



**INTEGRATED REPORT  
YEAR ENDED 31 DECEMBER 2022**

**URWEGO BANK PLC  
P.O.BOX 748 Kigali-Rwanda  
Address: KG 5, Rukiri I cell, Remera Sector, Gasabo District**



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## About the Integrated Report

This integrated report covers the reporting period spanning from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022. It contains both financial and non-financial data that assess how management has performed in creating value from entrusted capitals. This integrated report responds to statutory and regulatory requirement but above all responds to stakeholders' expectation of assessing how the Bank drives its mission to serve the underserved, delivers services to communities and whether values were created, eroded or preserved through exercise of its mandate.

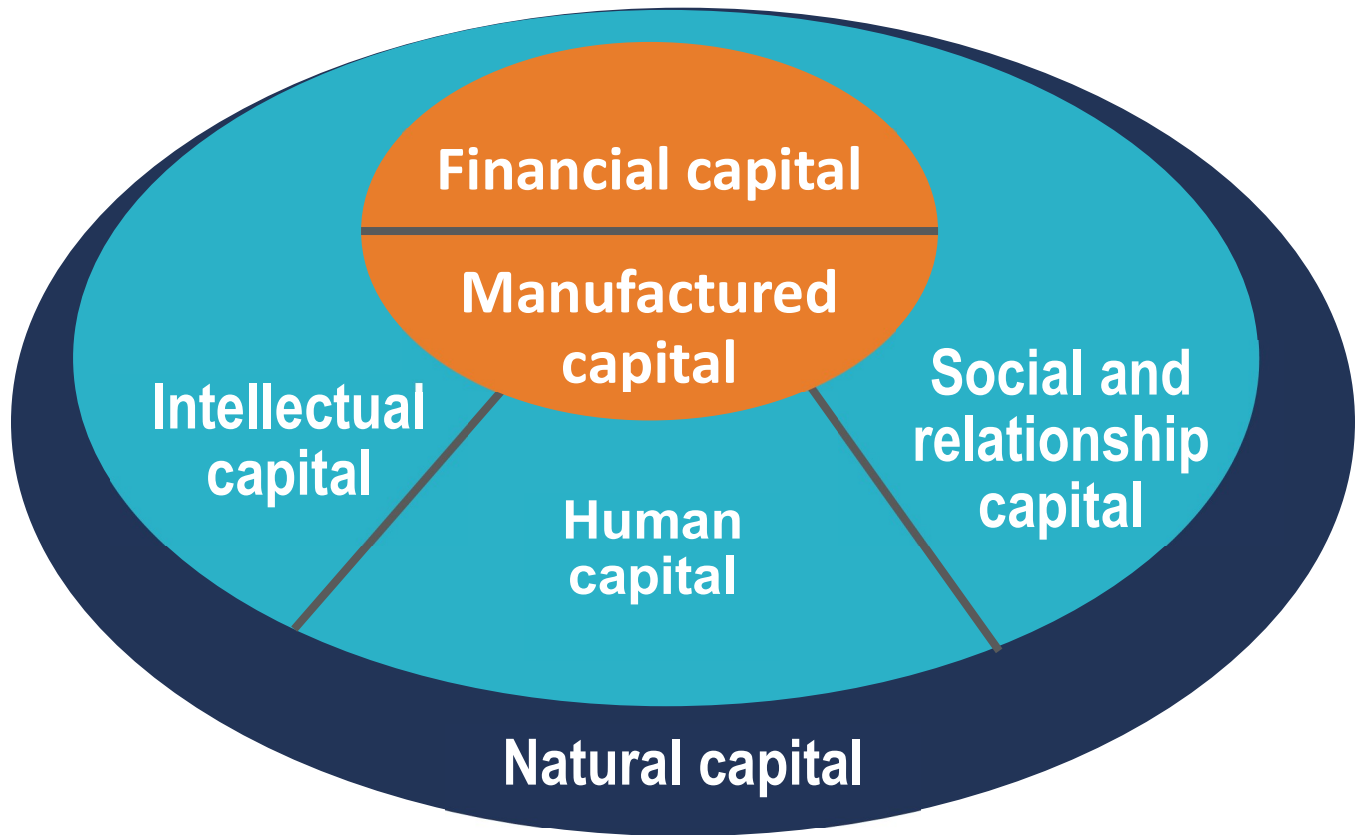
## Who is this integrated report for?

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

## The scope of this integrated report

This integrated report is for the year-ended 31<sup>st</sup> December 2022. It includes both financial and non-financial information for the period then ended. The 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 picture 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 Chairperson's Statement



2022 was a year in which Urwego Bank and the world in general experienced hardships with rising inflation, soaring costs as a result of global challenges triggered by Russia-Ukraine war and other political turmoil at regional and international levels. Despite those challenges, I am very thankful that the Bank successfully delivered its services to customers.

In 2022, the Bank continued to deliver on its mission to serve the underserved and as a result it achieved tremendous growth in many areas of performance including growth of its loan portfolio, growth of its deposits, and growth of revenues. Further, the Bank continued its effort to support customers that were still struggling with the effect of the COVID-19 pandemic with relending, refinancing and restructuring clients' loans.

In the face of rising inflation and cost of living, the Bank closely monitored its customers and timely responded to their aspirations by adjusting its loan products or lending methodologies accordingly. The Board continuously exercised its advisory duties as well as oversight responsibilities of the Bank's operations to ensure that operations are conducted efficiently and within set risks appetites while offering the highest quality of services to its customers. We are very delighted with the Bank's continued effort to keep pace with the latest trends and changes in the financial industry with initiatives like digitization efforts and agency banking, while also devising and implementing strategies to curb risks of cyber crimes. As we usher in 2023, the Bank will remain loyal to its mission to serve the underserved and break the cycle of poverty, thereby contributing to economic transformation initiatives by the Government of Rwanda.

On behalf of myself and the entire board of directors we are very thankful to the entire Bank's management and the staff for their relentless efforts that brought about profitability. We are especially thankful to our esteemed customers for their loyalty, services and close collaboration with the Bank.

The Bank's efforts will continue to build upon sustainability as it delivers its mission of offering a ladder of opportunity to the underserved as we proclaim the gospel of Jesus Christ.

**Carl Lundblad**  
*Chairperson of Board of Directors*



## CEO's Note



The Bank started the year 2022 with vigor following successful and profitable year 2021 despite the COVID 19 pandemic. This profitability was a result of unwavering efforts and turnaround strategies initiated since 2017. In 2022, the Bank worked hard to maintain and consolidate performance achieved in the previous year.

Among other strategies prioritised in 2022 were expanded outreach to our clients . A number of credit offices were opened across the country to deliver services closer to clients in areas where the Bank had no presence. This enabled the Bank to deliver its services to the underserved communities which contributed to financial inclusion.

Also, the Bank continued to invest in digitization to offer customers convenience in accessing the Bank's wide range of services and products. As a result, the Bank has seen growth of its digital transactions via digital channels and agency banking network. The Bank equally modernized its IT infrastructure to support the growth in customerbase. The Bank celebrates its most recent upgrade to the current version of the core Banking system- Temenos T24 -R22 (release 2022).

I recognize tremendous performance achieved in 2022 amidst challenging micro and macro-economic factors driven by post COVID-19 effects, the Russia- Ukraine war and inflationary pressures as a result. The Bank's net loan portfolio grew by 31% which resulted in interest income growing by 33% while fees and commission income grew by 15% on YoY basis.

Among others, the Bank controlled its liquidity and capital position to ensure sufficient buffers to withstand any shocks that may unexpectedly affect its operations. Its LCR ratio was at 164% against prudential limit of 100% and slightly below industry average of 215.9%. Its NSFR stood at 169% against prudential limit of 100% and above industry average of 136.8%. As part of expanding its outreach, shareholders injected additional capital and annual profitability which contributed to its robust Capital Adequacy ratio (CAR) of 30.20% against regulatory limit of 15%. The Bank also continued to reduce credit risks through proper underwritings initiatives and enforcement of compliance with its credit policies and procedures. This resulted in a quality portfolio with Non Performing ratio of 1.85% against industry average of 3.1%.

The Bank remains committed to its mission of delivering financial services to underserved communities as we offer them a ladder of opportunity to grow and break the poverty cycle. We will strive to continue embracing technology as an enabler towards efficient delivery of services.

I take this opportunity to extend my gratitude to the clients, staff, board of directors and all other stakeholders for the support accorded to Urwego Bank in delivering its mission.

**Christine Baingana**  
*Chief Executive Officer*



## Bank's historical background

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, it joined the HOPE International network in 2005. 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 the latter a 99.2 percent majority shareholder in the Bank; World Relief remained with 0.8% percent. By 31<sup>st</sup> December 2022 with HOPE International's extra capital injection , put the latter at 99.7% of the Bank's capital while World Relief owns 0.3%.

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 ,savings products and Biblically based financial literacy training programs, to to empower clients for spiritual growth, success in business, household management, and health.

Throughout its history, Urwego has disbursed billions of Rwandan Francs in loans to underserved Rwandan communities to promote , social economic transformation and spiritual impact. Urwego Bank's uniqueness is rooted in its Mission, Method and Motivation which informs its reason of existence..



### 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'imikorereyacu, ukagaranza agaciro n'ibyiza twifuzaga kandi twishimira mu bakozi bacu.*

#### ISENGESHO

Kuba ku mavi (Zaburi 95:6)

#### KUGANDUKIRA

Tuzakorera Uwitaka (Joshua 24,15)

#### UBUGARAGU

Twoza ibirenge (Yohana 13:14)

#### UBUSONGA

Uwahawe byinshi ... (Luka 12:48)

#### UGUHANGO UDUSHYA

Dushaka ibizubizo (Kuva 35:30-33)

#### ICYIZERE CY'EJO HAZAZA

Imbaraga sa none, icyizere cyejo hszaza heza (Amaganya ya Yeremiya 3:22-24)

#### KUBAKA ABANDI

MuKundane n'uko nabakunze (Yohana 13:34)

Urwego creates value through diligent execution of our strategy.



