the financial year, and the Fund had implemented adequate controls to mitigate current risk exposures.

As part of the advisory services, the Internal Audit Department reviewed the payouts made to the depositors of Entrepreneurs Financial Centre (EFC) Limited and Mercantile Credit Bank Limited in Liquidation. We noted that the Fund implemented adequate controls in relation to the payment of protected deposits.

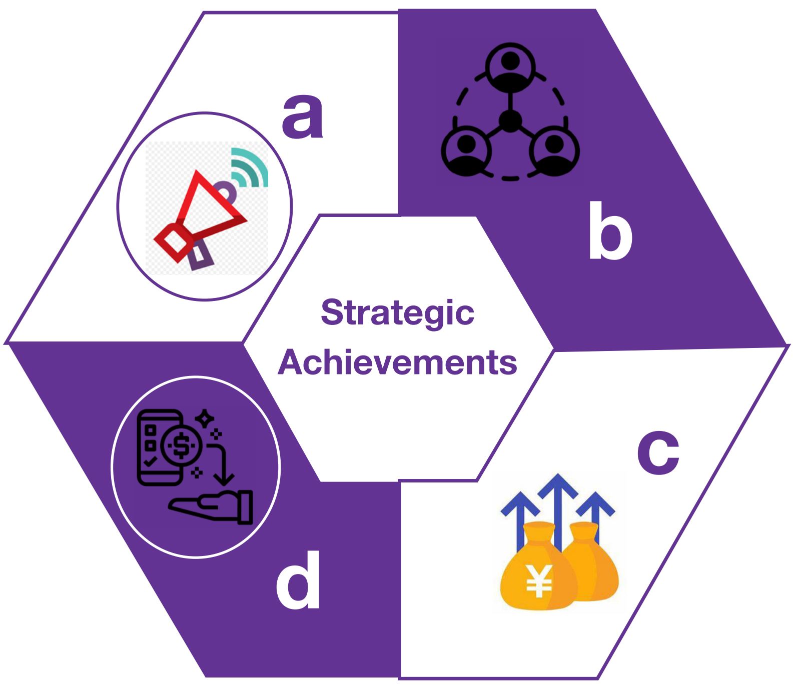
In the forthcoming financial year 2024/2025, the internal audit theme will be *“Enhancing Value for Money through Impactful Audit Reporting”*. To operationalize this theme, the Internal Audit Department will focus on providing assurance services to assess whether the Fund has attained economy, efficiency, equity, and effectiveness from implementing different strategic initiatives. These initiatives relate to General Accounting, Financial Reporting, Expenditure Management, Deposit Insurance Operations, Depositor Payout and Premium Management System, Human Capital, Investments Management and Accounting System, Organizational Culture and Management of Discipline, Procurement, Domain Controller, User Access, Identity Management, Log Management and Corporate Social Responsibility. In addition, the Department will provide forward-looking advisory services on current and emerging risks that need to be considered by the Fund.

The Internal Audit Profession has evolved, and on January 09, 2024, the Institute of Internal Auditors issued the new Global Internal Audit Standards. These standards will become effective on January 09, 2025, with early adoption strongly encouraged. The new standards guide the worldwide professional practice of internal auditing, are principle-based, and serve as a basis for evaluating and elevating the quality of the internal audit function. The Fund’s Internal Audit Department has embarked on understanding the key changes in the new standards and will endeavor to adopt the changes gradually before the effective date.

8.0 Performance highlights

8.1 Key Strategic Achievement

The Fund achieved significant success during FY2023/24 by realizing 90 percent of its annual targets, despite the crisis which emerged following the closure of two Contributing Institutions. The success realized during the year is the outcome of a dedicated team of staff and management under the strategic guidance and oversight by the Board of Directors. The key strategic achievements include:



a) Enhanced public awareness

The Fund conducted several public awareness campaigns including radio and TV talk shows, courtesy visits to contributing institutions, exhibitions, participated in world day savings celebrations, distribution of information material and advertising. Furthermore, the Fund conducted a public awareness survey to determine its public awareness levels.

b) Stakeholder engagements

The Fund held several engagements with its key stakeholders including Contributing Institutions, partner deposit insurance agencies, the public and other safety net players.

c) Growth of fund size

In accordance with its mandate, the Fund collected premiums from CIs and prudently invested the proceeds in government securities. As of June 30, 2024, the fund size had grown by 14.7 percent from UGX 1.36 trillion in June 2023 to UGX 1.56 trillion in June 2024. This was mainly due to a surplus investment income of UGX 21.8 billion above the target of UGX 177 billion. Furthermore, the operating surplus recorded for the period ended was UGX 253 billion versus a target of UGX 218 billion.

d) Depositor payout

Following the closure of EFC Uganda Ltd and Mercantile Credit Bank in January and June 2024 respectively, The Fund held press conferences to inform the public and depositors about the procedures and timelines for reimbursement. The payout process has been ongoing with a few challenges, especially for some depositors who were having incomplete SCV (and KYC) data. However, these depositors were invited to update their SCV (and KYC) data to process their payments.

e) Strategic partnerships

The Fund signed a Memorandum of Understanding with the Federal Deposit Insurance Corporation (FDIC). This framework shall enable information and knowledge sharing across the two entities as well as capacity building for staff. Furthermore, initial engagements between the Fund and the Deposit Insurance Corporation of Japan (DICJ) were initiated.

f) Risk Management

The Fund conducted a simulation exercise of the payout process. A review of risks both at the organizational and departmental level was conducted as well. The Fund went through an external audit process conducted by the Office of the Auditor General and obtained an unqualified opinion.

g) Onsite inspections of Contributing Institutions

A joint team from Bank of Uganda and the Fund conducted onsite inspections of seven Contributing Institutions. During these inspections, the Fund verified depositor information and compliance with the Single Customer View (SCV) template. Furthermore, an offsite inspection of Mercantile Bank was conducted.

h) Formulation of policies and procedures

Policies and procedures enable the Fund to improve operation efficiency and uphold compliance with the best practices in deposit insurance. The following policies and procedures were developed:

i) Internship policy
ii) I.T penetration testing policy
iii) Grievance policy
iv) Employee Disciplinary Management Policy
v) Delegation policy
vi) Disposal procedures manual
vii) IFRS 9 implementation guidelines

i) Capacity building for Board and Staff

The Fund prioritizes the development of Board and Staff skills. To this end, Board members underwent training in corporate governance, Islamic banking, ESG, risk, audit, and deposit insurance. Furthermore, capacity building programs for staff were conducted in several thematic areas including deposit insurance, internal audit, risk management, I.T, investments, finance, procurement, among others.

However, a few activities could not be completed whereas others were put on hold due to uncertainties encountered including the closure of EFC Uganda Ltd & Mercantile Bank, changes in execution strategy, delays in procurement processes and responses from external parties. The Fund shall capitalize on the achievements realized during the year to realize its set targets for FY2024/25.

8.2 Challenges

a) Steep learning curve in management of projects at the Fund. The Fund has embarked on intensive capacity building in best practices of project management. To this end, training on Prince-2 project management was held and another training is scheduled for FY2024/25.
b) Some depositors did not have up-to-date data as stipulated in the SCV guidelines issued to the CIs. However, these depositors were contacted by the Fund to provide accurate details needed for payment.

8.3 Opportunities

These are factors which the Fund may leverage to enhance its capability to execute its mandate. These include the following amongst others:

a) Building strong relationships with financial institutions, regulators, and other stakeholders is crucial. Effective communication and collaboration with these entities can enhance information sharing and coordination during financial crises.
b) Leveraging technological tools and innovations to improve the operational efficiency of The Fund. This includes adopting advanced data analytics, risk management systems, artificial intelligence and cybersecurity measures to better protect depositors' funds.
c) Adopting international best practices and standards in deposit protection of IADI to enhance the DPF's credibility and effectiveness. This includes learning from global experiences and aligning with international guidelines and recommendations.
d) Increasing public awareness about deposit protection to build trust and confidence in the financial system. Educating depositors about their rights and the role of the DPF can help in managing expectations and ensuring effective communication during crises.
e) Utilizing the growing usage of social media to enhance public awareness campaigns.
f) Increasing partners executing financial literacy programs

The Fund aims to leverage all these opportunities to enhance its contribution to financial stability.

8.4 The year ahead

As the Deposit Protection Fund (DPF) embarks on the third year of its five-year Strategic Plan, it is strategically positioned to leverage past successes and insights to achieve its objectives for the fiscal year 2024/25. The Fund will emphasize the following initiatives.

Figure 13: Initiatives for FY 2024/25

	Acquire land for DPF owned premises		Implement the Human Capital, Investments and Accounting system.
	Review the deposit insurance limit.		Enhance I.T security through implementing an internal segmentation firewall
	Conduct a mid-term review of the DPF Strategic Plan		Conduct capacity building programs for Board and staff.
	Implement a business continuity plan.		Develop an ESG strategy / framework.
	Manage the Fund's entire portfolio internally.		Increase public awareness by 5 percent for FY 2024 / 2025.

8.4.1 Resource Allocation Plans and Linkage to the Fund's Strategy

For the next year, the Fund has strategically aligned its resource allocation plans with key objectives and initiatives to effectively protect depositors and enhance financial stability. The allocation spans several resource categories, ensuring support for the Fund's initiatives and operational mandates as highlighted below;

i) **Financial Resources**

The Fund will establish a comprehensive budget at the beginning of the financial year that outlines anticipated investment, incomes and expenditure. This will cover operational expenses such as recruitment costs or training costs, technology upgrades, and public awareness campaigns aimed at enhancing public awareness of the Fund's role in deposit protection.

ii) **Human Resources**

In line with the strategic objectives and initiatives such as managing the Fund's entire portfolio internally, implementation of the Human Capital, Investments and Accounting system, ensuring Board members and staff acquire necessary skills and knowledge in deposit insurance, the Fund will emphasize resource acquisition, and workforce planning. Additionally, the Fund will conduct training and development programs, equipping employees with the skills required to meet the strategic goals.

iii) **Technological Resources Allocation**

To implement the Human Capital, Investments, and Accounting system and enhance IT security, DPF will invest in specialized software, hardware, encryption protocols, ensuring data protection and defense against cyber threats.

By prioritizing investments in financial, human and technological resources, the Fund is well-equipped to achieve its goals and sustain its long-term mission.

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

During the financial year, the Fund developed an ESG Policy, which was approved by the Board. In the financial year 2024/25, the Fund shall focus on having an ESG Strategy which will guide it in managing ESG risks, governance, and strategic opportunities.

8.5.1.1 Diversity, Equity, and Inclusion (DEI)

The Deposit Protection Fund prides itself on its commitment to Diversity, Equity, and Inclusion within our workforce. DEI is an integral part of the Fund's operations and people management practices right from the time of recruitment.

Our team comprises individuals from diverse ethnic backgrounds fostering an inclusive environment. In terms of gender balance, we maintain a fair representation with 42 percent of our staff including our Chief Executive Officer, being female. In management positions, 36 percent are held by female staff, while 64 percent are occupied by their male staff. Our age structure is also diverse, with over 78 percent of our workforce falling below the age of 44 while 18 percent are between 45 and 54 years.

