



INTEGRATED REPORT

YEAR ENDED 31 DECEMBER 2021



URWEGO BANK PLC

P.O.BOX 748 Kigali-Rwanda

Address: KG 5, Rukiri cell, Remera Sector, Gasabo District

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About Our Integrated Report

We report on the progress we have made in the period from 1 January 2021 to 31 December 2021 to achieve the objectives related to Urwego Bank PLC strategic focus areas. We evaluate our financial and non-financial performance against the outcomes associated with our strategic value drivers. The scope of the information presented assesses the opportunities, risks and impacts influencing our ability to create sustainable value as we move towards realizing our short- medium- and long-term vision while delivering our purpose. From our perspective, as a Bank built on Christian values, every one of our customers is considered a brother or sister irrespective of their religious beliefs or any other factor. This principle which is taught to staff and demonstrated in all our activities has a major influence in the banking services that we provide. Throughout the report we use the concept of six capitals as required by Integrated Reporting framework.

Who is this integrated report for?

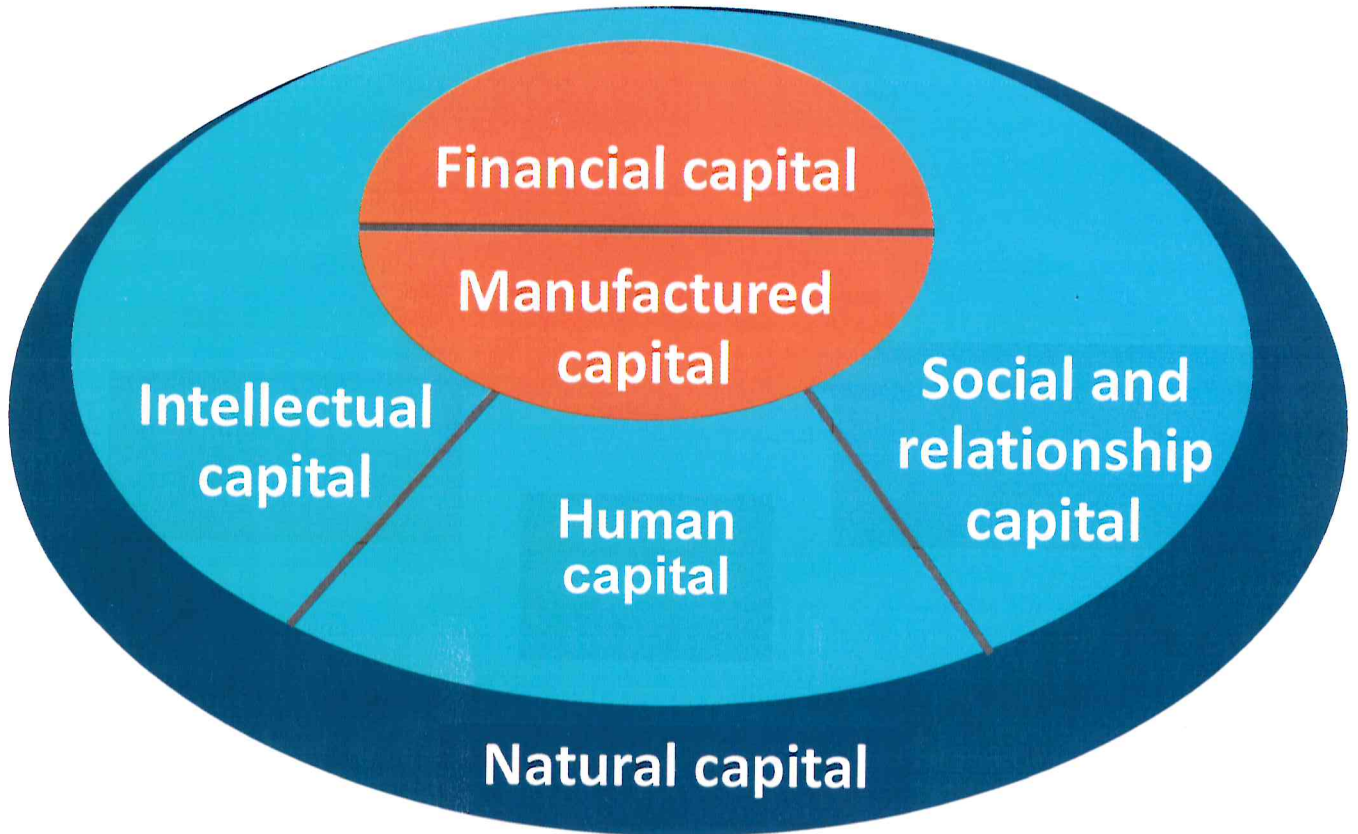
The content of this integrated report is relevant to all stakeholders namely staff, customers, regulators, the wide public at large.

The scope of this integrated report

This integrated report is for the year-ended 31st December 2021. It includes both financial and non-financial information for the period then ended. In some instances, data post December 2021 have been included.

Data that were included in this report were selected based on stakeholders' needs and expectations. The bottom line of this report is all about giving a balanced and holistic data of Bank's performance in the reporting period.

The six capitals as defined in the International Framework are incorporated in our strategic value drivers, which guide us in creating value for our stakeholders.



Board Chairman's Statement



From 2017 the Bank had designed and introduced structural reforms to bring about profitability after several years of losses. However, those structural reforms were hampered by the eruption of COVID-19 in March 2020. With this global pandemic that disrupted the normal conduct of business due to travel restrictions and lockdowns, the Bank's efforts were reoriented toward identifying new working strategies to maintain operations amidst challenges facing its staff and customers. New working models were devised such as acceleration of digitization through development and expansion of the digital channel, facilitating digital delivery of financial services including the introduction of momo push and pull to allow customers to withdraw or deposit cash unto their accounts through their mobile platform.

In 2021, the world and Rwanda experienced a slowdown in the COVID-19 pandemic as a result of safety and health protocols and an increase in vaccinations, thereby curbing infections rates. As a result, economic activities rebounded.

Urwego Bank capitalized on the improving conditions to revamp and expand delivery of its financial services to its customers. Further, structural reforms toward profitability were resumed. As a result, due to the focused efforts of management, staff and the board, the Bank recognized a significant improvement in financial performance for 2021, including achieving profitability for the first time in many years.

On behalf of the board of directors, we are very thankful to the Bank's management and staff for their unreserved efforts to deliver financial services to the underserved. We are also thankful to the Bank's shareholders for their trust and support in availing resources necessary to support Bank's operations during this challenging period.

We are especially thankful to our esteemed customers for their loyalty, services and close collaboration with the Bank.

As the Bank enters this new phase, efforts will be directed to continue to consolidate sustainability as the Bank delivers its mission of offering a ladder of opportunity to underserved communities as it proclaims the gospel of Jesus Christ.



Carl Daniel Lundblad
Chairperson of Board of Directors
Urwego Bank PLC

CEO's Note



With the outbreak of COVID-19 early March 2020, the Bank's efforts were above all geared toward devising new operational models amidst challenging working environment triggered by lockdowns, travel and group meeting restrictions. The Bank capitalized on technology to ensure that customers and staff are offered means to perform main banking services of loan disbursement, repayment collections and deposit mobilization. This was achieved through introduction of momo push and pull services, enhancement of our agency network and supporting the latter in accessing floats. Furthermore, the Bank kept a close relationship with its customers to ensure that challenges are identified early and timely support is channeled to struggling customers. Among other strategies put in place to support customers were introduction of repayment holidays. With unreserved commitment and collaboration of all stakeholders, the Bank showed marked resilience above all expectations. Deposits remained stable, staff worked relentlessly with customers and repayments were collected. However, some clients were badly hit by COVID-19 which increased default rates and loan loss reserves. In 2021, there was a notable slow down of COVID-19 pandemic with the lifting of many of the related restrictions. Hence, the Bank seized every opportunity possible to bring its operations back to normal and expanded its outreach to its esteemed customers. Special efforts were made to refocus on its strategic goals which had been temporarily halted at the height of COVID-19 pandemic; in a bid to adjust and devise business model that align to new socio-economic challenges that were inadvertently prompted by COVID-19.

As a result of normalcy of operations, the Bank realized tremendous results in all aspects of financial performance in 2021. Its gross loan portfolio grew by 34% from 13bn to 17bn. The quality of the loans also were improved significantly namely with its PAR30 falling down from 9.2% in December 2020 to 4.8% in December 2021; and PAR90 shrinking from 5.1% to 2.2%. The Bank's deposits grew by 17% on YOY from 16bn to 18.7bn. Its overall assets also increased by 15%. More importantly, the Bank was able to realize a whopping profit of 878m versus 1.2bn loss realized in the previous year, hence a 173% increase on YOY basis.

The Bank remains committed to its mission of delivering financial services to the people of Rwanda namely the underserved to ensure that the latter are given a ladder of opportunity to be financially included. We will strive to continue embracing technology as a current toward for an efficient delivery of services.

I seize this opportunity to extend my gratitude to the staff, management and board for the support and unreserved effort to achieve profitability. Special thanks go to our esteemed customers for their partnership and loyalty.

For M

Christine Baingana
Chief Executive Officer
Urwego Bank PLC

Our History

Urwego Bank PLC is a licensed, Christian faith-based Microfinance Bank. Drawing upon its name (Urwego is the Kinyarwanda word that translates as “ladder” in English), Urwego's mission statement is, “To provide a ladder of opportunity to underserved communities in Rwanda as we proclaim and live the Gospel of Jesus Christ.”

Founded in 1997 by World Relief as Urwego Community Banking, the Bank joined the HOPE International network in 2005, shortly after Peter Greer became HOPE's President. In 2007, the Bank merged with Opportunity International Bank of Rwanda to become Urwego Opportunity Bank. Its majority shareholders were HOPE International and Opportunity International whose shareholding amounted to 49.2% and 50% respectively, while World Relief US owned 0.8% of the Bank's total shares.

With the approval of the National Bank of Rwanda, Opportunity International sold its 50.2 percent ownership of Urwego to HOPE International in 2017, making HOPE a 99.2 percent shareholder in the Bank, with World Relief continuing to own 0.8% percent. As of year-ended 31st December 2021 with extra capital injection by HOPE International, the latter owns 99.6% of the Bank's capital while World Relief owns 0.4%.

“We are delighted to deepen our long-standing partnership with Urwego,” said Greer. “We are confident in Urwego's team and have seen their example in Christ-like servant leadership. Together, we will stay true to Urwego's calling and do everything in our power to support continual operational excellence and significant impact throughout Rwanda.”

Urwego seeks to reach Rwandans who are economically active but underserved by licensed banking institutions. It offers a full range of financial services, including loans and savings programs, as well as training to maximize the impact of financial products and empower clients for success in business, household management, and health.

Throughout its history, Urwego has disbursed billions of loans in Francs Rwanda is to underserved Rwandan entrepreneurs to promote sustainability, social transformation and spiritual impact. What differentiates Urwego from other banking institutions in Rwanda is found in its Mission, which informs the reason of its existence, how it conducts its operations/activities in Rwanda to achieve its core objectives and the motivating power to operate in the manner it operates.

MISSION

To provide a ladder of opportunity to underserved communities in Rwanda, as we proclaim and live the Gospel of Jesus Christ.

METHOD

We share the hope of Christ as we provide financial services and biblically based training that restore dignity and break the cycle of poverty

MISSION

The love of Jesus Christ motivates us to identify with those who living in poverty and be His hands and feet as we strive to glorify God.

INTEGO

Duha amahirwe abari mu rwego ruciriritse, tukanabaho tuvuga ubutumwa bya Yesu Kirisito.

UBURYO

Dutanga icyizere cya Kirisito, tubagezaho ibikorwa by' imari dushingiye ku nyigisho za Bibiliya, bikagarurira abantu agaciro tunarwanya Ubukene.

IKI DUSHISHIKAJE

Urukundo rwa kirisito rudushishikariza kumenya ababa mubukene. Tukababera ukuboko n'ibirenge duharanira guhesha Imana icyubahiro.

PASSION

PASSION guides our corporate culture and represents the qualities we seek and celebrate in our staff members.

PRAYER

On your knees, please (Psalm 95:6)

ALLEGIANCE

We will serve the Lord (Joshua 24:15)

SERVICE

We'll wash feet (John 13:14)

STEWARDSHIP

To whom much is given .. (Luke 12:48)

INNOVATION

We find solutions (Genesis 1:27)

OPTIMISM

Strength for today, bright hope for tomorrow (Lamentations 3:22-24)

NURTURING

Love one another as I have loved you (John 13:34)

ISHYAKA

PASSION ni umurongo ngenderwaho uranga umuco w'imikorere yacu, ukagaranaza agaciro n'ibiza twifuza kandi twishimira mu bakazi bacu.

ISENGESHO

Kuba ku mavi (Zaburi 95:6)

KUGANDUKIRA

Tuzakorera Uwiteka (Joshuwa 24:15)

UBUGARAGU

Twoza ibirenge (Yohana 13:14)

UBUSONGA

Uwahawe byinshi .. (Luka 12:48)

UGUHANGO UDUSHYA

Dushaka ibizubizo (Kuwa 35:30-33)

ICYIZERE CY'EJO HAZAZA

Imbaraga sa none, icyizere cyeye hiza za heza (Amaganya ya Yereimiya 3:22-24)

KUBAKA ABANDI

Mukundane nk'uko nabakunze (Yohana 13:34)

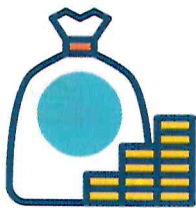
Urwego creates value through the diligent execution of our strategy.



