

Audited Results For The Year Ended 31 December 2023

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")

Financial Highlights for the year ended 31 December 2023

	Dec-23 K '000'	Dec-22 K '000'	Change %
Summary Statement of Profit or Loss and Other Comprehensive Income			
Gross revenue (*)	600,176	439,675	37%
Interest and similar expenses	(113,089)	(60,579)	87%
Operating expenses	(201,745)	(128,489)	57%
Profit after taxation	190,000	132,001	44%

Summary Statement of Financial Position

	Dec-23 K '000'	Dec-22 K '000'	Change %
Net loans and advances	1,518,951	1,020,259	49%
Borrowings	1,047,418	586,074	79%
Shareholders' equity	472,803	382,803	24%

* Gross Revenue includes interest and non-interest revenue

Statement of Profit or Loss and Other Comprehensive Income

	Dec-23 K '000'	Dec-22 K '000'
Interest income calculated using the effective interest method	505,329	369,840
Interest and similar expenses	(113,089)	(60,580)
Net Interest Income	392,240	309,260
Net fee and commission income	85,582	59,096
Net Operating Income	477,822	368,356
Impairment (loss)/gain on loans and advances	(2,256)	(50,097)
Operating expenses	(200,716)	(126,792)
Finance costs	(1,029)	(1,698)
Profit before taxation	273,821	189,769
Taxation	(83,821)	(57,768)
Profit after taxation	190,000	132,001
Other comprehensive income	-	-
Total comprehensive income for the year	190,000	132,001

	Dec-23 K '000'	Dec-22 K '000'
Basic and diluted earnings per share	1.94	1.29

Summary Statement of Financial Position

	Dec-23 K '000'	Dec-22 K '000'
Assets		
Cash and cash equivalents	87,576	44,299
Other assets	122,358	55,629
Loans and advances (Net of allowance for impairment)	1,518,951	1,020,259
Total Assets	1,728,886	1,120,187
Equity		
Share capital	983	983
Share premium	26,593	26,593
Retained income	422,797	355,227
Statutory reserve	22,430	-
Total equity	472,803	382,803
Liabilities		
Borrowings	1,047,418	586,074
Other Liabilities	208,665	151,310
Total Liabilities	1,256,083	737,384
Total Equity and Liabilities	1,728,886	1,120,187

Summary Statement of Cash Flows

	Dec-23 K '000'	Dec-22 K '000'
Net cash utilised in operating activities	(131,041)	(98,240)
Net cash utilised in investing activities	(20,871)	(9,719)
Net cash utilised in financing activities	185,718	(13,939)
Total cash, cash equivalents and bank overdraft movement for the period	33,806	(121,898)
Cash, cash equivalents and bank overdraft at 1 January	46,261	163,668
Effects of exchange rate changes on cash and cash equivalents	10,081	4,491
Cash and Cash Equivalents at 31 December	90,148	46,261

Summary Statement of Changes in Equity

	Dec-23 K '000'	Dec-22 K '000'
Balance of Shareholders' Equity at 1 January	382,803	271,922
Profit for the period	190,000	132,001
Share buy-back	-	(21,120)
Dividends	(100,000)	-
Balance of Shareholders' Equity at 31 December	472,803	382,803

Commentary on 2023 Performance

The Board of Directors of Izwe Loans Zambia Plc (the "Company" or "Izwe") are pleased to present the condensed audited financial results for the financial year ended 31 December 2023. This publication does not contain full or complete disclosure details. The financial statements, from which this condensed version is derived, have been audited by PricewaterhouseCoopers and a copy of the auditor's report is available on request.

Inspiring Progress

We have continued the execution of our key strategic goals to position Izwe as a diversified financial services business that will provide solutions to both businesses and individuals. We have further expanded our footprint and onboarded new product offerings in a bid to enhance embedded shared values for our customers, as we help change their lives and support their businesses growth.

Significant progress under these priorities have been recorded in launching Izwe Pay, a first-in-market payment solution that allows businesses to accept swift and safe mobile money and card-based payments through a single point-of-sale machine. The business has also rolled out refreshed branding material that is forward looking and positions us well for a more digitised future. Izwe also relocated its registered Head Office to a prime location on Addis Ababa Road to introduce the re-imagined brand to the market.

Financial Highlights

Izwe's 2023 results demonstrate our sustained momentum in business performance anchored to our new strategy. The Company's gross revenue increased by 37% to ZMW600.1 million supported by strong balance sheet growth and an increase in customers. In the year under review, net earning assets expanded by 49% to ZMW1.5 billion, demonstrating year-on-year sustained performance. Our transformative investments continue to deliver desired results which has led to a 183% growth in the secured lending loan book to ZMW54.7 million in 2023.

The 2023 financial year proved to be one categorised by elevated interest and hedging costs, as the Bank of Zambia's Targeted Medium-Term Funding Facility (TMTRF) started maturing. The Company however, continued to diversify its funding sources, with borrowings increasing by 79% to ZMW1.0 billion to fund the increase in demand from clients. As a result, there was a marked increase of 87% in interest expenses from ZMW60.5 million in 2022 to ZMW113.1 million in 2023.

Izwe continues to manage its credit quality prudently. As a result, impairment losses reduced from ZMW50.0 million in 2022 to ZMW2.3 million in 2023, with large portions of the arrears book having been successfully cured.

Operating and finance costs increased by 57% to ZMW201.7 million largely in line with our budgetary expectations on the back of an elevated inflationary environment caused by the depreciation of the Zambian currency against major convertibles. Despite the increase in costs, we kept our efficiency levels (cost-to-income ratio) within our risk appetite limit at 38%.

Izwe exceeded its profit after tax estimate for the year 2023 increasing by 44% to ZMW190.0 million compared to a profit after tax of ZMW132.0 million reported in the prior year. This represents an increase of 50% in earnings per share to ZMW1.94 and an increase in return on equity from 34% to 40% year-on-year.

Year on year, the Company recorded an increase in operating cashflows, in line with the increase in loans disbursed. Utilisation of cash in investments rose, as we invested in property and equipment for the enablement of strategic goals. Financing cash flows increased as we took a responsible approach to managing funding and maintaining an efficient level of equity.

Capital and Dividend

The business continues to be anchored on strong shareholder value, with total equity increasing by 24% from ZMW382.8 million to ZMW472.8 million, while maintaining a capital adequacy ratio in excess of the minimum regulatory requirement.

Following this strong performance, the Board of Directors resolved to declare an interim dividend of K100.0 million with respect to the financial year ended 31 December 2023 (2022: Nil). This represents a dividend per share of ZMW1.02.

Economic and Business Outlook

The Bank of Zambia has adopted prudent monetary policy measures to counteract inflationary pressures and protect the local currency under volatile global market conditions brought about by spreading geopolitical tensions. The current outlook is that inflation will remain above the target range of 6-8%pa, primarily driven by persistent depreciation of the exchange rate and impact of the adverse weather conditions on food prices. These factors also led to the revision of the statutory reserve ratio which compounded the general liquidity conditions in the economy.

Management is cognisant of the economic outlook and despite these challenges, the overarching commitment of Izwe remains focused on sustained growth for the benefit of all stakeholders. Our focus remains to make the key decisions required to continue generating enhanced cash flow in the dynamic and challenging operating environment we are in.

By order of the Board

Kulusu Chisola
Chief Executive Officer

28 March 2024