We value and appreciate this diversity, actively engaging our staff through various forums such as team-building events and town hall meetings to ensure their cohesion and a sense of belonging. Inclusivity and openness are further projected through our office layout, that is an open office setting.

The Fund's recruitment processes 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 compensation and rewards philosophy.

8.5.2 Environment

As part of its commitment to the environment, the Fund has implemented several initiatives aimed at reducing its environmental footprint including enforcement of 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.

The Fund uses a digital platform to circulate documents and store information online. This not only reduces the Fund's environmental impact but will streamline the Fund's processes for greater efficiency.

8.5.3 Information Technology (IT) initiatives

The Deposit Protection Fund (DPF) integrates Environmental, Social, and Governance (ESG) principles into its IT operations, demonstrating a strong commitment to sustainability. This includes optimizing server hardware to reduce energy consumption and minimize electronic waste. By ensuring its IT infrastructure is both reliable and energy-efficient, the Fund supports business continuity while minimizing its environmental impact. A key focus is minimizing paper usage by adopting responsible printing strategies, such as duplex printing (printing on both sides of the paper) and utilizing energy-efficient printers. These measures conserve resources and reduce waste.

In addition, the DPF actively promotes digital documentation and communication, decreasing paper consumption and reliance on physical storage. By transitioning to digital platforms, the Fund is significantly reducing the environmental impact of traditional paper-based processes.

Collectively, these IT practices align with the DPF's goal of achieving operational efficiency through eco-friendly methods.

8.5.4 Corporate Social Responsibility

The Fund engages in Corporate Social Responsibility (CSR) activities on an annual basis with the aim of creating a positive societal impact, focusing on the marginalized and underprivileged individuals especially women, children and youth. The Fund's CSR activities are focused on the following thematic areas:-

a) Health,
b) Quality Education (Education and skills Development),
c) Safe water and sanitation,
d) Affordable and clean energy (Solar, renewal energy sources),
e) Climate action (Environment),
f) Financial literacy
g) Humanitarian emergencies
h) Engaging in CSR solidifies the Fund's reputation as a socially responsible institution dedicated to community welfare and instills trust among depositors of contributing institutions.

9.0 Financial performance highlights for the year 2023/24

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 211 billion in FY 2023/24 compared to UGX 253 billion in FY 2022/23. The reduction in total comprehensive income for the year is mainly explained by unrealized losses of UGX 41 billion in FY 2023/24 compared to the income of UGX 39 billion in FY 2022/23. As at June 30, 2024, the Fund's debts instruments at fair value through other comprehensive income registered unrealized fair value losses amounting to UGX 41 billion due to net reduction in the prices of the Treasury Bonds (yields on Treasury Bonds increased) compared to unrealized fair value gains of UGX 39 billion that were registered in FY 2022/23. The summary of the total comprehensive income for the year is presented in Table 12 below:

Table 12: Total comprehensive income

Particulars	June 30, 2024 UGX '000	June 30, 2023 UGX '000	Change %
Operating Income	280,019,277	235,522,914	19
Operating expenses	(27,582,842)	(21,486,396)	28
Surplus for the year	**252,436,435**	**214,036,518**	**18**
Other comprehensive income	**(41,166,443)**	**39,092,618**	**(205)**
Total comprehensive income	**211,269,992**	**253,129,136**	**(17)**

9.2.1 Operating income

The Fund realized a total operating income of UGX 280 billion in FY 2023/24 compared to UGX 236 billion in FY 2022/23 indicating a growth of 19 percent. The growth is attributable to the increment in interest income calculated using the effective interest method due to a 16 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 13.

Table 13: Operating income

Particulars	June 30, 2024 UGX '000	June 30, 2023 UGX '000	Change %
Interest income calculated using the effective interest method	202,005,596	166,181,765	22
Contributions	76,874,798	68,607,243	12
Other income	439,337	12,221	3,495
Net trading income	699,547	721,685	(3)
	280,019,277	**235,522,914**	**19**

9.2.2 Operating expenditure

Operating expenses increased by UGX 6 billion to UGX 28 billion in FY 2023/24 from UGX 21 billion in FY 2022/23. This was majorly due to a UGX 3 billion increase in employee costs due to the hiring of additional staff and an increase in other operating expenses by UGX 3 billion in FY 2023/24. The details of the operating expenditure are presented in Table 14 below:

Tale 14: Operating expenditure

Particulars	June 30, 2024 UGX '000	June 30, 2023 UGX '000	Change %
Employee costs	(14,736,798)	(11,666,110)	26
Other operating (expenses)/ income	(9,520,077)	(6,998,514)	36
Fund management fees and expenses	(1,227,356)	(1,055,694)	16
Depreciation and amortization	(1,860,276)	(1,579,887)	18
Impairment losses (reversals) on financial assets	(131,104)	(62,624)	109
Interest on lease liabilities	(107,230)	(123,567)	-13
	(27,582,842)	(21,486,396)	28

a) Employee costs

Employee costs majorly comprise staff salaries, allowances, and retirement benefits. The 26 percent increment in employee costs balance is majorly explained by cost-of-living adjustment and performance-based increment made to employee salaries and the hire of additional staff to the Fund during FY 2023/24.

b) Other operating (expenses)/ income

Other operating (expenses)/ income include board fees and expenses, general expenses, maintenance costs, capacity building expenses and payout costs. Other operating expenses increased by 36 percent, majorly due to increased capacity building activities for both board and staff, advertising costs due to payout activities and other payout operational expenses incurred in FY 2023/24.

c) Fund management fees and expenses

Fund management fees and expenses increased by 16 percent, majorly due to portfolio growth to UGX 1,595 billion in FY 2023/24 from UGX 1,374 billion in FY 2022/23. However, it's important to note that more than half of the Fund's portfolio is internally managed hence a low expenditure on Fund management activities during FY 2023/24.

d) Depreciation and amortization

The increment in depreciation and amortization expenses is explained by the additions in property and equipment and other intangible assets made during FY 2023/24.

e) Impairment losses (reversals) on financial assets

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

9.2.4 Cost to investment income ratio

Particulars	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Investment income	201,393,749	165,869,838
Operating expenses	27,582,842	21,486,396
Less:		
Depreciation and amortization	1,860,276	1,579,887
Expected credit loss (expense)/ release on financial assets	131,104	62,624
Interest expense on lease liabilities	107,230	123,567
Provision for unrecoverable tax amounts	-	82,156
Operating expenses less non cashflow items	25,484,232	19,638,162
Adjusted cost to investment income ratio	**12%**	**12%**

The adjusted cost to investment income ratio stood at 12 percent for the year ended June 2024 compared to 12 percent of the prior year.

9.3 Statement of Financial Position

Table 15: Abridged statement of financial position

Particulars	June 30, 2024 UGX '000	June 30, 2023 UGX '000	Change %
Assets	1,619,767,574	1,404,999,922	15
Liabilities	59,065,322	55,567,662	6
Reserves	1,560,702,251	1,349,432,260	16

9.3.1 Assets

Total assets increased by UGX 215 billion to UGX 1,620 billion in FY 2023/24 from UGX 1,405 billion in FY 2022/23. The movement is majorly due to an increase in the debt instruments at amortized cost (UGX 95 billion) and debt instruments at fair value through other comprehensive income (UGX 127 billion). Cash in hand and at bank reduced by UGX 11 billion to UGX 6 billion in FY 2023/24 from UGX 18 billion in FY 2022/23. The decrease in cash balances was due to the continuous reinvestment of excess funds in government securities under the working capital portfolio during the year ended June 30, 2024.

9.3.2 Liabilities

The Fund's liabilities are categorized into deferred income, trade and other payables and lease liabilities. Total liabilities increased by 6 percent (by UGX 3 billion) majorly due to an increment in deferred income following an increment in annual premiums.

9.3.3 Reserves

Total reserves increased by 16 percent to UGX 1,561 billion as at June 30, 2024 from UGX 1,350 billion as at June 30, 2023. The movement is attributed to the total comprehensive income (UGX 211 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:

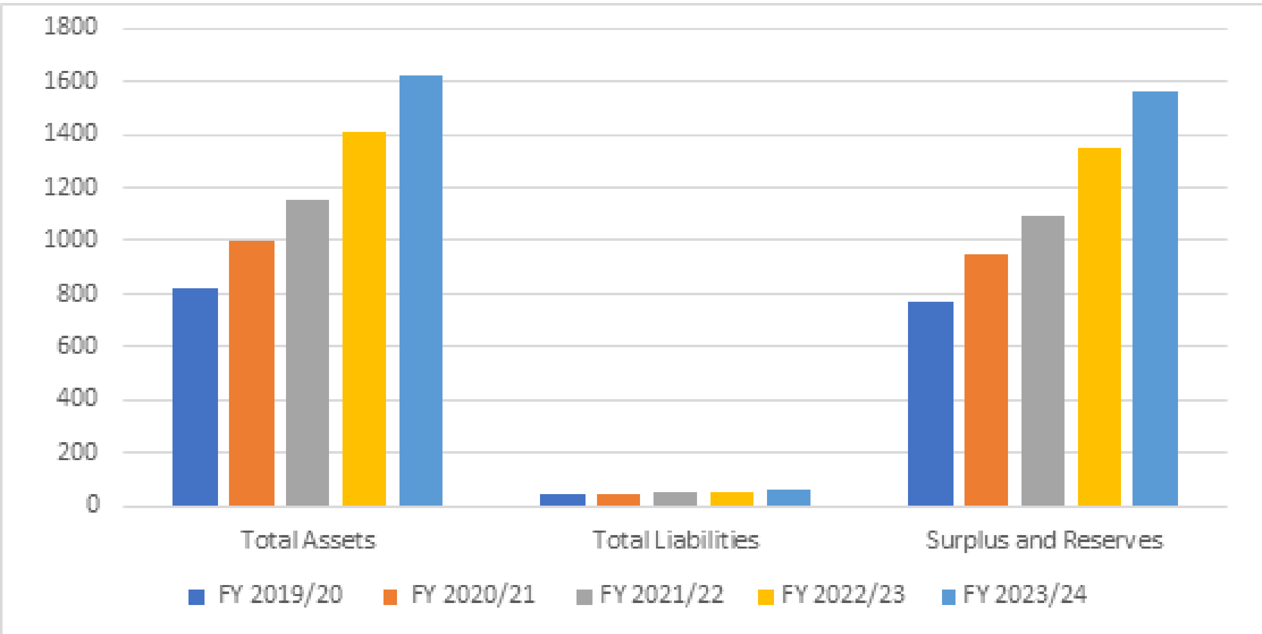
Table 16: Trend of financial performance

Particulars	**FY 2019/20**	**FY 2020/21**	**FY 2021/22**	**FY 2022/23**	**FY 2023/24**
	UGX Billions	**UGX Billions**	**UGX Billions**	**UGX Billions**	**UGX Billions**
Total Assets	821	1,000	1,150	1,405	1,620
Total Liabilities	49	48	54	56	59
Surplus and Reserves	772	952	1,096	1,350	1,561
Operating income	145	177	218	236	280
Operating expenses	27	20	6	21	28
Surplus	119	157	212	214	252

9.4.1 Assets, liabilities, and reserves

Over the past five (5) years, the Fund's total assets have grown significantly by 97 percent, to UGX 1,620 billion as at June 30, 2024, from UGX 821 billion as at June 30, 2020. This growth was mainly due to debt instruments, which increased from UGX 810 billion to UGX 1,595 billion during this time. Total liabilities have been stable, with a 20 percent increment over the five-year period, due to higher yearly premium collections from Contributing Institutions. Notably, the fund surplus and reserves account rose gradually by UGX 789 billion over this period. Figure 13 below shows the five-year trend of assets, liabilities, and reserves.