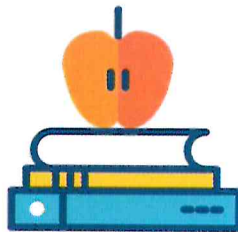
Staff Engagement

Client Focus

Controls and Risk Management



Financial Outcome















Social Impact



Spiritual Impact

Bird's eye view of 2021 performance

Particulars	% increase/(decrease) compared to prior year		
		favorable	Unfavorable
Interest income	30%		
Interest expenses on loans	(2%)		
Fees and commission income	32%		
Fees and commission expenses	67%		
PAR30 4.8%	(48%)		
Profit before tax 602m	150%		
Net Loans to customers 17bn	40%		
Customer deposits 18.7bn	17%		
Total equity 4.3bn	26%		
Total assets 27.3bn	17%		

Our footprint

To better serves its customers, Urwego Bank plc has opened branches in all 5 provinces of the country with 6 branches in Kigali and 8 branches upcountry. All Bank's branches have full fledged banking services allowing customers to effect withdrawals, deposits, perform remittances transactions among others.

UPCOUNTRY			Kigali City	
Province	#	Branch name	#	Branch name
Eastern Province	1	Ngoma	9	Kimironko
	2	Rwamagana	10	Remera
	3	Nyamata	11	Kicukiro
Southern Province	4	Muhanga	12	Kigali City Market
	5	Huye	13	Nyabugogo
Western Province	6	Rusizi	14	Gisozi
	7	Rubavu		
Northern Province	8	Musanze		

On top of branches above, as a relationship Bank serving underserved, the Bank has opened credit offices across the country to conduct training namely on financial literacy for the group clients, disbursement loans and collecting repayments. The credit offices operated by the Bank are Gikondo (Kigali City), Nyagasambu, Kabarore and Nyagatare (Eastern Province), Gisagara, Nyamagabe (Southern Province), Karongi (Western Province), Gicumbi (Northern Province).

Our Governance

Urwego Bank PLC is committed to the best principles of Corporate Governance in running the operations of a company. The Bank strives to ensure compliance with all the rules, regulations, and laws of the country in the conduct of its business. The Bank is administered in pursuit of earning credibility, maximizing value for the shareholders, and meeting other stakeholders' expectations. The decision making and powers are exercised with integrity, responsibility, accountability, and transparency.

Board of Directors

Though the overall responsibility of monitoring and controlling the operational and financial performance of Urwego Bank PLC rests with the Board of Directors, the day-to-day management of the company has been delegated to the Chief Executive Officer. The Board of Directors meets at least quarterly and is chaired by an independent director.



Carl Lundblad
Independent Chairperson



Christine Baingana
Executive Director



Jesse David Casler
Non-Executive Director



Micah Crist
Non-Executive Director



Amanda Y. Fung
Independent Director



Moise Ndahiro
Non-Executive Director



John Nkubana
Independent Director



Liliane Uwintwali
Independent Director



Stanley Tsikirayi
Independent Director



Murekatete Rugege
Independent Director

Board Committees

The Board has instituted various committees to assist in fulfilling its role of monitoring key activities of Urwego Bank PLC. The Board reviews the reports and minutes of the committees and is accountable for their decisions and functions.

Board Audit Committee

The Board Audit Committee comprises the Chairperson, the Vice-chairperson and two members. Its key objective is to assist the Board in providing an independent review of the effectiveness of the financial reporting process. It helps in maintaining a sound and robust internal control system of the Bank. It reviews and approves annual audit plan prepared by Internal Auditor and oversees its execution. It recommends appointment, reappointment and removal of external auditors and assesses their independence. It ensures the effectiveness and quality of External audit services. It ensures that External Auditor receives due assistance from management and staff to enhance the quality of audit report.

The Board Audit Committee meets at least quarterly and is chaired by an independent Director.

Board Risk and Compliance Committee

The Board risk and compliance Committee comprises of the Chairperson, the Vice-chairperson and two members. Its key objective is to oversee the risk management strategy and risk management policy of the Bank. It monitors overall exposure to risk and ensures that it remains within the limits set by the board. It sets out the nature, roles, responsibilities and authority of the risk management department of the Bank and outlines the scope of the risk management work. It further monitors developments relating to the practice of corporate accountability, providing independent and objective oversight and reviewing the information presented by management on corporate accountability and associated risks.

The Board Risk and Compliance Committee meets at least quarterly and is chaired by an independent Director.

Board Credit Policy Committee

The Board Credit Policy Committee comprises of the Chairperson, the Vice-chairperson and four members. Its key objective is to review and oversee the Bank's overall lending policy. It identifies credit risks to minimize risks of bad and doubtful debts. It assists the board in exercising its roles to review the quality of loan portfolio, adequate provisioning for bad and doubtful debts in accordance with board approved provisioning policy, accounting standards and the Central Bank guidelines. It approves loans above a certain threshold based on lending policy approved by the board.

The Board Credit Policy Committee meets at least quarterly and is chaired by a non-executive director.

Board Human Resource (HR) and Spiritual Integration (SI) Committee

The Board Human Resource and Spiritual Integration (HR&SI) Committee is comprised of the Chairperson, the Vice-chairperson and four members. Its key objective is to ensure that the Bank has right human resources, in the right positions with the right resources to drive the Bank's activities with higher motivation. Additionally, the committee provides oversight to compensation policies, practices and recruitment as well as nomination and compensation of board members and members of senior management team.

Moreover, the Board HR & SI Committee ensures that the Bank's activities adhere to its mission to have Christ at the center of its financial services to better serve its customers.

The Board HR & SI Committee ensures meets at least quarterly and is chaired by an independent director.

Board IT and Business Committee

The Board IT and Business Committee is comprised of the Chairperson, the Vice-chairperson and three members. Its key objective is to ensure that Bank has a strong IT infrastructure to support Bank's operations and to help Bank to efficiently carry on its strategies. Board IT and Business Committee is also to ensure effectiveness of strategies to mitigate IT related risks namely cyber security and other emerging risks due to technological advancement.

The Board IT and Business Committee is vested with responsibilities to ensure that its financial services products are implemented to maximize value to all stakeholders and align with Bank's mission. Board IT and Business Committee is mandated with duties to identify IT risks and cyber security risks and develop IT risks management strategy to reduce Bank's exposures and loss due to IT and cyber security risks.

The Board IT and Business Committee meets at least quarterly and is chaired by a non-executive director.

Board Executive Committee

The Board Executive Committee is comprised of the Chairperson, the Vice-chairperson and three members.

The purpose of the Board Executive Committee is to enable, empower and authorize the Senior Executives in the management of the overall business of Urwego Bank PLC and to respond to the changing business environment in which it operates. The Board Executive Committee's authorization includes all Asset, Liability, Finance and Administration (ALFA) matters, as well as Board Credit Committee decisions referred by the Management Credit Committee.

The Board Executive Committee meets at least monthly and is chaired by an independent director.

Senior Leadership Team
Executive Team



Christine Baingana
Chief Executive Officer



Jimmy Rutabingwa
Chief Operations Officer



Faustin Zihiga
Chief Relationship Officer



Jessica Igoma
Senior Director of Finance



Alice Gasatura
Director of Risk & Compliance



Simon Mugisha
Director of Business

Executive Team Plus



Christian Kamari Mapendo
Director of Credit



Michel Rudasingwa
Director of Accounting &
Logistics



Wilson Karamaga
Director of Corporate
Services



Daniel Muligande
Director of Internal Audit

NB: The above senior management team served in the year ended 31st December 2021

Our Business Model

A business model is defined as:

“the rationale of how an organization creates, delivers and captures value.”

The ways in which a business creates value are influenced by its business model, its strategy, and the particular goals of the organization.

Our Key Products

Urwego Bank provides group and individual banking services including current and savings accounts, business loans to MSMEs (micro, small, and medium size enterprises) and loans to the agriculture sector. In extending loans to client, the Bank especially focusses on underserved clients and job creation.

Our Inflows

Business activities	Financial impact		Social Economic Value created
Lend money to our clients	Net interest income and credit impairments with focus on mitigating credit risk and operational risk	Interest earned on loans granted to clients less loans not repaid.	Underserved individuals and cooperatives can borrow money to fulfil their current needs and future ambitions, supporting employment and inclusive economic growth in Rwanda
Source funding from client deposits and other funders	Interest expense with focus on mitigating market risk and liquidity risk.	Costs incurred on funds raised from depositors and other funders, used to lend to clients who need finance.	Some depositors earn a return on the funds they place with Urwego namely on savings account, all depositors obtain a safe haven for their money with a stable and reputable Christian institution.
Revenue from other sources linked to core businesses and strategic investments	Other revenue (fees and commission on loans and remittances, interest income from investments	Revenue earned from other sources to grow non-banking revenue streams	Strategic investments support inclusive economic activity and enable wealth creation, while also contributing to investments that drive Rwanda’s socioeconomic development.

Business activities	Financial impact	Social Economic Value created	
	and terms deposits)		

Our Outflows

Business activities	Financial impact and associated risks		Social Economic Value created
Invest in our people	Staff costs	Cost of the people we rely on to consistently deliver exceptional client experiences, and the cost of professional development of our people to deal with a changing world of work.	Employees derive value from new, more appropriate reward structures, our enabling innovation mindset, and training that equips them with relevant skills for the future world of work within or outside of the Bank.
Invest in our operations (Branches and platforms)	Other operating expenses and overheads (rental costs, utilities, repair and maintenance, software licenses etc)	Cost of our day-to-day operations, both internal and partnerships in our supply chain.	Through our local procurement activities, we sustain businesses and job retention and growth in local economies.
Direct and indirect taxes to governments and regulators	Direct and indirect taxes	Cost of operating in various branches where we do business.	Various forms of taxation enable governments to earn revenues in Rwanda
Support to the community	Various corporate social responsibility	Costs of operating in various communities	Through contributions extended to local authorities to support local initiative and social events

Affordable Lending Rates

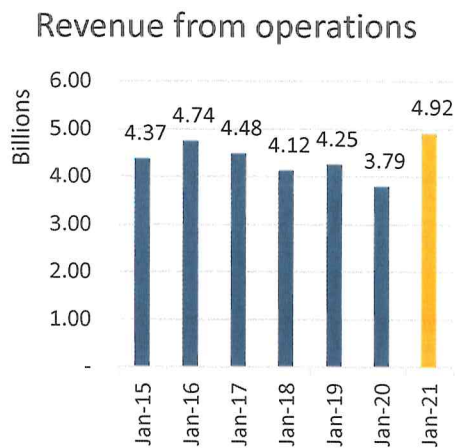
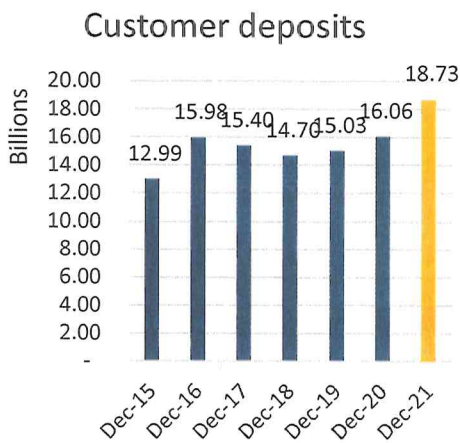
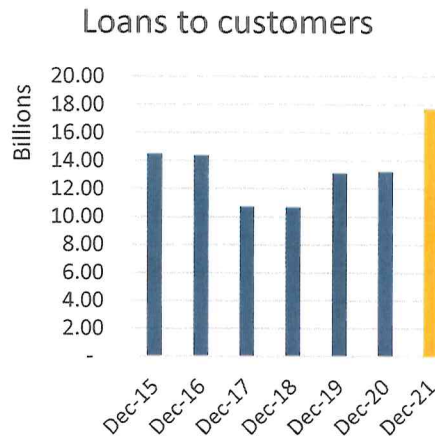
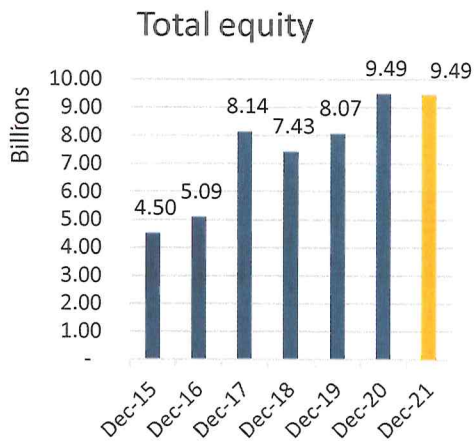
Despite a need to make a profit and therefore make the business model of our operations sustainable, Urwego Bank shareholders are not entirely profit driven but are transformation oriented. The Bank's biggest profit is in how many lives are financially transformed by our services thus our rates are also tailored in a similar manner. The lending rate ranges are established in the Credit Policy and Procedures for each product and incorporate the cost of product delivery as well as a profit margin. Client pricing within approved ranges is determined by various facts and circumstances surrounding each specific request.

