

# UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Published in compliance with the requirements of Bank of Ghana and Ghana Stock Exchange



IZWE SAVINGS & LOANS PLC  
(Reg No.: PL000162015)

Tel: 0302 251 042  
Email: info@izweghana.com

| Unaudited Financial Highlights                      |                                      |                                      |             |
|---|--------------------------------------|--------------------------------------|-------------|
|   | Unaudited<br>30-Jun-20<br>(GHS '000) | Unaudited<br>30-Jun-19<br>(GHS '000) | Change<br>% |
| Revenues*   | 69,453                               | 64,777                               | 7%          |
| Net Interest income                                 | 22,042                               | 28,396                               | -22%        |
| Profit after tax                                    | 1,318                                | 1,799                                | -27%        |
| Net advances  | 299,371                              | 291,463                              | 3%          |
| Total Shareholders' Equity                          | 42,288                               | 39,288                               | 8%          |
| *Revenue includes interest and non-interest revenue |                                      |                                      |             |

| Unaudited Statement of Comprehensive Income |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
|   | Unaudited<br>30-Jun-20<br>(GHS '000) | Unaudited<br>30-Jun-19<br>(GHS '000) |
| Interest income                             | 56,601                               | 55,488                               |
| Interest expense                            | (34,559)                             | (27,092)                             |
| <b>Net Interest Income</b>                  | <b>22,042</b>                        | <b>28,396</b>                        |
| Fee and commission income                   | 12,852                               | 9,289                                |
| Fee and commission expenses                 | (5,869)                              | (2,952)                              |
| Credit loss expenses                        | (4,516)                              | (4,642)                              |
| <b>Net Operating Income</b>                 | <b>24,509</b>                        | <b>30,091</b>                        |
| Admin and operating expenses                | (22,236)                             | (19,365)                             |
| <b>Profit before FX costs and Taxation</b>  | <b>2,273</b>                         | <b>10,726</b>                        |
| Foreign exchange costs                      | (390)                                | (8,157)                              |
| <b>Profit before Taxation</b>               | <b>1,884</b>                         | <b>2,569</b>                         |
| Taxation                                    | (566)                                | (770)                                |
| <b>Profit after tax</b>                     | <b>1,318</b>                         | <b>1,799</b>                         |

| Unaudited Statement of Financial Position         |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
|   | Unaudited<br>30-Jun-20<br>(GHS '000) | Unaudited<br>30-Jun-19<br>(GHS '000) |
| <b>Assets</b>                                     |                                      |                                      |
| Cash and cash equivalents                         | 31,857                               | 24,333                               |
| Other receivables                                 | 24,636                               | 26,415                               |
| Net loans and advances to customers               | 299,371                              | 291,463                              |
| Right of use assets                               | 23,121                               | -                                    |
| Deferred tax                                      | 5,013                                | 3,718                                |
| Property, plant and equipment                     | 4,231                                | 2,843                                |
| <b>Total Assets</b>                               | <b>388,229</b>                       | <b>348,772</b>                       |
| <b>Liabilities</b>                                |                                      |                                      |
| Bank overdraft                                    | 17,190                               | 3,371                                |
| Accruals and other liabilities                    | 30,370                               | 29,851                               |
| Lease liabilities                                 | 20,724                               | -                                    |
| Bilateral facilities                              | 100,295                              | 75,693                               |
| Borrowings from related parties                   | 1,727                                | 38,304                               |
| Deposits from customers                           | 109,878                              | 79,736                               |
| Corporate senior notes                            | 48,075                               | 64,838                               |
| Corporate subordinated notes                      | 17,683                               | 17,691                               |
| <b>Total Liabilities</b>                          | <b>345,941</b>                       | <b>309,484</b>                       |
| <b>Equity</b>                                     |                                      |                                      |
| Stated Capital                                    | 18,533                               | 18,533                               |
| Retained Earnings                                 | 14,701                               | 12,542                               |
| Statutory Reserve                                 | 9,054                                | 8,213                                |
| <b>Total Equity</b>                               | <b>42,288</b>                        | <b>39,288</b>                        |
| <b>Total Shareholders' Equity and Liabilities</b> | <b>388,229</b>                       | <b>348,772</b>                       |

| Reconciliation of Retained Earnings |                                      |                                      |
|-------------------------------------|--------------------------------------|--------------------------------------|
|                                     | Unaudited<br>30-Jun-20<br>(GHS '000) | Unaudited<br>30-Jun-19<br>(GHS '000) |
| Retained Earnings - 1 January       | 22,437                               | 11,643                               |
| Profit after tax                    | 1,318                                | 1,799                                |
| Transfer to Statutory Reserve       | (9,054)                              | (900)                                |
| <b>Retained Earnings - 30 June</b>  | <b>14,701</b>                        | <b>12,542</b>                        |