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



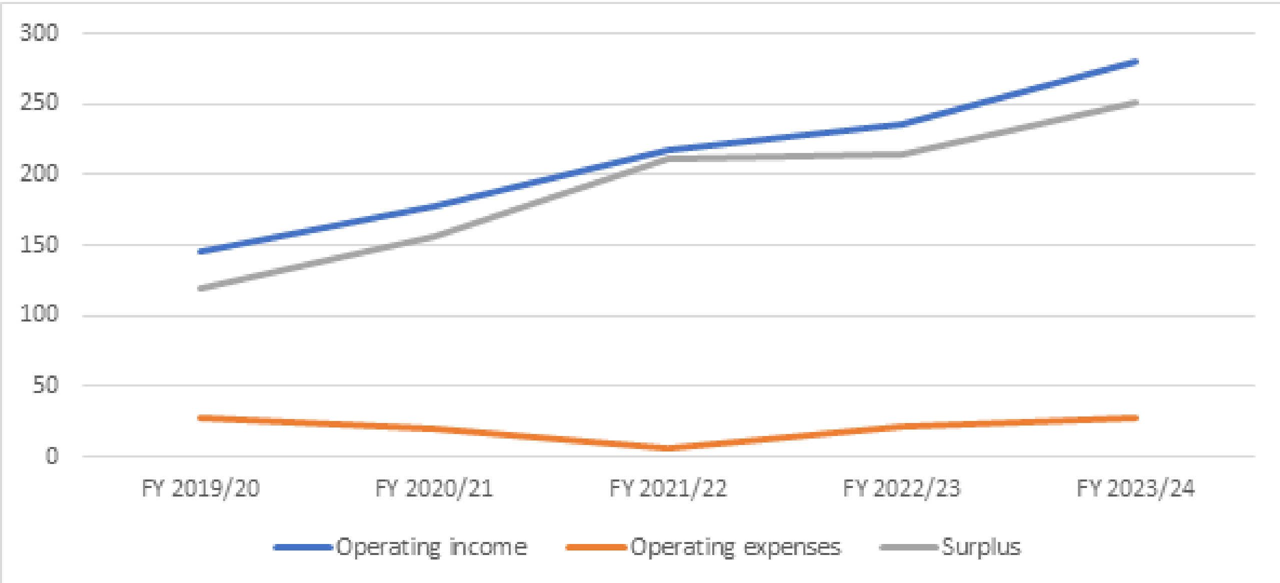
9.4.2 Operating income, operating expenses, and total comprehensive income

The operating income has exhibited a consistent upward trend, surging to UGX 280 billion in FY 2023/24 from UGX 145 billion in FY 2019/20. 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 28 billion in FY 2023/24 from UGX 27 billion (inclusive of taxation of UGX 19 billion) in FY 2019/20. This 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, 2020, and June 30, 2024. There has been a gradual growth in surplus from UGX 119 billion to UGX 252 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 report of the Deposit Protection Fund, for the year ended June 30, 2024.

Incorporation

The Deposit Protection Fund was established as a body corporate under section 108 of the Financial Institutions Act, Cap 57. As per the said law, the Fund is governed by board members who were appointed by the Honorable Minister of Finance, Planning and Economic Development. They include the Chairman and representatives of the Governor of the Central Bank, Secretary to the Treasury, Contributing Institutions and the public.

Principal activities

As per Section 109 of the Financial Institutions Act, Cap 57, 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, 2024 as set out on pages 92 to 154 of this report. The Fund's total assets have increased by 15 percent from UGX 1,405 billion to UGX 1,620 billion as at June 30, 2023 and June 30, 2024 respectively. The increase has been largely reflected in treasury instruments, which increased from UGX 1,374 billion to UGX 1,595 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, Mr. Andrew Obara, Ms. Roy Nambogo, Mr. Wilbrod Humphreys Owor and Mr. Emmanuel Kalema Musoke.

Auditors

In accordance with Section 111D, of the Financial Institutions Act Cap 57, the financial statements shall be audited once every year within four months after the close of each financial year, and an annual report of the operations of the Fund submitted to the Minister and Contributing Institutions.

In accordance with the provisions of section 23 of the National Audit Act, the Auditor General appointed M/s Sejjaaka, Kaawaase & Co. 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 92 to 154 were approved on 21/10/2024.

____

BOARD CHAIRMAN

Date: 21/10/2024

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, 2024, and the statement of profit or loss and other comprehensive income and statement of cash flows for the year ended June 30, 2024, 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 92 to 154 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, 2024. 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 21 October 2024 and signed by:

Chairman	**Director**	**Director**

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10.3 REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE DEPOSIT PROTECTION FUND FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2024 TO THE RT. HON. SPEAKER OF PARLIAMENT

Introduction

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

Opinion

I have audited the accompanying financial statements of the Deposit Protection Fund set out on pages 193 to 164, which comprise the statement of financial position as at 30th June 2024, the statement of profit or loss and other comprehensive income, and statement of cash flows for the period 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 30th June 2024 and of its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Financial Institutions Act, Cap 57.

Basis for Opinion

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

Key Audit Matter

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

I have determined the pay-out to depositors described below as the Key Audit Matter (KAM) to be communicated in my report;

Key Audit Matter: Pay out to Depositors	How our audit addressed the KAM
During the year ended June 30, 2024, two contributing institutions, that is, EFC (U) Limited and Mercantile Credit Bank Limited were closed by the Bank of Uganda on January 19, 2024, and June 18, 2024, respectively. As required by Section 113(5) of the FIA Cap 57, DPF embarked on the exercise of paying the protected deposits up to a maximum of IJGX 10 million to the depositors of the above two closed institutions. This was the first pay out exercise since DPF was established as a separate legal entity from the Central Bank in 2016, thus fulfilling its mandate in the financial sector (deposit insurance scheme for customers of contributing institutions). The total amount reported as paid out to depositors of the two closed banks as at 30th June 2024 is Uganda shillings one billion four hundred ninety-one million four hundred fiftythree thousand eight hundred eighty-four (1,491,453,884) inclusive of loans recovered from depositors.	My procedures in relation to the depositors' payout include: • Examining the requirements of the Financial Institutions Act, Cap 57, with special attention to section 113(5). • Examining the DPF set policies and processes/ procedures relating to depositor payout. • I employed the services of a data analyst who tested for integrity, completeness and accuracy of the payout data probing for segregation of duties and duplicate transactions. I report that: • DPF has put in place policies and systems for the depositor payout in line with the requirements of the financial Institutions Act. • The Fund acquired the DPPS system to handle depositor data verifications and payout. However, NIN verifications were done manually using the NIRA portal due to the lack of a bulk NIN validation tool. The system is currently not configured to work with Agent Banks so was exclusively utilized to pay the Airtel and MTN depositors. • Duplicate payments to some depositors due to issues with the Depositor Payout System. • The Fund faced challenges in reimbursing depositors due to inaccurate information, untraceable KYC, and non-responsive depositors. In the circumstances, Uganda Shillings three billion, ninety-six million, five hundred forty eighty thousand (3,096,548,000) was not paid as at 30th June 2024. The Fund is working on enhancing the DPPS system with the capability of validating Single Customer View Data and working with Agent Banks. I have advised DPF to fast track payment to depositors by enhancing the systems so that it fulfills its mandate in the financial sector in a timely and efficient manner. I have nothing further significant to report on this matter.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express 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 International Financial Reporting Standards and the requirements of the Financial Institutions Act, Cap 57, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund Is ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

As required by Section 18(1) of the National Audit, Cap 170 and normal audit procedures, I report to you, based on my audit, that:

- I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of my audit;

- In my opinion proper books of account have been kept by the DPF, so far as appears from my examination of those books; and

- DPF's Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income are in agreement with the books of account.

Edward Akol

<u>AUDITOR GENERAL</u>

Dated as: 23rd October, 2024

10.4 Statement of profit or loss and other comprehensive income

	Note	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Operating income			
Interest income calculated using the effective interest method	4	202,005,596	166,181,765
Premium contributions	5	76,874,798	68,607,243
Other income	6	439,337	12,221
Gains arising from derecognition of financial assets measured at FVTOCI	7	699,547	721,685
		280,019,277	**235,522,914**
Operating expenses			
Employee costs	8	(14,736,798)	(11,666,110)
Other operating (expense)/ income	9	(9,520,077)	(6,998,514)
Fund management fees	10	(1,227,356)	(1,055,694)
Depreciation and amortization	11	(1,860,276)	(1,579,887)
Expected credit loss (expense)/ release on financial assets	12	(131,104)	(62,624)
Interest expense on lease liabilities	13	(107,230)	(123,567)
		(27,582,842)	**(21,486,396)**
Surplus for the year		**252,436,435**	**214,036,518**
Other comprehensive income			
Other comprehensive income to be reclassified subsequently to profit or loss			
Net change in fair value for debt instruments at FVTOCI	19	(41,981,936)	38,499,068
Net amount reclassified to profit or loss for debt instruments at FVTOCI	19	783,139	568,540
Net change in impairment for debt instruments at FVTOCI	12	32,354	25,010
Other comprehensive income for the year		**(41,166,443)**	**39,092,618**
Total comprehensive income for the year		**211,269,992**	**253,129,136**

The notes on pages 96 to 154 form an integral part of these financial statements.

