2019 Annual Report

BAOBAB

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Unleash your potential

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD AND THE CHIEF EXECUTIVE OFFICER

Africa continues to face a considerable demographic challenge, as millions of people enter the labour market. The African Development Bank estimates that out of the 12 million graduates who enter the labour force each year, only three million find employment. Starting a business offers a potential way out of unemployment, but the vast majority of microenterprises and SMEs have little or no access to finance. Our role as a financial service provider to those excluded from the banking sector is instrumental in combatting poverty. Over the last ten years, microfinance institutions (MFIs) have lent hundreds of billions of dollars, with an average annual growth of 11.5% in the past five years. Clients of MFIs worldwide have increased from 98 million in 2009 to 139.9 million in 2018.

> ***"In 2019, we ended the year with nearly €1bn in disbursed loans and a gross portfolio of €714m in Africa and China. These loans support the growth of entrepreneurs and help improve the living conditions of their families, enabling them to plan for their future."***

Since it was established in 2005, Baobab Group has worked tirelessly to support the growth of SMEs and the local economy across Africa and China. In its fifteen years of existence, Baobab Group has come to play a leading role in achieving financial inclusion in Africa and China.

In 2019, Baobab Group has performed strongly, despite a challenging macroeconomic environment and political instability in some countries where we operate. Moreover, the African continent has withstood external shocks, and political and economic uncertainty linked to elections held in six African countries (Algeria, Libya, Nigeria, Senegal, South Africa and Tunisia), and recorded a steady growth of 3.4% in 2019 (versus 3.5% in 2018). In China, economic growth slowed slightly in 2019 to 6.2%, down from 6.6% in 2018.

By the end of 2019, we had disbursed almost €1bn in loans and had a gross loan portfolio of €714m in Africa and China. These loans support the growth of small businesses, improving the living conditions of the families of small business owners, allowing them to plan for the future.

In 2019, Baobab Group recorded excellent financial results. Group consolidated income after tax for 2019 stood at €25m, up 45% on 2018, which puts Baobab among the leading microfinance companies (for microenterprises and SMEs) in Africa and China. Strong growth and sound financial results underpin our ambition to become the leading financial institution for small business owners in Africa and China. For the coming years the priorities will be to place the customer at the heart of our business, expand staff training and develop our digital distribution channels.

We would also like to congratulate all Baobab Group staff on the excellent results. Their tireless efforts give us confidence and optimism for the future. We would also like to thank our partners and shareholders for their confidence and support over the past year. We are sure that more success lies in store for 2020 and beyond.

Arnold **EKPE**
Chairman of the Supervisory Board

Philip **SIGWART**
Chief Executive Officer

OUR IMPACT IN 2019

Our vision is to be the financial service provider of choice for entrepreneurs.

Created in 2005, Baobab now serves more than 1 million clients in 10 markets. Over 4,000 employees work together to **simplify financial services and satisfy the needs of entrepreneurs**. The goal: to revolutionize financial services, making them simple, fast, accessible and unleash the full potential of our clients wherever they are and whatever their financial situation.