Staff Engagement

+



Client Focus

+



Controls and Risk  
Management

=



Financial Outcome

+



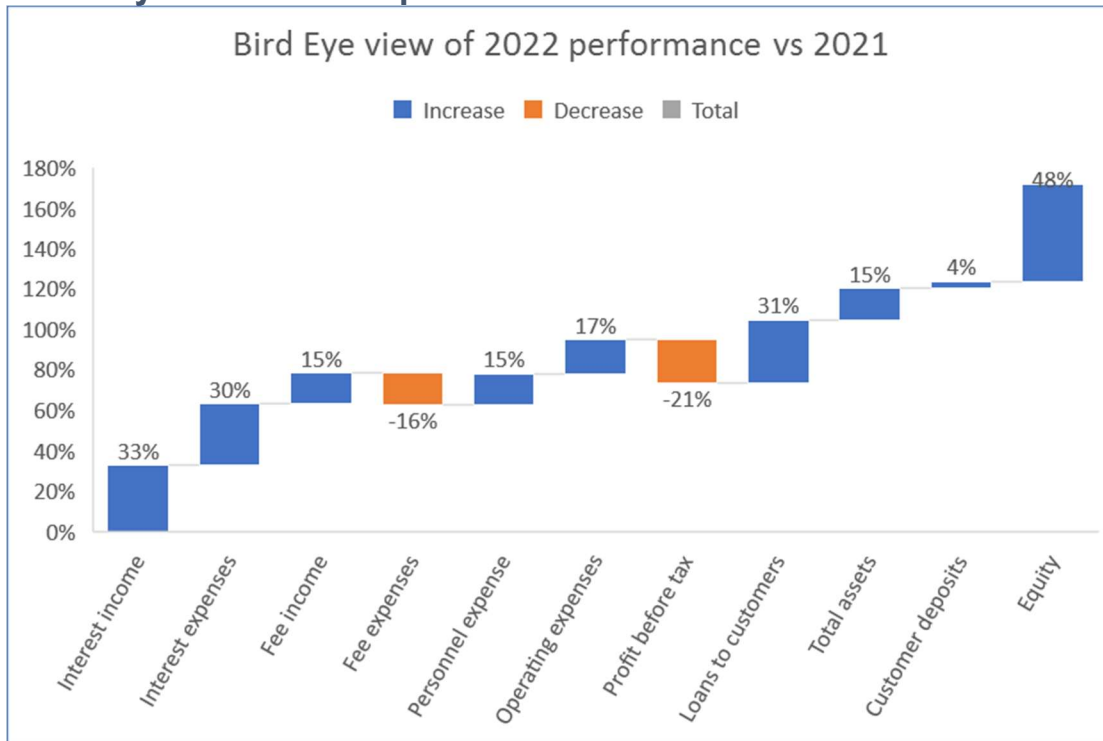
Social Impact

+



Spiritual Impact

## Bird's eye view of 2022 performance



In 2022, the Bank realized an impressive growth compared to prior year with its assets growing by 15%. This was triggered by a continued expansion of its outreach strategy leading to increased disbursement results compared to previous years. GLP grew by 31% while deposits also grew by 4%.

## The Bank's Footprint

To better serve its customers, Urwego Bank Plc has opened branches country wide with 6 branches in Kigali and 8 branches upcountry. All Bank's branches offer a range of banking services allowing customers to effect withdrawals, deposits, and perform remittances transactions.

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		

In addition to the branches above, Bank has 13 Sales offices, 2 credit offices across the country to conduct training on financial literacy for the group clients, disbursement of loans and collecting repayments. The digital channels enhance the service delivery offered in the above locations supported by an agency banking network with over 500 agents.

## Governance

Urwego Bank Plc is committed to the best principles of Corporate Governance in running the its operations. 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, realizing the mission and maximizing value for the shareholders, while 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**  
*Board Chairperson*



**John Nkubana**  
*Board Vice Chairperson*

The directors who served during the year ended 31 December 2022 are listed below.



**Christine Baingana**  
*Executive Director*



**Atete Rugege**  
*Independent Director*



**Jesse David Casler**  
*Non-Executive Director*



**Micah Crist**  
*Non-Executive Director*



**Amanda Y. Fung**  
*Independent Director*



**Moise Ndahiro**  
*Non-Executive Director*



**Liliane Uwintwali**  
*Independent Director*



**Stanley Tsikirayi**  
*Independent Director*

## Board Committees

The Board has instituted various committees to assist it 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 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 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 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 and three 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 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 the Bank has a strong IT infrastructure to support its' 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. Further, the Board IT and Business Committee is vested with responsibility to oversee implementation and compliance with the requirements of regulation on Financial Service Consumer protection.

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 four 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 credit related decisions referred by the Management.. The Board Executive Committee meets at least monthly and is chaired by an independent director, except the month in which board takes place.



## Executive Team & Senior leadership Team



**Christine Baingana**  
Chief Executive Officer



**Jimmy Rutabingwa**  
Deputy Chief Executive Officer



**Alice Gasatura**  
Director of Risk & Compliance



**Michel Rudasingwa**  
Director of Finance



**Wilson Karamaga**  
Director of Corporate Services



**Simon Mugisha**  
Director of Business

Executive Team and Senior Leadership Team (cont'd)



**Christian Kamari Mapendo**  
Director of Credit



**Daniel Muligande**  
Director of Operations



**Benjamin M. Uwimana**  
Director of IT



**Celestin Kalisa**  
Internal Audit Manager



**Diane N. Mbyirukira**  
Agent Manager



**Diane Uwajeneza**  
Assistant Finance Manager



**Ronald Mutabazi**  
Human Resource Manager



**Solange Uwimana**  
Branch Network Manager



**Theopiste Nyarwaya**  
Compliance Manager

## 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 specially focusses on underserved clients and job creation.

### Our Inflows

Business activities	Financial impact		Social Economic Value created
<b>Lend money to our clients</b>	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
<b>Source funding from client deposits and other funders</b>	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.
<b>Revenue from other sources linked to core businesses and strategic investments</b>	Other revenue (fees and commission on loans and remittances, interest income from investments and terms deposits)	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.

### Our Outflows

Business activities	Financial impact and associated risks		Social Economic Value created
<b>Invest in our people</b>	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.
<b>Invest in our operations (Branches and platforms)</b>	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.
<b>Direct and indirect taxes to governments and regulators</b>	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
<b>Support to the community</b>	Various corporate social responsibility	Costs of operating in various communities	Through contributions extended to local authoritiesmul to support local initiative and social events

### Affordable Lending Rates

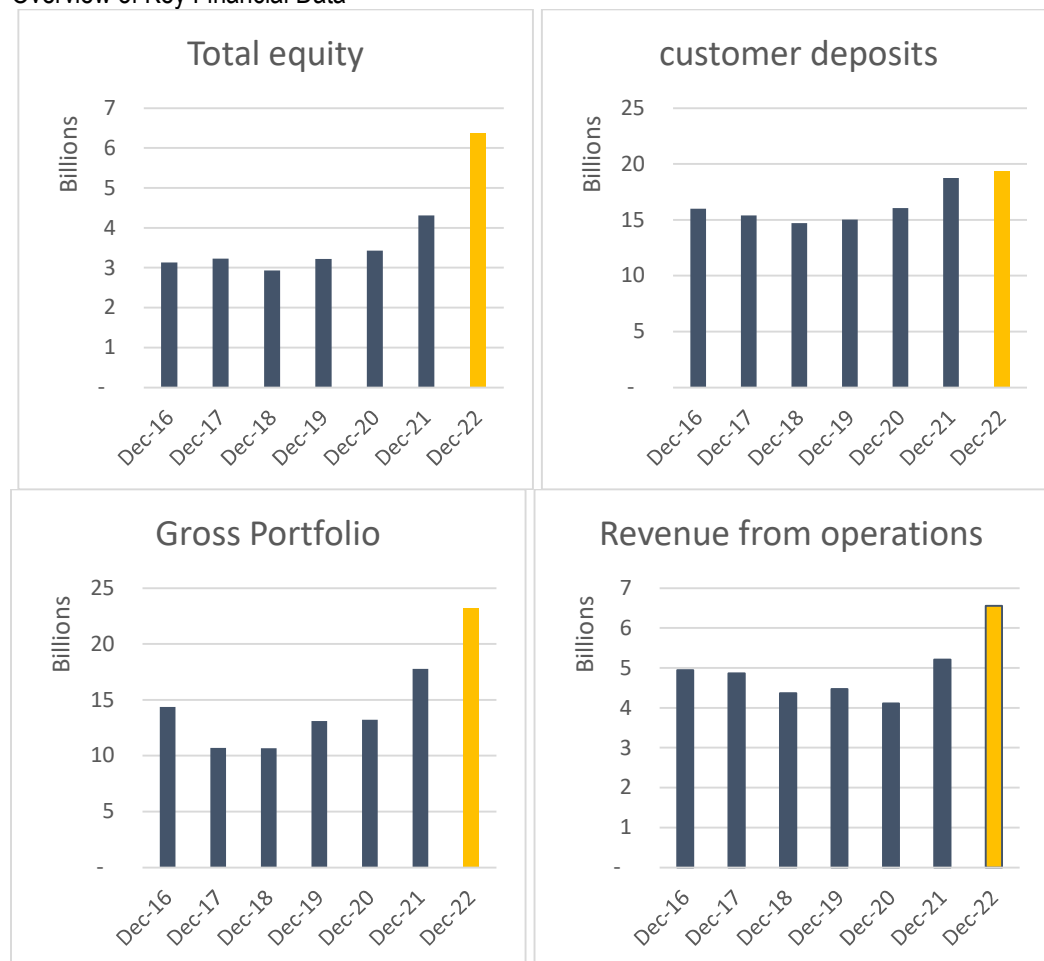
Despite a need to make a profit and therefore make the business model of our operations sustainable, Urwego Bank shareholders are not entirely profit driven but are transformation oriented. The Bank's biggest profit is in how many lives are financially transformed by our services thus our rates are also 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