10.5 Statement of financial position

	Note	June 30, 2024	June 30, 2023
		UGX '000	UGX '000
Assets			
Cash and cash equivalents	14	6,457,792	17,803,143
Trade and other receivables	15	6,638,963	3,437,890
Income tax receivable	16	-	348,375
Loans and advances to staff	17	4,163,242	1,885,421
Debt instruments at amortized cost	18	385,011,803	290,339,017
Debt instruments at FVTOCI	19	1,209,765,336	1,083,186,145
Intangible assets	20	2,056,552	2,105,540
Property and equipment	21	4,283,117	4,068,829
Right-of-use assets	13	1,390,770	1,825,562
Total assets		**1,619,767,574**	**1,404,999,922**
Liabilities			
Deferred income	22	33,844,601	30,936,683
Trade and other payables	23	23,755,605	22,742,398
Lease liabilities	13	1,465,117	1,888,581
Total liabilities		**59,065,322**	**55,567,662**
Reserves			
Fair value through other comprehensive income reserves	24	(38,380,867)	2,785,576
Accumulated surplus	24	1,599,083,118	1,346,646,684
Total reserves		**1,560,702,251**	**1,349,432,260**
Total liabilities and reserves		**1,619,767,574**	**1,404,999,922**

The notes on pages 96 to 154 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 21 October 2024 and signed on its behalf by:

Chairman

Director

Ag. CEO

10.6 Statement of changes in equity

	Accumulated surplus	FVTOCI reserve	Total reserves
	UGX '000	UGX '000	UGX '000
As at 1 July 2022	**1,132,610,166**	**(36,307,042)**	**1,096,303,124**
Surplus for the year	214,036,517	-	214,036,517
Other comprehensive income			
Transfer to FVTOCI reserve	-	38,499,068	38,499,068
Net change in impairment for debt instruments at FVTOCI	-	25,009	25,009
Recycling of Government securities at FVTOCI	-	568,540	568,540
As at June 30, 2023	**1,346,646,683**	**2,785,576**	**1,349,432,259**
As at 1 July 2023	1,346,646,683	2,785,576	1,349,432,259
Surplus for the year	252,436,435	-	252,436,435
Other comprehensive income			
Transfer to FVTOCI reserve	-	(41,981,936)	(41,981,936)
Net change in impairment for debt instruments at FVTOCI	-	32,354	32,354
Recycling of Government securities at FVTOCI	-	783,139	783,139
As at June 30, 2024	**1,599,083,118**	**(38,380,867)**	**1,560,702,251**

The notes on pages 96 to 154 form an integral part of these financial statements.

10.7 Statement of cash flows

	Note	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Cash flows from operating activities			
Surplus for the year		252,436,435	214,036,517
Adjustments for:			
Depreciation and amortization	11	1,860,276	1,579,887
Expected credit loss (expense)/ release on financial assets	12	131,104	62,624
Interest on lease liabilities	13	107,230	123,567
Income from tax claim	16	-	-
Provision for doubtful amounts	16	191	82,156
Loss on asset disposal		-	10,044
Changes in:			
Trade and other receivables	15	(3,276,831)	(567,161)
Loans and advances to staff	17	(2,284,526)	(328,963)
Debt instruments at amortized cost	18	(94,689,071)	(60,890,556)
Debt instruments at FVTOCI	19	(167,777,987)	(145,902,928)
Deferred income	22	2,907,916	2,372,495
Trade and other payables	23	1,013,207	(343,245)
Cash generated from operations		**(9,572,055)**	**10,234,439**
Interest paid	13	(107,230)	(123,567)
Tax received/(paid)	16	348,183	2,421,388
Net cash (used in) / generated from operating activities		**(9,331,101)**	**12,532,260**
Cash flows from investing activities			
Purchase of intangible assets	20	(294,408)	-
Purchase of property and equipment	21	(1,296,376)	(2,241,098)
Net cash used in investing activities		**(1,590,784)**	**(2,241,098)**
Cash flows from financing activities			
Principal payment of leases	13	(423,464)	(365,687)
Net cash used in financing activities		**(423,464)**	**(365,687)**
Net change in cash in hand and at bank		(11,345,350)	9,925,475
Cash in hand and at bank at the beginning of the year	14	17,803,143	7,877,668
Cash in hand and at bank at end of year	**14**	**6,457,793**	**17,803,143**

The notes on pages 96 to 154 form an integral part of these financial statements.

10.8 Notes to the financial statements

10.8.1 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.

10.8.2 Basis of Preparation

10.8.2.1 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.

10.8.2.2 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.

10.8.2.3 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.

10.8.2.4 Use of estimates and judgements

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

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

Judgements

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

a) Business model assessment

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

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

b) Impairment models and assumptions used

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

c) Determining significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Fund considers qualitative and quantitative reasonable and supportable forward-looking information.

d) Determining the lease term

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

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

Assumptions and estimates of uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended June 30, 2024 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

Significant judgment and estimation is made by the Directors in determining the Fund's litigation provisions and contingent disclosures. 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.

10.8.3 Material 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.

10.8.3.1 New standards, amendments and interpretations

10.8.3.1.1 New standards, amendments and interpretations effective and adopted by the Fund

The Fund has applied all pronouncements that became effective for annual reporting periods beginning on or after July 1, 2023. These standards and amendments did not have a material impact on the financial statements.

New or revised pronouncement	Effective date	Effect on DPF
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 1 January 2023.	Applicable to annual reporting periods beginning on or after 1 January 2023	The Fund does not have any contracts that meet the definition of an insurance contract under IFRS 17.

New or revised pronouncement	Effective date	Effect on DPF
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.	Annual reporting periods beginning on or after 1 January 2023	The amendments had no impact on the financial statements of the Fund.
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 1 January 2023	The Fund has adopted the amendments to IAS 1 for the first time in the current year.
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 1 January 2023.	The amendments had no impact on the financial statements of the Fund.

New or revised pronouncement	Effective date	Effect on DPF
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 1 January 2023	The amendment had no impact on the financial statements of the Fund.
International Tax Reform — Pillar Two Model Rules (Amendments to the 'IFRS for SMEs' Standard) The amendments align the standard's requirements with similar amendments to IAS 12 Income Taxes issued in May 2023.	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	The amendment had no impact on the financial statements of the Fund.

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

The below new accounting standards and interpretations are not mandatory for June 30, 2024, 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 S1 General Requirements for Disclosure of Sustainability-related Financial Information IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.	Applicable to annual reporting periods beginning on or after 1 January 2024
IFRS S2 Climate-related Disclosures IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.	Applicable to annual reporting periods beginning on or after 1 January 2024

New or revised pronouncement	Effective date
IFRS 18 Presentation and Disclosures in Financial Statements IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	Applicable to annual reporting periods beginning on or after 1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	Applicable to annual reporting periods beginning on or after 1 January 2027
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 1 January 2024
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 1 January 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 1 January 2024

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 1 January 2024
Lack of Exchangeability (Amendments to IAS 21) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	Annual reporting periods beginning on or after 1 January 2025
Amendments to the SASB standards to enhance their international applicability The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics.	Annual reporting periods beginning on or after 1 January 2025
Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments.	Annual reporting periods beginning on or after 1 January 2026
Editorial Corrections (various) The IASB periodically issues Editorial Corrections and changes to IFRSs and other pronouncements. Since the beginning of calendar 2021, such corrections have been made in June 2021, October 2021, December 2021, January 2022, July 2022, October 2022, August 2023, and September 2023.	As minor editorial corrections, these changes are effectively immediately applicable under IFRS

The above pronouncements are not expected to have a material impact on the Fund's financial statements.

10.8.3.2 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.

10.8.3.3 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.

10.8.3.3.1 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 amortized 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 'amortized 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 amortized 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 amortized 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:

a) Interest on financial assets measured at amortised cost;
b) Interest on debt instruments measured at FVTOCI;

10.8.3.3.2 Net gains/ losses on de-recognition of financial assets measured at amortised cost or FVTOCI

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.

10.8.3.3.3 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.

10.8.3.3.4 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 of 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.

10.8.3.4 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.

Operating expenses. 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.

10.8.3.5 Provisions and contingencies

Provisions are recognized when the Fund has a present legal or constructive obligation because 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.

Contingent assets and contingent liabilities are not recognized in the financial statements. The Fund discloses the unpaid protected deposit balances as at the end of the financial year as contingent liabilities since these amounts are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. Section 111C(4) of the Financial Institutions Act, Cap 57, requires a customer to make a claim of their protected deposits from the Fund if their financial institution closes. Consequently, the Fund cannot predict when these customers will file their claims, hence the disclosure as contingent liabilities.

10.8.3.6 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.

10.8.3.6.1 Recognition and initial measurement

Financial assets and liabilities, except for 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 market. 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.

10.8.3.6.2 Classification and measurement of financial instruments

10.8.3.6.2.1 Financial assets

All financial assets are recognized and 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 represents 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 amortized 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:

a) 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 amortized cost;

b) 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);

c) All other debt instruments (e.g. 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 amortized 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 amortized 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 amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, the principle is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. 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 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 considers all relevant evidence available such as:

a) 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;
b) 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
c) How managers of the business are compensated (for instance, 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 model.

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 amortized cost or at FVTOCI are subject to impairment. See Note 4.

10.8.3.6.3 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.

10.8.3.6.4 Impairment of financial assets

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

a) Cash and cash equivalents
b) Debt instruments at fair value through other comprehensive income
c) Debt instruments at amortized cost
d) Trade and other receivables
e) 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

a) 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).
b) 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 4.
c) 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.

10.8.3.6.5 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:

a) significant financial difficulty of the borrower or issuer;
b) a breach of contract such as a default or past due event;
c) 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;
d) the disappearance of an active market for a security because of financial difficulties; or
e) 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 amortized 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.

10.8.3.6.6 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.

10.8.3.6.7 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:

a) the borrower is past due more than 90 days on any material credit obligation to the Fund; or
b) 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.

10.8.3.6.8 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:

a) the remaining lifetime PD at the reporting date; with

b) 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 a 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 significant increase in credit risk is provided in Note 4.

10.8.3.6.9 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.

10.8.3.6.10 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.

10.8.3.6.11 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 amortized 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 (see Note 4).

10.8.3.6.12 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.

10.8.3.6.13 Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized 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 amortized cost include trade and other liabilities.

10.8.3.6.14 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.

10.8.3.6.15 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, 2024	Note	Total carrying amount UGX '000	Amortized cost UGX '000	FVTOCI UGX '000
Cash at bank	14	2,166,194	2,166,194	-
Trade and other receivables	15	4,524,060	4,524,060	-
Loans and advances to staff	17	4,188,451	4,188,451	-
Debt instruments at amortized cost	18	385,080,071	385,011,803	-
Debt instruments at FVTOCI	19	1,209,765,336	-	1,209,765,336
Total financial assets		**1,605,724,112**	**395,958,776**	**1,209,765,336**
Trade and other payables	23	23,755,606	23,755,606	- -
Total financial liabilities		**23,755,606**	**23,755,606**	**-**

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	2,029,675	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 FVTOCI	19	1,083,186,146	-	1,083,186,146
Total financial assets		**1,395,313,654**	**312,127,508**	**1,083,186,146**
Trade and other payables	23	22,742,399	22,742,399	**-**
Total financial liabilities		**22,742,399**	**22,742,399**	**-**

10.8.3.6.16 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.

10.8.3.6.17 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.

10.8.3.7 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 effective interest method in the statement of financial position.

10.8.3.8 Taxes

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

10.8.3.9 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.

The majority 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.

10.8.3.9.1 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.

10.8.3.9.1.1 Management of operational risk

Managing operational risk in the Fund is seen as an integral part of the day-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 systems 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.