Our Resources and Related Performance Highlights

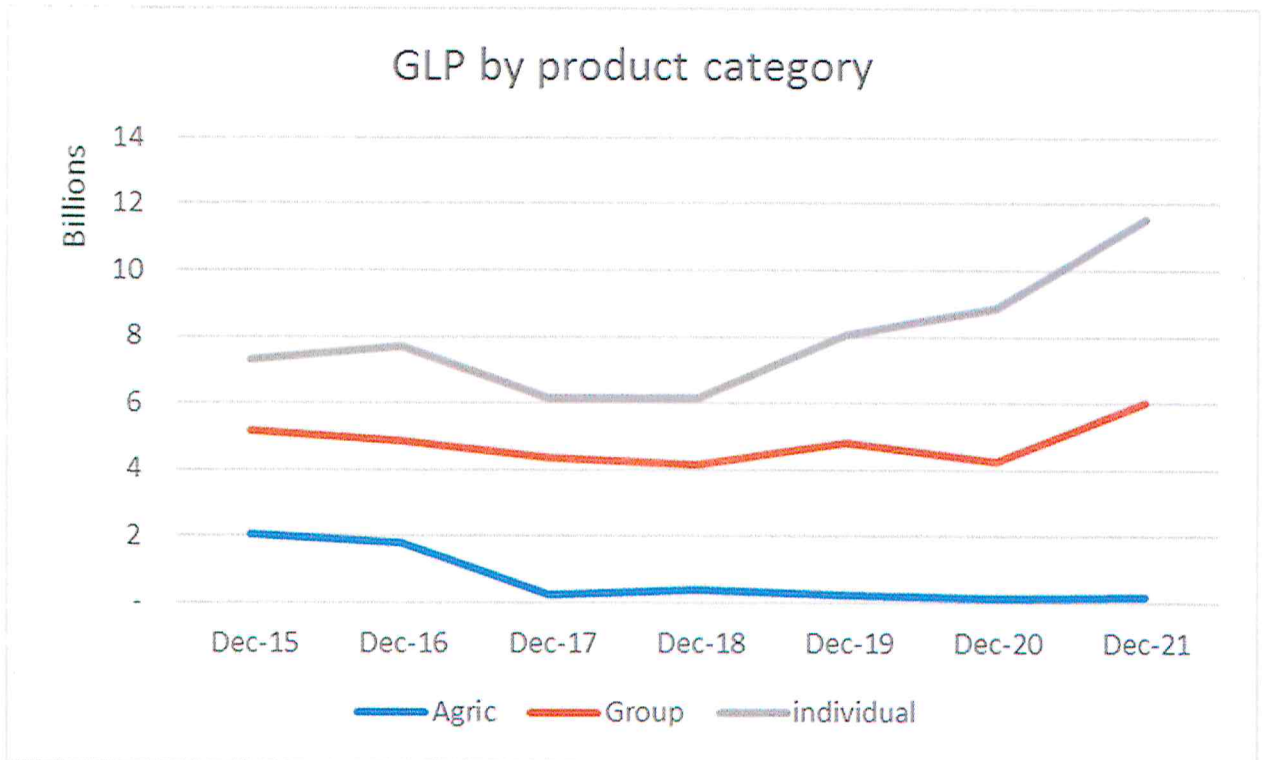
Financial Capital

The Bank has a solid and diversified source of funding including among others, shareholders' equity, both short and long term debts, guarantees to mention but a few. All those sources of funding play a pivotal role in the makeup of the financial capital in a bid to operationalize its strategy.

Overview of Key Financial Data



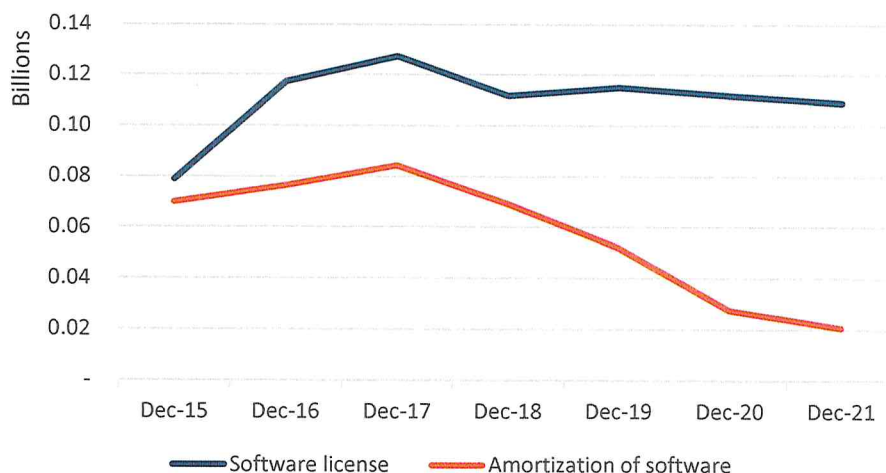
Gross Portfolio Outstanding by Product Group



Manufactured Capital

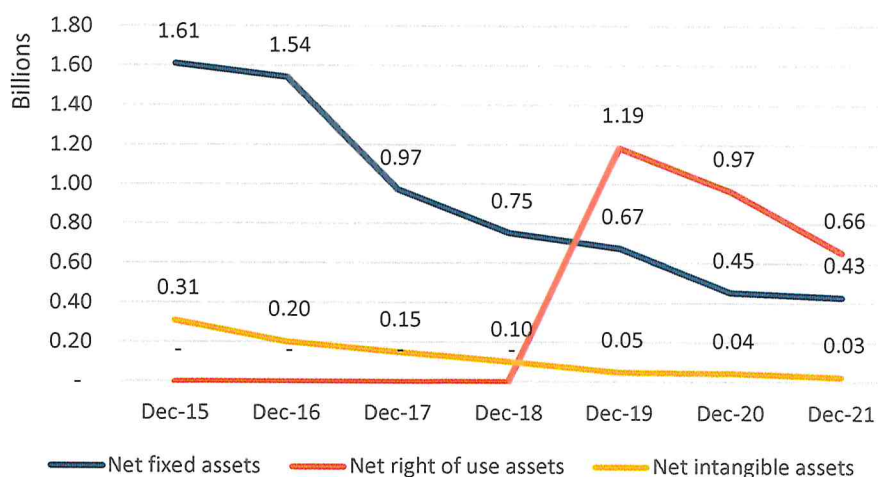
Our IT infrastructure is the most material part of our manufactured capital, taking our strategic direction and evolving business model into consideration. With tremendous leapfrog in agency and mobile banking, the Bank's strategy is changing to right-size its footprint in proportion to the business being transacted at branches. The Bank will focus on driving digital adoption while concentrating on mobile technology. The graph below shows the Bank's software costs over the years as well as related amortization costs.

Investment in technology



Further, the Bank's capital is also composed of capital assets used in the delivery of its operations. Those fixed assets include those purchased by the Bank and those leased namely the premises accommodating Bank's branches and credit offices. The graph below shows the Bank's capital assets in terms of carrying amount over the years.

Manufactured capital



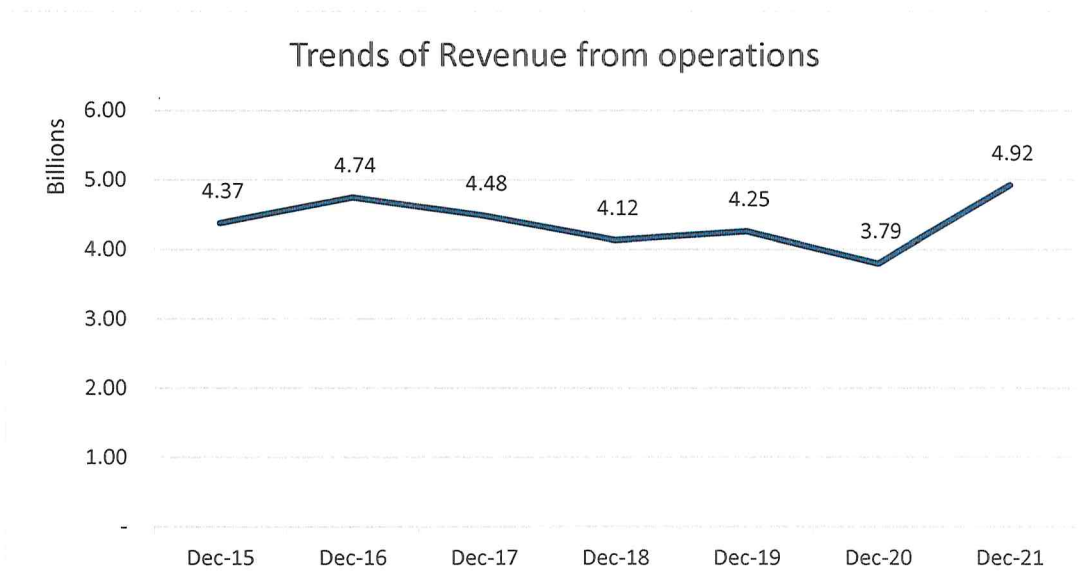
Right of use assets starts with 2018 with adoption of IFRS 16 lease that required capitalization of leased assets. For the Bank right of use assets is mainly made of leased buildings to accommodate Bank's office and credit offices.

Social and Relationship Capital

Sound relationships with our stakeholders are vital to create and preserve value. These relationships serve as valuable capital in both good and challenging times. Social and relationship capital refers to the relationships that form the lifeblood of our business. This includes the institutions and relationships within and between our communities, stakeholder groups and other networks.

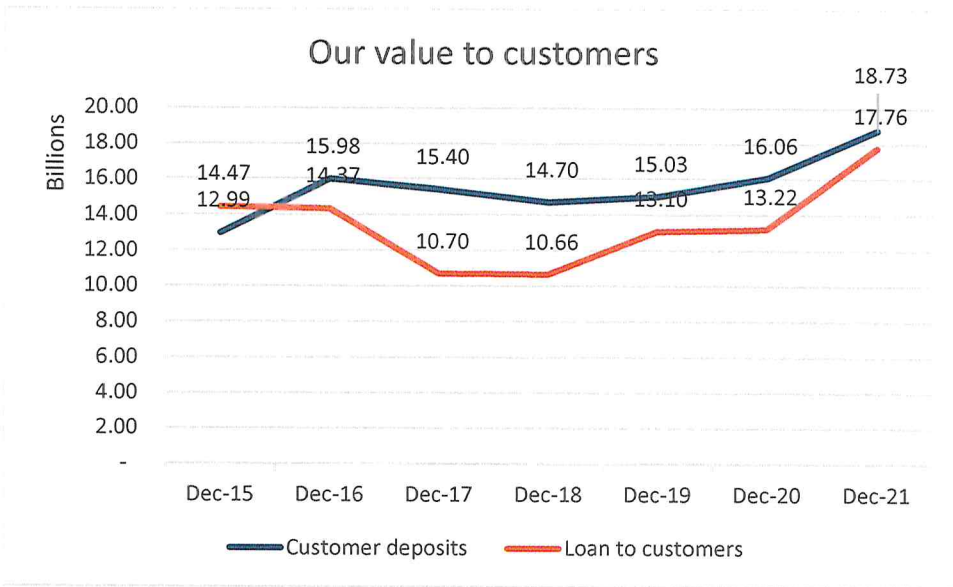
Investor Community

We create value for shareholders by delivering sustainable growth and returns. We aim to provide the market with enough information to make an informed assessment of our performance and our prospects.



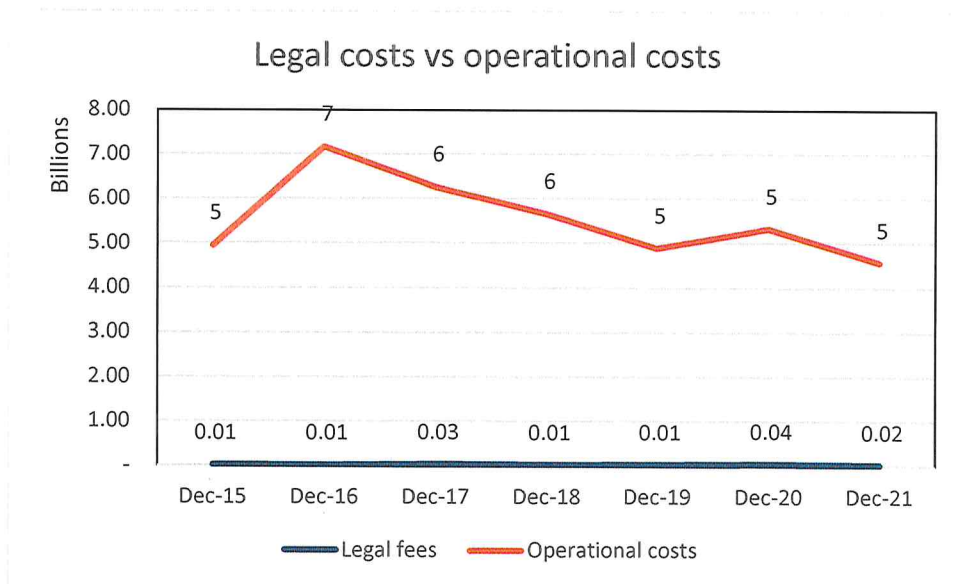
Customers

To remain relevant, we offer innovative and cost-effective products and solutions. Customers provide revenue and are our main source of deposits that enable our lending activities.



Legal Fees

The Bank strives to conduct orderly and constructive relationship with its partners. However, there are some cases where litigations arose. The graph below shows legal expenses over the past years compared to operational costs.



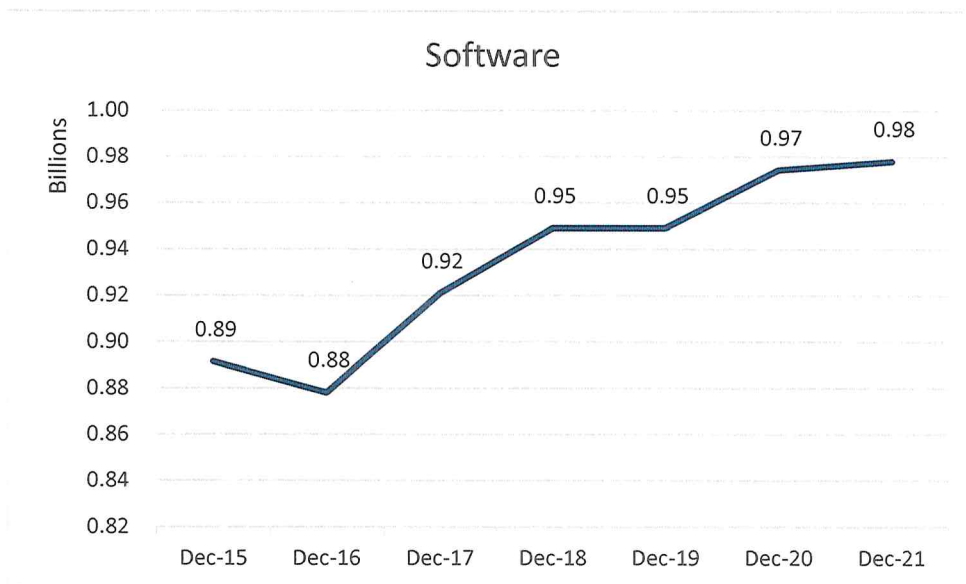
Regulators

Continuing to build and maintain sound, positive, and healthy relationships with regulators and government is essential, given the vital role they play in ensuring the stability of the financial system.