BAOBAB **LOANS**

BAOBAB **SAVINGS**

BAOBAB **PAY**

BAOBAB **INSURANCE**

1,100,000 CUSTOMERS

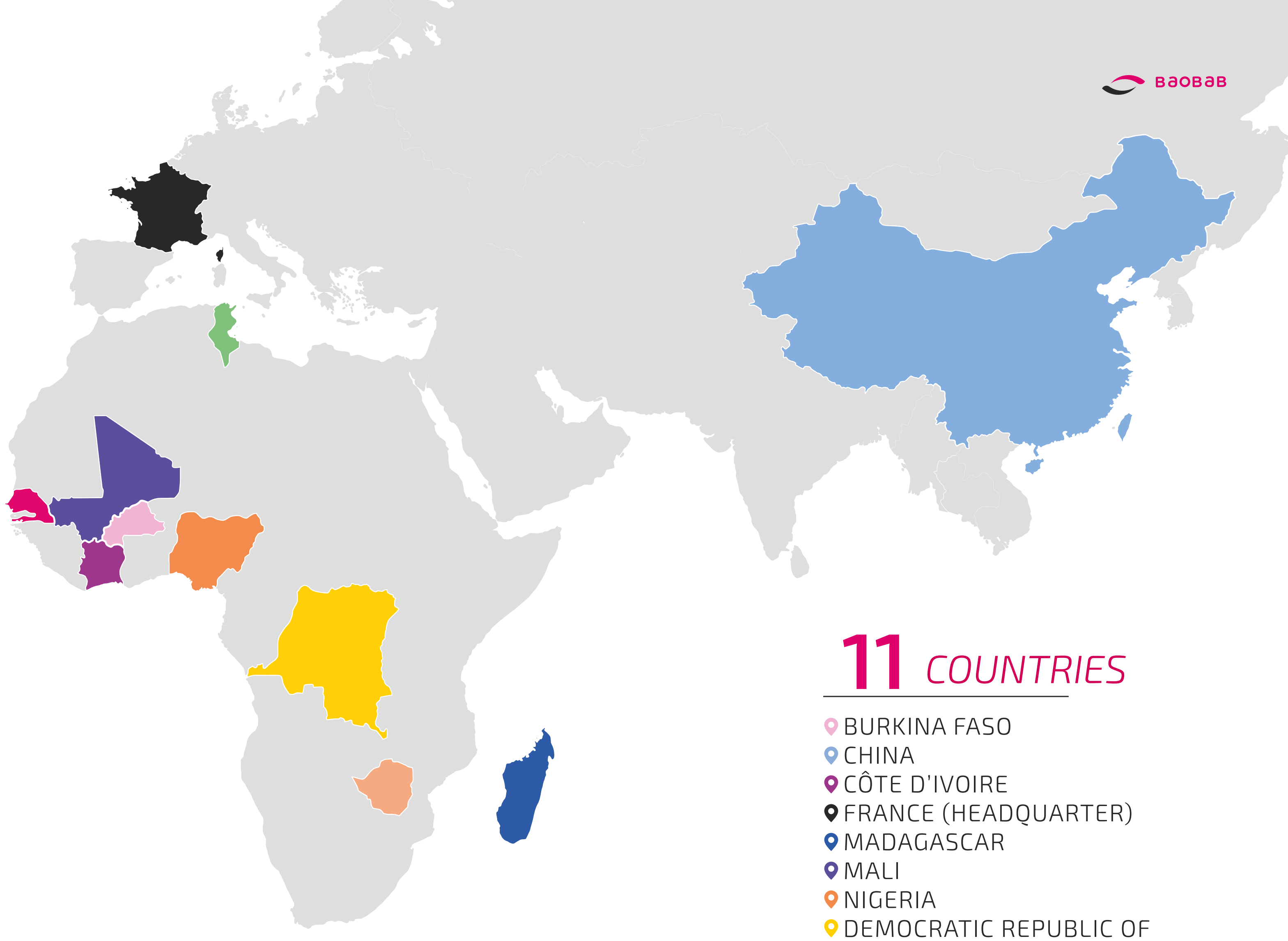
45% WOMAN

44% BETWEEN 25 AND 40 YEARS OLD

1,215 SALES POINTS

4,271 EMPLOYEES

46% PORTFOLIO MANAGERS



11 COUNTRIES

- BURKINA FASO
- CHINA
- CÔTE D'IVOIRE
- FRANCE (HEADQUARTER)
- MADAGASCAR
- MALI
- NIGERIA
- DEMOCRATIC REPUBLIC OF CONGO
- SENEGAL
- TUNISIA
- ZIMBABWE

6,6 % PORTFOLIO AT RISK 30 DAYS

44 % DIGITAL LOANS

NET RESULT: +45% — €25 M

TOTAL EQUITY: +13% — €158 M

TOTAL ASSETS: +9% — €820 M

€714M LOAN PORTFOLIO

€257M TOTAL DEPOSITS

#1 MANAGEMENT REPORT

Baobab Group, the financial service provider of choice for entrepreneurs

Market in Lagos

KEY DEVELOPMENTS IN 2019

In Africa and China, Baobab Group ended the year with over €714m in outstanding loans and €257m in deposits. These loans support the growth of small businesses and provide families of small business owners with means of subsistence, allowing them to plan for the future.