10.8.3.9.2 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 in 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 also inform future investment decision.

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.

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 amortised cost
- Debt instruments at fair value through other comprehensive income
- Trade and other payables

Exposure to credit risk

Below is the summary of the exposure to credit risk.

	Note	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Cash at bank	14	2,166,194	17,802,908
Trade and other receivables	15	4,524,060	3,397,223
Loans and advances to staff	17	4,188,451	1,903,925
Investments in government securities	18	1,594,845,406	1,373,577,146
Total exposure		**1,605,724,112**	**1,396,681,202**

The Fund invests in government securities. While government 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.

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 Bank of Uganda, Centenary Rural Development Bank and Stanbic Bank (Uganda) Limited.

The credit risk on bank balances is considered very low since the central bank, which held 96 percent of the Fund's cash at 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 is 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 percent. Loans in this category are provided for in full.

(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.

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 a number of Quarters by the central bank
- Adverse Geo-political events

(ii) Trade and other receivables

- When a contributing financial institution is determined to be under extreme liquidity stress.
- When a contributing financial institution is placed under statutory management and/or liquidation.
- Any credit event or adverse regulatory action significantly affecting a parent or subsidiary of the contributing financial 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 a number of circumstances

(iv) Investments in government securities

- Adverse Geo-political events

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)

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.

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.

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.

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 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 macro-economic variables and credit risk and credit losses.

The tables below summarize the principal macroeconomic indicators included in domestic economic scenarios used at June 30, 2024 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

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 FVTOCI or Amortised 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.

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 FVTOCI or Amortised cost by internal rating grades and related ECLs.

	Year ended June 30, 2024				Year ended June 30, 2023			
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 - 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	1,209,765,336	-	-	1,209,765,336	1,083,186,146	-	-	**1,083,186,146**
Grade 2: Watch	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-
Total gross carrying amount	**1,209,765,336**	**-**	**-**	**1,209,765,336**	**1,083,186,146**	**-**	**-**	**1,083,186,146**

An analysis of changes in the fair value and corresponding ECLs is as follows;

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
Fair value as at July 1, 2022	**898,215,609**	**-**	**-**	**898,215,609**
New assets originated or purchased	209,185,156	-	-	209,185,156
Assets derecognised or matured (excluding writeoffs)	(63,282,228)	-	-	(63,282,228)
Changes in fair value	39,067,609	-	-	39,067,609
As June 30, 2023	**1,083,186,146**	**-**	**-**	**1,083,186,146**
As at July 1, 2023	**1,083,186,146**	**-**	**-**	**1,083,186,146**
New assets originated or purchased	262,848,559	-	-	262,848,559
Assets derecognised or matured (excluding write-offs)	(95,102,926)	-	-	(95,102,926)
Changes in fair value	(41,166,443)	-	-	(41,166,443)
As June 30, 2024	**1,209,765,336**	**-**	**-**	**1,209,765,336**

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
ECLs as at July 1, 2022	**161,371**	**-**	**-**	**161,371**
New assets originated or purchased	36,338	-	-	36,338
Assets derecognised or matured (excluding writeoffs)	(11,328)	-	-	(11,328)
As June 30, 2023	**186,381**	**-**	**-**	**186,381**
As at July 1, 2023	**186,381**	**-**	**-**	**186,381**
New assets originated or purchased	47,461	-	-	47,461
Assets derecognised or matured (excluding writeoffs)	(15,108)	-	-	(15,108)
As June 30, 2024	**218,733**	**-**	**-**	**218,733**

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

Cash at bank	Year ended June 30, 2024				Year ended June 30, 2023			
Cash at bank	**Stage 1 - 12 month ECL**	**Stage 2- Life-time 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	2,166,194	-	-	**2,166,194**	17,802,908	-	-	**17,802,908**
Grade 2: Watch	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-
Total gross carrying amount	**2,166,194**	**-**	**-**	**2,166,194**	**17,802,908**	**-**	**-**	**17,802,908**
ECL allowance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount	**2,166,194**	**-**	**-**	**2,166,194**	**17,802,908**	**-**	**-**	**17,802,908**

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

	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	UGX' 000	UGX' 000	UGX' 000	UGX' 000
Gross carrying amount as at July 1, 2022	**1,053,460**	**-**	**-**	**1,053,460**
New assets originated or purchased	17,802,908	-	-	17,802,908
Assets derecognised or matured (excluding writeoffs)	(1,053,460)	-	-	(1,053,460)
As June 30, 2022	**17,802,908**	**-**	**-**	**17,802,908**
As at July 1, 2023	**17,802,908**	**-**	**-**	**17,802,908**
New assets originated or purchased	2,166,194	-	-	2,166,194
Assets derecognised or matured (excluding writeoffs)	(17,802,908)	-	-	(17,802,908)
As June 30, 2024	**2,166,194**	**-**	**-**	**2,166,194**

There was no ECL recognized on cash balances.

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, 2023 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	4,188,451	-	-	**4,188,451**	1,903,925	-	-	**1,903,925**
Grade 2: Watch	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-
Total gross carrying amount	**4,188,451**	**-**	**-**	**4,188,451**	**1,903,925**	**-**	**-**	**1,903,925**
ECL allowance	**25,209**	**-**	**-**	**25,209**	**18,504**	**-**	**-**	**18,504**
Carrying amount	**4,163,242**	**-**	**-**	**4,163,242**	**1,885,421**	**-**	**-**	**1,885,421**

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	UGX' 000	UGX' 000	UGX' 000	UGX' 000
Gross carrying amount as at July 1, 2022	1,574,961	-	-	1,574,961
New assets originated or purchased	2,078,953	-	-	2,078,953
Payments and assets derecognised (excluding writeoffs)	(1,749,989)	-	-	(1,749,989)
As June 30, 2023	**1,903,925**	**-**	**-**	**1,903,925**
As at July 1, 2023	**1,903,925**	**-**	**-**	**1,903,925**
New assets originated or purchased	6,656,527	-	-	6,656,527
Assets derecognised or matured (excluding writeoffs)	(4,372,001)	-	-	(4,372,001)
As June 30, 2024	**4,188,451**	**-**	**-**	**4,188,451**

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	UGX' 000	UGX' 000	UGX' 000	UGX' 000
ECLs as at July 1, 2022	16,747	-	-	16,747
New assets originated or purchased	18,504	-	-	18,504
Assets derecognised or matured (excluding writeoffs)	(16,747)	-	-	(16,747)
As June 30, 2023	**18,504**	**-**	**-**	**18,504**
As at July 1, 2023	**18,504**	**-**	**-**	**18,504**
New assets originated or purchased	25,209	-	-	25,209
Assets derecognised or matured (excluding writeoffs)	(18,504)	-	-	(18,504)
As June 30, 2024	**25,209**	**-**	**-**	**25,209**

	Year ended June 30, 2024				Year ended June 30, 2023			
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	3,398,564	-	-	**3,398,564**	1,923,239	-	-	**1,923,239**
Grade 2: Watch	-	-	-	-	-	1,590	-	**1,590**
Grade 3: Default	-	-	240,130	**240,130**	-	-	104,846	**104,846**
Total gross carrying amount	**3,398,564**	**-**	**240,130**	**3,638,694**	**1,923,239**	**1,590**	**104,846**	**2,029,675**
ECL allowance	**145,696**	**-**	**240,130**	**385,826**	**240,298**	**921**	**104,846**	**310,065**
Carrying amount	**3,252,868**	**-**	**-**	**3,252,868**	**1,718,941**	**669**	**-**	**1,719,610**

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	UGX' 000	**UGX' 000**	**UGX' 000**	**UGX' 000**
Gross carrying amount 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
Payments and assets derecognised (excluding writeoffs)	(1,508,785)	-	-	(1,508,785)
As June 30, 2022	**1,923,239**	**1,590**	**104,846**	**2,029,675**
As at July 1, 2023	**1,923,239**	**1,590**	**104,846**	**2,029,675**
New assets originated or purchased	3,398,564	-	135,284	3,533,848
Assets derecognised or matured (excluding writeoffs)	(1,923,239)	(1,590)	-	(1,924,829)
As June 30, 2024	**3,398,564**	**-**	**240,130**	**3,638,694**

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	UGX' 000	**UGX' 000**	**UGX' 000**	**UGX' 000**
ECLs as at July 1, 2022	**179,996**	**-**	**104,255**	**284,251**
New assets originated or purchased	204,298	921	591	205,810
Assets derecognised or matured (excluding writeoffs)	(179,996)	-	-	(179,996)
As June 30, 2023	**204,298**	**921**	**104,846**	**310,065**
As at July 1, 2023	**204,298**	**921**	**104,846**	**310,065**
New assets originated or purchased	145,696	-	135,284	280,980
Assets derecognised or matured (excluding writeoffs)	204,298)	(921)	-	(205,219)
As at June 30, 2024	**145,696**	**-**	**240,130**	**385,826**

Debt instruments at amortized cost	Year ended June 30, 2024 Stage 1 - 12 month ECL	Stage 2- Lifetime ECL	Stage 3 - Lifetime ECL	Total	Year ended June 30, 2023 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	385,080,071	-	-	385,080,071	290,391,000	-	-	**290,391,000**
Grade 2: Watch	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-
Total gross carrying amount	**385,080,071**	**-**	**-**	**385,080,071**	**290,391,000**	**-**	**-**	**290,391,000**
ECL allowance	**68,268**	**-**	**-**	**68,268**	**51,983**	**-**	**-**	**51,983**
Carrying amount	**385,011,803**	**-**	**-**	**385,011,803**	**290,339,017**	**-**	**-**	**290,339,017**

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, 2022	**229,500,445**	**-**	**-**	**229,500,445**
New assets originated or purchased	290,391,000	-	-	290,391,000
Payments and assets derecognized (excluding writeoffs)	(229,500,445)	-	-	(229,500,445)
As at June 30, 2023	**290,391,000**	**-**	**-**	**290,391,000**
As at July 1, 2023	**290,391,000**	**-**	**-**	**290,391,000**
New assets originated or purchased	385,080,071	-	-	385,080,071
Assets derecognized or matured (excluding write offs)	(290,391,000)	-	-	(290,391,000)
As at June 30, 2024	**385,080,071**	**-**	**-**	**385,080,071**

	Stage 1 Individual UGX' 000	Stage 2 Individual UGX' 000	Stage 3 UGX' 000	Total UGX' 000
ECLs 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 June 30, 2023	**51,983**	**-**	**-**	**51,983**
As at July 1, 2023	**51,983**	**-**	**-**	**51,983**
New assets originated or purchased	68,268	-	-	68,268
Assets derecognized or matured (excluding write offs)	(51,983)	-	-	(51,983)
As June 30, 2024	**68,268**	**-**	**-**	**68,268**

10.8.3.9.3 Interest rate risk

Interest rate risk in the bond portfolio is controlled through duration and asset allocation limits as approved in the Investment Policy Statement (IPS). The interest rate risk on the Fund's portfolio is relatively moderate as most of the securities, that is, 68 percent of the holdings are held in the short- and medium-term horizons.

