

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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Financial Highlights for the year to 31 December 2020

	Year Ended 31-Dec-20 (ZMW '000')	Year Ended 31-Dec-19 (ZMW '000')	Change %
Summary Statement of Comprehensive Income			
Gross revenue (*)	354 718	432 318	(18%)
Interest expense	(96 968)	(137 621)	30%
Operating expenses	(123 457)	(93 191)	(32%)
Profit after taxation	48 849	96 888	(50%)
Summary Statement of financial position			
Net loans and advances	611 547	810 284	(25%)
Borrowings and corporate notes	449 006	655 045	(31%)
Shareholders' Equity	260 674	311 825	(16%)

* Gross Revenue includes interest and non-interest revenue

Summary Statement of Profit or Loss and Other Comprehensive Income

	Year Ended 31-Dec-20 (ZMW '000')	Year Ended 31-Dec-19 (ZMW '000')
Interest income calculated using the effective interest method	309 156	394 023
Interest expense	(96 968)	(137 621)
Net Interest Income	212 188	256 402
Net fee and commission income	38 111	50 252
Net Operating Income	250 299	306 654
Other Operating Income	2 408	2 778
Impairment loss on loans and advances	(8 406)	(33 251)
Foreign exchange loss	(31 851)	(29 097)
Operating expenses	(123 457)	(93 191)
Finance costs	(12 759)	(8 093)
Profit before Taxation	76 234	145 800
Taxation	(27 385)	(48 912)
Profit for the Year	48 849	96 888
EPS	0,47	0,93

Summary Statement of Financial Position

	Year Ended 31-Dec-20 (ZMW '000')	Year Ended 31-Dec-19 (ZMW '000')
Assets		
Cash and cash equivalents	50 467	22 757
Other assets	175 696	274 367
Loans and advances (Net of credit loss allowance)	611 547	810 284
Total Assets	837 710	1 107 408
Liabilities		
Borrowings and corporate notes	449 006	655 045
Other liabilities	128 030	140 538
Total Liabilities	577 036	795 583
Shareholders' Equity	260 674	311 825
Total Liabilities and Shareholders' Equity	837 710	1 107 408

Summary Statement of Cash Flows

	Year Ended 31-Dec-20 (ZMW '000')	Year Ended 31-Dec-19 (ZMW '000')
Net Cash Flows Used In Operating Activities	356 711	62 416
Net Cash Flows Used In Investing Activities	(108)	(504)
Net Cash Flows Generated/ (Used In) Financing Activities	(301 056)	(18 664)
Net Change In Cash and Cash Equivalents	55 547	43 248
Cash and Cash Equivalents at 1 January	(5 256)	(38 843)
Effects of exchange rate changes on cash and cash equivalents	1 944	(9 661)
Cash and Cash Equivalents at 31 December	52 235	(5 256)

Summary Statement of Changes in Equity

	Year Ended 31-Dec-20 (ZMW '000')	Year Ended 31-Dec-19 (ZMW '000')
Balance of Shareholders' Equity at 1 January	311 825	214 937
Profit for the period	48 849	96 888
Issue of shares	0	0
Dividend declared	(100 000)	0
Balance of Shareholders' Equity at 31 December 2020	260 674	311 825

Review of the Business Environment

During the first Quarter of 2020 the World Health Organisation ("WHO") declared COVID-19 as a pandemic, which resulted in widespread precautions to restrict the movement of people to reduce the risk of infection. Izwe Loans Zambia PLC ("Izwe") invoked its business continuity plan as part of its broader risk management policy which involved several of its staff working remotely from their homes, as well as the limiting of branch operating hours. The Government initiated lockdown broadly affected the economic activities in Zambia.

To support citizens at large, the Bank of Zambia provided the Medium-Term Refinancing Facility to the financial sector with the intention to increase credit extension to sectors of the economy effected by the pandemic. Izwe successfully accessed the facility which assisted in providing much-needed liquidity and ensured continued support to its clients.

At Izwe, the primary focus remains that of providing a safe environment for both our customers and staff. Izwe provided the delivery of quality service to our customers, despite the unprecedented circumstances created by COVID-19.

Despite the difficult trading conditions, Izwe performed well and adequately maintained all loan covenants during the year and it remains well capitalised to improve on its results.

Review of Financial Performance for the year ended 31 December 2020

The Directors are pleased to present the Company's abridged audited financial results for the year ended 31 December 2020.

The information disclosed in the SENS was derived from the information contained in the Audited Financial Statements and does not contain full or complete disclosure details.

Izwe reported an after-tax profit of ZMW48.8 million (2019: ZMW96.8 million) for the year ending 31 December 2020, representing a 49.5% year-on-year reduction. Gross revenue amounted to ZMW354.7 million, a decrease of 18% when compared with prior year. The reduction in revenue is primarily attributed to the strategy adopted by management to preserve liquidity and reduce growth levels amidst adverse macro-economic conditions. As a result, Earnings Per Share (EPS) decreased year-on-year from ZMW0.93 to ZMW0.47.

Operating expenses increased by 32.4% from prior year expenditure of ZMW93.1 million to ZMW123.4 million in 2020. The strategic changes introduced in the year resulted in a long-term sustainable cost base restructuring with the impact likely to be seen only in the coming trading years. Impairment loss expenses reduced to ZMW8.4 million (2019: ZMW33.2 million), partly attributable to the reduction in the loans and advances book but also an improvement in the underlying credit quality. Foreign exchange losses increased to ZMW31.8 million (2019: ZMW29.0 million) and can mainly be attributed to the depreciation of the Kwacha against the major international currencies.

Net loans and advances reduced by 25% from ZMW810.2 million in 2019 to ZMW611.5 million in 2020. This reduction is attributed to the strategic decision to preserve book quality by tightening credit policies, introducing more conservative credit evaluations and placing additional focus on collections initiatives. Borrowings and corporate notes reduced to ZMW449.0 million from ZMW655.0 million in 2019 as some contractual facility repayments were concluded.

Capital

Izwe remains strongly capitalised with healthy equity of ZMW260.6 million (2019: ZMW311.8 million) enabling it to comfortably meet all obligations; return the business to a growth trajectory; and continue to exceed the Bank of Zambia minimum capital requirements.

Dividends

During the year under review the Board elected to pay a special interim dividend of ZMW100 million (2019: Nil) out of accumulated profits. At the Annual General Meeting, the Board of Directors elected not to declare a final dividend in respect of the year ended 31 December 2020.

Macro-economic Outlook

The Bank of Zambia decreased the policy rate in the second quarter of 2020 from 9.25%pa to 8.00%pa. This was later increased to 8.50%pa in 2021, with the aim of mitigating the rise in inflation rate which closed the year 2020 at 19.2%.

The economy fell into a deep recession due the adverse impact of the COVID-19 pandemic. Real GDP contracted by an estimated 4.9% in 2020, after high relative growth in previous years. The economy is projected to grow by 1.0% in 2021 and 2.0% in 2022, underpinned by recovery in the mining, tourism, and manufacturing sectors. Izwe is strategically implementing new products to the market in anticipation of this expected growth.

The Government initiatives provided to the financial sector in the second half of 2020 provided the much-needed liquidity relief, and gave Izwe a strong base in the second half of 2020, despite the negative effects of the COVID-19 on the sector.

Kulusu Chisola
Chief Executive Officer