The Group recorded strong growth in Senegal, Côte d'Ivoire and China. Short-term lending increased by €10m across the Group, primarily due to the strong performance of Baobab Madagascar (€4.5m) and subsidiaries in China (€3m) and the DRC (€3.6m).

By the end of 2019, roughly one in three loans in Africa was renewed in just a few minutes using our credit scoring algorithm based on borrowers' credit history. Automated loan renewal approvals stood at almost €100m this year, driven by low borrower risk and high customer satisfaction.

Over 180,000 Taka nano-loans totalling €28m were approved instantly this year with no need for paper agreements or loan security. Nano-loans allow small business owners to take advantage of business opportunities and enable families to make unplanned purchases when they are low on short-term funds.

Finally, in 2019, the «MicroCred is now Baobab» name change campaign came to an end with the announcement of MicroCred Senegal becoming Baobab Senegal earlier this year.

OUR CUSTOMERS

As at 31 December 2019, Baobab Group had 1.1 million customers, most of whom are self-employed traders and small and medium enterprises.

The value of outstanding loans stood at over €714m. The average loan amount was €2,238 over an average term of 13 months.

Total deposits stood at almost €257m in 2019, an increase of 9% on 2018. Most of the loan portfolio was used to provide businesses with working capital.

The vast majority of Baobab loans went to the retail sector (67%), the services sector (18%) and manufacturing businesses (5%). In 2019, 45% of customers were women, while 44% were aged under 40.

OUR CLIENTS' ACTIVITIES PROFILE

OUR PRODUCTS AND SERVICES

Loans

Loans are used by microenterprises and small businesses to meet working capital requirements and/or finance investment. Our target market can include owners of very small businesses who are looking for microloans (under €3,000) to be repaid over less than 12 months, as well as SMEs who require larger loans (up to €300,000) over longer terms (up to 60 months), to finance major investment projects.

Baobab continues to provide the Taka nano-loan facility, designed to allow borrowers to cover unexpected expenses or take advantage of a business opportunity. In 2019, Baobab approved 180,000 Taka loans totalling €29m. The Taka loan represents 42% of total number of Group disbursements in 2019.

180,000
TAKA CREDITS DISBURSED IN 2019 FOR A VOLUME OF
€29M

Taka is accessible instantly through the Baobab correspondents network for eligible customers as identified by our credit scoring algorithm. Baobab has expanded its service allowing the best-performing borrowers to renew their loan in just a few minutes, using a credit scoring system based on the customer's credit history and a simplified application process. The administrative workload for our operations staff has been sharply reduced.

Savings

Baobab offers savings accounts that are available at any time, a range of savings plans and term deposits with attractive yields.

Insurance

The main insurance product offered by the Group's subsidiaries protects borrowers and ensures that their loan can be repaid in full in the event of death or critical illness.

Payment

As well as cash transactions that can be completed in-branch, Baobab Group has developed partnerships to offer payment options for each of its markets, including electronic and interbank transfers, payment cards, cheques, payment orders and electronic bill payment facilities.

Call centres

Baobab has opened a call centre in each country to improve its customer service. Customers can contact call centres to make suggestions, leave feedback or make a complaint. Call centres can also be contacted to find out more information on Group products and services and carry out customer satisfaction surveys. They also become a useful way to acquire new clients through outcall marketing campaigns.

Agents and dedicated agents

Baobab Group has developed services to reach out to its customers, including those in remote areas. These are agents and dedicated agents networks.

Agents networks

Baobab points are a network of agents where customers can make transactions, deposit and withdraw cash, make loan repayments and transfer money from one account to another. Biometric technology connected to Baobab's system ensures customer security.

Baobab Group now operates agents networks in three countries (Côte d'Ivoire, Madagascar and Senegal) with more than 902 Baobab points in addition to the branch networks in those countries.

Dedicated agents networks

Dedicated agents networks were created as a back-up to Baobab branches and act as a service outpost for Baobab customers in remote areas. These networks enable customers to open an account, deposit or withdraw cash, check their account balance, make a loan application, pay bills and transfer money.