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, 2024, portfolio duration stood at **5.19 years** while that of June 30, 2023, was **6.67 years,** supported by concentration of investments in the short- and medium-term horizons of the yield curve.

The table 1 and 2 below show duration in years and other characteristics of the Fund's portfolio.

Table 1: FY2023/2024

Asset Type	Number of Securities	Duration (Years)	Portfolio Value UGX '000
Debt instruments at FVTOCI	481	5.91	1,209,765,336
Debt instruments at amortized cost	97	0.54	385,011,803

Table 2: FY2022/2023

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

10.8.3.9.3.1 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 is to mean that, if the portfolio incurs a loss under normal conditions, then there is 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. 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	FY2023/2024 95% VaR	FY2022/2023 95% VaR
Historical (UGX'000)	192,163	141,830
Monte Carlo (UGX'000)	196,774	142,018

An increase in VAR year on year is commensurate with increase in asset portfolio of the Fund in the reporting period.

10.8.3.9.4 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 inability of the Fund to fully pay out the insured depositors of a contributing institution due to 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:

Exposure to liquidity risk

	Year ended June 30, 2024 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	6,471,892	6,471,892	-	-	-	-
Debt instruments at amortized cost	385,011,803	-	108,646,415	276,365,388	-	-
Debt instruments at FVTOCI	1,209,765,336	-	54,285,878	129,239,511	532,003,452	494,236,495
Trade and other receivables	4,524,060	-	4,524,060	-	-	-
Current income tax receivable	-	-	-	-	-	-
Loans and advances to staff	4,163,242	-	22,804	267,824	2,550,973	1,321,641
Total assets	**1,609,936,333**	**6,471,892**	**167,479,157**	**405,872,723**	**534,554,425**	**495,558,136**
Total assets	**1,609,936,333**	**6,471,892**	**167,479,157**	**405,872,723**	**534,554,425**	**495,558,136**
Liabilities						
Payable to the Government of Uganda	19,750,479	-	-	-	19,750,479	-
Unclaimed deposits	198,882	-	-	-	198,882	-
Lease liabilities	1,465,117	-	-	530,694	934,423	-
Expenses payable	1,446,044	-	1,446,044	-	-	-
Total liabilities	**22,860,522**	**-**	**1,446,044**	**530,694**	**20,883,784**	**-**
Net Liquidity gap						
As at June 30, 2024	**1,571,075,811**	**6,471,892**	**166,515,327**	**405,487,865**	**512,322,927**	**496,277,800**

Exposure to liquidity risk

	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	348,374		348,374	-	-	-
Loans and advances to staff	2,761,042	-	-	757,606	839,344	1,164,092
Total assets	**1,396,442,388**	**17,803,143**	**111,513,088**	**182,450,208**	**624,879,889**	**460,309,693**
Total assets	**1,396,442,388**	**17,803,143**	**111,513,088**	**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**

10.8.3.9.4.1 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.

10.8.3.10 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.

10.8.3.11 Fair value

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 FVTOCI (Note 19)

Financial assets and financial liabilities

Financial assets

	Note	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Financial instruments at FVTOCI			
Debt instruments at FVTOCI	19	1,209,765,336	1,083,186,146
Financial instruments at amortized cost			
Cash at bank	14	6,457,792	17,803,143
Trade and other receivables	15	6,638,963	3,437,890
Loans and advances to staff	17	4,163,242	1,885,421
Debt instruments at amortized cost	18	385,011,803	290,339,017
Total financial assets		**402,271,800**	**313,465,473**

Financial liabilities

		June 30, 2024	June 30, 2023
		UGX '000	UGX '000
Liabilities at amortized cost			
Trade and other payables	23	23,755,605	22,742,398
Total financial liabilities		**23,755,605**	**22,742,398**

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, 2024

	Level 1	Level 2	Level 3
Assets measured at fair value			
Debt instruments at FVTOCI	-	1,209,765,336	-

Fair value hierarchy as at June 30, 2023

	Level 1	Level 2	Level 3
	-	1,083,186,146	-

There were no transfers between levels during the period.

10.8.3.12 Property and Equipment

Property, plant and equipment are initially recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct 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, plant and equipment are determined by reference to their carrying amounts and are considered 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 end of the year and any change in accounting estimate is recorded through profit or loss.

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

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

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

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

10.8.3.13 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 the end of each financial year. 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.

10.8.3.14 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 assess 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 leas e, 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. 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 on 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 of 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.

10.8.3.15 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 contributes 5 percent of their total wages.

10.8.3.15.1 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 i.e., 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.

10.8.3.15.2 Other Employee Benefits

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

4. Interest income calculated using the effective interest method

	June 30, 2024 UGX '000'	June 30, 2023 UGX '000'
Debt instruments at amortized cost	37,636,004	29,916,787
Debt instruments at FVTOCI	163,757,745	135,953,051
Loans and advances to Staff	611,847	311,927
	202,005,596	**166,181,765**

5. Contributions

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

		June 30, 2024 UGX ‘000’	June 30, 2023 UGX ‘000’
Annual premiums			
Commercial banks	5(a)	63,479,907	58,323,918
Credit institutions	5(b)	479,965	434,490
Microfinance deposit taking institutions	5(c)	821,413	742,464
		64,781,285	**59,500,873**
Risk adjusted premiums			
Commercial banks		11,723,430	8,494,225
Credit institutions		146,736	381,150
Microfinance deposit taking institutions		223,347	230,994
		12,093,513	**9,106,370**
		76,874,798	**68,607,243**

The growth in annual and risk adjusted premiums is attributable to an increment in deposit liabilities of Contributing Institutions.

Annual premiums are reconciled to deferred income as follows:

		June 30, 2024 UGX '000’	June 30, 2023 UGX '000’
Deferred premium balance brought forward	22	30,936,684	28,564,189
Annual premiums for the calendar year		67,689,201	61,873,368
Deferred premium balance carried forward	22	(33,844,601)	(30,936,684)
Annual premiums		**64,781,285**	**59,500,873**

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

a) Commercial Banks	June 30, 2024 UGX ‘000’	June 30, 2023 UGX ‘000’
ABC Bank	49,536	48,376
Absa Bank	5,255,323	5,088,769
Bank of Africa	1,300,955	1,270,799
Bank of Baroda	3,525,257	3,245,066
Bank of India	570,074	558,123
Cairo Bank	365,697	331,667
Centenary Bank	8,051,414	7,056,539
Citibank	1,809,554	1,705,486
DFCU Bank	4,643,293	4,676,427
Diamond Trust Bank	3,698,415	3,013,880
Eco Bank	957,301	914,461
Equity Bank	5,161,024	4,293,570

Exim Bank	560,713	569,379
Finance Trust Bank	572,940	514,204
Guaranty Trust Bank	261,269	261,532
Housing Finance Bank	2,253,939	1,696,599
KCB Bank	1,530,357	1,204,002
NCBA Bank	1,039,685	1,013,508
Opportunity Bank	380,643	357,736
I&M Bank	1,281,612	1,233,699
Stanbic Bank	12,422,390	11,816,675
Standard Chartered Bank	5,272,077	5,265,108
Tropical Bank	383,815	383,458
United Bank of Africa	702,410	709,878
Afriland Bank	243	526
Post Bank	1,429,973	1,094,452
	63,479,907	**58,323,919**

b) Credit Institutions	**30-Jun-24**	**30-Jun-23**
	UGX '000'	**UGX '000'**
Mercantile Credit Bank	283,721	248,709
Top Finance Bank	9,650	21,536
BRAC Bank	132,838	126,254
Yako Bank	53,756	37,991
	479,965	**434,490**

c) Microfinance Deposit Taking Institutions	**30-Jun-24**	**30-Jun-23**
	UGX '000'	**UGX '000'**
Pride Microfinance	367,135	331,986
FINCA	230,585	213,859
UGAFODE	90,832	66,126
EFC Bank	132,861	130,493
	821,413	**742,464**

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 as per Section 111 of the FIA Cap 57.

6. Other income

	30-Jun-24 UGX '000'	30-Jun-23 UGX '000'
Civil penalty interest from commercial banks	2,715	-
Civil penalty interest from Credit Institutions	-	118
Civil penalty interest from MDIs	-	-
Total penalties	**2,715**	**118**
Sale of bids	5,354	7,912
Other income	431,267	4,191
	439,337	**12,221**

Other income for the year comprises income from sale of bids, reversal of bonuses to staff and penalty for late payment of annual contributions.

During the year ended June 30, 2024, one Contributing Institution that did not pay their premiums to the Fund within the specified period and was charged a civil penalty interest charge of 0.5 per cent of the unpaid amount for every day outside the notice period on which the amount remained unpaid as per Section 111 (3) of the Financial Institutions Act Cap 57.

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

	30-Jun-24 UGX '000'	30-Jun-23 UGX '000'
Sales proceeds	**14,556,319**	31,322,399
Amortized cost	**(14,914,711)**	(31,516,869)
(Loss)/profit on traded securities	**(358,392)**	**(194,470)**
Interest accrued on traded securities	**1,057,939**	916,155
Gains on derecognition of FVTOCI investments	**699,547**	**721,685**

Gains on derecognition of FVTOCI investments relates to the gains realized by the Fund from sale of Government of Uganda Treasury Bonds.

8. Employee costs

	30-Jun-24 UGX '000'	30-Jun-23 UGX '000'
Salaries and wages	8,767,322	7,026,554
Staff allowances	2,050,261	1,621,410
Staff retirement and terminal benefits	2,345,938	1,995,504
Medical expenses	613,778	394,784
Other employee costs*	959,497	627,859
	14,736,798	**11,666,110**
Number of employees	**53**	**47**

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

9. Other operating expenses

	30-Jun-24 UGX '000'	30-Jun-23 UGX '000'
Board fees and expenses	1,703,097	1,453,817
General expenses	2,107,809	1,398,326
Communication expenses	218,577	204,314
Utility and property expenses	167,332	203,175
Travel and transport	246,327	189,574
Maintenance costs	1,649,193	1,210,857
Publicity expenses	1,493,290	945,703
Professional and consultancy services	145,877	51,142
Auditor's remuneration	49,451	49,175
Payout costs	289,633	-
Capacity building	1,449,222	1,210,275
	9,519,887	6,916,358
Provision for unrecoverable tax amounts	191	82,156
	9,520,077	**6,998,514**

The provision for unrecoverable tax amounts relating to withholding tax that could not be reconciled to URA records and could not be claimed by the Fund has been reversed out.

10. Fund management fees

	30-Jun-24 UGX '000'	30-Jun-23 UGX '000'
Britam Asset Managers	419,502	379,005
GenAfrica Assets Managers	-	-
M/s Sanlam Investments East Africa Ltd	639,593	545,511
	1,059,094	**925,516**
Fund management expenses	168,262	131,178
	1,227,356	**1,055,694**

The Fund management fees are based on the market value of the portfolio at the end of each relevant quarter as per the investment management agreement signed between the Fund and each of the Fund Managers. During the year, Britam Asset Managers and M/s Sanlam Investments East Africa Ltd were the Fund's investment managers.