As we operate in a highly regulated environment, we follow a structured approach to ensure that all the business processes, policies or system changes necessary for regulatory compliance are implemented. In the normal course of business, regulators conduct reviews of our controls and progress in meeting regulatory requirements. Our communications with regulators are open and transparent and we engage constructively during inspections and investigations.

Intellectual Capital

Intellectual capital refers to our intellectual property and organizational capital, including tacit knowledge, systems, procedures, and protocols. Our ability as an organization to innovate to meet pressing and future needs is also considered part of our intellectual capital.

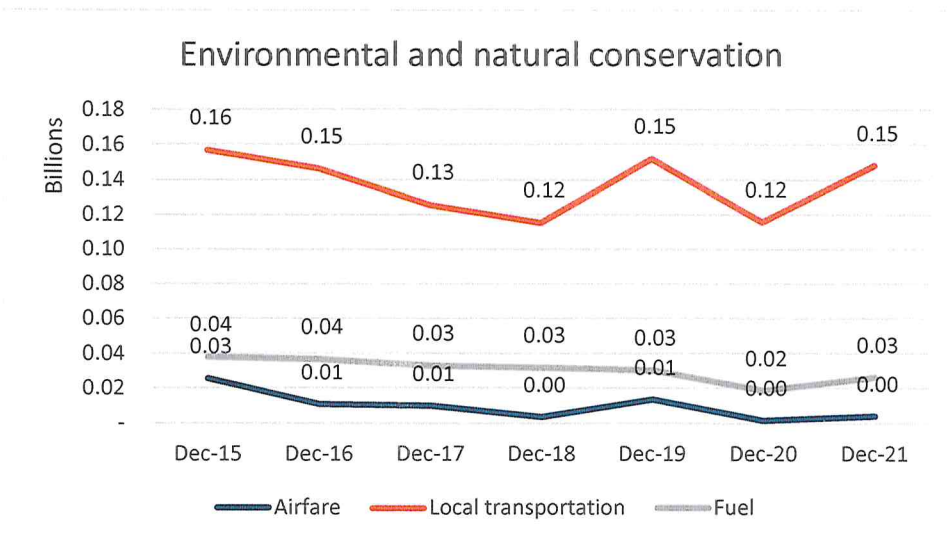


The Bank offers mobile banking services under the mnemonic commonly known as mHose. The later allows customers to perform banking transactions through agents, pay merchants, check balance to mention but a few. On December 31, 2021, the number of customers with loans was

at 33,861 while those who hold deposits account were 131,005. By year-end, over 80.4% of all cash transactions at Urwego were processed on digital channels.

Natural Capital

Natural capital refers to all renewable and non-renewable environmental resources and processes that enable our business activities, thereby supporting our ability to create value in the short, medium, and long term. Urwego contributes to this by reducing transportation costs, fuel, and paper utilization expenses.



Human Capital

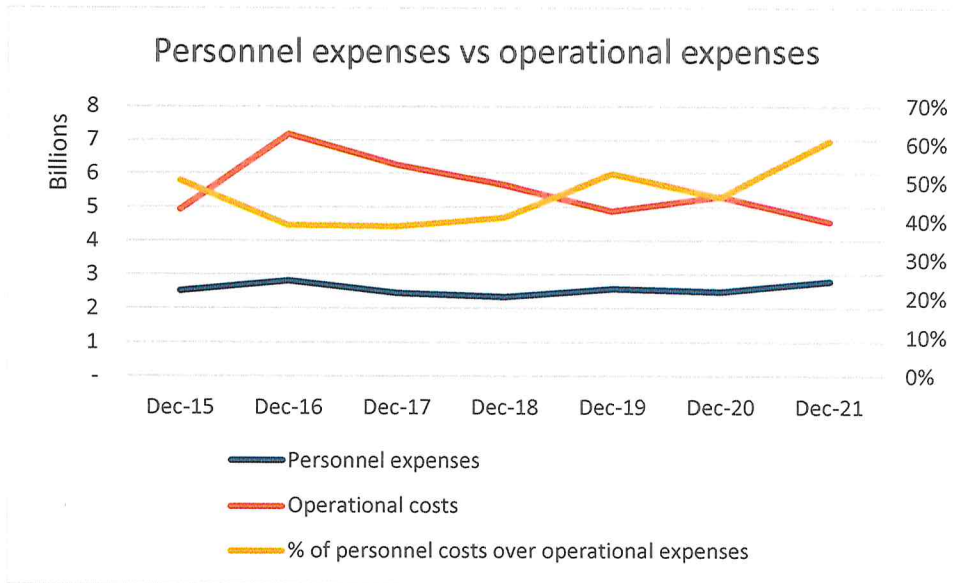
Our human capital refers to our employees' competencies and capabilities, as well as their motivation to innovate, in order to achieve our purpose by aligning with our strategic direction. Our people ambition is to create a thriving, future-fit organization that attracts, develops, and retains the best people through a differentiated employee experience that brings their possibilities to life. Social welfare activities in Urwego Bank include celebrating birthdays, newborn babies and weddings for our staff; social and financial support for staff who lost their relatives in line with our policy; and we celebrate staff who have left the company recognizing their unique contributions to the company.

Urwego Bank had 365 staff as of December 31, 2021.

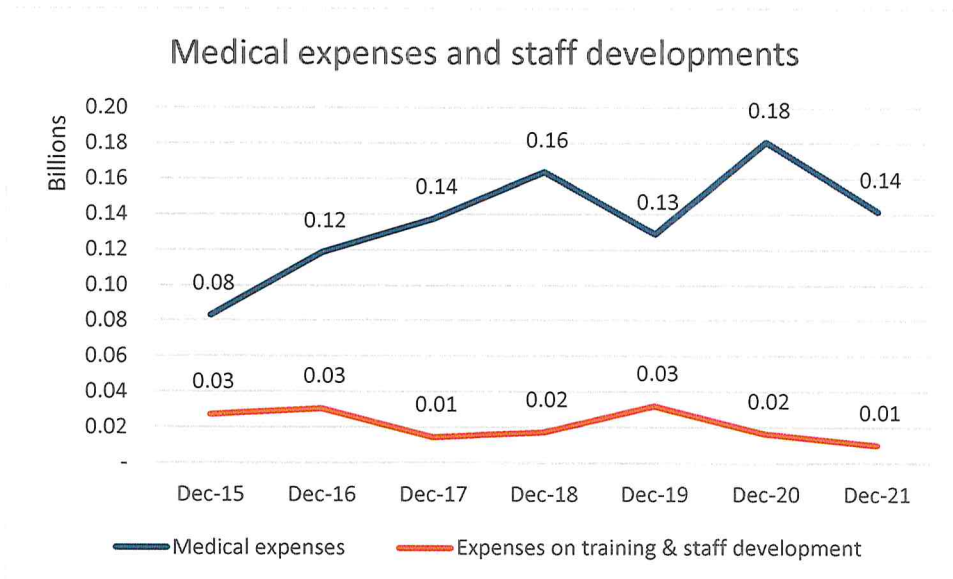


Annual turnover rate was at 1.40% on December 31, 2021.





The Bank invests in the welfare of the staff through a medical scheme operated by the Bank. Further, the Bank is well committed to upskilling its staff and continuously develop its staff to be able to deliver a quality service to the Bank and all its stakeholders. The graph below highlights investment expenses incurred in medical as well as in staff training and development.



Our Activities and Branch Network

Urwego offers microfinance banking services to organized groups, individuals as well as other banking services to corporations, SMEs, and retail customers. The Bank operates with a branch

network distributed across Kigali (4 service centers and 2 satellite branches) as well as upcountry (8 micro finance branches and 3 credit offices).

Our Services

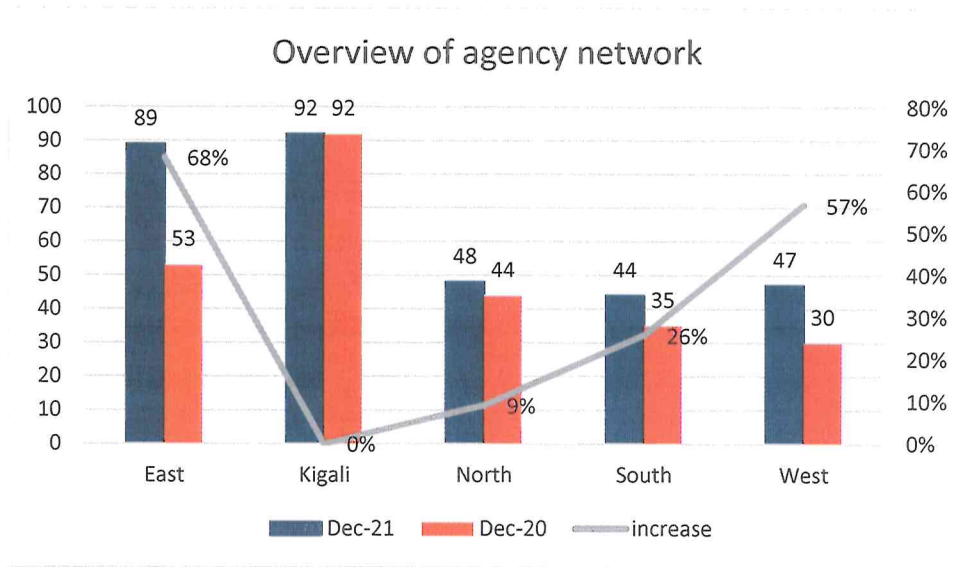
- a) **mHose:** is a mobile platform that enables customers to access banking services and execute financial transactions (cash in and cash out) through agents anytime. The Bank has partnerships with telecoms to allow its customers to effect transactions to push and pull money from their platform to their deposits account opened in the Bank and vice versa.
- b) **Transfers:** You can transfer your money to national and international banks with the support of Urwego (Transfer to internal accounts, Transfer from/to another bank nationally or internationally using RIPPS, Transfer from/to another bank nationally or internationally using SWIFT code).
- c) **Remittances:** Remittances can be done in USD or RWF depending on the service provider. Clients must ask for the FOREX daily exchange rate at their Urwego Bank branch. Remittance partners include:
 - Western Union
 - RIA
 - MoneyGram
- d) **Agent Banking:** Agent Banking means providing limited scale **banking** and financial services to the underserved population through engaged **agents** rather than a teller/cashier.

AGENT BANKING

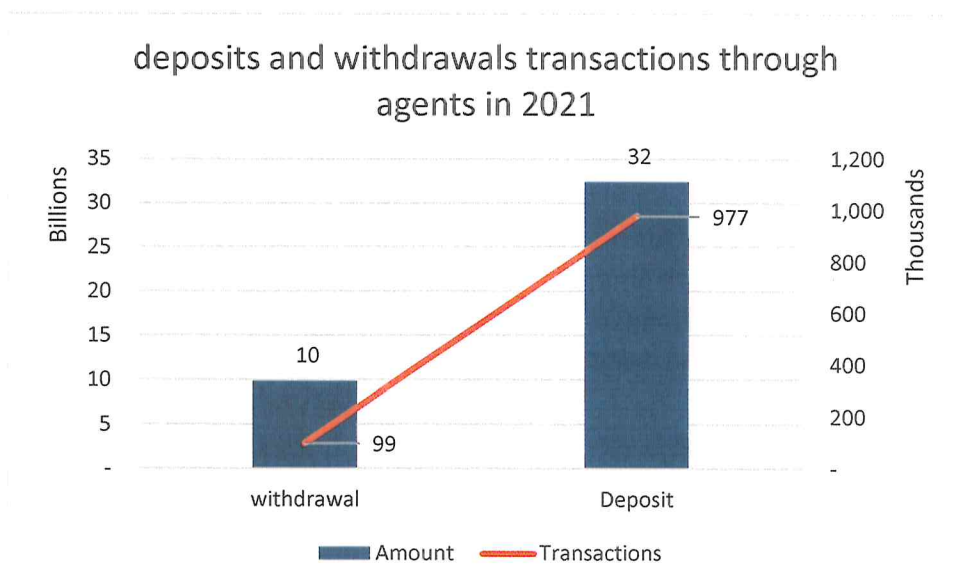


The Bank has an agent network across the country. In year ended 31 December 2021, Urwego had 320 agents that facilitate customers' withdrawal and deposit transactions, among others. The Bank's agent network increased by 26% compared to year ended

December 2020. The focus of the Bank has been to recruit new agents upcountry which is more financially excluded than Kigali City and access to normal branches services is harder upcountry than in Kigali City. Hence, agents network allows the Bank to channel its financial services to clients in those remote areas.



In 2021 there have been increased use of mHose in withdrawals and deposits transactions. Withdrawals through agents amounted to 9.8bn (2020: Frw 730m) whereas deposits through agents totaled Frw 32bn (2020: Frw 2.6bn). The graphs below show number of agents as well as withdrawals or deposits transactions processed through agency in the reporting period.



Our Products

Whatever your finance needs, we offer a flexible range of loans and savings products and services to help you achieve your goals.