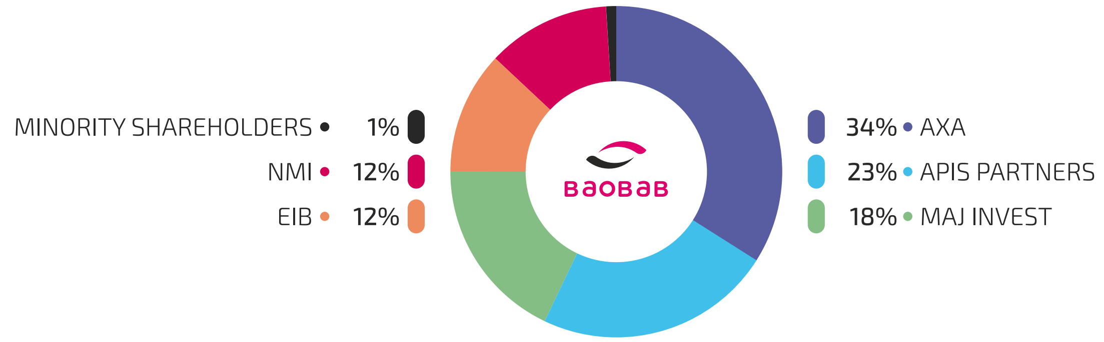
Staff at Baobab branches recruit and train dedicated agents, who are usually young entrepreneurs keen to run their own business. Agents are then allocated a Baobab kiosk that features unique branding. They set up their operation in semi-rural areas where Baobab see growth potential. Each kiosk is located at least 3 km from a Baobab branch.

Opening an account in-person remotely and applying for loans using a smartphone

Baobab has developed an application to open accounts remotely using a tablet. This allows promotional staff and/or dedicated agents to open accounts for new customers on the street in just five minutes. The staff member collects the customer's details from their identity card and digital imprint left on a biometric tool linked to the application. After all the information has been collected, branch staff carry out final checks and approve the account. As well as the account opening application, a loan application facility, Baobab to Loan, has also been developed. Portfolio managers can now complete a loan application on their smartphone by entering the required information.

GOVERNANCE OF BAOBAB GROUP

THE GROUP'S SHAREHOLDING



SUPERVISORY BOARD

Chairman
Arnold **EKPE**
Honorary President of the Business Council for Africa

Chairman of the Strategy Committee
Nick **TALWAR**
Venture Partner – APIS Partners

Garance **WATTEZ RICHARD**
Head, Emerging Customers – AXA

Vice-Chairman
Jean-Michel **PIVETEAU**
Banking and finance consultancy

Chairman of the ESG Committee
Alain **NADEAU**
Head of Representation to China and Mongolia – EIB

Kasper **SVARRER**
Managing Director

Chairman of the Audit Committee
Thierry **PORTÉ**
Managing Director – J.C. Flowers & Co.

Erick **DECKER**
Chief Investment Officer - Southern Europe and Emerging Markets - AXA

Thomas **KLUNGSØYR**
Investment Director – NMI Frontier Fund

Chairman of the HR Committee
François **ROBINET**
President of Axa Strategic Ventures - AXA

Asad **NAQVI**
Partner – APIS Partners

GROUP MANAGEMENT

Philip **SIGWART**
Chief Executive Officer

Delphine **MARTIN**
Chief People Officer

Hervé **GUYON**
General Secretary

Guillaume **LESAY**
Chief Risk Officer

Ruben **DIEUDONNÉ**
Regional Director, WAEMU Region

Christina **REIFSCHNEIDER**
Acting Chief Financial Officer

OUTLOOK FOR 2020

The Covid-19 pandemic has impacted heavily on the world economy, and the countries where we operate are no exception. Small businesses, small traders and the self-employed have seen a dramatic reduction in their income. During the crisis, our commitment to supporting the most vulnerable remains as strong as ever. Every day, Baobab Group seeks to provide all customers with support tailored to their individual needs.

Through this approach, Baobab strengthens its position as a leading financial services provider to small business owners and small and medium-sized enterprises in countries where we have presence. We place an emphasis on providing financial support to small and medium-sized enterprises in the form of loans, savings accounts, payment and transfer facilities.

Baobab Group also plans to continue with the digital transition and to step up development of its mobile services, in particular through strategic partnerships with leading mobile and leading e-commerce operators in Africa.

