

SENS ANNOUNCEMENT
(the “Notice” or “Announcement”)

ISSUER



Izwe Loans Zambia PLC (“IZWE”)

[Incorporated in the Republic of Zambia]

Company registration number: 120050059445
Bond Security: Izwe Loans Zambia Limited MTNP
Authorised by: Choice Corporate Services Limited – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Founder member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

DISCLAIMER AND RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price-sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 29 March 2023

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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")



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Financial Highlights for the year ended 31 December 2022

	Year Ended 31-Dec-22 (ZMW '000')	Year Ended 31-Dec-21 (ZMW '000')	Change %
Summary Statement of Profit or Loss and Other Comprehensive Income			
Gross revenue (*)	439 675	339 241	30%
Interest and similar expenses	(60 579)	(71 407)	-15%
Operating expenses	(127 494)	(100 219)	27%
Profit after taxation	132 000	111 249	19%

	Year Ended 31-Dec-22 (ZMW '000')	Year Ended 31-Dec-21 (ZMW '000')	Change %
Summary Statement of Financial position			
Net loans and advances	1 020 259	712 070	43%
Borrowings	571 467	506 885	13%
Shareholders' equity	382 803	271 923	41%

* Gross Revenue includes interest and non-interest revenue

Statement of Profit or Loss and Other Comprehensive Income

	Year Ended 31-Dec-22 (ZMW '000')	Year Ended 31-Dec-21 (ZMW '000')
Interest income calculated using the effective interest method	369 839	285 817
Interest and similar expenses	(60 579)	(71 407)
Net Interest Income	309 260	214 410
Net fee and commission income	59 095	48 503
Net Operating Income	368 355	262 913
Impairment (loss)/gain on loans and advances	(50 096)	18 603
Exchange differences	700	(13 125)
Operating expenses	(127 494)	(100 219)
Finance costs	(1 697)	(1 114)
Profit before taxation	189 768	167 058
Taxation	(57 768)	(55 809)
Profit for the year	132 000	111 249
Other comprehensive income	-	-
Total comprehensive income for the year	132 000	111 249
Basic and diluted earnings per share	1.29	1.07

Summary Statement of Financial Position

	Year Ended 31-Dec-22 (ZMW '000')	Year Ended 31-Dec-21 (ZMW '000')
Assets		
Cash and cash equivalents	46 871	195 067
Other assets	53 057	30 128
Loans and advances (Net of credit loss allowance)	1 020 259	712 070
Total Assets	1 120 187	937 265
Equity		
Share capital and share premium	27 576	39 125
Retained income	355 227	232 798
Total Equity	382 803	271 923
Liabilities		
Borrowings	571 467	506 885
Other liabilities	165 917	158 457
Total Liabilities	737 384	665 342
Total Equity and Liabilities	1 120 187	937 265

Summary Statement of Cash Flows

	Year Ended 31-Dec-22 (ZMW '000')	Year Ended 31-Dec-21 (ZMW '000')
Net cash (utilised in)/generated from operating activities	(98 240)	185 111
Net cash utilised in investing activities	(9 719)	(3 883)
Net cash utilised in financing activities	(13 939)	(67 193)
Total cash, cash equivalents and bank overdraft movement for the year	(121 898)	114 035
Cash, cash equivalents and bank overdraft at 1 January	163 668	52 234
Effects of exchange rate changes on cash and cash equivalents	4 491	(2 601)
Cash and Cash Equivalents at 31 December	46 261	163 668

Summary Statement of Changes in Equity

	Year Ended 31-Dec-22 (ZMW '000')	Year Ended 31-Dec-21 (ZMW '000')
Balance of Shareholders' Equity at 1 January	271 923	260 674
Profit for the year	132 000	111 249
Surrender of shares	(21 120)	-
Dividends paid	-	(100 000)
Balance of Shareholders' equity at 31 December	382 803	271 923

Review of the Business Environment

The Directors of Izwe Loans Zambia Plc "Izwe" are pleased to present the abridged audited financial results for the year ended 31 December 2022. 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.

The business environment remained positive throughout 2022, continuing into the first quarter of 2023. While recent increases in interest rates present a moderate risk in the short term, it is expected that once the government completes the imminent debt restructure, long term stability should be restored.

Demand for Izwe's products and services remain high, with notable year on year growth in the earning assets of the business and primary collections. Izwe's position as one of the sector leaders remains unchanged, even with heightened competition in the market.

Financial Highlights

Izwe continues to show strong profitability, ending the year with a performance of 19% growth in profit after tax. This growth has been attributed to a 40% increase in net operating income from ZMW262.9 million in the prior year, to ZMW368.3 million in 2022. This increase was driven by higher net interest income which grew from ZMW214.4 million to ZMW309.2 million representing a growth of 44%. Fees and commission income also grew by 22% from ZMW48.5 million to ZMW59 million.

Operating expenses for the period increased by 27% from ZMW100.2 million to ZMW127.4 million. This was driven by an increase in sales related activities; expenditure aimed at supporting our transformation strategy coupled with inflationary increases. Izwe continues to implement cost containment measures in order to maintain a superior cost to income ratio both in the market and when compared with its internal appetite ratio. A cost to income ratio of 37% was reported at the end of the year 2022.

The performance for the year was anchored by a sturdy year on year balance sheet growth of 20% in total assets from ZMW937.2 million to ZMW1.120 billion. Notably, the net loan book grew by 43% from ZMW712.0 million to ZMW1.020 billion as loan disbursements to both payroll and SME customers increased. There was also an increase in other assets of 47% as we invested in support infrastructure to drive revenue growth. Cash and cash equivalents reduced by 76% from ZMW195.0 million to K46.8 million to finance operating activities, in line with our focus to deploy cash efficiently in the business, while still maintaining sufficient levels of liquidity. Total liabilities recorded an increase of 11% from ZMW665.3 million to ZMW737.3 million, driven by a 13% increase in borrowings (ZMW571.4 million up from ZMW506.9 million) and 5% increase in other liabilities (ZMW165.9 million up from ZMW158.5 million).

Basic and diluted earnings per share for the year increased from ZMW1.07 per share in 2021 to ZMW1.29 per share on the back of a strong trading performance in the year.

Capital

Capital continues to grow, ensuring full compliance with prudential requirements. The capital adequacy ratio for the year was 35% and was significantly higher than the regulatory limit of 15%.

Dividend

The Directors elected not to distribute dividends in the year, instead opting to retain capital for asset growth in line with the strategic direction.

Future Outlook

The Company Directors are optimistic about the business outlook as it embarks on a three-year transformation agenda. It is expected that Izwe will launch new products aimed at responding to customer needs in the payments space in 2023. Other new products and services will be driven through strategic partnerships both on the local market and internationally to ensure the business becomes a more robust and diversified financial services provider.

Izwe is also committed to continually meeting internal and external stakeholder expectations through sound management practice and a strong drive for execution on its ambitions. The positive economic outlook for Zambia, coupled with a strong leadership team is expected to provide the bedrock of the anticipated strategic transformation success

Kulusu Chisola
Chief Executive Officer

Issued in Lusaka, Zambia on 29 March 2023

Lusaka Securities Exchange Sponsoring Broker



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Stockbrokers Zambia Limited (SBZ) is a founder member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

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