IBICURUZWA BYACU

-  Inguzanyo z'ubuhinzi
-  Inguzanyo z'ubucuruzi
-  Inguzanyo z'amatsinda
-  Inguzanyo zo kwiga
-  Konti zo kuzigama

SERIVISI ZACU

-  mHose
-  Guhererekanya amafaranga
-  Kohereza no kwakira amafaranga
-  Isakaza bikorwa

OUR PRODUCTS

-  Agriculture Loans
-  Individual Business loans
-  Group Loans
-  School Fee Loans
-  Savings Accounts

OUR SERVICES

-  mHose
-  Transfers
-  Remittances
-  Agent Banking

Kiva Guaranteed Loans

Kiva offers a financial guarantee for clients who do not have collateral under Kiva-set eligibility criteria. In case unfortunate situations cause a Kiva supported loan to default, Kiva refunds the Bank principal amount still due from the client hence reducing loss to only unpaid interest and penalties. This Kiva guarantee allows the Bank to expand its outreach to women and other financially excluded groups. Kiva has been in partnership with Urwego since 2009. There has been a steady growth of loans guaranteed by Kiva over years as demonstrated by the graph below:



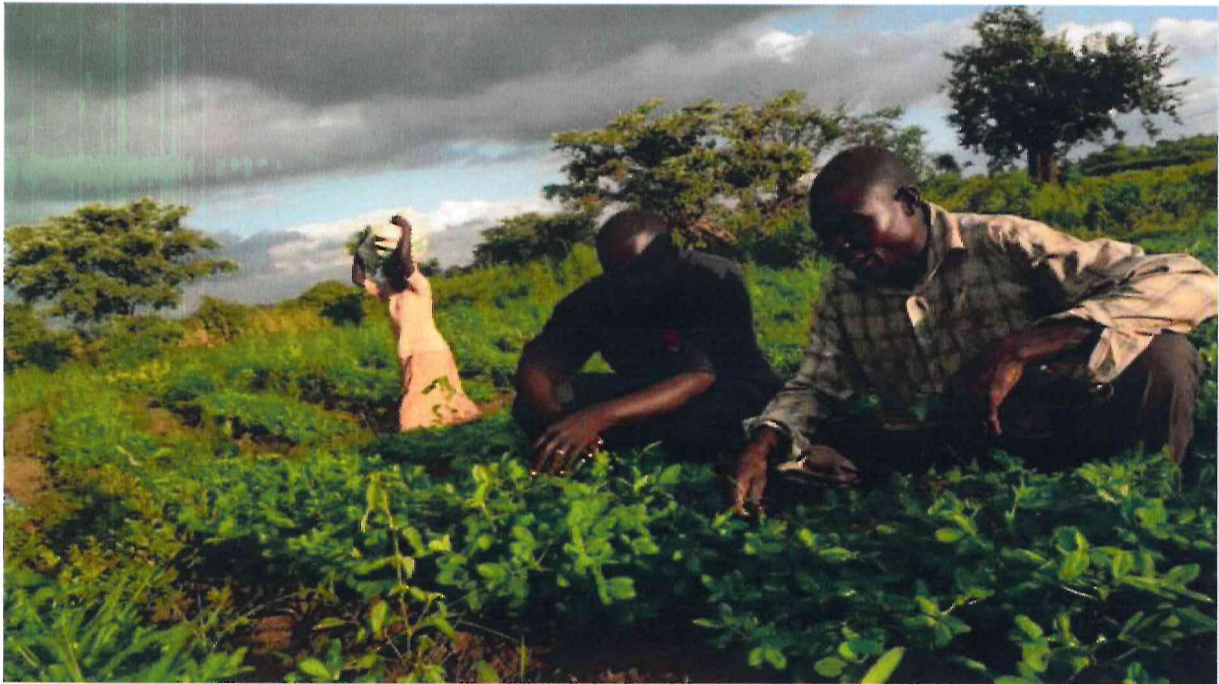
In 2020, there has been reduction of loans covered by Kiva due to reductions in lending activities as a result of COVID-19. In 2021 due to rebound of economic activities, loans covered by Kiva increased significantly.

Agriculture Loans

Urwego Bank extends agriculture loans to cooperatives registered in Rwanda Cooperative Association, groups guaranteed by registered cooperatives, agro-dealer cooperatives, and individuals, as well as individual farmers.

There are different categories of products financed including Maize, Rice, Potatoes, and Coffee.

Services offered to farmers and cooperatives include Inputs Financing (Seeds/ seedlings, Organic/inorganic Fertilizers (DAP, UREA, NPK, + Manure), Labor Financing, Post-harvest Financing, Equipment & Asset Financing.



Overview of the Bank's Financial Performance

Bank's Operations and Performance

Unlike 2020 where the Bank's performance was hardly affected COVID-19 pandemic due to lockdown and travel restrictions, 2021's performance was better than 2020 namely due to slow down of COVID-19 pandemic and opening up of economic activities. The Bank capitalized on opening up of the economy to expand its financial services to existing and new customers.

As a result, the Bank achieved good performance in many areas among others the following to mention but a few:

- increase in customers deposits with a 17% increase compared to prior year
- a 34% increase of loan portfolio compared to previous year
- a 17% increase of Bank's total assets compared to prior year
- a 23% increase in its operating income

Moreover, the Bank kept also its effort to support its customers that were hardly hit by COVID-19 pandemic in a bid to support them in their struggling to relieve from ashes of the COVID-19. As a result, the number of restructured loans reduced by 88% from 5,106 in December 2020 to 607 in December 2021. Moreover, as clients were recovering from ashes of COVID-19, the loans loss reserve on restructured loans got a decrease of 42%.

Restructured loans	December 2020	December 2021
No. of borrowers with restructured loans	5,016	607
No. of loans restructured	5,196	607
Amount outstanding (Frw'000) on restructured loans	2,725,697	3,833,481
Provision thereon (Frw'000) (regulatory)	377,748	219,283
Restructured loans as % of outstanding loan amounts (all borrowers)	20%	22%

Note an increase in value of loans restructured due to new loans that were restructured.

Key Financial Highlights

As described above, strategies devised by Management and Board of Directors mitigated impact of COVID-19 to Bank's operations. As a result, the Bank's performance was much better than previously anticipated. In a special way, the following are key results:

Particulars	Dec-21	Dec-20	Variance
Cash and cash equivalents	5,128,971	5,368,714	-4%
Customers' deposit	18,754,064	16,080,577	17%
Gross Loan Portfolio	17,938,570	13,446,206	33%
Financial Investments	2,146,427	3,001,761	-28%
Shareholders' equity	4,308,905	3,430,178	26%
Total assets	27,317,284	23,397,478	17%

As per the table above, the Bank performed well in most key areas of its financial position compared to results of year ended 31st December 2020. Financial investments were lower than prior year same period as the Bank invested much in loans which are high yield. Moreover, cash and cash equivalents are lower than prior year same period as the Bank used excess cash to mobilize more loans.

Overview of Key Financial Statements

The following section outlines statement of financial performance statement of financial position and other disclosures as well as some notes thereof. Other detailed financial statements are found on audited financials that is available to the Bank's website (www.urwegobank.com).

Statement of profit and loss and other comprehensive income

	Note	Dec-21 Frw'000	Dec-20 Frw'000
Interest and similar income	3	4,062,328	3,119,764
Interest and similar expense	4	(356,659)	(364,997)
Net interest income		3,705,669	2,754,767
Fees and commissions income	5	868,225	659,955
Fees and commissions expense	6	(325,895)	(195,352)
Net fees and commission income		542,330	464,603
Net foreign exchange income		232,540	264,206
Premium income		-	14,817
Other operating income	7	561,370	603,674
Total operating income		5,041,909	4,102,067
Net impairment charge on loans and advances	8	173,613	(919,982)
Operating income after impairment losses		5,215,522	3,182,085
Personnel expenses	9	(2,788,573)	(2,478,061)
Depreciation on property and equipment	10	(154,971)	(165,276)
Depreciation on right of use assets	11	(231,550)	(277,081)
Amortisation of intangible assets	12	(21,913)	(29,166)
Other operating expenses	13	(1,416,056)	(1,443,136)
Total operating expenses		(4,613,063)	(4,392,720)
Profit/(Loss) before tax		602,459	(1,210,635)
Income tax asset/(expense) for the period	14	276,268	-
Profit/(Loss) for the year		878,727	(1,210,635)
Other comprehensive income		-	-
Total comprehensive profit/(loss)		878,727	(1,210,635)

In year ended 31st December 2021, the Bank realized a good performance in all aspects of its profit and loss statements. Key ones among others include a 30% increase of its interest income with a decrease in interest expenses. Those two items resulted in a 35% increase in its net interest income. A 32% increase in net fees

and commissions income. It is worth noting an increase in commission expenses triggered namely on commission on Kiva loans due to increased use of this guarantee as well as commissions on mHose due to increased usage of technology in the Banking operations. Due to easing of travel restrictions and opening of economy, customers were able to repay their loans while recovery from written off loans were also increased. As a result, impairment expenses underwent a whopping decrease of 119% compared to prior year. On the other hand, the Bank kept its efforts to contain expenses and the latter were only increased by 5% on YOY basis.

The result in Bank's efforts to increase revenues while keeping expenses down was a whopping profit before tax of 150% (602m profit compared to a loss of 1.210 bn in 2020).

Statements of Financial Position

The Bank's financial position increased by 17% compared to prior year. The key increases among others namely realized in loan portfolio which increased by 40%, customers deposits which increased by 17%, total equity which increased by 26%.

	Note	Dec-21 Frw'000	Dec-20 Frw'000
ASSETS			
Cash in hand	15(a)	755,711	652,572
Due from the National Bank of Rwanda	15(b)	1,189,619	515,712
Due from other banking institutions	15(c)	4,000,729	4,894,856
Loans and advances to customers	16	17,120,080	12,216,022
Financial investments	17	2,146,427	3,001,761
Other assets	18	415,715	339,954
Current income tax assets	14	300,916	310,524
Property and equipment	10	429,711	453,349
Right of use assets	11	655,589	968,174
Intangible assets	12	26,519	44,554
Deferred tax assets	14	276,268	-
TOTAL ASSETS		<u>27,317,284</u>	<u>23,397,478</u>
LIABILITIES			
Deposits from customers	19	18,754,064	16,080,577
Other payables	20	1,365,311	980,770
Borrowed funds	21	2,889,004	2,905,953
TOTAL LIABILITIES		<u>23,008,379</u>	<u>19,967,300</u>
EQUITY			
Share capital	22(a)	9,491,629	9,491,629

Share premium	22(b)	126,568	126,568
Accumulated losses	23	<u>(5,309,292)</u>	<u>(6,188,019)</u>
TOTAL EQUITY		<u>4,308,905</u>	<u>3,430,178</u>
TOTAL LIABILITIES AND EQUITY		<u>27,317,284</u>	<u>23,397,478</u>

Other disclosures

Item			
A. Capital Strength	Figures in Frw'000		
a. core capital (Tier 1)	3,566,754		
b. supplementary capital (Tier 2)	199,526		
c. total capital	3,766,280		
d. total risk weighted assets	15,962,119		
e. core capital/ Total risk weighted assets ratio (Tier 1 ratio)	22.345%		
f. tier 2 ratio	5.298%		
g. total capital/total risk weighted assets ratio	23.595%		
h. leverage ratio	13%		
B. Credit Risk			
1. total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation;	25,551,705		
2. average gross credit exposures, broken down by major types of credit exposure:	25,551,705		
a) loans, commitments and other non-derivative off-balance sheet exposures;	-		
b) debt securities;	-		
c) OTC derivatives	-		

3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure;			
a. Kigali City	16,765,013		
b. Northern Province	1,022,695		
c. Eastern province	3,876,836		
d. Western Province	1,997,145		
f. Southern Province	1,890,016		

Key notes to financial statements

a) Primary geographic markets

The Bank realizes its revenues from contracts with customers on local markets. The table below highlights revenues reallocations by key regions:

As at 31 December 2021

Geographic markets	Interests on loans (Frw'000)	Fees and commission on loans (Frw'000)	Financial instruments at amortized costs (Frw'000)	Finance income from sublease (Frw'000)	Other fees and commission income (Frw'000)	Total (Frw'000)
Eastern province	772,919	110,271	-	-	38,022	921,212
Kigali city	1,824,296	298,670	436,943	11,340	181,053	2,752,302
Northern province	223,124	39,191	-	-	8,844	271,159
Southern province	397,772	68,377	-	-	17,723	483,872
Western province	395,501	89,625	-	433	16,449	502,008
Total	3,613,612	606,134	436,943	11,773	262,091	4,930,553

As at 31 December 2020

Geographic markets	Interests on loans (Frw'000)	Fees and commission on loans (Frw'000)	Financial instruments at amortized costs (Frw'000)	Finance income from sublease (Frw'000)	Other fees and commission income (Frw'000)	Total (Frw'000)
Eastern province	534,969	65,560			35,181	635,710
Kigali city	1,496,005	210,226	307,746	4,387	189,203	2,207,567
Northern province	167,815	28,799			8,785	205,399
Southern province	325,058	50,121			16,206	391,385
Western province	283,259	58,345		524	12,347	354,475
Total	2,807,106	413,051	307,746	4,911	261,722	3,794,536

b) Contract counterparties

The Bank main source of incomes is loans through interest income and fees from loans. Therefore, contract counterparties were based on key loans products namely group loans, agriculture loans, individual loans, small and medium enterprises. Other counterparties include government and financials instruments at amortized costs. The table below summarizes revenues by contract counterparties as of 31 December 2021.