The Baobab Group's priority for 2020 is to restructure and streamline its head office team in Paris, in order to provide the best possible support to subsidiaries and prepare for the migration of the core banking system. Using innovative technology, the change in the core banking system will allow Baobab to provide high value-added services that better target our customers and their needs.

#2
BAOBAB SUBSIDIARIES

Madagascar
Senegal
Nigeria
Côte d'Ivoire
Mali
Tunisia
Burkina Faso
Democratic Republic of Congo
Zimbabwe
China
Baobab+

BAOBAB BANK MADAGASCAR

Baobab Bank Madagascar began operations in December 2006. Through its diverse product and service offering, the institution has helped very small and small and medium-sized enterprises finance their investment projects. In 2019, Baobab Bank Madagascar approved loans to 202,129 customers, and consolidates its presence with a network of 42 branches and 322 correspondents.

202,129 CUSTOMERS

€56,7M LOAN PORTFOLIO

€52,4M TOTAL DEPOSITS

17.8% PORTFOLIO AT RISK 30 DAYS

€697 AVERAGE LOAN AMOUNT

632 EMPLOYEES

364 SALES POINTS

TOTAL ASSETS **€72,5M**

TOTAL EQUITY **€9,3M**

NET RESULT **€0,3M**

Dr Mamy

Physician and manager of a medical practice based in Tuléar

Baobab customer since 2016

Having graduated in Medicine from the University of Ankatso in 2002, Dr Mamy started his own medical practice two years later, in a region that had never had a medical centre. In 2016, he took a training course in Health Care Management. The course, delivered by Shops Plus in partnership with USAID, is aimed at Baobab Bank Madagascar's customers in the private health care sector.

After completing the course, Dr Mamy took his first loan to open a new clinic in Tuléar in July 2019, fully equipped with medical devices and equipment. The clinic now enables people living in remote areas to receive medical treatment.

BAOBAB SENEGAL

Baobab Senegal opened its first branch in Dakar in September 2007. After 12 years in business, the institution has become a market leader, offering a range of tailored and innovative services. In 2019, Baobab Senegal granted loans to 379,467 customers. Baobab Senegal's network of 452 staff, 47 branches and 409 correspondents now covers almost all of the country. Baobab Senegal is rated BBB+/Stable/w-3 by the West Africa Rating Agency (WARA) across the region and iB+/Stable/iw-5 internationally.

379,467 CUSTOMERS

€174,5M LOAN PORTFOLIO

€83M TOTAL DEPOSITS

6.7% PORTFOLIO AT RISK 30 DAYS

€1,766 AVERAGE LOAN AMOUNT

718 EMPLOYEES

495 SALES POINTS

TOTAL ASSETS **€190M**

TOTAL EQUITY **€34M**

NET RESULT **€7,7M**

Maïmouna

Owner of a dry cleaning and dressmaking business

Baobab Senegal customer since 2016

Maïmouna is 57 and lives in Dakar, where she runs a dry cleaning and dressmaking business. She started her dry cleaning business in 2012. To begin with, she only had a few customers. Over time, through patience and determination, Maïmouna started to earn people's trust thanks to her attention to detail and completing work on time. With her meagre income, she bought a sewing machine to repair clothes torn during dry cleaning. As her customer base grew, she moved into dressmaking and hired a young dressmaker who lived locally.

She left her bank to join Baobab, having found out about it through a contact, who was also a Baobab customer. With her first loan of CFA francs 300,000 (€460),

Maïmouna was able to buy a second machine to grow her dressmaking business.

She is now on her fifth loan cycle, having purchased five sewing machines and hired two employees as permanent staff. During holiday periods (Korité, Tabaski), she also hires young temporary staff to cope with workloads.

Also a mother, Maïmouna is very happy to do business with Baobab, which has over the years helped her to business.

BAOBAB NIGERIA

Baobab opened its Nigerian subsidiary in March 2010. To better meet the needs of its customers, Baobab Nigeria joined the Nigerian Interbank Settlement System (NIBSS). As well as cash transactions, Baobab Nigeria now offers other payment options through NIBSS. Customers may make payments, instant transfers and loan repayments using terminals or at partner banks. Baobab Nigeria has also consolidated its growth by opening an extra 21 branches in three regions (Lagos, Abuja and Kaduna).