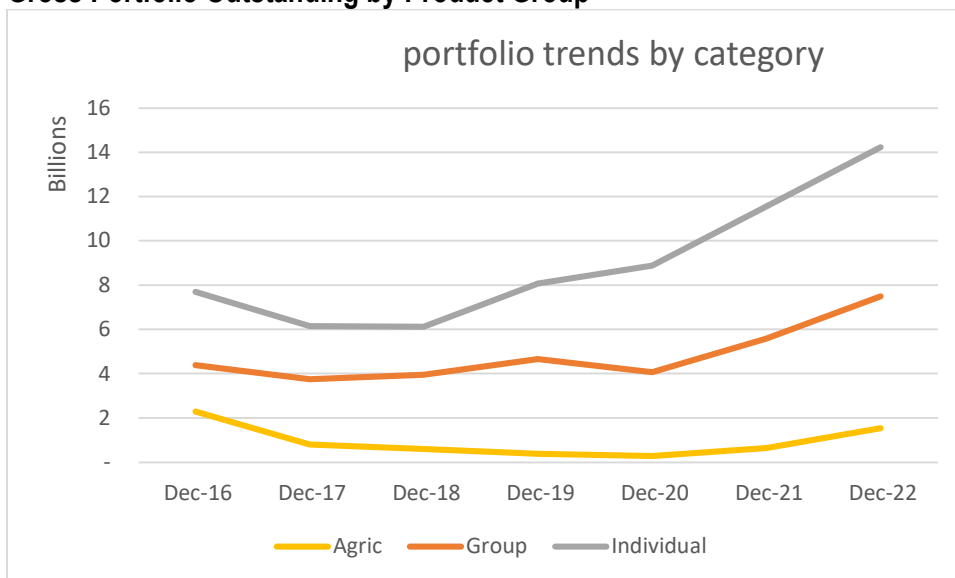
The Bank has a solid and diversified source of funding including among others, shareholders' equity, both short- and long-term debts, guarantees to mention but a few. All those sources of funding play a pivotal role in the makeup of the financial capital in a bid to operationalize its strategy.

#### Overview of Key Financial Data



As per graphs above, the Bank underwent a decline in its final position and financial performance in 2020 as a result of Covid-19. From 2021, with Covid-19 pandemic reducing in intensity, the Bank resurged from ashes of low performance and grew significantly in all key metrics of its performance. In 2022, the Bank made impressive growth in terms of loan portfolio and customers deposits which had a trick on impact on its financial performance with high revenues and fees from operations.

### Gross Portfolio Outstanding by Product Group



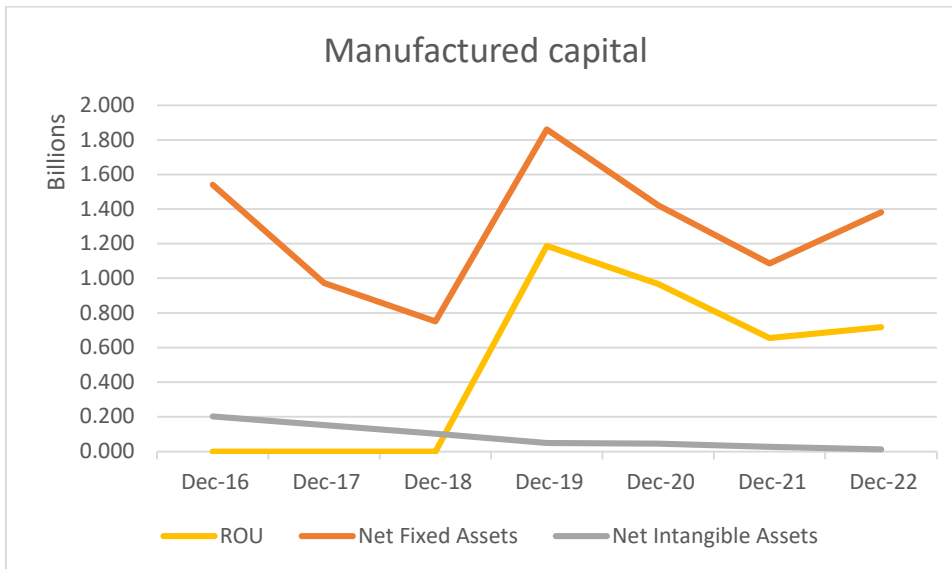
As per its mission to serve the underserved, the Bank’s missional products are composed of group and agric loan. Group customers are loaned on the basis of social guarantee whereby each member of group is a guarantor to his/her peer. Agric loans are mostly served to farmers in cooperatives and the main value chains served include rice, maize, coffee among others. Further, the Bank funds farmers to purchase fertilizers and other inputs.

These missionary products represent more than 80% in terms of number of loans and above 30% in terms of value. The low representation in terms of value stems from the small size nature of loans disbursed to group customers.

### *Manufactured Capital*

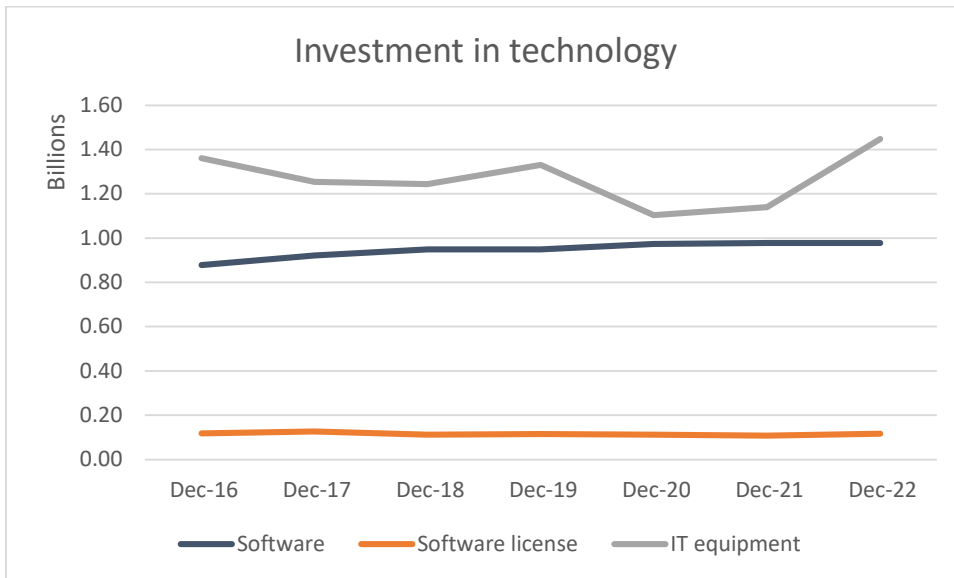
Bank’s manufactured capital is composed of a variety of infrastructure including IT equipment, leased buildings, tangible, and intangible assets.

To closely work with its customers the Bank has opened different branches and credit offices across the country to receive its clients who come for different Bank’s services, conduct of trainings namely on financial literacy for group clients. Further, the Bank has established other digital media namely toll-free number, social media to collect views of its customers and respond in timely fashion to their queries, complaints and other issues they may be experiencing in the consumption of Bank’s offered services.



Right of use assets starts with 2018 with adoption of IFRS 16 lease that required capitalization of leased assets unless practical expedient is evoked namely for short term lease and low value assets. For the Bank right of use assets is mainly made of leased building to accommodate Bank's office and credit offices.

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 has been 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 Bank has heavily invested in technology in a bid to better serve its customers. These required acquisition of different software from core banking services and other software that support its technological infrastructure. The Bank undertakes regular maintenance, upgrades of its software for a better service and use. In this trajectory, the Bank upgraded its servers and it is currently eyeing upgrade of its core banking systems (Temenos T24) from release 17 to the latest version which is release 2022.