As at 31 December 2021

Counterparties	Interests on loans (Frw'000)	Fees and commission on loans (Frw'000)	Financial instruments at amortized costs (Frw'000)	Finance income from sub lease (Frw'000)	Other fees and commission income (Frw'000)	Total (Frw'000)
Agric	128,566	5,765	-	-	-	134,331
Group	1,606,946	378,507	-	-	-	1,985,453
Individual	900,532	81,331	-	-	-	981,863
Others	(4,043)	12,727	-	11,773	262,091	282,548
Government	-	-	259,697	-	-	259,697
financial institutions	-	-	177,246	-	-	177,246
SME	940,035	127,102	-	-	-	1,067,137
Staff	41,576	702	-	-	-	42,278
Total	3,613,612	606,134	436,943	11,773	262,091	4,930,553

As at 31 December 2020

Counterparties	Interests on loans (Frw'000)	Fees and commission on loans (Frw'000)	Financial instruments at amortized costs (Frw'000)	Finance income from sub lease (Frw'000)	Other fees and commission income (Frw'000)	Total (Frw'000)
Agric	87,589	8,434	-	-	-	96,023
Group	1,291,717	238,161	-	-	-	1,529,878
Individual	763,168	60,329	-	-	-	823,497
Others	1,280	45,443	-	4,911	261,722	313,356
Government	-	-	197,283	-	-	197,283
financial institutions	-	-	110,463	-	-	110,463
SME	622,217	59,935	-	-	-	682,152
Staff	41,135	749	-	-	-	41,884
Total	2,807,106	413,051	307,746	4,911	261,722	3,794,536

The table below summarizes key revenue from contracts with customers in line with service type:

Income type	Frw'000	Dec-21 Frw'000	Dec-20 Frw'000
Banking operations		191,514	200,506
Investments		436,942	307,746
Loans		4,219,746	3,220,159
Mobile banking		63,309	53,020
Remittances		6,999	6,249
Sublease		11,774	4,911
ATM		269	1,945
Grand Total		4,930,553	3,794,536

d) Timing of performance obligation

The Bank's revenues from contracts with customers are realized either overtime or in time. Overtime revenues are collected over a term as per contract terms. In time revenues are collected and recognized in the very time. The table below highlights performance obligations timing for different revenues from customers:

As at 31 December 2021

Performance obligation	Interests and similar income (Frw'000)	Fees and commission on loans (Frw'000)	Financial instruments at amortized costs (Frw'000)	Finance income from sub lease (Frw'000)	Other fees and commission income (Frw'000)	Total (Frw'000)
Overtime	3,613,612	310,496	337,998	11,773	122,158	4,396,037
In time	-	295,638	98,945	-	139,933	534,516
Total	3,613,612	606,134	436,943	11,773	262,091	4,930,553

As at 31 December 2020

Performance obligation	Interests on loans (Frw'000)	Fees and commission on loans (Frw'000)	Financial instruments at amortized costs (Frw'000)	Finance income from sub lease (Frw'000)	Other fees and commission income (Frw'000)	Total (Frw'000)
Overtime	2,807,106	186,695	96,795	4,911	131,153	3,226,660
In time	-	226,356	210,951	-	130,569	567,876
Total	2,807,106	413,051	307,746	4,911	261,722	3,794,536

3. Interest and similar income

	Dec-21 Frw'000	Dec-20 Frw'000
Loans and advances	3,613,612	2,807,107
Investment security held at amortized costs	177,246	120,908
Government securities	259,697	186,838
Finance income on sublease	11,773	4,911
	4,062,328	3,119,764

4. Interest and similar expense

Interest on debt	21,925	3,374
Interest on savings accounts	218,716	190,421
Interest on term deposits	42,286	60,191
Finance costs on lease	73,732	111,011
	356,659	364,997

5. Fees, commission and premium income

a) Fees and Commission income

	Dec-21 Frw'000	Dec-20 Frw'000
Credit related fees and commissions	295,638	189,829
Loan processing fees	310,496	208,405
account maintenance fee	179,683	181,717
Local and international transfer	60,816	59,637
other fee and commission income	21,592	20,367
	868,225	659,955

Other commissions relate to money SMS fees, Pivot access, ATM card fees and other revenue on banking transactions.

b) Fees and commission expense

Bank charges	8,935	10,294
other fee and commission expense	316,960	185,058
	325,895	195,352

6. Other operating income

	Dec-21 Frw'000	Dec-20 Frw'000
Grant income	517,103	552,203
Miscellaneous income	44,267	51,471
	561,370	603,674

7. Impairment losses on financial assets

	Dec-21 Frw'000	Dec-20 Frw'000
Balance as at January	1,230,184	252,230
Specific provisions for the year	38,209	1,109,088
Loans written off	(449,903)	(131,134)
	818,490	1,230,184
Charge for the year:		
Specific provisions	38,209	1,109,088
Recoveries on amounts written off	(249,304)	(202,470)
Loss on bad debts	37,482	13,364
	(173,613)	919,982

8. Personnel expenses

Salaries and wages	2,194,155	2,174,272
Medical insurance	141,421	180,580
Employer contributions to RSSB	112,472	113,518
Other personnel expenses	340,525	9,691
	2,788,573	2,478,061

Note: Notes 9 through notes 13 are detailed in audited reports

14. Cash and bank balances

a) Cash in hand

	Dec-21 Frw'000	Dec-20 Frw'000
Cash in foreign currencies	205,013	150,305
Cash in local currencies	550,698	502,267
	755,711	652,572

b) Due from the National Bank of Rwanda

	Dec-21 Frw'000	Dec-20 Frw'000
Balances in foreign currencies	78,272	24,188
Balances in local currency	1,111,347	491,524
	1,189,619	515,712

c) Due from other banking institutions

Balances in foreign currencies	2,686,197	3,027,143
Balances in local currency	1,314,532	1,867,713
	4,000,729	4,894,856

d) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following;

	Dec-21 Frw'000	Dec-20 Frw'000
Cash in hand	755,711	652,572
Due from the National Bank	1,189,619	515,712
Cash reserve balances with the National Bank	(837,018)	(714,356)
Due from other banking institutions	4,000,729	4,894,856
Short-term investments	19,930	19,930
Cash and cash equivalents	5,128,971	5,368,714

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts with National Bank of Rwanda, and amounts due from banks and government securities (treasury bills) with an original maturity of three months or less, net of outstanding bank overdrafts and restricted balances with National Bank of Rwanda. Banks are required to maintain a prescribed minimum cash balances with the National Bank of Rwanda that is not available to finance day to day activities. The amount is determined as 4% of the average outstanding customer deposits over a cash reserve cycle period of one month. None of the amounts above have been pledged as collateral during the period.

15. Loans and advances to customers

	Dec-21 Frw'000	Dec-20 Frw'000
Community group loans	6,041,422	4,249,567
Individual loans	10,778,476	7,933,354
Staff loans	368,610	370,313
Salary loans	410,953	574,328
Agriculture loans	165,004	90,287
Interest receivable	174,105	228,357
	17,938,570	13,446,206
Individual impairment	(233,755)	(356,722)
Collective impairment	(584,735)	(873,462)
Total (Note 8)	(818,490)	(1,230,184)
Net Loans and advances	17,120,080	12,216,022

16. Financial Investments

Government debt security	2,053,965	1,733,000
Short term investments with other FI	19,930	1,219,930
Accrued interest receivable on financial investment	72,532	48,831
	2,146,427	3,001,761
Current (settled within 12 months after reporting)	492,462	2,124,161
Non-current (settled within more than 12 months after reporting)	1,653,965	877,600
	2,146,427	3,001,761

Other assets

	Dec-21 Frw'000	Dec-20 Frw'000
Items in the course of collection	45,955	32,279
Prepayments	51,059	48,994
Other assets	160,572	110,953

Other assets (cont'd)

	Dec-21 Frw'000	Dec-20 Frw'000
Other receivable	149,687	132,275
Due from related parties (note 24c)	8,442	15,453
	415,715	339,954

Other receivables, Items in the course of collection, and other commissions receivable are non-interest bearing and are generally on short term period of 30 to 90 days. Items in the course of collection relate to inward transfers from money transfer agencies. Other assets primarily comprise amounts held in suspense accounts. Other receivables comprise mainly of VAT receivable, grants receivable and employee advances.

Dues from government relate to withholding tax and quarterly prepayments of CIT that was previously computed as part of deferred tax. In 2020, these are presented separately since there is no deferred tax computation.

18. Deposits from customers

Current and demand deposits	9,956,098	9,937,012
Saving deposits	7,840,858	5,250,038
Term deposits	937,097	871,176
Interest payable on deposits	20,011	22,351
	18,754,064	16,080,577

Except 10% compulsory savings on group loans totaling Frw 879m that were pledged as collateral, all other remaining deposits held were not pledged as collaterals. Break down between current and non-current deposits:

Current	18,753,147	15,357,409
Non-current	917	723,168
Total	18,754,064	16,080,577

The summary of terms and conditions for the various categories of deposits are below:

- a) Term deposits - These are interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Funds are fixed on the account for specified term periods of time.

Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

- b) Current and demand deposits – These are non-interest-bearing accounts that are due on demand. They are operated by both individuals and institutions. They are subject to transaction activity fees and/or monthly maintenance charges.
- c) Savings accounts - This is a deposit account designed for the average income earner that enables one to save some money and earn interest. The more one saves, the higher the interest. Interest on minimum monthly balances is accrued monthly and transferred to the account at maturity.

19. Other payables

3. Other payables

	Dec-21 Frw'000	Dec-20 Frw'000
Deferred grant income	351,696	339,105
Deferred processing fees	133,926	97,315
Accruals	534,418	342,947
VAT and withholding tax	83,129	76,430
Amounts due to related parties (note 24d)	4,063	85
amount due to money transfer agency	3,538	1,362
other payables	254,541	123,526
	1,365,311	980,770
Current	1,365,311	980,770
Non – current	-	-
	1,365,311	980,770

A grant is recognised as deferred revenue when grant funds are received and the Bank has the full intent to comply with the conditions attached to the grant. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

20. Borrowed funds

	Dec-21 Frw'000	Dec-20 Frw'000
Kiva funds	1,350,249	903,678
Lease liabilities	757,810	1,064,273
Long term loans	740,705	874,247
Finance cost on lease	40,240	63,755
	2,889,004	2,905,953
Current	2,281,669	2,004,051
Non – current	607,335	901,902
	2,889,004	2,905,953

The movement in the borrowed funds is shown below:

Opening balance as at 1 January	2,905,953	1,913,180
Proceeds	871,745	1,679,588
Repayment	(888,694)	(686,815)
Closing balance as at 31 December	2,889,004	2,905,953

21. Share capital and reserves

a) Share capital

Balance at 01 January	9,491,629	8,071,629
Increase in share capital	-	1,420,000
	9,491,629	9,491,629

b) Share premium

Balance at 01 January	126,568	126,496
Increase in share premium	-	72
	126,568	126,568

22. Retained earnings

	Dec-21 Frw'000	Dec-20 Frw'000
Balance at 01 January	(6,188,018)	(4,977,383)
Profit/(loss for the period)	878,727	(1,210,635)
	(5,309,291)	(6,188,018)

23. Related parties and related party transactions

a) Key management personnel compensation

Salaries and wages	325,017	301,126
Post-employment benefits	15,632	14,481
Contributions to maternity leave	940	869
	341,589	316,475

In addition to their salaries, the Bank also contributes to both a post-employment defined contribution plan and maternity leave to Rwanda Social Security Board, on their behalf.

b) Loans and advances to related parties

	Dec-21 Frw'000	Dec-20 Frw'000
Loans and advances to employees (note 16)	368,610	370,313

c) Outstanding balances arising from sale or purchase of services

	Dec-21 Frw'000	Dec-20 Frw'000
Current receivable from related parties (note 18)	8,442	15,453
Current payable from related parties (note 20)	4,063	85

HOPE DSU and HOPE International Rwanda contributes each Frw 1,106,000 for subleasing part of the 3rd floor space of its head office and Frw 97,105 for service charges on monthly basis.

Our Risks Management

To augment the understanding of particular sources of risk, their possible consequences, and the practical approaches to managing them, it is important to have them adequately categorized.

Urwego Bank, as is with other financial institutions, generates most of its revenue by recognising that it is faced with various forms of risk i.e. Strategic risk, Credit risk, Operational risk, Liquidity risk, Country risk, Market risk, Compliance risk and so on. Effective management of these risks is therefore decisive in the Bank's profitability and long-term survival.

Each risk category and sub-risk category are assessed annually to measure both inherent and residual risk levels to ensure that their likelihood and impact ratings remain within Management's target and Risk Appetite limits. Annual risk assessment is conducted by the Risk Management, Internal Audit and Senior Management team.

Each of the various categories of risk identified above is a vulnerability point for Urwego Bank, it is the responsibility of the Board and Management to assess the levels of risk exposure, prioritize areas of greatest vulnerability, and to ensure that proper controls are in place to minimize risk exposure.

Strategic Risk Management

Strategic risk is the risk that occurs due to inaccurate decision-making and/or implementation of strategic decisions as well as failure in the anticipation of business environment changes.

1. Adequacy of policies, procedures, and Limits

The Bank has policies and procedures governing the formulation and preparation of the Business Plan including analysis regarding the strategic direction and key activities to support the implementation of strategies taken.

2. Adequacy of Process Identification, Measurement, Monitoring, Risk Control, and Systems Information Risk Management

Urwego Management team, through its corporate strategy, ensures an adequate process of identification, measurement, monitoring and controlling strategic risk by conducting a strategic review on a quarterly basis including the Bank's financial performance compared to the microfinance banking industry and ongoing business plan. This strategic risk review is part of the Bank's overall risk profile review process. The Bank closely follows implementation of strategic goals to curb any drift and take corrective measures on time as follows:

- Monthly strategic goals implementation report by CEO to Board Executive Committee
- Quarterly strategic goals implementation report by each department to Board of Directors

Comprehensive Internal Control System

Urwego has an internal control system for strategic risk management that periodically monitors the quantitative and qualitative performance.

Credit Risk Management

Credit risk is the likelihood that a debtor or borrower is unwilling or unable to pay both principal and interest according to the terms specified in the credit agreement resulting in economic loss.

Urwego's credit risk management aims at preserving the high credit quality of the Bank's portfolios and thereby protecting the Bank's short- and long-term viability. The Bank's credit risk management builds on the principles of (1) appropriate risk diversification within the scope of the mission; (2) thorough risk assessment at the credit appraisal stage; (3) risk-based pricing and risk mitigation; (4) continuous risk portfolio early monitoring to minimize losses; (5) avoidance of undesirable risks to the extent possible.

Key risk indicators monitored are, among others, the development in risk class aging distribution in the Bank's loan portfolios.

1. Adequacy of Policies, Procedures, and Setting of Limits

In preparing the credit risk management framework, the Management team established credit policies as a guidance for credit process implementation and these policies are approved annually and reviewed periodically, especially if there are changes in economic conditions, government regulations and in the business environment.

The Bank also establishes limits to ensure that the credit risk exposure is in accordance with the Bank's risk appetite. These would include, among others, a limit on the authority to make credit decisions that are adjusted to the competence of the decision maker and the level of risk and considering that there is no conflict of interest in the process of loans to customers. The determination of the Legal Lending Limit is in accordance with the Central Bank regulations.