11. Depreciation and amortization

		30-Jun-24 UGX '000'	30-Jun-23 UGX '000'
Depreciation on right-of-use asset	13	1,082,088	402,812
Amortization on intangible assets	20	434,792	340,889
Depreciation on property and equipment	21	343,396	836,186
		1,860,276	**1,579,887**

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, 2024	Stage 1 & 2 allowance	Stage 3 allowance	Releases	Total
Debt instruments at amortized cost	16,284	-	-	**16,284**
Debt instruments at FVTOCI	32,353	-	-	**32,353**
Risk adjusted premium receivable	62,678	-	-	**62,678**
Loans and advances to staff	6,706	-	-	**6,706**
Trade and other receivables	13,083	-	-	**13,083**
	131,104	**-**	**-**	**131,104**

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 FVTOCI	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**

13. Leases

The Fund leases its office premises and recognizes lease liabilities and right-of-use assets in accordance with IFRS 16. The leases typically run for three years. Information about the lease is presented below:

i. Right-of-use assets

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Opening balance	1,825,562	2,088,913
Additions	-	142,457
Depreciation for the year	(434,792)	(402,812)
Remeasurement of leases	-	(2,997)
	1,390,769	**1,825,561**

ii. Amounts recognized in the statement of profit or loss

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Interest on lease liabilities	107,230	123,567
Depreciation on right-of-use assets	434,792	402,812
	542,022	**526,379**

iii. **Lease liabilities**

	June 30, 2024 UGX '000'	June 30, 2023 UGX '000'
Opening balance	1,888,581	2,114,808
Additions	-	142,457
Interest on lease liability	107,230	123,567
Lease payments	(530,694)	(489,254)
Remeasurement of leases	-	(2,997)
	1,465,117	**1,888,581**

iv. **Minimum lease payments due**

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Within 1 year	530,694	530,694
In 2-5 years	1,592,082	1,592,082
Less: future finance charges	(657,659)	(234,195)
	1,465,117	**1,888,581**

v. **Present value of minimum lease payments due**

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Within 1 year	530,694	530,694
In 2-5 years	934,423	1,357,887
	1,465,117	**1,888,581**

14. Cash and cash equivalents

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Cash at bank	2,166,194	17,802,908
Cash in hand	1,000	235
Cash in transit	4,290,598	-
	6,457,792	**17,803,143**

Cash at bank for the period ended June 30, 2024, included bank balances held at Bank of Uganda, Centenary Bank and Stanbic Bank worth UGX 2,142 million, and balances held on the mobile telecom wallets amounting to UGX 24 million.

15. Trade and other receivables

	June 30, 2024 UGX ‘000	June 30, 2023 UGX ‘000
Financial instruments:		
Trade receivables		
Annual premiums	122,649	482
Risk Adjusted Premiums	-	-
Penalty on late payments	93,397	93,397
	216,046	**93,879**
Unbilled receivables		
Risk adjusted premiums	2,736,341	1,910,124
	2,736,341	**1,910,124**
Other receivables		
Other receivables	80,220	25,672
Payout related receivables (Note 27.3)	1,491,453	-
	1,571,673	**25,672**
Less: Allowance for ECL	(385,826)	(310,065)
	4,138,234	**1,719,610**
Non-financial instruments:		
Prepaid expenses	258,956	839,357
Deferred staff cost	2,241,772	878,923
	6,638,963	**3,437,890**

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 FIA 2004 as amended. Unbilled premiums receivable relates to risk adjusted premiums for quarter 4 that was not yet billed and received by end of financial year.

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.

c) Other receivables

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

d) Payout related receivables

Payout receivables comprise of amounts paid to the two closed Contributing Institutions (EFC (U) Limited and Mercantile Credit bank Limited depositors (refer to note 27 for details).

e) Prepaid expenses

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

f) 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 an Expected Credit Loss (ECL).

16. Taxation

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Tax receivable carried forward	**348,375**	**2,851,919**
Add: Reversal of provisions for doubtful amounts	82,156	-
Add: Tax paid in FY2023/24	-	-
Adjusted tax receivable	**430,531**	**2,851,919**
Less: Withholding tax paid/(received)	(348,183)	(2,421,388)
Withholding tax receivable/(payable)	**82,347**	**430,531**
Less: Unrecoverable tax amounts written off***	(82,347)	(82,156)
Tax receivable carried forward	**-**	**348,375**

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. The Fund received a further refund of UGX 348 million during the year, leaving an unrecoverable amount of UGX 82 million.

The unrecoverable tax amounts written off relate to withholding tax receivable that could not be reconciled to URA records and thus could not be claimed by the Fund.

17. Loans and advances to staff

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Loans and advances to staff	6,430,223	2,782,848
Less: Deferred staff cost	(2,241,772)	(878,923)
Less: Allowance for ECL	(25,209)	(18,504)
	4,163,242	**1,885,421**

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.

According to IFRS 9, these have been subjected to impairment review leading to an Expected Credit Loss.

18. Debt instruments at amortized cost

The Government of Uganda Treasury bills are analyzed as follows:

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Debt instruments at amortized cost		
Treasury bills	364,890,061	271,534,407
Interest accrued	20,190,010	18,856,593
	385,080,071	**290,391,000**
Less: Allowance for ECL	(68,268)	(51,983)
	385,011,803	**290,339,017**

Maturity analysis of the debt instruments at amortized cost:

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Debt instruments at amortized cost		
Maturity within 91 days	60,990,316	108,646,415
Maturity after 91 days & before 182 days	113,633,161	99,069,023
Maturity after 182 days	210,388,326	82,623,579
	385,011,803	**290,339,017**

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

	30-Jun-24 UGX '000'	30-Jun-23 UGX '000'
At July 1	290,339,017	229,458,506
Additions	405,072,352	296,837,360
Sells/ maturities	(310,383,282)	(235,946,805)
Less: allowance for ECL	(16,284)	(10,044)
	385,011,803	**290,339,017**

19. Debt instruments at FVTOCI

The Treasury bonds are analyzed as follows:

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Treasury bonds	1,231,846,382	1,057,299,661
Interest accrued	16,550,116	23,318,850
Fair value gain/ (loss)	(38,631,162)	2,567,634
	1,209,765,336	**1,083,186,145**

Maturity analysis of the debt instruments at FVTOCI:

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Maturity within 2 years	204,873,978	245,433,239
Maturity after 2 years and within 3 years	353,970,566	22,417,224
Maturity after 3 years and within 5 years	156,684,297	356,190,082
Maturity after 5 years and within 10 years	183,744,314	195,456,240
Maturity after 10 years	310,492,181	263,689,360
	1,209,765,336	**1,083,186,145**

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

	30-Jun-24 UGX '000'	30-Jun-23 UGX '000'
At July 1	1,083,186,146	898,215,609
Additions	260,987,819	209,185,156
Sells/ maturities	(93,209,833)	(63,282,228)
Net change in fair value	(41,981,936)	38,499,068
Reclassified to profit or loss	783,139	568,540
	1,209,765,336	**1,083,186,146**

20. Intangible assets

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Opening balance	2,105,540	2,446,429
Additions	9,408	-
Additions - WIP	285,000	-
Amortization	(343,396)	(340,889)
Closing balance	**2,056,552**	**2,105,540**

Additions – WIP, relates to the payment of the 30 percent contract price for the supply, installation, testing and training of the Human Resources, Investments Management and Accounting System which was still under implementation by the end of the financial year.

21. Property and equipment

	Computer Hardware	Equipment	Motor Vehicle	Furniture & Fittings	Work in progress	Total
	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000	UGX '000
Cost						
As at 1 July 2022	1,742,730	781,572	542,852	546,287	-	3,613,441
Additions	1,675,707	57,114	-	76,960	431,317	2,241,098
Disposals/ transfers	(11,080)					(11,080)
As at 1 July 2023	**3,407,357**	**838,686**	**542,852**	**623,247**	**431,317**	**5,843,459**
Additions	906,449	12,220	431,317	-	377,707	1,727,693
Disposals/ transfers	-	-	-	-	(431,317)	(431,317)
As at 30 June 2024	**4,313,806**	**850,906**	**974,169**	**623,247**	**377,707**	**7,139,835**
Accumulated depreciation						
As at 1 July 2022	406,293	98,629	283,210	151,349	-	939,481
Charge for the year	525,586	75,477	102,578	131,506	-	835,147
As at 30 June 2023	**931,879**	**174,106**	**385,788**	**282,855**	**-**	**1,774,628**
Charge for the year	754,844	80,988	126,673	119,582	-	1,082,087
As at 30 June 2024	**1,686,723**	**255,094**	**512,461**	**402,437**	**-**	**2,856,715**
Net carrying amount						
As at 30 June 2024	**2,627,082**	**595,812**	**461,708**	**220,810**	**377,707**	**4,283,117**
As at 30 June 2023	**2,475,478**	**664,580**	**157,064**	**340,392**	**431,317**	**4,068,829**

Work in progress for the year ended June 30, 2024 related to the part payment of the supply of several IT equipment to the Fund. These were purchased towards year end but had not been delivered to the Fund.

22. Deferred income

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

		June 30, 2024	June 30, 2023
		UGX '000	UGX '000
Commercial banks	8(a)	33,155,325	30,324,581
Credit institutions	8(b)	243,838	236,127
Microfinance deposit taking institutions	8(c)	445,438	375,976
		33,844,601	**30,936,684**

	June 30, 2024	June 30, 2023
	UGX '000	UGX '000
a) Commercial Banks		
ABC Bank	24,581	24,955
ABSA Bank	2,760,537	2,494,786
Bank Of Africa	652,378	648,577
Bank Of Baroda	1,827,209	1,698,049
Bank Of India	287,107	282,967
Cairo Bank	199,920	165,777
Centenary Bank	4,321,034	3,730,380
Citibank	878,568	930,985
DFCU Bank	2,314,030	2,329,263
Diamond Trust Bank	2,115,695	1,582,720
Ecobank	540,183	417,118
Equity Bank	2,779,107	2,381,917
Exim Bank	285,838	274,875
Finance Trust Bank	309,292	263,647
Guaranty Trust Bank	128,149	133,121
Housing Finance Bank	1,274,923	979,016
KCB Bank	868,050	662,306
NCBA Bank	491,257	548,427
Opportunity Bank	197,870	182,773
I & M Bank	646,761	634,850
Stanbic Bank	6,305,537	6,116,853
Standard Chartered Bank	2,587,324	2,684,752
Tropical Bank	194,320	189,495
United Bank for Africa	342,017	360,392
Afriland Bank	0	243
Post Bank	823,636	606,337
	33,155,325	**30,324,581**

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
b) Credit Institutions		
Mercantile Credit Bank	146,115	137,606
Top Finance Bank	787	8,863
BRAC Uganda	67,172	65,666
Yako	29,763	23,992
	243,838	**236,127**

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
c) Microfinance Deposit Taking Institutions		
Pride Microfinance	209,729	157,406
Finca	118,314	112,271
Ugafode	56,311	34,521
Entrepreneurs Financial Centre	61,084	71,778
	445,438	**375,976**

23. Trade and other payables

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Unclaimed deposits	198,882	198,882
Payable to the Government of Uganda	19,750,479	19,750,479
Audit fees	49,455	49,179
Fund management fees	264,256	246,155
Statutory payables	556,858	481,408
Defined Contribution payable	(0)	109,528
Administrative expenses	1,452,396	975,555
Payout loan recoveries payable to liquidator	877,701	-
Accruals and provisions	605,580	931,212
	23,755,605	**22,742,398**

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 or on demand by the Government.