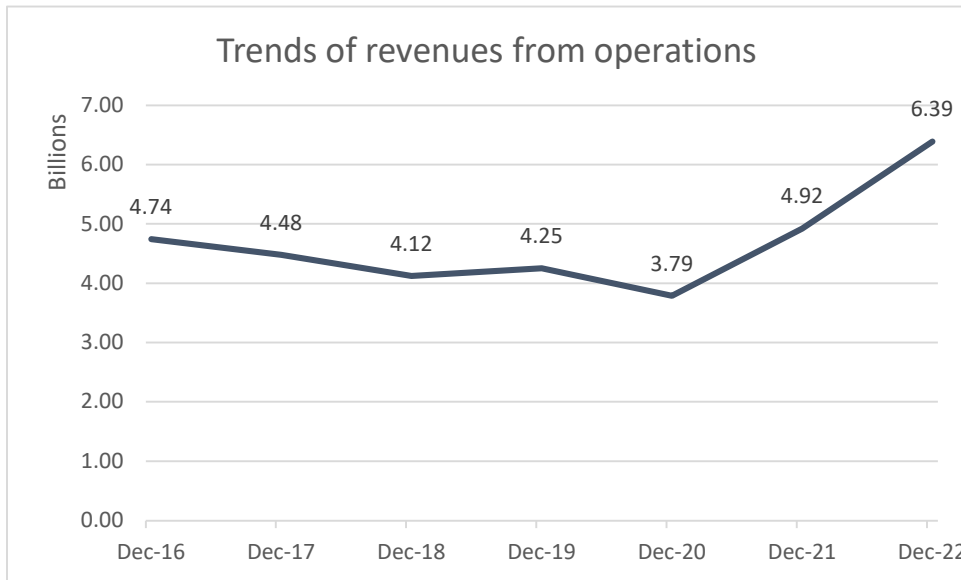
### **Social and Relationship Capital**

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**

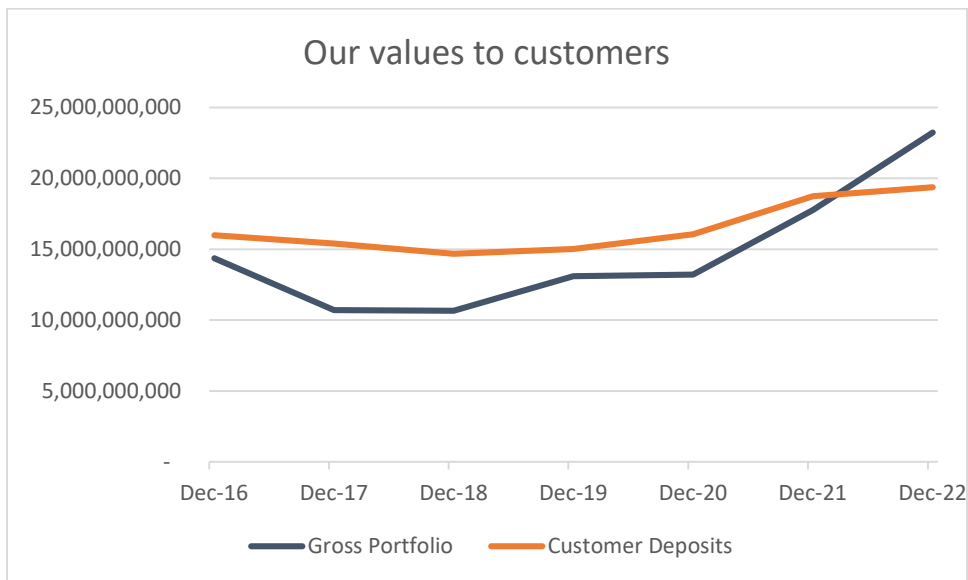
We create value for shareholders by delivering sustainable growth and returns. We aim to provide the market with enough information to make an informed assessment of our performance and our prospects.





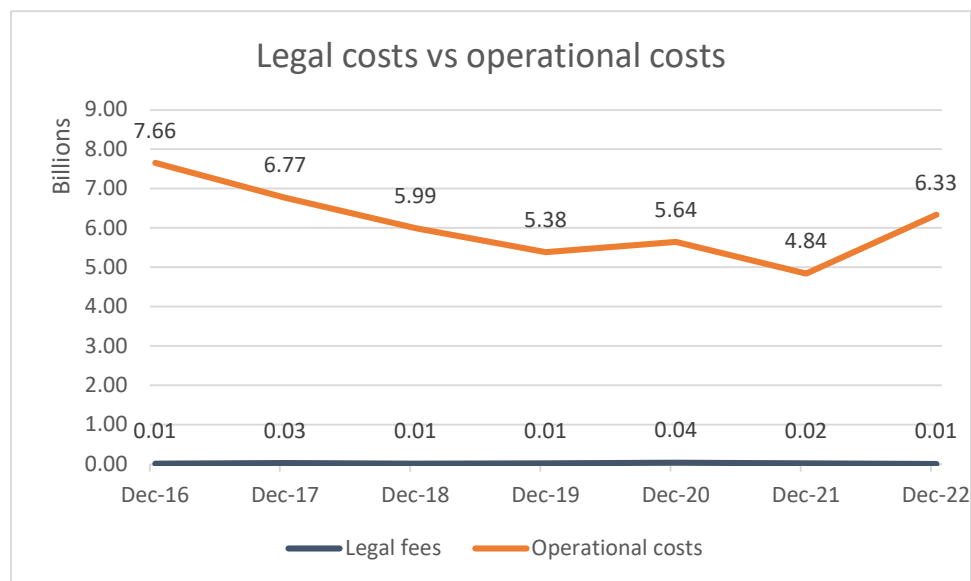
## Customers

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 5 years compared to operational costs.



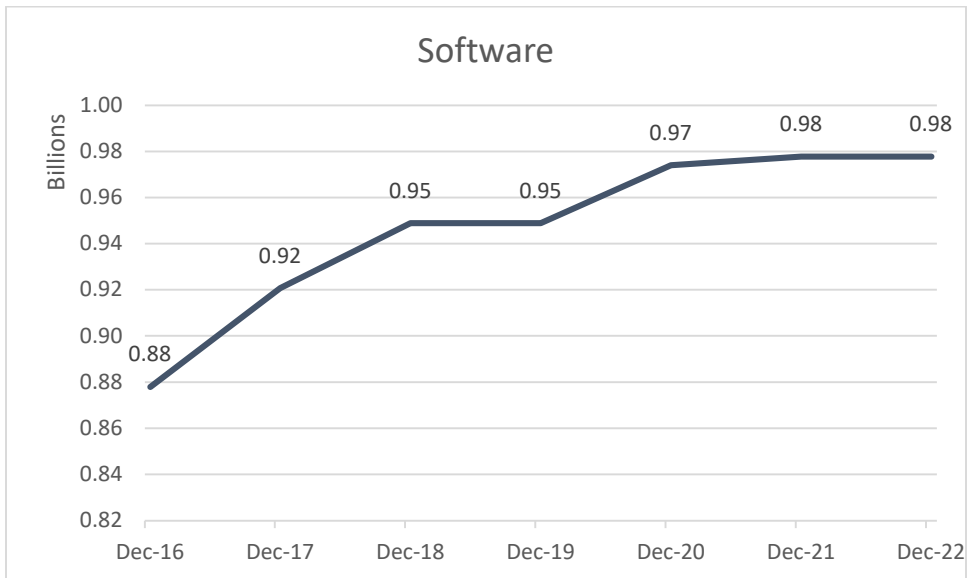
## Regulators

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

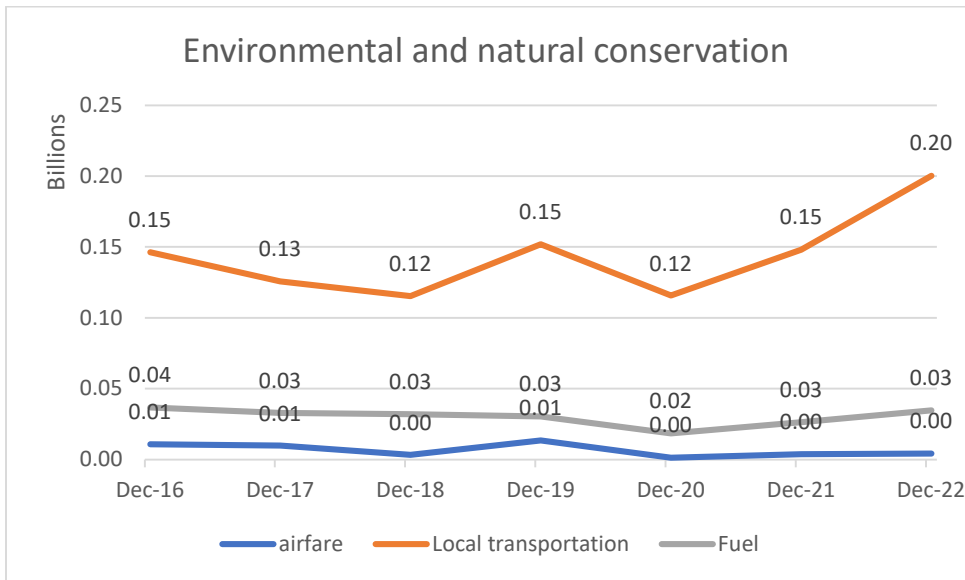
Intellectual capital refers to our intellectual property and organizational capital, including tacit knowledge, systems, procedures, and protocols. Our ability as an organization to innovate in order to meet pressing and future needs is also considered part of our intellectual capital.



The Bank has adopted mobile banking services through technological platform 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.

