

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021
Published in compliance with the requirements of the Securities Act (Act No. 41 of 2016)
and the Listing Rules of the Lusaka Securities Exchange ("LuSE")



IZWE LOANS ZAMBIA PLC
(Reg No. 120050059445)

Tel +260 211 220 771 / +260 211 220 572
Email: info@izwezambia.com | Website: www.izwezambia.com

Financial Highlights for the year ended 31 December 2021			
	Year Ended 31-Dec-21 (ZMW '000')	Year Ended 31-Dec-20 (ZMW '000')	Change %
Summary Statement of Comprehensive Income			
Gross Revenue (*)	342 131	354 719	(4%)
Interest Expense	(72 491)	(96 968)	25%
Operating Expenses	(100 218)	(123 457)	19%
Profit after Taxation	111 249	48 849	128%
Summary Statement of Financial position			
Net Loans and Advances	712 070	611 547	16%
Borrowings and Corporate Notes	528 822	449 006	18%
Shareholders' Equity	271 923	260 674	4%

* Gross Revenue includes interest and non-interest revenue

Summary Statement of Profit or Loss and Other Comprehensive Income		
	Year Ended 31-Dec-21 (ZMW '000')	Year Ended 31-Dec-20 (ZMW '000')
Interest Income calculated using the Effective Interest Method	285 817	309 156
Interest Expense	(72 491)	(96 968)
Net Interest Income	213 326	212 188
Net Fee and Commission Income	48 503	38 111
Net Operating Income	261 829	250 299
Other Operating Income	2 890	2 408
Impairment profit/(loss) on loans and advances	15 714	(8 406)
Foreign Exchange Loss	(13 125)	(31 851)
Operating Expenses	(100 218)	(123 457)
Finance Costs	(32)	(12 759)
Profit before Taxation	167 059	76 234
Taxation	(55 810)	(27 386)
Profit after Taxation	111 249	48 849
EPS	1.07	0.47

Summary Statement of Financial Position		
	Year Ended 31-Dec-21 (ZMW '000')	Year Ended 31-Dec-20 (ZMW '000')
Assets		
Cash and Cash Equivalents	192 552	50 467
Other Assets	32 644	175 696
Loans and Advances (Net of Credit Loss Allowance)	712 070	611 547
Total Assets	937 265	837 710
Liabilities		
Borrowings and Corporate Notes	528 822	449 006
Other Liabilities	136 520	128 030
Total Liabilities	665 342	577 036
Shareholders' Equity	271 923	260 674
Total Liabilities and Shareholders' Equity	937 265	837 710

Summary Statement of Cash Flows		
	Year Ended 31-Dec-21 (ZMW '000')	Year Ended 31-Dec-20 (ZMW '000')
Net Cash Flows Used In Operating Activities	191 518	356 711
Net Cash Flows Used In Investing Activities	(3 883)	(108)
Net Cash Flows Generated/ (Used In) Financing Activities	(73 601)	(301 056)
Total Cash, Cash Equivalents and Bank Overdraft movement for the year	114 034	55 547
Cash, Cash Equivalents and Bank Overdraft at the beginning of the year	52 235	(5 256)
Effects of exchange rate changes on cash and cash equivalents	(2 601)	1 944
Total Cash, Cash Equivalents and Bank Overdraft at the end of the year	163 669	52 235

Summary Statement of Changes in Equity		
	Year ended 31-Dec-21 (ZMW '000')	Year ended 31-Dec-20 (ZMW '000')
Balance of Shareholders' Equity at 1 January	260 674	311 825
Profit for the year	111 249	48 849
Dividend	(100 000)	(100 000)
Balance of Shareholders' Equity at 31 December	271 923	260 674

Review of the Business Environment

The Covid-19 pandemic continued being a major trading impediment, affecting the financial sector in many ways. In spite of this challenge, Izwe Loans Zambia Plc "Izwe" continued to show strong growth in business results and customer numbers during the financial year of 2021.

Support through the Targeted Medium-Term Refinancing Facility (TMTRF) by the Bank of Zambia, coupled with the normalisation of collections, helped to sustain a reasonable trading environment especially in the second half of the year and Izwe was able to capitalise on this stability which increased demand for its products, culminating in record sales during the fourth quarter of 2021. The revived trading environment also brought with it heightened competition from both commercial banks and non-bank institutions.

Review of Financial Performance for the year ended 31 December 2021

The Directors are pleased to present the Company's abridged audited financial results for the year ended 31 December 2021. 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's performance in the year was a significant improvement on the prior year, driven by an increase in loans disbursed, a reduction in the weighted average cost of funding and a focus on strong management of operating costs. As a result, Izwe achieved a 128% increase in year-on-year profit after tax, from ZMW48.8 million in 2020 to ZMW111.2 million in 2021. Gross revenue incurred a marginal reduction of 4% when compared with 2020 at ZMW342.1 million. This was due to the pass-on effects on product pricing following the access to concessional funding.

Operating expenses for the year reduced by 19% from prior year expenditure of ZMW123.4 million to ZMW100.2 million in 2021 as the business had begun to realise the benefits of its operating strategic changes that were introduced in the prior year. There was an improvement in the impairment loss on loans from an expense of ZMW8.4 million in 2020 to a credit of ZMW15.7 million in 2021. This improvement was largely driven by the improved collections from customers through Government remittances and an improvement in the underlying credit quality of our loan book. Foreign exchange losses reduced to ZMW13.1 million (2020: ZMW31.8 million), and this was due to the business' decision to limit its foreign currency exposure and the appreciation of the Kwacha against the major international currencies.

The overall good performance for the year resulted in a year-on-year increase in Earnings Per Share (EPS) from ZMW0.47 recorded in 2020 to ZMW1.07 in 2021.

Net loans and advances grew 16% to ZMW712.1 million (2020: ZMW611.5 million). The increase in loans disbursed in the second half of the year, was the main reason for the growth in the earning asset. Borrowings and corporate notes increased to ZMW528.8 million from ZMW449.0 million in 2020 as the business drew additional funding from the TMTRF facility by the Bank of Zambia.

Capital

Izwe remains strongly capitalised with equity of ZMW271.9 million (2020: ZMW260.6 million), ensuring that the business comfortably exceeds regulatory minimum capital requirements and further provides a strong base to grow its earning assets through utilisation of retained income.

Dividends

During the year under review the Board elected to declare an interim dividend of ZMW100 million (2020: ZMW100.0 million) out of accumulated profits. The Board of Directors have elected not to declare a final dividend in respect of the year ended 31 December 2021.

Macro-economic Outlook

In its first Monetary Policy Committee Statement of 2022, the Bank of Zambia opted to maintain the policy rate at 9.00% p.a. after considering the deceleration in inflation which closed at 16.4% in December 2021. However, there are upside risks to the inflation outlook that include increase in crude oil prices and a looming change to a cost reflective electricity tariff.

The domestic economic activity is showing signs of recovery coming after the recession of 2020 occasioned by the adverse impact of Covid-19 pandemic. Real GDP is projected to grow moderately at 3.5% in 2022 underpinned by strong performances in finance, insurance, wholesale and retail trade as well as the mining sector. Having implemented new SME products in 2021, Izwe is well placed to leverage the new growth prospects, especially in the mining sector.

The Kwacha appreciated strongly towards the end of 2021 by 7.4% against major convertibles, supported mainly by positive sentiments after the Staff-Level Agreement was reached with the IMF. The rate is expected to trade at circa USD/ZMW=18.50 in the medium term, and is anticipated to strengthen further once the IMF support is concluded in mid-2022.

Kulusu Chisola
Chief Executive Officer