107,882 CUSTOMERS

€25,1M LOAN PORTFOLIO

€15,2M TOTAL DEPOSITS

3.3% PORTFOLIO AT RISK 30 DAYS

€1,093 AVERAGE LOAN AMOUNT

584 EMPLOYEES

21 SALES POINTS

TOTAL ASSETS €36,9M

TOTAL EQUITY €9M

NET RESULT €2M

Moses

Manager of an educational bookstore, based in Kaduna

Baobab customer since 2009

His business is called Progressive Bookshop. Moses, 49, started his business 21 years ago with an initial investment of 1,500 Naira (€3.45). Based in the Kaduna region, Moses turned to Baobab in 2009 after a friend's recommendation. At certain times of the year, he would have to fulfil large orders for books from schools, but did not have enough capital. With a loan from Baobab, he was able to take new orders and meet deliveries.
Since approaching Baobab, his business has continued to grow to the size of an SME. He now employs 19 people. «Baobab has helped my business tremendously», he reports.
He is presently on his eleventh loan cycle, and plans to move into the property business.

BAOBAB CÔTE D'IVOIRE

Established in 2009, Baobab Côte d'Ivoire opened its first branch in Abidjan in October 2010 due to the political crisis. As the crisis ended, Baobab Côte d'Ivoire began trading in June 2011 and focused on improving living conditions for its customers and the country's economic development. Until 2013, its presence was limited to five branches in Abidjan. The following year, Baobab Côte d'Ivoire opened over a dozen branches in regional locations. Baobab Côte d'Ivoire currently has 28 branches and 204 correspondents. Customer numbers increased 59% in 2019.

155,828 CUSTOMERS

€145,8M LOAN PORTFOLIO

€75,1M TOTAL DEPOSITS

10.5% PORTFOLIO AT RISK 30 DAYS

€1,766 AVERAGE LOAN AMOUNT

615 EMPLOYEES

232 SALES POINTS

TOTAL ASSETS **€156M**

TOTAL EQUITY **€36M**

NET RESULT **€9,3M**

Tafa

Business owner who runs a hardware store in Dimbokro

Baobab customer since 2018

Tafa sold sundries and miscellaneous items for a number of years. She decided to invest in a business selling hardware items. However, she had trouble securing funding for her retail business. Although she had known about Baobab Group services for some time, she never took the step. She initially applied for a loan with Baobab in 2017, but withdrew her application out of fear of potential complications.

A year later, Tafa decided once and for all to make another loan application. At currently, she is on her fourth loan cycle. With Baobab's support, she was able to open another store. Baobab helped her grow the business and thereby support her family.

Delighted with her partnership with Baobab, she has urged all of her friends and neighbours to also join Baobab as a way to release their potential.

BAOBAB MALI

Baobab Mali opened its first branch in Bamako in September 2013. It is one of the country's leading financial inclusion specialists. Baobab Mali currently has 52,609 customers, most of whom work in the retail sector (37,738), and provides funding mainly to microenterprises and small and medium-sized enterprises. It has a network of 19 branches and 320 staff, half of whom work in field roles.

52,609 CUSTOMERS

€38M LOAN PORTFOLIO

€15M TOTAL DEPOSITS

11.4% PORTFOLIO AT RISK 30 DAYS

€1,515 AVERAGE LOAN AMOUNT

320 EMPLOYEES

19 SALES POINTS

TOTAL ASSETS **€41,7M**

TOTAL EQUITY **€7,2M**

NET RESULT **€0,4M**

Amadou

Owner of a clothing and footwear store in Bamako

Baobab customer since 2017

Amadou, 37, went into business selling loincloths in 2008. In 2017, he wanted to expand into handmade footwear, which was a growth area. He always wanted to run his own business but his lack of funds had limited his ambitions. A neighbour who worked for Baobab suggested that he approach the bank. She also gave him advice on how to run a successful business (e.g. keeping a progress log). He received his loan within one week of submitting his application. Amadou was able to use the best suppliers to impress his customers, expand his product selection and increase sales.