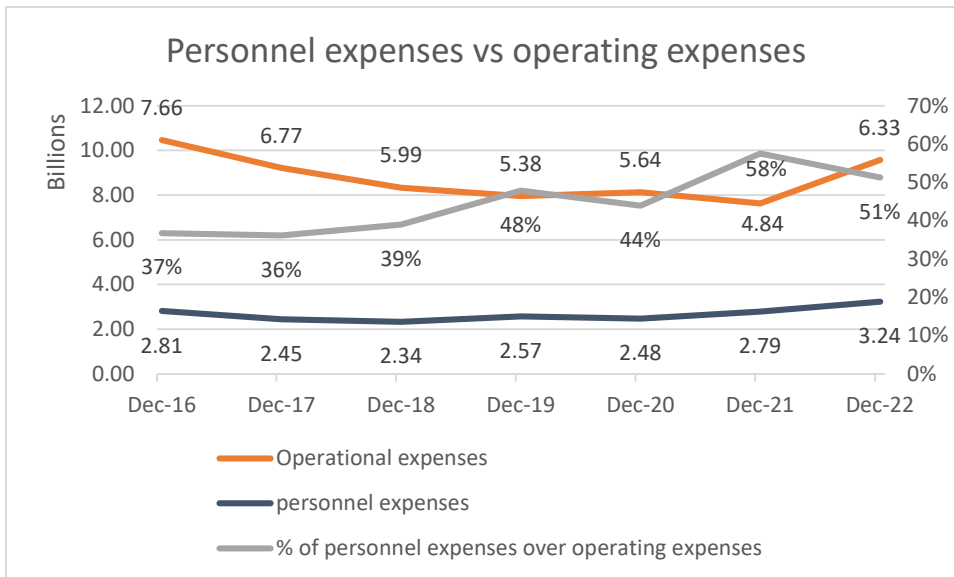


### Human Capital

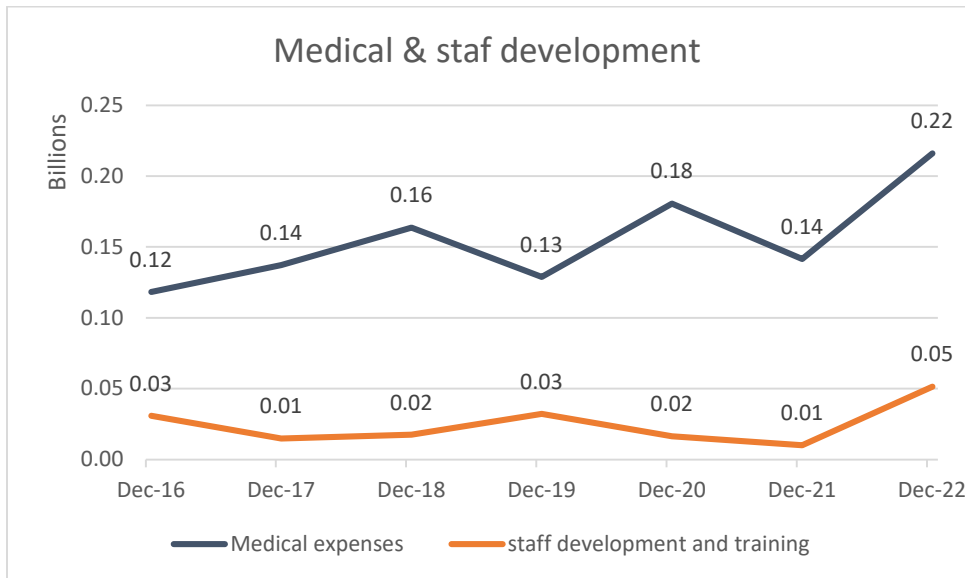
Our human capital refers to our employees’ competencies and capabilities, as well as their motivation to innovate, in order to achieve our purpose by aligning with our strategic direction. Our people ambition is to create a thriving, future-fit organization that attracts, develops, and retains the best 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 419 staff in 2022 (365 in 2021).**

**Annual turnover was 6.2% at end of Dec 2022**



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 and 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, MSMEs, 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). Further, the Bank has credit offices that serves as point of delivering various trainings offered namely to group customers in terms of financial literacy, clients' weekly meetings, loan disbursements and loan collections.

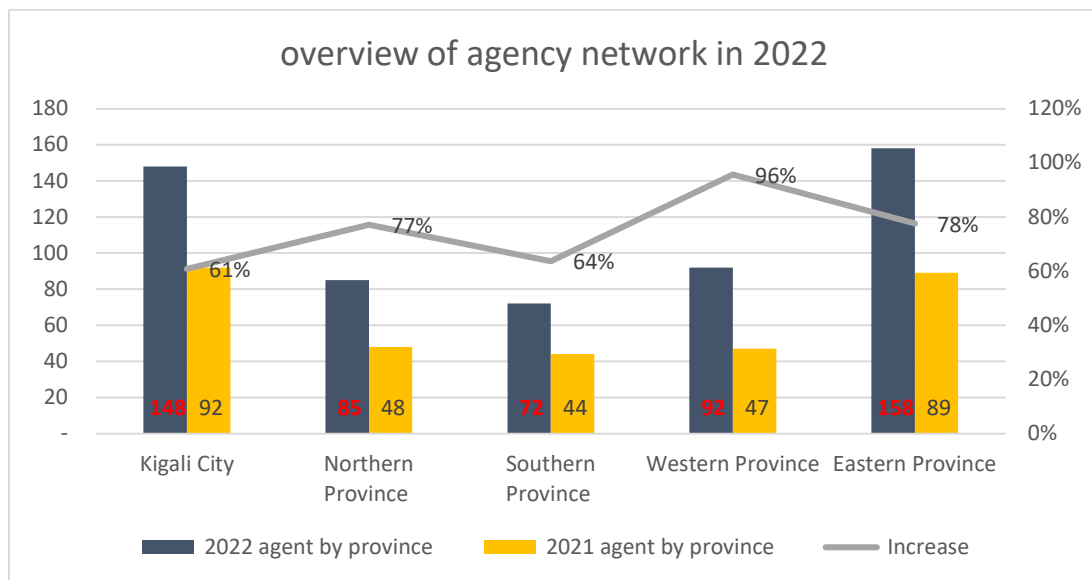
### Our Services

- 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 RPPS, 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.

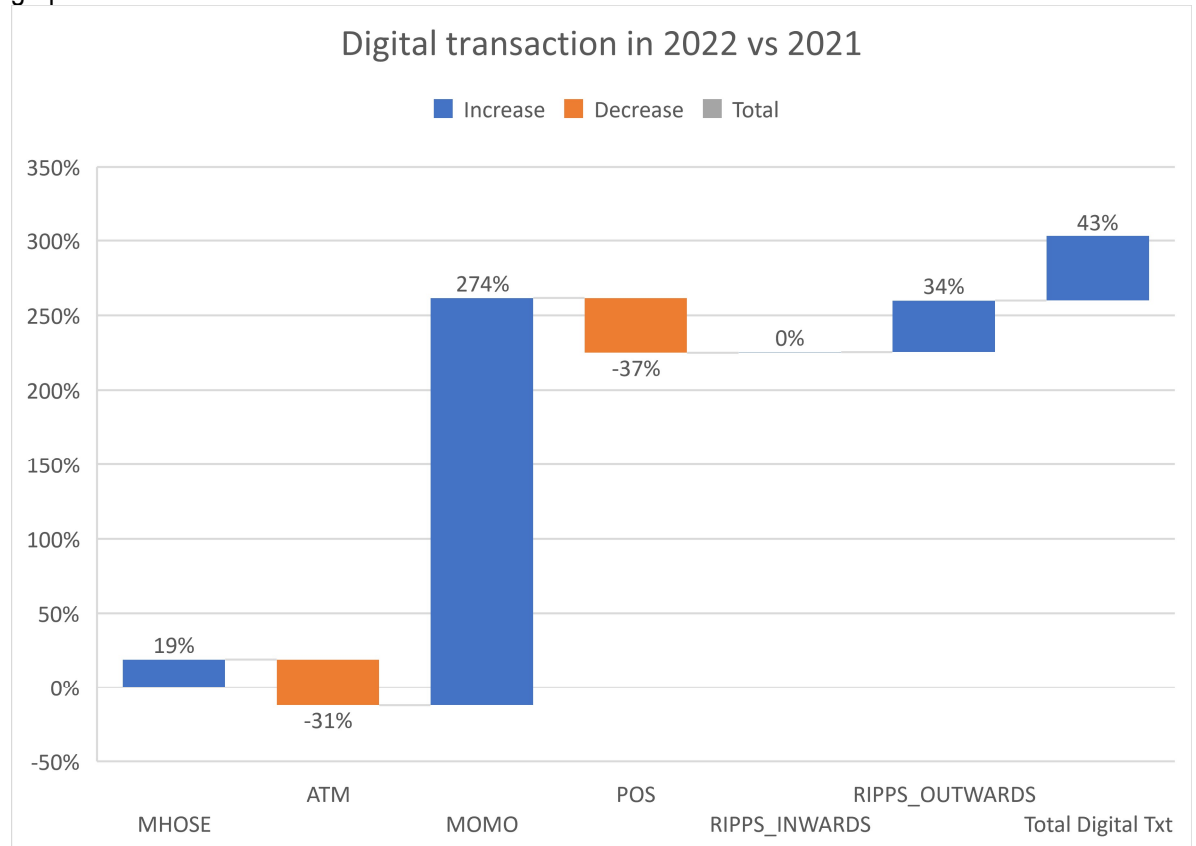


The Bank has an agent network across the country. In year ended 31 December 2022, Urwego had 555 agents that facilitate customers' withdrawal and deposit transactions, among others. The Bank's agent network increased by 73% compared to year ended December 2021. The focus of the Bank has been to recruit 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 citizens in those remote areas.



On top of agent network, the Bank's continued effort to encourage its customers to transactions through digital transactions namely those, ATMs, POS etc. In 2022, the ratio of digital transaction over cash transactions increased as compared to 2021 whereby it stood at 84% (80% in 2021).

Overall, digital transactions increased significantly in 2022 compared to year ended 2021 as per graphs below:



## Our Products

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





### 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.

### Customer protection initiative in 2022

As per its mission to provide a ladder of opportunities to the underserved, the Bank invests heavily in its customers. Over 80% of number of loans are disbursed to group customers. The latter categories are namely the segment of population that have low financial literacy. In 2022, the Bank has implemented a number of strategies in regard to financial service consumer protection. To permit group customers to strive with their loans and improve their livelihood while respecting their contractual obligation, all group members underwent a mandatory training in financial literacy.

Further, group lending officers keep a close monitoring of group members through regular meeting on weekly, bi-monthly or monthly basis as appropriate. These trainings to groups customers are customary practices in group lending strategies as enshrined in its procedures.

