

Microfinance Bank

GetBucks Microfinance Bank Limited,

Incorporated in Zimbabwe on 17 January 2012 and converted to a public company limited by shares on 4 November 2015
(Registration number 322/2012)

Trading update for the first quarter ended 31 March 2020

Operating environment

The Zimbabwean economy continued to face a myriad of challenges comprised of significant readjustments which include reintroduction of the local currency in 2019. Liquidity has remained constrained. Hyperinflation and the Covid-19 pandemic have created rising uncertainty.

Zimbabwe's annual inflation rate soared to 676% in March 2020 from 521% in December 2019, amid a weak exchange rate and food shortages. Below average rainfall led to a poor agricultural season which is anticipated to have a knock on effect on the greater economy.

Financial performance review

The primary numbers presented for the three months ended 31 March 2020 are hyperinflation adjusted.

Key highlights:

- Profit after tax for the quarter ending 31 March 2020 was ZWL17.1 million;
- The value preservation strategy to acquire investment property in prior year continued to yield results as fair value gains contributed ZWL8.4 million to the bottom line;
- Borrowings decreased marginally to ZWL49 million in March 2020 (December 2019: ZWL54.5 million);
- Customer deposits increased by 51% to ZWL22.3 million (December 2019: ZWL14.7 million). This is attributed to a growing customer base and interbank rate movement which increased the ZWL equivalent of foreign currency denominated deposits;
- Shareholders' equity increased from ZWL57.6 million to ZWL74.7 million owing to normal trading profits and the impact of fair value gains on investment property and foreign currency denominated balances;
- The cost to income ratio for the quarter was 69%. The decrease in cost to income ratio was driven by a higher fair value adjustment in the period thereby increasing income. Measures are already being implemented to rationalise the balance between cost and income.

Dividend

No dividend was declared during the period under review as the Bank sought to reinvest cash into the business.

Outlook

During the period under review the Bank's performance was below forecast mainly as a result of accelerated increase in operating costs as service providers attempt to price the value of services to the United States Dollar. Measures have been put in place to protect shareholder investment through utilization of the Bank's capital preservation strategy and cost containment measures.

The Bank forecasts expansion in lending to the productive sector as well as increasing its depositor base by utilising its innovative technology platforms. The Bank is, however, cognisant of the inherent change in credit risk profile for SMEs with a higher risk of impairment as a result of the COVID 19 pandemic.

Update on the effects of the Covid-19 pandemic

Covid-19 was declared a Public Health Emergency of International Concern on 30 January 2020. In the interest of public health, the Bank adhered to SI 2020-083 by closing the majority of branches across the country and only offering essential services as stipulated by Reserve Bank of Zimbabwe guidelines during the lockdown period. The Bank continued to offer its services via digital platforms. When the lockdown was relaxed the Bank reverted to full operations but continued to institute measures to ensure both clients and staff are safe. A significant portion of the Bank's operations was not affected as the Bank was classified as an essential service provider.

By Order of the Board of Directors



Chief Finance Officer
Patrick Mashinga

13 May 2020

Directors:

Dr. R. Mbire (Board Chairman), T. Mudangwe* (Managing Director), P. Mashinga* (Chief Finance Officer), W.T. Kambwanji, J. Machiva, R.T.L. Matsika, P. Soko. *Executive. Registered Office: Ground Floor, MIPF House. 5 Central Avenue, Harare, Zimbabwe.