

UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

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

Unaudited Statement of Financial Position			
	Unaudited 30-Jun-20 (GHS '000)	Unaudited 30-Jun-19 (GHS '000)	
Assets			
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	
Total Assets	388,229	348,772	
Liabilities			
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	
Total Liabilities	345,941	309,484	
Equity			
Stated Capital	18,533	18,533	
Retained Earnings	14,701	12,542	
Statutory Reserve	9,054	8,213	
Total Equity	42,288	39,288	
Total Shareholders' Equity and Liabilities	388,229	348,772	

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

Unaudited Statement of Cash Flows			
	Unaudited 30-Jun-20 (GHS '000)	Unaudited 30-Jun-19 (GHS '000)	
Net cash flows from operating activities	(20,371)	(13,268)	
Net cash flows from investing activities	(3,400)	(688)	
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)	
Net cash flows from financing activities	14,024	14,384	
Net change in cash and cash equivalents	(9,747)	428	
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 30-Jun-20 (GHS '000)	Unaudited 30-Jun-19 (GHS '000)
Profit after tax (GHS '000)	1,318	1,799
Number of Shares	2,020,000	2,020,000
Earnings per share	0.65	0.89

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

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