Apart from group customers, the Bank continued to ensure that all customers are treated with respect and have adequate information that allows them to take an informed decision as they engage with the Bank. Proper communication was channeled through various tools like brochures that contain Bank's products and services, display of its financial data in a conspicuous place at all its areas of business and display all adequate information on Bank's website ([www.urwegobank.com](http://www.urwegobank.com)).

Further, for handling and resolving customers complaints the Bank has established a variety of mechanism and tools to address customers queries and inputs in a timely manner. Existing tools include among others:

- Chatbot linked to BNR chatbot (developed in 2022)
- Call Center service with a toll free no 5151
- Register to lodge customers complaints held at each branch level

Further, the Bank has hired staff charged with handling customers' complaints. Its compliance team has had their responsibilities increased to oversee and monitor consumer protection implementation as well as verifying complaints handling.

The Bank also ensure that its products are adequately priced to ensure that customers are fairly charged. Moreover, the Bank put adequate strategies to ensure that all customers are equally treated, proper strategies were put in place to combat fraudulent practices with zero tolerance to fraud, practices which is enshrined in its policies and unto which all staff are required to embrace.

The Board of Directors exercise oversight of the Bank's strategies in customer protections. Through regular report, the Board is updated on customers complaints and strategies taken to address major complaints. Further, the Bank conduct regular surveys on its clients and results of the survey are presented to the board of directors with appropriate actions by management to address noted gaps.

The Bank will unwaveringly continue to devise strategies to ensure that its estimated customers receive high quality services from Bank and their experiences with Bank remain the most enjoyable experience as they interact with the Bank.

## Events, celebrations, success stories

### *Celebrations of 25 years of its existence*

In the summer of 2022, the Bank celebrated its 25 years of existence. It was a thrilling event to reflect and celebrate its accomplishments in financial inclusions through offering financial services to the underserved of Rwanda. *“As we reflect on this exciting journey since 1997, we praise our Lord for the Marvelous works over the past 25 years in the lives of our clients and Urwego Bank plc as an organization”* said Peter Greer, Hope International President.

It was an event that brought together more than 2,000 guests composed namely of customers, guest from regulator, staff, officials at local and central government level, its partners like World Relief, World Vision, Churches to mention but a few.



During this event customers took opportunities to give testimonies on how they were able to break fetters of poverty and achieve financial inclusions through Bank dedicated services. During this event, the Bank celebrated customers for their loyalty and journey together with the Bank.



The Bank also recognized during this event, dedicated and unwavering services by its staff. A variety of awards were extended to its staff that showed unparalleled services and commitment to deriving strategies of the Bank to serve the underserved. “While I am always struck by stories of significant life transformation among families we serve, I was also struck by the stories of long-term impact on staff members. They too evidenced transformation in each of the four domains HOPE targets: material, social, spiritual, and personal” said Peter Greer, the President of HOPE International.



In her address during the event, Christine Baingana, the CEO of Urwego Bank Plc, depicted a picture of the Bank journey over the last 25 years whereby it started as small microfinance disbursing small loans in group to customers. She underscored Bank progress over the years and expansion of its services and operations whereby it currently have full fledged banking systems offered on brick and mortar model while also embracing technology through digitization, ATMs, MOMO push, agent Banking.



## Overview of the Bank's Financial Performance

### *Bank's Operations and Performance*

In 2022, the Bank's management and efforts continue to be focused around its mission to serve the underserved. To facilitate its outreach and accompaniment the Bank increased the number of credit offices which play a pivotal role in group meetings, trainings and repayments. Growth was achieved in different aspects of its operations as a result of expanded outreach to customers in terms of loans and deposits. This had a trick-on impact to its revenues, expenses and overall profitability. The table below outlines the financial position of the Bank in 2022.

Particulars	Dec-22 Frw'000	Dec-21 Frw'000	Variance
Cash and cash equivalents	3,828,173	5,128,971	-25%
Customers' deposit	19,429,862	18,754,064	4%
Gross Loan Portfolio	23,539,913	17,938,570	31%
Financial Investments	1,743,373	2,146,427	-19%
Shareholders' equity	11,077,450	9,491,629	17%
Total assets	31,506,490	27,317,284	15%

Note a lower level of cash and cash equivalent compared to 2021 level as a result of funding growth of its loan portfolio. Further, investment in government securities were lower than prior year as the matured ones were not renewed to support the Bank in its efforts to expand its operations.

### *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](http://www.urwegobank.com)).

### Statement of profit and loss and other comprehensive income

	Note	Dec-22 Frw'000	Dec-21 Frw'000
Interest and similar income	3	5,397,813	4,062,328
Interest and similar expense	4	<u>(464,523)</u>	<u>(356,659)</u>
<b>Net interest income</b>		<b><u>4,933,290</u></b>	<b><u>3,705,669</u></b>
Fees and commissions income	5	1,001,794	868,225
Fees and commissions expense	6	<u>(273,876)</u>	<u>(325,895)</u>
<b>Net fees and commission income</b>		<b><u>727,918</u></b>	<b><u>542,330</u></b>
Net foreign exchange income		119,946	232,540

	Note	Dec-22 Frw'000	Dec-21 Frw'000
Other operating income	7	<u>242,726</u>	<u>561,370</u>
<b>Total operating income</b>		<b><u>6,023,880</u></b>	<b><u>5,041,909</u></b>
Net impairment charge on loans and advances	8	(167,777)	173,613
<b>Operating income after impairment losses</b>		<b><u>5,856,103</u></b>	<b><u>5,215,522</u></b>
Personnel expenses	9	(3,219,138)	(2,788,573)
Depreciation on property and equipment	10	(159,961)	(154,971)
Depreciation on right of use assets	11	(200,569)	(231,550)
Amortisation of intangible assets	12	(13,010)	(21,913)
Other operating expenses	13	<u>(1,789,436)</u>	<u>(1,416,056)</u>
<b>Total operating expenses</b>		<b><u>(5,382,114)</u></b>	<b><u>(4,613,063)</u></b>
<b>Profit/(Loss) before tax</b>		<b><u>473,989</u></b>	<b><u>602,459</u></b>
<b>Income tax</b>	14	<b><u>(212,089)</u></b>	<b><u>276,268</u></b>
<b>Profit/(Loss) for the year</b>		<b><u>261,900</u></b>	<b><u>878,727</u></b>

In year ended 31<sup>st</sup> December 2022, the Bank realized a good performance in all aspects of its profit and loss statements. Key ones among others include a 33% increase of its interest income triggered namely by a 31% growth of its loan portfolio. Its fee and commission income grew by 15% namely due to growth of its loan portfolio as well as increase in other Banking services. Interest expenses increased by 30% compared to prior as result of growth of its deposits as well as long term and short term debt contracted by the Bank to fund its operations. The Bank net worth increased due to profit realized as well as capital injections made by shareholders to support Bank's operations.

### Statements of Financial Position

The Bank realized a growth of its assets of 15% compared to prior year. This was namely triggered by growth of its loan portfolio by 31%, growth of its property, plant and equipment by 54% due to investment in technology namely upgrade of its servers, new computers for staff as well as other IT equipment acquired by the Bank in its digitization efforts.

	Note	Dec-22 Frw'000	Dec-21 Frw'000
<b>ASSETS</b>			
Cash in hand	15(a)	973,623	755,711
Due from the National Bank of Rwanda	15(b)	1,133,388	1,189,619
Due from other banking institutions	15(c)	2,670,774	4,000,729
Loans and advances to customers	16	22,478,240	17,120,080
Financial investments	17	1,743,373	2,146,427
Other assets	18	507,375	415,715



	Note	Dec-22 Frw'000	Dec-21 Frw'000
Current income tax assets		328,012	300,916
Property and equipment	10	663,576	429,711
Right of use assets	11	718,477	655,589
Intangible assets	12	13,509	26,519
Deferred tax assets	14	<u>64,179</u>	<u>276,268</u>
<b>TOTAL ASSETS</b>		<b><u>31,294,526</u></b>	<b><u>27,317,284</u></b>
<b>LIABILITIES</b>			
Deposits from customers	19	19,429,862	18,754,064
Other payables	20	1,635,955	1,365,311
Borrowed funds	21	3,255,715	2,090,954
Lease Liabilities	22	<u>816,331</u>	<u>798,050</u>
<b>TOTAL LIABILITIES</b>		<b><u>25,137,863</u></b>	<b><u>23,008,379</u></b>
<b>EQUITY</b>			
Share capital	23	11,077,450	9,491,629
Share premium	24	126,605	126,568
Accumulated losses	25	<u>(5,047,392)</u>	<u>(5,309,292)</u>
<b>TOTAL EQUITY</b>		<b><u>6,156,663</u></b>	<b><u>4,308,905</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>31,294,526</u></b>	<b><u>27,317,284</u></b>

**Other disclosures**

Item			
<b>A. Capital Strength</b>		<b>Figures in Frw'000</b>	
a. core capital (Tier 1)		5,842,019	
b. supplementary capital (Tier 2)		251,275	
c. total capital		6,093,294	
d. total risk weighted assets		20,102,007	
e. core capital/ Total risk weighted assets ratio (Tier 1 ratio)		29.06%	
f. tier 2 ratio		1.25%	
g. total capital/total risk weighted assets ratio		30.31%	
h. leverage ratio		16%	
<b>B. Credit Risk</b>			
1. total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation;		30,385,656	
2. average gross credit exposures, broken down by major types of credit exposure:		30,385,656	
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		18,634,286	
b. Northern Province		1,661,686	
c. Eastern province		5,205,574	
d. Western Province		2,827,195	
f. Southern Province		2,056,915	
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:			
a) public;		1,133,388	
b) financial;		4,846,597	