| Unaudited Statement of Cash Flows               |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
|   | Unaudited<br>30-Jun-20<br>(GHS '000) | Unaudited<br>30-Jun-19<br>(GHS '000) |
| <b>Net cash flows from operating activities</b> | <b>(20,371)</b>                      | <b>(13,268)</b>                      |
| <b>Net cash flows from investing activities</b> | <b>(3,400)</b>                       | <b>(688)</b>                         |
| Change in borrowings                            | 19,945                               | 61,729                               |
| Change in deposits from customers               | 10,168                               | (19,119)                             |
| Change in corporate senior notes                | (16,917)                             | (13)                                 |
| Change in corporate subordinated notes          | (18)                                 | 27                                   |
| Change in amounts due to related parties        | 847                                  | (28,240)                             |
| <b>Net cash flows from financing activities</b> | <b>14,024</b>                        | <b>14,384</b>                        |
| <b>Net change in cash and cash equivalents</b>  | <b>(9,747)</b>                       | <b>428</b>                           |
| Cash and cash equivalents at 1 January          | 24,413                               | 20,535                               |
| Cash and cash equivalents at 30 June            | 14,666                               | 20,963                               |

| Earnings per share          |                                      |                                      |
|-----------------------------|--------------------------------------|--------------------------------------|
|                             | Unaudited<br>30-Jun-20<br>(GHS '000) | Unaudited<br>30-Jun-19<br>(GHS '000) |
| Profit after tax (GHS '000) | 1,318                                | 1,799                                |
| Number of Shares            | 2,020,000                            | 2,020,000                            |
| <b>Earnings per share</b>   | <b>0.65</b>                          | <b>0.89</b>                          |

| Reconciliation of Debt Securities |                                      |                                      |
|-----------------------------------|--------------------------------------|--------------------------------------|
|                                   | Unaudited<br>30-Jun-20<br>(GHS '000) | Unaudited<br>30-Jun-19<br>(GHS '000) |
| <b>Balance at 1 January</b>       | <b>80,000</b>                        | <b>80,000</b>                        |
| Debt Securities issued            | -                                    | -                                    |
| Debt Securities repaid            | (17,000)                             | -                                    |
| <b>Balance at 30 June</b>         | <b>63,000</b>                        | <b>80,000</b>                        |

## Significant Accounting Policies

These unaudited results have been compiled in line with the requirements of International Financial Reporting Standards, the accounting policies having been applied consistently when compared to the audited financial statements for the year ended 31 December 2019.

## Review of the performance of the Company

The Directors are pleased to present the unaudited results for the six months ended June 2020.

### Economic outlook

The Bank of Ghana Monetary Policy Committee maintained the policy rate at 14.5% pa in June for a second consecutive period. Headline inflation at 11.2% pa moved outside the target range as set by the Bank of Ghana in the second quarter of the year due to COVID-19 induced buying that preceded the lockdown in the two largest cities of Accra and Kumasi. Ghana's overall economic growth and revenue are expected to plateau with expenditures set to increase over the second half of 2020.

In May the Bank of Ghana announced further support for Specialised Deposit Taking Institutions (SDIs) as part of broad measures to boost economic activity. Significant among these measures is the provision of liquidity support for SDIs and a 200 basis point reduction in the cash reserve requirement in order to bolster market liquidity and provide incentives for increased lending to critical sectors of the economy.

The global COVID-19 pandemic has manifested in the economy through external trade disruptions with particular reference to China, lower commodity prices, and reduced international liquidity. Turning to the third quarter, the gradual reopening of the economy since mid-June provides cautious optimism regarding an increase in economic activity, while June's PMI indicator highlighted that the economy may have passed the lowest point. The economy is projected to grow by 1.1% in 2020, and by 5.0% in 2021.

### Financial

Izwe recorded noteworthy operational performance in the first half of 2020 considering the general economic conditions, with a growth in revenue of 7% year-on-year to GHS69.4 million. This performance was driven mainly by growth in the underlying net loans and advances, increasing by 3% year-on-year to GHS299.3 million (HY 2019: GHS291.4 million). Management's strategy to replace foreign currency liabilities significantly reduced FX risk while at the same time positioning the business for higher levels of future profitability. Interest expense increased in line with the increase in new bilateral facilities as foreign currency denominated liabilities were extinguished. The adoption of IFRS 16, an accounting standard that prescribes the accounting treatments of leases also impacted interest expense for HY: 2020 by GHS2.3 million.

Operating costs increased by 14.8% year-on-year which is largely inflationary and variable in nature. Efficient management of overhead expenditure remains a key focus for management, branch expansion and relocation cost have already been incurred to achieve Izwe's focus in the retail space.

Izwe Savings and Loans reported profit after tax of GHS1.3 million for the first half of the year complemented by very strong and stable credit loss management.

### Operations

The launch of new technological advancements is nearing completion which will serve as a main enabler for diversification, growth in client acquisition, as well as enhance client service levels and reduce cost.

The healthy growth in deposits of 37.8% year-on-year is testament to the confidence depositors have in Izwe following on from the restructuring of the banking and non-banking sector. The financing initiatives in the first half of 2020 have provided a resilient funding mix to support growth in loans and advances. Izwe also successfully redeemed two senior notes over the period under the existing Listed Note programme.

The financial statements do not contain any untrue statements, misleading facts or omit material facts to the best of our knowledge.

The Directors would like to thank all stakeholders for their contribution in achieving these results.

Raymond Bismarck  
Managing Director

Dave Eugene Fichardt  
Director