

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 three months ended 30 September 2020

Trading Environment

The quarter ended September 2020 was characterized by low trading levels for the Bank. The outbreak of COVID-19 drastically changed the country's economic outlook and the impact on the global economy appears to be worse than the 2008 financial crisis. In particular, the impact of COVID-19 in Zimbabwe was exacerbated by the drought in the 2019/2020 agricultural season. The COVID-19 pandemic saw partial shutdowns in some areas reducing business activity and the company's ability to offer services.

High levels of inflation and currency depreciation, coupled with a second successive year of economic recession, have seen Government revenue collection declining sharply as a percentage of Gross Domestic Product in 2020. Inflation remained elevated with year-on-year inflation for September 2020 at 659%. This is down 101 percentage points from the August level as the economy benefitted from a relatively stable Zimbabwe dollar over the period.

The foreign exchange auction system, introduced by the Reserve Bank of Zimbabwe ("RBZ") in June 2020, resulted in movement of the Zimbabwe dollar ("ZWL") from a fixed rate of 25 to 81.44 at the close of September 2020. During this period, the RBZ maintained a strong grip on reserve money growth resulting in a slow increase in money supply growth, thereby stabilizing exchange rates. The tight monetary position made it harder for the Bank to access wholesale lines of credit.

The environment has been tough for micro-lending owing to inability to keep up with inflation and the attendant rate of increase in expenditure. Going forward, the Bank's strategies are anchored on increasing transactional income from retail business.

Financial Performance

All numbers are inflation adjusted. During the quarter under review the Bank attained ZWL57.4 million in total income, representing a 39% decrease on the ZWL93.7 million total income attained in the same quarter in prior year. The decrease was mainly driven by revaluation adjustments in investment property and foreign currency balances held by the Bank. Loss after tax for the quarter increased by 5911% from ZWL1.7 million to ZWL102.2m. The increase was due to the loss in purchasing power of the Bank's total assets which were mainly driven by monetary assets. Inflation adjusted loss after tax for the 9-month period was ZWL54.0 million. Shareholders' funds closed the quarter at ZWL177.6 million.

Regulatory

The RBZ announced a US\$5 million minimum capital level with effect from December 31, 2021. The Bank is pursuing measures to ensure it meets the minimum capital threshold prior to the deadline.

The Bank was licensed as an Authorised Dealer on August 12, 2020. The implications of this are that the Bank will now be able to offer banking services to exporting clients and offshore payment services to importers as well as participate on the auction system on behalf of clients. The Bank will participate on the foreign currency market and earn revenue.

Outlook

We expect that the impact of the COVID-19 pandemic will continue to be adverse across most sectors and that the policy environment will have low predictability. Access to new funding lines and cost containment will be key to the Bank's growth during the next quarter. Measures to manage costs have been instituted during the year in order to mitigate hyperinflation and to right size the company in line with reduced levels of activity.

By Order of the Board of Directors



Chief Finance Officer
Patrick Mashinga

13 November 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.