2. Adequacy of Process Identification, Measurement, Monitoring, and Risk Control, and Risk Management Information Systems

- The Implementation of the Credit Risk framework in Urwego Bank is conducted through

a phased integrated process and consists of the Identification, Measurement, Monitoring, and the Control/Mitigation of risk.

- The identification of credit risk is the result of the study on the characteristics of credit risk inherent in the functional activity of credit and treasury, including credit concentration risk.
- The Credit risk measurement system considers product characteristics, duration, assurance aspects, potential defaults, and the ability of the Bank to absorb potential failure.
- The Bank monitors the actual credit risk exposure compared to the credit risk limit, the management of problem loans, and the conformity between policy and implementation of credit risk management.

3. Comprehensive Internal Control System

- The Bank has a Management Credit Committee (MCC) that review and approve loans from a preset threshold. Moreover, MCC reviews and approves restructured loans.
- Business managers and the various levels of Credit Policy Committees are responsible for identifying and tracking trends and concentrations of risk within the portfolios.
- Sales Team and Branch Leaders are responsible for ensuring that all customers are allocated, for reporting purposes, to the appropriate product code and industry sector.

4. Approach for forming the Allowance for impairment losses

The Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired for impairment's allowance and calculated using an individual and collective approach. The Bank's policy is to maintain at least 100% of the required loan loss reserve level for impaired loans as stipulated in the loan loss provisioning and write-off policies. The Bank's provisioning policy is aligned to BNR regulation and IFRS 9 requirements.

Market Risk Management

Definition and sources of risk:

The Bank defines market risk as the risk of valuation loss or reduction in expected earnings stemming from adverse fluctuations in exchange rates, interest rates, price changes in the market. The major types of market risks faced by the bank include among others the following:

- **Interest-rate risk:** this is the risk resulting from variations in market interest rates.
- **Currency risk or foreign exchange rate risk:** this is the risk resulting from variations in foreign-currency exchange rates.

Overview of interest rate risks

1. Adequacy of Policies, Procedures and Limits

The Bank controls interest rate by measuring the relationship between the cost of funds and the rates charged to borrowers and profit margin. Urwego's ability to adjust interest rates on its loans is determined by the degree to which liabilities are used to fund assets within the portfolio resulting in earnings growth.

2. Adequacy of Identification Process, Measurement, Monitoring, Risk Control, and Systems Information Risk Management

Urwego measures and monitors interest rate risk by applying the following:

- Assessing the amount of funds at risk for a given shift in interest rates.
- Evaluating the timing of the cash flow changes given a particular interest rate shift.
- Notwithstanding the current portfolio profile, Urwego determines the gap between rate-sensitive assets and rate-sensitive liabilities in specific repricing schedules (gap analysis) on a monthly basis. This mechanism shall enable the identification of the timing of cash flow shifts.
- The key measurement of interest rate risk and a monitoring indicator of this risk is the net interest margin, or the spread. Urwego on a monthly basis monitors this ratio, which is calculated as the income remaining to the institution after interest is paid on all liabilities and compare the result with either total assets or the performing assets of Urwego.

3. Interest rate risk management guidelines.

- Urwego has adopted re-pricing positions, which lock in (hedge) Urwego's net interest income to meet a constant revenue or rate of return target, irrespective of changes in interest rates.
- This strategy stabilizes Urwego's earnings, makes its business less risky, and thereby reduces its need for economic capital and hence its required rate of return on equity.
- All interest rate risk taking is centralized in a dedicated treasury department by means of a common funding pool. The treasury department in turn follows the policy guidelines laid down by the Assets and Liabilities Committee (ALCO).

Overview of foreign exchange risk

The Bank protects itself against the risk of exchange rate losses. The bank's operating principle is to hedge foreign exchange risk. Investments in assets held for liquidity purposes are made in the

primary lending currencies. As a rule, the Bank does not hedge its future net interest margin against movements in foreign exchange rates.

In compliance with the regulatory requirement, limits for acceptable foreign exchange risk are kept low compared to the Bank's equity. Limits have been set to restrict the overnight open positions, i.e. the net nominal value of assets and liabilities in each foreign currency.

4. Comprehensive Internal control system

The Internal Control System is maintained through policy and strategic adjustments associated with the Asset Liability Management (ALM) processes and committee.

Liquidity Risk Management

Definition and sources of risk

The Bank defines liquidity risk as a risk from an increase in the funding gap or its inability to meet payment obligations at maturity, including liquidation of customer deposits.

Urwego ensures and maintains capacity to meet its commitments, repayments, and withdrawals as they fall due in terms of time, place and in the required currency. These obligations mainly comprise deposits at sight, or short notice, term deposits, and commitments to lenders.

Urwego's treasury management takes a more comprehensive view; that liquidity risk has its sources on both sides of the balance sheet, and that management of the risk will address normal as well as stressed conditions.

1. Adequacy of Policies, Procedures and Establishing Limits

The Bank's policy to control liquidity risk has been adjusted to fit with the mission, business strategy, capital adequacy, human resource management and the Risk Appetite Statement (RAS).

The Bank's Internal Liquidity Adequacy Assessment Policy (ILAAP) establishes a robust liquidity risk management that ensures it maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.

All business units that conduct activities having an impact on liquidity are aware of the liquidity strategy and operate under the approved policies, procedures, and limits.

Senior Management and appropriate personnel shall have a thorough understanding of how other risks impact the Bank's overall liquidity strategy.

2. Liquidity Risk Management

Key objectives for the Bank's liquidity risk management are to ensure that the liquidity position is strong enough to:

- Enable the Bank to carry out its core activities for a defined period of time under stressed market conditions without access to new funding;
- Fulfil the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements as specified in the Internal Liquidity Adequacy Assessment Process (ILAAP).
- To furnish guidance in maintaining an investment portfolio, this, along with other sound assets, provides earnings and sufficient liquidity to ensure a reasonable degree of flexibility in the bank's operation.

3. Adequacy of Process Identification, Measurement, Monitoring, and Risk Control

On monthly basis, Urwego performs a liquidity gap analysis to determine the extent of mismatches in the various maturity brackets of the entire portfolio. Coupled with this analysis, on a daily basis, treasury assesses the net cash flows of the entire branch network by using its MIS to monitor compliance with forecasted figures and Urwego's established insurable cash holdings. Budget variances in terms of expenditure patterns are critically analysed and reviewed for compliance by the Director of Finance.

Urwego carries out a monthly stress test on its capacity to withstand a run on its deposits for a period not less than 3 days. The assumptions for these tests are explained in detail in Urwego's Asset and Liability Management (ALM) policy and procedures manual.

The Urwego Board of Directors has established a quantitative liquidity Risk Appetite Statement and the ratios are measured against actual performance on a monthly basis and reported to the Board Risk Committee on a quarterly basis.

Liquidity early warning indicators

To assess whether a potential liquidity problem may be developing, Urwego gives regard to various indicators including but not limited to:

- Deteriorating asset quality;
- Excessive concentrations on certain assets and funding sources;
- Decline in earnings and interest margins;
- Increase in overall funding costs;
- Rapid asset growth being funded by volatile wholesale liabilities;
- Worsening cash-flow positions as evidenced by widening negative maturity mismatches,

- especially in the short-term time bands; and
- Increased borrowings in interbank market and excessive discounting of Treasury bills.

Operational Risk Management

Definitions and sources of risk.

The operational risk results from inadequate or failed internal processes, people or systems or from external events. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the Bank.

It also includes exposure to loss resulting from the faulty operation of a manual or automatic system to process, produce, or analyse operations and transactions within the periods allowed and with the intended security.

At Urwego managing operational risk is an important feature of the overall Risk Management Program. The most important types of operational risk arise from failure in people and systems. Such breakdowns can often lead to financial losses through error, fraud, or failure to perform in a timely manner and cause the interests/mission of the Bank to be compromised.

The objective of operational risk management at Urwego includes but is not limited to:

- implementing and enforcing an appropriate framework for identification, assessment, monitoring and reporting of operational risks.
- detecting critical risk areas or groups of operations with an increased risk level;
- understanding what drives it;
- developing response actions and if necessary, allocate capital to mitigate the risk; and
- identifying trends internally and externally that would help predicting it.

Types of Operational Risk Relevant to Urwego Bank:

Operational risk event types having the potential to result in substantial losses include:

- Internal fraud: for example, intentional misreporting of financial positions and/or performance, employee theft, etc.
- External fraud: for example, robbery, forgery, cheque kiting, and damage from computer hacking.
- Disregard of employment practices and workplace safety
- Disregard of Bank policies, strategies, guidelines, rules and regulations, as well as inappropriate or ineffective use of existing control mechanisms by Bank personnel in relation to a particular client or attempts to create “shortcuts” in order to advance

personal agendas.

- Disregard of clients, products, and business practices. For example, fiduciary breaches, misuse of confidential customer information, improper trading activities on the Bank's account, money laundering, and sale of unauthorized products.
- Damage to physical assets. For example, terrorism, damage, earthquakes, fires and floods.
- Business disruption and system failures. For example, hardware and software failures, telecommunication problems, and utility outages.
- Lack of execution, delivery, and process management. For example, data entry errors, collateral management failures, incomplete legal documentation, unapproved access given to client accounts, non-client counterparty mis-performance, and vendor disputes etc.

The fundamental principles of operational risk management at Urwego are:

- The ultimate responsibility for operational risk management rests with the Board and the level of risk that the Bank accepts; together with the basis for managing those risks shall be driven from the "top down".
- Urwego has operational policies and procedures that clearly define the way in which all aspects of operational risk are managed. The policies and procedures shall be documented, approved by the Board and Senior Management and then communicated to all staff.
- The Board and Senior Management ensure that at all times there is an effective and integrated operational risk management framework. This incorporates the organizational structure with clearly defined roles and responsibilities for all aspects of operational risk management as well as appropriate tools that support the identification, measurement, monitoring and control of the key risks.
- Line management establishes processes for the identification, measurement, monitoring, controlling and reporting of operational risks that are appropriate to the needs of the business unit.
- Urwego always maintains a robust Management Information System for identification, measurement, monitoring and controlling operational risk. Reports shall be accurate and generated in a timely manner for Urwego's Board of Directors and Senior Management.
- Urwego develops strong internal control processes and procedures including a system of documented approvals and authorisations to ensure accountability and segregation of duties. Urwego also has a system in place to ensure compliance with the documented set of internal policies.
- In all its branches, Urwego acquired power generators that automatically turn on whenever power outage occurs. This allows for operations continuity and prevents loss or alteration of data due to outages occurring in branch or head office.
- The Bank has anti-virus, anti-spyware, and firewalls to safeguard against external cyberattacks. Moreover, its staff are regularly given trainings on cyber security.

1. Policies, Procedures and Establishment of Limits

The bank has policies and procedures to manage operational risks including, among others, Operational Risk Management Policies, Management of Business Continuity Policies, Operations Policies, Human Resource Policies, and Information & Communications Technologies (ICT) policies, as well as other relevant procedures.

The establishment of operational risk limits to limit the maximum potential losses that can be absorbed by the Bank is made with reference to the operational risk exposure, past losses, operational risk tolerance, as well as analysis of operational risk occurrence and its impact on the future (future looking risks).

2. Adequacy of Process Identification, Measurement, Monitoring, and Risk Control, and Systems Information Risk Management

Risk identification is performed through the registration process of all potential operational risks based on processes, products, events risk, and asset information held by the Bank. In addition, the identification of risk goes through the operational risk assessment process on the product, services/process proposed by the business units and support functions.

The risk measurement process involves periodical self-assessment activities, risk/loss event database management and the calculation of capital adequacy for operational risk.

The department concerned and Risk Management Unit do the process of risk management by adding effective control mechanisms and providing insurance sufficient to minimize risk for the Bank.

Risk Management information system is made to present accurate, timely and up to date information to support management functions to facilitate the planning process and decision-making.

3. The Comprehensive Internal Control System

The internal audit team conducts periodic reviews of the procedures, documentation, data processing systems, contingency plans, as well as contracts and agreements between the Bank and other parties, assurance process of all functional activities. Moreover, internal compliance teams conduct follow-ups of the implementation of finding raised through internal or external audits as well as inspections by regulators. The operational risk management process is structured as follow:

- At the operational level is a layered control system (three lines of defense), in which

the Internal Control System (Quality Assurance/Internal Compliance) is instrumental in helping the Risk Taking Units (RTU) or Risk Owner in the enforcement of daily management operational risks.

- In the next layer of control, the Risk Management Unit together with Compliance Unit is instrumental in the definition, refinement, and maintenance of the risk framework operations to ensure adequate risk mitigation policy and procedures, as well as act as the coordinator/facilitator of the activities of operational risk management.
- Next, the Internal Auditor independently ensures that the residual risks are still within acceptable limits (risk appetite).

The alignment of work between units related to the Bank's internal control is sustained through periodic forums and routine facilitation.

4. Business Continuity Management

Business Continuity Risk & Disaster Recovery risk is the risk that the Bank or company cannot maintain a state of continued, uninterrupted operations of a business when its primary location of business becomes inoperable due to unforeseen natural and man-made disaster or loss events. Disaster Recovery risk is the risk to the Bank when the primary location of the technology assets that enables continuity of business becomes inoperable.

Urwego has developed guidelines for business continuity whereby a comprehensive effort to anticipate operational risks which may occur in extreme/critical situations such as floods and earthquakes and also other factors such as fire, system/power interruptions and unfavorable business environment so that continuity of service to customers can be assured.

Urwego Management team established a Disaster Recovery Centre and installed a Data Recovery (DR) Server in its Muhanga branch which is located 45KM from the Head Office/Primary. Core business data is backed up on a daily basis for business continuity in case the Primary Server fails.

Operational Business Continuity Procedures and processes are in place and reviewed at least annually to incorporate new business changes.

Legal and Compliance Risk Management

1. Definition and sources of risks

Legal and Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer because of its failure to comply with laws, regulations, prudential guidelines, supervisory recommendations and directives, rules, related self-regulatory standards and codes of conduct applicable to its bank activities.