Payout loan recoveries relate to amounts deducted on behalf of the liquidator (Bank of Uganda) from the closed EFC (U) Ltd depositors who had loan balances. This is in line with Regulation 18(4) of the Financial Institutions (Deposit Protection Fund) Regulations, 2019.

24. Reserves

	June 30, 2024	June 30, 2023
	UGX '000	UGX '000
Accumulated surplus	1,599,083,118	1,346,646,684
Fair value through OCI reserve	(38,380,867)	2,785,576
	1,560,702,251	**1,349,432,260**

25. Current and non-current assets and liabilities

The current and non-current assets and liabilities as at June 30, 2024 are as highlighted below;

	As At June 30, 2024	Not more 12 months after the reporting date	More than 12 months after the reporting date
	UGX '000	UGX '000	UGX '000
Assets			
Cash in hand and at bank	6,457,792	6,457,792	-
Trade and other receivables	6,638,963	6,638,963	-
Loans and advances to staff	4,163,242	413,660	3,749,582
Debt instruments at amortized cost	385,011,803	385,011,803	-
Debt instruments at FVTOCI	1,209,765,336	-	1,209,765,336
Property and equipment	4,283,117	-	4,283,117
Intangible assets	2,056,552	-	2,056,552
Right-of-use asset	1,390,770	-	1,390,770
Total Assets	**1,619,767,575**	**398,522,218**	**1,221,245,357**
Liabilities			
Deferred income	33,844,600	33,844,600	-
Trade and other payables	23,755,605	2,928,544	20,827,061
Lease liabilities	1,465,117	530,694	934,423
Total Liabilities	**59,065,322**	**37,303,838**	**21,761,484**

	As At June 30, 2023	Not more 12 months after the reporting date	More than 12 months after the reporting date
	UGX '000	UGX '000	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 FVTOCI	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	**1,405,999,922**	**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**

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 CEO) as below.

Dr. Julia Clare Olima Oyet	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 Finance and Operations
Mr. Alan N. Lwetabe	Director Investments
Mr. Samuel Aggrey Mankaati	Ag. Director Internal Audit

The transactions with related parties are indicated below.

26.1 Loans to key management personnel

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Opening balance	1,410,640	1,326,066
Advanced during the year	1,487,493	557,145
Repayments	(1,661,627)	(472,571)
	2,236,506	**1,410,640**

26.2 Key Management Personnel Expenses

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Short-term employee benefits	3,798,276	3,693,431
Post-employment benefits	1,001,385	819,740
	4,799,661	**4,513,171**

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

26.3 Director's fees and emoluments

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Directors' fees and emoluments	601,668	528,550

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

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Rent payments	530,694	489,254

26.5 Balances held at Bank of Uganda

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Cash held at bank of Uganda	2,079,318	15,445,842
Investment in Government securities	1,594,845,406	1,373,525,162
	1,596,924,724	**1,388,971,004**

26.6 Payable to the Government of Uganda

	June 30, 2024 UGX '000	June 30, 2023 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. The amount to the Government will be paid after the conclusion of the liquidation exercise.

27. Payout to closed banks' depositors

During the year ended June 30, 2024, two contributing institutions, that is, EFC (U) Limited and Mercantile Credit Bank Limited were closed by the Bank of Uganda on January 19, 2024, and June 18, 2024, respectively.

The Fund, therefore, embarked on the exercise of paying the protected deposits up to a maximum of UGX 10 million to the depositors of the above two closed institutions. The status of the paid amounts is as stated below.

27.1 EFC (U) Limited

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Total protected deposit balance (net of loans)	655,633	-
Amount paid out to verified depositors	(496,577)	-
Unpaid deposit balance	159,057	-

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Total loans balances recovered from depositors and not yet remitted to the liquidator (Bank of Uganda)	877,701	-
Total recovered loans amount payable	877,701	-

27.2 Mercantile Credit Bank Limited

	June 30, 2024 UGX '000	June 30, 2023 UGX '000
Total protected deposit balance (net of loans)	3,054,666	-
Amount paid out to verified depositors	(117,175)	-
Unpaid deposit balance	2,937,491	-

The recovery of loans from Mercantile Credit Bank Limited depositors commenced in July 2024.

27.3 Amounts due from the liquidator

Section 111C (9) of the Financial Institutions Act, Cap 57, states that "Upon payment of a protected deposit, the Board shall be entitled to receive from the financial institution or liquidator, as the case may be, an amount equal to the payment made by the Fund on account of its subrogation to the claims of any customer or depositor in accordance with this Act". Further, section 105(1)(a) of the Act requires the liquidator, within two months after submission of a report of the assets and liabilities of the financial institution, to commence the payment to depositors and creditors of the financial institution except that payment shall be made first to the Deposit Protection Fund.

As at June 30, 2024, the total amount recoverable from the liquidator was UGX 1,491 million. This amount has been recognized under the Fund's receivables.

	June 30, 2024 UGX ‘000	June 30, 2023 UGX ‘000
EFC (U) Ltd depositors’ payout	496,577	-
Mercantile Credit Bank Ltd depositors’ payout	117,175	-
Loans amount recovered from EFC (U) Ltd depositors	877,701	-
Total amount due from the liquidator	1, 491,453	-

27.4 Contingent liabilities

Unpaid protected deposit balances	June 30, 2024 UGX ‘000	June 30, 2023 UGX ‘000
EFC (U) Ltd	159,057	-
Mercantile Credit Bank Ltd	2,937,491	-
	3,096,548	-

IAS 37 defines a contingent liability as a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. According to Section 111C(4) of the Financial Institutions Act, Cap 57, a customer can claim a protected deposit from the Fund if their financial institution closes. The Fund faced challenges in reimbursing depositors due to inaccurate information, untraceable KYC, and non-responsive depositors. To address this, the Fund issued reminders in the press, online, and via radio, and worked with the Bank of Uganda for additional Know Your Customer (KYC) details. Despite these efforts, the Fund remains unsure when depositors will claim their protected deposits.

28. Capital commitments

The Fund’s capital commitments as at June 30, 2024 were UGX 1,059 million.

	June 30, 2024 UGX ‘000	June 30, 2023 UGX ‘000
IT capital projects	1,059,000	577,000

Among the capital commitments as at June 30, 2024 were the supply of the Human Resources, investments management and accounting system project (UGX 665 million) which was ongoing and yet to be subjected to User Acceptance Testing, supply of the server room fire suppression system at UGX 172 million and internal segmentation firewall at UGX 222 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.

11.0 Depositor Education

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

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

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

A Contributing Institution (CI) is one , which is licensed by Bank of Uganda (BoU) and periodically pays premiums to the DPF.
These include Commercial banks, Credit Institutions & Microfinance Deposit-Taking Institutions. Depositors can know whether their bank is protectected by the DPF by looking out for the licence that BoU issued to their bank /Institution.

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

All depositors of Contributing Institutions (CIs) are protected by the DPF.

4

Why should citizens be interested in knowing about the DPF?

Depositors of CIs should know that DPF is a Government of Uganda Agency that was established with the primary purpose of protecting their deposits and will therefore pay them up to UGX 10 million in the unlikely event that their bank fails / closes. As such, depositors who have less than or equal to UGX 10 million should be confident that they will be paid promptly in case their bank is closed. Those who have more than the UGX 10 million will be paid the excess from the liquidation proceeds.

5

Do depositors have to pay any money to 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.

6

In case a bank closes, how would a depositor get their protected deposits?

All Contributing Institutions maintain a record of their depositors and they share this information with the Fund periodically. The Fund will use this information to pay depositors through their mobile money accounts or alternative bank accounts. Customers who have not given this information to their respective banks will be asked by the DPF to submit a claim to the payout agent. The payout agent will be one of the customer of the closed contributing institution must submit the above claim within ten years from the dateof the institution's closure, as specified in Regulation 19(1) of the DPF Regulations.

7

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 inconvenience to the depositor.

***98%* OF DEPOSIT ACCOUNTS ARE PROTECTED**

8

How soon can depositors get their money from DPF after the Contributing Institution has been closed?

According to the Financial Institutions Act Cap 57, 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 or more personal accounts and the depositor would be paid up to UGX 10 million after removing any non-performing loans.

10
How is DPF funded?

a. Premiums: All Contributing Institutions make annual premium payments to the Fund.

b. Investment Income: The contributions are invested in Government of Uganda treasury instruments, and this helps to grow the Fund size.

11
Does the DPF also protect deposits on mobile money accounts?

No, mobile money savings/deposits do not form part of the deposit insurance scheme established under the Financial Institutions Act Cap. 57, and are therefore not subject to the protection of the Fund. Mobile money savings are governed by the National Payment Systems Act Cap.59, the National payment System Regulations, 2021 and other regulations made thereunder. Electronic money, while not protected by the Deposit Protection Fund, can still be claimed from the trust account orspecial account establishep by the electronic money issuer in accordance with the National Payment Systems Act Cap 59.

12
Does 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 savings in excess of one billion five hundred million shillings and institutional capital above five hundred million shillings. Section 6 (2) of the Microfinance Deposit-Taking Institutions Act Cap. 58 requires such a society to apply for a licence from the bank of Uganda and upon licence automatically joins the deposit insurance scheme and assumes obligations of a contributing institution as defined under the Financial Institutions Act Cap.57 and the Financial Institutions (Deposit Protection Fund) Regulations, 2019. A registered society below the above threshold is regulated by Uganda Microfinance Regulatory Authority (U MRA).

13

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 receive money for both accounts.

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15

What happens in case a depositor has a loan with the bank at the time of its closure?

If a bank is closed through the liquidation process, DPF considers the amount of money you have on your account. If the money is more than UGX 10 million, you will be paid up to UGX 10 million. However, if you had a loan, payment shall be made after deducting any outstanding loan or any other obligation to the bank.

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What happens to the rest of my money after a Contributing Institution is closed, if my money is more than the 10M limit protected by DPF?

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.

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

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

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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 the investment is reinvested.

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DPF's Main message to the public

Depositors of Contributing Institutions are encouraged to;
Update their details with their respective
a. financial institutions using their national ID and mobile phone numbers of alternative bank account so that they can be paid fast and conveniently, in the unlikely event that their bank is closed.
b. Bank with cinfidence 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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