Item			
<b>A. Capital Strength</b>	<b>Figures in Frw'000</b>		
c) manufacturing;			0
d) infrastructure and construction;			10,737,702
e) services and commerce.			10,037,096
f) others			3,630,872
<b>5. Off- balance sheet items</b>			500,000
<b>6. Non-performing loans indicators</b>			
a) Non-performing loans (NPL)			436,546
b) NPL ratio			1.85%
<b>7. Related parties</b>			
a. Loans to directors, shareholders and subsidiaries			-
b. Loans to employees			455,885
<b>8. Restructured loans as at 31 DECEMBER 2022</b>			
a. No. of borrowers with restructured loans			100
b. No. of loans restructured			100
c. Amount outstanding (Frw'000) on restructured loans			1,698,953
d. Provision thereon (Frw'000) (regulatory)			22,903
e. Restructured loans as % of outstanding loan amounts (all borrowers)			7%
<b>C. LIQUIDITY RISK</b>			
a. Liquidity Coverage Ratio (LCR)			164%
b. Net Stable Funding Ratio (NSFR)			169%
<b>D. OPERATIONAL RISK</b>			
	Types	Number	Amount Frw'000
a. Number and types of frauds and their corresponding amount	cash misappropriation	9	14,151
<b>E. MARKET RISK</b>			

Item			
<b>A. Capital Strength</b>		<b>Figures in Frw'000</b>	
a. Interest rate risk		1,594	
b. Equity position risk		-	
c. Foreign exchange risk		1,744	
<b>F. COUNTRY RISK</b>			
a. Credit exposures abroad		-	
b. Other assets held abroad		131,297	
c. Liabilities to abroad		1,763,687	
<b>G. Management and board composition</b>			
a. Number of Board members		10	
b. Number of independent directors		6	
c. Number of non-independent directors		4	
d. Number of female directors		4	
e. Number of male directors		6	
f. Number of Senior Managers		6	
g. Number of females senior managers		3	
h. Number of males senior managers		3	

## 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 2022

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	1,118,378	150,927	-	-	40,374	1,309,679
Kigali city	2,440,717	316,090	314,309	9,095	200,354	3,280,565
Northern province	359,297	61,739	-	-	10,609	431,645
Southern province	552,745	78,118	-	-	17,616	648,479
Western province	<u>602,937</u>	<u>106,925</u>	-	<u>335</u>	<u>19,043</u>	<u>729,240</u>
<b>Total</b>	<b><u>5,074,074</u></b>	<b><u>713,799</u></b>	<b><u>314,309</u></b>	<b><u>9,430</u></b>	<b><u>287,996</u></b>	<b><u>6,399,608</u></b>

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
<b>Total</b>	<b>3,613,612</b>	<b>606,134</b>	<b>436,943</b>	<b>11,773</b>	<b>262,091</b>	<b>4,930,553</b>

## 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 2022

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	220,399	3,560	-	-	-	223,959
Group	2,356,927	409,589	-	-	-	2,766,516
Individual	1,041,706	124,598	-	-	-	1,166,304
Others	-1,382	16,976	-	9,430	287,996	313,020
Government	-	-	237,079	-	-	237,079
financial institutions	-	-	77,230	-	-	77,230
SME	1,417,638	157,530	-	-	-	1,575,168
Staff	<u>38,786</u>	<u>1,546</u>	-	-	-	<u>40,332</u>
<b>Total</b>	<b><u>5,074,074</u></b>	<b><u>713,799</u></b>	<b><u>314,309</u></b>	<b><u>9,430</u></b>	<b><u>287,996</u></b>	<b><u>6,399,608</u></b>

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
<b>Total</b>	<b>3,613,612</b>	<b>606,134</b>	<b>436,943</b>	<b>11,773</b>	<b>262,091</b>	<b>4,930,553</b>

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

Income type	Dec-22 Frw'000	Dec-21 Frw'000
Banking operations	204,933	191,514
Investments	314,309	436,942
Loans	5,787,873	4,219,746
Mobile banking	73,189	63,309
Remittances	9,681	6,999
Sublease	9,430	11,774
ATM	193	<u>269</u>
<b>Grand Total</b>	<b><u>6,399,608</u></b>	<b><u>4,930,553</u></b>

#### 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 2022

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	5,074,074	418,664	237,586	9,430	221,066	5,960,820
In time	-	<u>295,135</u>	<u>76,723</u>	-	<u>66,930</u>	438,788
<b>Total</b>	<b><u>5,074,074</u></b>	<b><u>713,799</u></b>	<b><u>314,309</u></b>	<b><u>9,430</u></b>	<b><u>287,996</u></b>	<b><u>6,399,608</u></b>

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
<b>Total</b>	<b>3,613,612</b>	<b>606,134</b>	<b>436,943</b>	<b>11,773</b>	<b>262,091</b>	<b>4,930,553</b>

### 3. Interest and similar income

	Dec-22 Frw'000	Dec-21 Frw'000
Loans and advances	5,074,074	3,613,612
Investment security held at amortized costs	77,230	177,246
Government securities	237,079	259,697
Finance income on sublease	<u>9,430</u>	<u>11,773</u>
	<b><u>5,397,813</u></b>	<b><u>4,062,328</u></b>

### 4. Interest and similar expense

	Dec-22 Frw'000	Dec-21 Frw'000
Interest on debt	67,483	21,925
Interest on savings accounts	239,276	218,716
Interest on term deposits	62,511	42,286
Finance costs on lease	<u>95,253</u>	<u>73,732</u>
	<b><u>464,523</u></b>	<b><u>356,659</u></b>



## 5. Fees, commission and premium income

### a) Fees and Commission income

	Dec-22 Frw'000	Dec-21 Frw'000
Credit related fees and commissions	232,227	295,638
Loan processing fees	481,572	310,496
account maintenance fee	189,614	179,683
Local and international transfer	71,103	60,816
other fee and commission income	<u>27,278</u>	<u>21,592</u>
	<b><u>1,001,794</u></b>	<b><u>868,225</u></b>

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	13,128	8,935
other fee and commission expense	<u>260,749</u>	<u>316,960</u>
	<b><u>273,877</u></b>	<b><u>325,895</u></b>

## 6. Other operating income

grant income	205,109	517,103
Miscellaneous income	<u>37,617</u>	<u>44,267</u>
	<b><u>242,726</u></b>	<b><u>561,370</u></b>

## 7. Impairment losses on financial assets

	Dec-22 Frw'000	Dec-21 Frw'000
Balance as at January	818,490	1,230,184
Specific provisions for the year	398,894	38,209
Loans written off	<u>(155,711)</u>	<u>(449,903)</u>
	<b><u>1,061,673</u></b>	<b><u>818,490</u></b>
Charge for the year :		
Specific provisions	398,894	38,209
Recoveries on amounts written off	(244,460)	(249,304)
Loss on bad debts	<u>13,343</u>	<u>37,482</u>
	<b><u>167,777</u></b>	<b><u>(173,613)</u></b>

## 8. Personnel expenses

Salaries and wages	2,676,142	2,194,155
Medical insurance	216,071	141,421
Employer contributions to RSSB	141,640	112,472
other personnel expenses	<u>185,285</u>	<u>340,525</u>
	<b><u>3,219,138</u></b>	<b><u>2,788,573</u></b>

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

## 14. Cash and bank balances

### a) Cash in hand

	Dec-22 Frw'000	Dec-21 Frw'000
Balances in foreign currencies	39,012	78,272
Balances in local currency	<u>1,094,376</u>	<u>1,111,347</u>
	<b><u>1,133,388</u></b>	<b><u>1,189,619</u></b>

**b) Due from the National Bank of Rwanda**

	Dec-22 Frw'000	Dec-21 Frw'000
Balances in foreign currencies	39,012	78,272
Balances in local currency	<u>1,094,376</u>	<u>1,111,347</u>
	<u><b>1,133,388</b></u>	<u><b>1,189,619</b></u>

**c) Due from other banking institutions**

Balances in foreign currencies	2,101,943	2,686,197
Balances in local currency	<u>568,831</u>	<u>1,314,532</u>
	<u><b>2,670,774</b></u>	<u><b>4,000,729</b></u>

**d) Cash and cash equivalents**

The table below outlines components of cash and cash equivalent for the purposes of cash flow statements.

Cash in hand	973,498	755,711
Due from the National Bank	1,133,388	1,189,619
Cash reserve balances with the National Bank	(969,418)	(837,018)
Due from other banking institutions	2,670,774	4,000,729
Short-term investments	<u>19,930</u>	<u>19,930</u>
	<u><b>3,828,172</b></u>	<u><b>5,128,971</b></u>

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-22 Frw'000	Dec-21 Frw'000
Community group loans	8,923,112	6,041,422
Individual loans	13,251,767	10,778,476
staff loans	455,885	368,610
Salary loans	528,403	410,953
Agriculture loans	98,531	165,004
Interest receivable	<u>282,215</u>	<u>174,105</u>
	<b><u>23,539,913</u></b>	<b><u>17,938,570</u></b>
Individual impairment	(162,203)	(233,755)
Collective impairment	<u>(899,470)</u>	<u>(584,735)</u>
<b>Total (Note 8)</b>	<b><u>(1,061,673)</u></b>	<b><u>(818,490)</u></b>
<b>Net Loans and advances</b>	<b><u>22,478,240</u></b>	<b><u>17,120,080</u></b>

## 16. Financial Investments

	Dec-22 Frw'000	Dec-21 Frw'000
government debt security	1,653,965	2,053,965
Short term investments with other FI	19,930	19,930
accrued interest receivable on financial investment	<u>69,478</u>	<u>72,532</u>
	<b><u>1,743,373</u></b>	<b><u>2,146,427</u></b>
Current (settled within 12 months after reporting)	19,930	492,462
Non-current (settled more than 12 months after reporting)	<u>1,723,443</u>	<u>1,653,965</u>
	<b><u>1,743,373</u></b>	<b><u>2,146,427</u></b>