Urwego is committed to complying with national legislations, rules and standards issued by legislators and supervisors, market conventions, codes of practice promoted by the banking industry associations and internal codes of conduct applicable to staff members.

Urwego promotes at all times a corporate culture that emphasizes standards of honesty and integrity and in which the Board and Senior Management lead by example. Urwego's code of conduct shall at all times specify the dos and don'ts governing all staff activities and staff must always consider the impact of their actions on Urwego's shareholders, customers, employees and the markets in order to avoid significant reputational risk and regulatory penalties.

2. Compliance risk management framework

The risk management framework for compliance risk includes Board and Senior Management oversight, policies and procedures, Management Information System (MIS) and an independent review.

The Urwego Board of Directors oversees the management of the Bank's compliance risk. It approves the compliance policy, including a formal document establishing a permanent and effective compliance function. The Board regularly assesses the extent to which the Bank is managing its compliance risk.

Senior Management is responsible for the effective management of the Bank's compliance risk. As such, Senior Management establishes written compliance policy that contains the basic principles to be followed by management and staff and explains the main processes by which compliance risks are to be identified and managed at all levels of the bank.

Urwego's compliance function falls under two categories i.e., External and Internal under the Risk Management department. The External Compliance function focuses on day to-day compliance with external rules, laws, and regulations. Whereas, Internal Compliance Function focuses on how staff comply with policies, procedures and processes put in place. It also evaluates effectiveness and efficiency of the existing controls for mitigating risks within established limits.

3. Policies and Procedures

The Senior Management has put in place policies, processes, and procedures to control and mitigate compliance and legal risks. The procedures and processes define the compliance function as an independent function, responsibilities of compliance staff and details compliance officer's communication methods with management and staff in the various business units.

Compliance risk management policy is part of the overall risk management policy, which precisely determines all important processes and procedures in minimizing the Bank's compliance risk

exposure. Compliance policies also include an anti-money laundering (AML) policy and Combating the Financing of Terrorism (CFT) policy for Urwego Bank.

The Urwego compliance unit assesses compliance risk by using of performance indicators against set limits to enhance controls, provides guidelines on how to identify deficiencies, and formulates proposals for amendments. Compliance tracking system enables the management team to enforce compliance disciplines across the Bank.

Country and Transfer Risk Management

1. Definition and sources of risks

Country Risk: Country risk is the risk that economic, social, and political conditions and events in a foreign country will adversely affect the Bank's financial condition. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events that contribute to institutions' operational risks.

In addition to the negative effect that deteriorating economic conditions and political and social unrest may have on the rate of default by obligors, country risk also includes the possibility of nationalization or expropriation of assets, government repudiation of external indebtedness, sudden changes in exchange control policies, and currency depreciation or devaluation.

Transfer Risk: Transfer risk is the risk that a borrower may not be able to secure foreign exchange to service its external obligations. Where a country suffers economic, political, or social problems, leading to drainage in its foreign currency reserves, the borrowers in that country may not be able to convert their funds from local currency into foreign currency to repay their external obligations.

As the definitions above, country and transfer risks are the lowest risks that Urwego can face today and in the future due to its mission statement, which guides the nature of business the Bank engages in.

When an institution engages in international operations (lending, deposits, or outsourcing), establishes a subsidiary or a branch in a foreign country or incurs a cross-border exposure, it is exposed to not only customary credit risk but also country risk. Country risk is the primary factor that differentiates international lending from domestic lending. It encompasses all the uncertainties arising from the economic, social, and political conditions of a country that may cause borrowers in that country to be unable or unwilling to fulfil their external obligations.

- Country risk may arise from deteriorating economic conditions, political and social

upheavals, nationalization or expropriation of assets, government repudiation of external indebtedness, exchange controls and currency devaluation.

- Country risk is a special form of risk over which a bank can exercise little direct influence. Institutions should therefore ensure that they have adequate systems and expertise to manage their cross-border exposures and avoid taking undue concentration risks on such exposures.

2. Board and Senior Management Oversight

Urwego Board and Senior Management are responsible for defining the nature and the level of business the bank is supposed to undertake to ensure that the bank's business operations remain true to the mission statement.

3. Policies and Procedures:

Urwego lending product procedures and policies are developed and approved by the Board in order to prevent any deviation that can attract country and transfer risks. Credit facilities are offered to Rwandans only.

Technology Risk Management

1. Definition and purpose

Technology risk has been defined as the risk of loss arising from the potential inadequate information system or technology failures.

The purpose of Technology (Information and Communication Technology) risk management is to assist Urwego to establish an effective mechanism that can identify, measure, monitor, and control the risks inherent in the Bank's ICT systems, ensure data integrity, availability, confidentiality, and consistency and provide the relevant early warning mechanism.

2. Board of Directors Oversight

1. Role and Responsibilities of Board of Directors are but not limited to:

- Urwego Board of Directors ensures that IT governance structure and risk management framework suits business needs and risk tolerance.
- Understands IT risk and oversees the design and implementation of appropriate internal controls and risk management practices.
- Approves IT plans, policies, major expenditures and periodically review the alignment of IT strategy within the overall business strategies of the bank.
- Sets high ethical and integrity standards and establishes a culture within the bank that

emphasizes and demonstrates to all levels of personnel the importance of IT risk management.

- Ensures that effective audits and cybersecurity risk assessments are carried out in alignment with BNR regulation by an independent and qualified personnel or company and comprehensive reports are submitted to the Board IT & Business Committee.

2. Senior Management

The following are key responsibilities of Senior Management concerning Technology risk management:

- Ensure that all employees fully understand and adhere to the ICT policy and procedure approved by the Board of Directors and the Senior Management and are provided with pertinent training.
- Ensure customer information, financial information, product information and core banking system of the Bank are held in a secure environment.
- Report in a timely manner to BNR any significant adverse incidents of information and communication systems or unexpected events, and how they have been handled;
- Cooperate with the National Bank of Rwanda in the surveillance of the risk management of information systems, ensure that supervisory opinions are followed up, and performing other related Technology risk management tasks.

3. IT Department

The following are the responsibilities of the IT Department under the supervision of the Chief Operating Officer but not limited to:

- Play a direct role in key business development decisions involving the use of ICT in the Bank.
- Ensure that information systems meet the needs of the Bank's operations, and the IT strategies, in particular information system development strategies, comply with the overall business strategies and ICT risk management policies.
- Establish an effective and efficient IT organization to carry out the IT functions. These include the IT budget and expenditure, IT risk management, ICT policies, standards, and procedures, IT internal controls, professional development, IT project initiatives, IT project management, information system maintenance and upgrade, IT operations, IT infrastructure, information security, disaster recovery plan (DRP), IT outsourcing, and information system retirement.
- Ensure the effectiveness of ICT risk management throughout the Bank including all branches.
- Organize professional trainings to ensure adequate technical proficiency of IT staff.

4. Intellectual Proprietary Rights

Urwego Bank has policies and procedures to:

- Ensure the utilization of only genuine and licensed software in order to avoid the violation of the law regarding intellectual properties;
- Ensure purchase of legitimate software and hardware;
- Prevent the use of reproduced software, and
- Protect the proprietary rights of ICT products developed by the institution and ensure that these are fully understood and complied with by all employees.

5. Technology Risk Management Framework

Urwego has a comprehensive set of Technology risk management policies that include the following areas:

- Information security classification,
- System development, testing and maintenance,
- IT operation and maintenance,
- Access control,
- Physical security,
- Change controls,
- Personnel security,
- Business Continuity Planning and Crisis and Emergency Management procedure, and
- Management of technology service providers
- All the ICT control policies are reviewed annually or within a shorter period to accommodate changing operating environments and technologies.

Internal controls related to IT are structured to ensure that:

- Appropriate segregation of duties is monitored,
- Records are properly created, transmitted, and stored,
- Data is reliable and reports to Management and the Board of Directors is adequate,
- High-risk conditions, functions and activities are identified, and appropriate controls are put in place to mitigate risk exposure and monitoring is done.
- Training on ICT namely awareness on cyber security

6. Technology Risk Identification and Assessment

Risk identification entails the determination of threats and vulnerabilities to the Bank's IT environment, which comprises the internal and external networks, hardware, software, applications, systems interfaces, operations, and human elements.

Humans are significant sources of threats through deliberate acts or omissions which could inflict extensive harm to the Bank and its information systems. The Bank is vigilant in monitoring security threats such as those manifested in denial-of-service attacks, internal sabotage and malware infestation which could cause severe harm and disruption to the operations of the Bank with consequential losses for all parties affected.

The IT department vigilantly monitors these changing, growing risks as a crucial step in the risk containment exercise.

Both threat-sources and threats are identified by the IT department. Threats include the threat-source to ensure accurate assessment. Some common threat-sources include:

- **Natural Threats**—floods, earthquakes, hurricanes.
- **Human Threats**—threats caused by human beings, including both deliberate actions (network-based attacks, virus infection, unauthorized access), and unintentional (Inadvertent data entry errors).
- **Environmental Threats**—power failure, pollution, chemicals, water damage

Urwego conducts an annual comprehensive cybersecurity risk assessment through an independent company and the assessment includes the following areas: Governance, identification, detection, protection, response and recovery and testing.

Future Outlook and Prospects

Beyond Bank

With COVID-19 abating, Urwego Bank pivoted back towards its original 5-year strategic goals spanning from 2021-2025. Thus, the Objectives of (1) **Deepen Client Engagement**, (2) **Grow Profitably**, and (3) **Expand Frontiers** will guide Urwego towards the achievement of its 5-year strategic plan by 2025.

Deepen Client Engagement:

The Bank remains committed to its mission to deliver financial services to underserved with a wish to transform customers across the 4 domains namely spiritual, material, social and personal. The Bank will continue to enhance technology as a key enabler of quality services. In a special way, the Bank has undertaken upgrade of its mobile banking to add new features that will seamlessly support its delivery of financial services to its esteemed customers.

Given its very mission to reach out to underserved, the Bank is increasing the number of credit offices. The Bank expects the new credit offices to play a pivotal role in reaching out to more customers in remote rural areas.

Grow Profitably:

The Bank will preserve its efforts to grow its loan portfolio in order to maintain its profit position gained in 2021. Customers that were hardly hit by COVID-19 pandemic will continue to be kept on board through various support and encouragement to revive their business. The Bank will continue to grow its loan portfolio in size and in quality with prioritization of early delinquency management of existing loans and recovery of written-off loans. In 2021, the Bank realized a PAR30 of 5.1% which slightly fell short of its assigned goal to keep of PAR30 at less or equal to 5%. Interestingly, over the 4 months of 2022 the Bank was able to reach its targets of PAR30 at less or equal to 5% whereby on average its PAR30 was 4.7% over the last 4 months of 2022.

With economy opening up and business flourishing, the Bank was able to reach by April 2022 its year-end target gross loan of 18bn.

The growth of portfolio will steadily continue for the rest of 2022 and continue in 2023. Projected growth is led by SME lending, a missional product that resources businesses creating value for underserved families and communities. However, a key aspect of growth is a continued focus on high-yield products, which are slower and harder to grow but an essential first step to provide formal financial services to underserved clients, most without collateral. These high yield loans provide an indispensable entry-point into the Urwego ladder of opportunity. Also, the high-yield interest supports the extensive sales staff structure maintained by Urwego to serve and train underserved clients. Urwego must ensure that group and MBL client growth remains robust in order to achieve profitability with its current operating structure.

Expand Frontiers:

By year end 2021, the Bank was able to upgrade its mHose channel. Current focus is on development a new client mobile application and a new agent mobile application. The client mobile application will allow the Bank to onramp a new set of clients onto the Bank's services and provide greater convenience for existing clients with smart phones. The agent mobile application will allow both premium agents and Urwego staff to open accounts in the field, expanding the reach of the bank far beyond the branch.

The underserved of Rwanda do not generally live near a Bank branch. Urwego must press services outward to meet clients where they live and work. The Bank plans to add many new agents across Rwanda over the 5-year projection period, building a more strategic and convenient footprint to reach clients. Moreover, the Bank had in 2022 increased the number of credit offices to ensure that near more and more customers. As of the time of this report, new credit offices were opened and full operational in Ruhango, Nyamasheke, Nyagatare. These credit offices allow the bank staff to easily access the Bank's customers and offer required services namely conduct different trainings, disburse loans and collect repayments among others. Urwego will also invest in marketing and training to ensure existing clients and new clients understand the features and services available on mHose. The Bank must increase the number and types of transactions that clients complete in its ecosystem, deepening the banking relationship with clients so that they are using mHose for more than repaying their loan.

A mobile front-end for Urwego's existing, web-based loan workflow management system (FLOW) was launched in 2021 and facilitated loan process through tablet managed by loan officers. This mobile front-end improved the speed and convenience of loan processing for both clients and staff. FLOW mobile allowed Urwego to begin transitioning back-office positions to front-line sales positions, improving operating efficiency and growing revenue. While most processes of loans are now integrated into flows, there are many expansions to be done in 2022 namely incorporating other aspects of loans like loans restructuring as well as bring on board other new products like overdraft.

A Bright Future

After turnaround attained in December 2021 with a whopping profit, Urwego is looking towards the bright future with enhanced quality services to its customers and a greater profitability. We believe our strategy of client engagement, profitable growth, and digital expansion will result in growing profitability and client outreach in 2022 and beyond.

The Bank also continue to monitor closely socio-economics developments as well as geopolitics events occurring on international arena to assess potential risks faced to timely and adequate devise strategies to mitigate any adverse impact to its operations.

We look forward to expanding financial inclusion in Rwanda and seeing positive transformation in the lives of each of our clients. The staff, management of the Bank, its Board of Directors, and its Shareholder remain committed to providing a ladder of opportunity to underserved communities in Rwanda, as we proclaim and live the Gospel of Jesus Christ. As we move towards a bright future, we look forward to demonstrating what it looks like to move successfully “Beyond Bank”: one family empowering the underserved, in a God-honoring and profitable way.