## Other assets

	Dec-22 Frw'000	Dec-21 Frw'000
Items in the course of collection	31,222	45,955
Prepayments	76,936	51,059
Other assets	194,054	160,572
other receivable	137,412	149,687
Due from related parties (note 22c )	<u>67,751</u>	<u>8,442</u>
	<b><u>507,375</u></b>	<b><u>415,715</u></b>
Current (settled within 12 months after reporting)	507,375	415,715
Non-current (settled more than 12 months after reporting)	-	-
	<b><u>507,375</u></b>	<b><u>415,715</u></b>

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

	Dec-22 Frw'000	Dec-21 Frw'000
Current and demand deposits	10,715,137	9,956,098
Saving deposits	6,982,786	7,840,858
Term deposits	1,691,711	937,097
Interest payable on deposits	<u>40,228</u>	<u>20,011</u>
	<b><u>19,429,862</u></b>	<b><u>18,754,064</u></b>
Current (settled within 12 months after reporting)	19,428,518	18,753,147
Non-current (settled more than 12 months after reporting)	1,344	<u>917</u>
	<b><u>19,429,862</u></b>	<b><u>18,754,064</u></b>

No other deposits held were pledged as collateral except 10% compulsory savings on group loans totaling Frw 1.1 bn. Break down between current and non-current deposits:

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

	Dec-22 Frw'000	Dec-21 Frw'000
Deferred grant income	292,845	351,696
Deferred processing fees	212,690	133,926
Accruals	605,879	534,418
VAT and withholding tax	94,890	83,129
Amounts due to related parties (note 22 (d))	7,979	4,063
amount due to money transfer agency	3,606	3,538
other payables	<u>417,941</u>	<u>254,541</u>
	<b><u>1,635,830</u></b>	<b><u>1,365,311</u></b>
Current	<u>1,635,955</u>	<u>1,365,311</u>
Non – current	-	-
	<b><u>1,635,955</u></b>	<b><u>1,365,311</u></b>

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-22 Frw'000	21-Dec Frw;000
Kiva funds	740,011	1,350,249
Long term loans	1,015,704	740,705
short term loans	<u>1,500,000</u>	-
	<u><b>3,255,715</b></u>	<u><b>2,090,954</b></u>
Current (settled within 12 months after reporting)	2,240,011	1,350,249
Non-current (settled within more than 12 months after reporting)	<u>1,015,704</u>	<u>740,705</u>
	<u><b>3,255,715</b></u>	<u><b>2,090,954</b></u>

The movement in the borrowed funds is shown below:

Opening balance as at 1 January	2,090,954	1,777,925
Proceeds	2,035,043	871,745
Repayment	<u>(870,282)</u>	<u>(558,716)</u>
<b>Closing balance as at 31 December</b>	<u><b>3,255,715</b></u>	<u><b>2,090,954</b></u>

## 21. Lease liabilities

Lease liabilities	774,255	757,810
finance cost on lease	<u>42,076</u>	<u>40,240</u>
	<u><b>816,331</b></u>	<u><b>798,049</b></u>

## 22. Share capital and reserves

### a) Share capital

Balance at 01 January	9,491,629	9,491,629
Increase in share capital	1,585,850	-
Adjustment	<u>(29)</u>	-
	<u><b>11,077,450</b></u>	<u><b>9,491,629</b></u>

During the year, a total of 158,585 shares were issued at their par value of Frw 10,000 each. Therefore, the nominal value of those shares amounted to Frw 1,585,850,000.

**b) Share premium**

	Dec-22 Frw'000	Dec-21 Frw'000
Balance at 01 January	126,568	126,568
Increase in share premium	8	-
Adjustment	<u>29</u>	-
	<u><b>126,605</b></u>	<u><b>126,568</b></u>

**23. Retained earnings**

Balance at 01 January	(5,309,292)	(6,188,019)
Increase in share capital	<u>261,990</u>	<u>878,727</u>
	<u><b>(5,047,392)</b></u>	<u><b>(5,309,292)</b></u>

**24. Related parties and related party transactions**

**a) Key management personnel compensation**

Salaries and wages	365,686	325,017
Post-employment benefits	16,626	15,632
Contributions to maternity leave	<u>949</u>	<u>940</u>
	<u><b>383,260</b></u>	<u><b>341,589</b></u>

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-22 Frw'000	Dec-21 Frw'000
Loans and advances to employees (note 16)	455,885	368,610

**c) Outstanding balances arising from sale or purchase of services**

Current receivable from related parties (note 18)	67,751	8,442
Current payable from related parties (note 20)	7,979	4,063

these are intercompany operation between Urwego Bank Plc and its parent company Hope Advancement Inc.

## 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.

### Overview of risks management

The Bank in general keeps an open eye on all risks and adequate strategies are devised namely to prevent them. However, full elimination or prevention of risks is impossible, hence the Bank put in place measures to detect those which may escape its preventive fence for early detection and reduction of impact. The Bank broad category risks include market risks, operational risks, credit risks. Those major categories have other subsets like cyber security risks, strategic risks, liquidity risks, capital risks to mention but a few.

To manage risks, the Bank relies essentially on its staff which includes first and foremost recruitment of best fits and staff committed to its mission to serve the underserved and its value as a Christ Centered Bank. The Bank also invests highly in its staff through training and upskilling programs to ensure that staff have adequate skills, competences and stamina to master Bank's operations which contribute highly in reducing various risks.

The Bank also ensure existence of policies and procedures that guide and define Bank's operations and methods of delivering its services to the community. Policies and procedures are kept up to date and staff are constantly made aware of ruling policies and procedures in their areas of operations.

Given increase use of digitization and related risks namely cybercrimes, Bank staff are constantly trained on cyber security. Further, the Bank has acquired robust tools and software that help it to prevent or mitigate cyber crimes it is exposed to. Tools like AML/CFT are also in place to join global and national effort to prevent Money Laundering.

Finally, the Bank's board of directors has instituted risks appetite and prudential limits unto which Bank's management operate and regular assessments are done to ensure compliance with established guidelines and limit. Further, the Bank ensure compliance with regulatory and tax authorities rules and regulations.

In a special way, the Bank ensure maintenance of adequate management of its liquidity in short term through holding adequate buffer with its LCR (liquidity coverage ratio) and in the long term through controlling its NSFR ratio (Net Stable Funding Ratio) which control existence of long term assets to cover long term liabilities. The Bank's also ensure that it is adequately capitalized and maintain adequate buffer on its CAR ratio (Capital Adequacy Ratio) to ensure protection of its customers.

The Bank is convinced that risk management is a continuous effort which requires consistent reviews of existing risks for preventive and detective strategies but also continuous efforts to explore environment to identify any new risks that may arise and devise proper actions to mitigate its effect to Bank's operations.

## Future Outlook and Prospects

### *Strategic plan*

As the Bank ushers in fiscal year 2023, the Bank's efforts will remain focus to its 5 years strategic plan centered around the following pillars.

- i) Deepen Client Engagement,
- ii) Grow Profitably, and
- iii) Expand Frontiers

Proper actions and strategies will be devised for the short, medium and long term for achieving the strategic plan above. This will require coordinated efforts which bring on board all staff at all levels. The Bank will also ensure that stakeholders are brought on board and their views are considered in setting and implementing its operational, tactical and strategic plan.

## Deepen Client Engagement:

Urwego's commitment to its clients remain unwavering. Thus, a concerted effort to maintain or develop high impact "touch" points with clients that increase their level of service satisfaction and ultimately, transformation across the 4 domains (spiritual, material, social and personal) is a key objective over the next 3 remaining for its 5 years strategic plan. If achieved, Urwego also believes this objective will support profitability through client retention and ensure the Bank holds together "high tech and high touch" in a way that supports *both* client transformation and progress. The Bank has placed emphasis on digitization to ensure that customers are serviced in a convenient and timely manner. Its mobile Banking platform was improved significantly with introductions of Mobile Application, expansion of its features and services to offer more convenience to its customers and embrace cashless efforts.

### *Grow Profitably:*

The Bank will preserve its efforts to grow its loan portfolio in order to maintain its profit position gained in 2022. The growth of its portfolio in size will go in tandem with keeping quality at the optimal level possible. To achieve expected portfolio quality, the Bank will continue to closely follow loans default through early delinquency management of existing loans and recovery of written-off loans. The Bank's eye to grow its portfolio by 16% compared.

The Bank will continue also to ensure that customers are embracing its other non-lending products namely remittances (RIA, Money Gram, Western Union), foreign exchange products, a wide range of deposits products.

### *Expand Frontiers:*

Now with its mobile application already in place and addition of new features nearing completion, the Bank expects to bring on board new set of clients namely youth. Further, the Bank will continue efforts to ensure that existing clients take advantage of technology benefits to access banking services without necessary going to Bank's premises. 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 Mahoko, Nyamasheke, Kinigi on top of more others that were opened in previous years. 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) continue to bring convenience in 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.

### *A Bright Future*

Capitalizing on its past performance and projected directions, the Bank's commitment to underserved remain unwavering. The Bank will continue to contribute to financial inclusions namely through offering loans to clients who access loans through groups and whose only collateral is social grants. The Bank eyes at tackling other financially excluded segments namely through introductions of youth products, refugees as well as people with disabilities.

The Bank also continue to monitor closely socio-economics developments as well as geopolitics events occurring on international arena to assess potential risks faced in a bid to timely devise adequate strategies to mitigate their 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. Urwego, its Board of Directors, and its Shareholder remain committed to provide 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.