With his loan, Amadou was able to grow and diversify his income. He opened a second store and now employs four full-time staff. He then decided to invest in other sectors, purchasing land to develop his agriculture business and create jobs in his community.

Currently, he is on his fourth loan cycle and is extremely pleased to be a Baobab customer. «I couldn't find anyone who would give me a loan to grow my business. I managed to develop the business and now I have a house. Baobab has changed my life tremendously. »

BAOBAB TUNISIA

Baobab Tunisia opened its first branch in November 2014 and provides financing to a wide range of customers, from very small enterprises to SMEs. The institution has a network of 18 branches, of which 17 are branches in fixed locations across Tunisia and one is a mobile branch that criss-crosses the country. The mobile branch visits remote areas in a truck decked out in Baobab colours and is designed to host customers in optimal conditions.

66,199 CUSTOMERS

€27,5M LOAN PORTFOLIO

2.5% PORTFOLIO AT RISK 30 DAYS

€992 AVERAGE LOAN AMOUNT

304 EMPLOYEES

18 SALES POINTS

TOTAL ASSETS **€32,3M**

TOTAL EQUITY **€5,75M**

NET RESULT **€1,6M**

Naïma

Farmer in El Fahs

Baobab customer since 2015

Naima carried out a feasibility study for a farming project in a rural part of El Fahs in Zaghouan province where she is originally from. She began by growing olives but also breeding poultry. Despite her modest beginnings, she is proud of her work today. «My project won medals and trophies. I received a double gold medal in the national organic production category. My husband helped me a lot, but the financing I received from Baobab is what truly helped my business to grow.»

For Naima, receiving a loan from Baobab has allowed her to achieve rapid growth in her business by enabling her to acquire additional plots of land. She was also able to expand into a third line of business: bee-keeping. «I produce 100% natural organic honey with no additives, which I would like to sell in Tunisia and internationally. I definitely have the potential to ensure sufficient production volumes. And with Baobab's financial support, I could also develop high-quality packaging and production volumes to meet demand. I believe that the organic (bio) label is the future for Tunisia.»

Her organic virgin olive oil has earned recognition among Tunisia's 24 provinces and her honey received the highest award from the province of Zaghouan. She considers Baobab Tunisia «a leading financial partner and an ally as I seek to fulfil my ambitions and ensure that my plans are viable for the long-term. »

BAOBAB BURKINA FASO

Baobab Burkina Faso opened its first branch in Ouagadougou on 7 September 2016. The institution offers Taka nano-loans and an automatic loan renewal facility to meet the needs of its customers. Within three years, Baobab Burkina Faso has expanded its branch network to five, including four in Ouagadougou, the country's administrative capital, and one in Bobo-Dioulasso, the financial capital. In step with the subsidiary's expansion, staff numbers grew by 60% in 2018 alone, from 95 to 158. The institution currently employs 170 staff and has 25,472 customers.

25,472 CUSTOMERS

€27M LOAN PORTFOLIO

€13M TOTAL DEPOSITS

2.8% PORTFOLIO AT RISK 30 DAYS

€2,279 AVERAGE LOAN AMOUNT

170 EMPLOYEES

5 SALES POINTS

TOTAL ASSETS **€31,7M**

TOTAL EQUITY **€5,9M**

NET RESULT **€0,5M**

Baba

Owner of a clean water storage and retail business based in Ouagadougou

Baobab customer since 2018

Baba, 52, lives and runs his business in the Bonheur-Ville area of Ouagadougou. After spending 14 years in Europe, he returned to Burkina Faso in 1992. In 1998, he launched an unsuccessful venture in the leisure and restaurant sector. He subsequently worked for a company whose CEO is a Baobab Burkina Faso customer. Alongside his job, Baba runs a small business storing and selling water packed in pouches. Having seen his employee's motivation and passion for entrepreneurship, Baba's manager put him in contact with Baobab Burkina Faso.
In October 2018, he visited the Patte d'Oie branch to open an account. 10 days later, he received his first loan, which he used to acquire a more suitable storage location, as well as purchase a vehicle to distribute goods to points of sale. With Baobab's support, Baba has secured two loan cycles (6,000,000 and 9,000,000 CFA francs) and eight Taka loans, which he had no difficulty in repaying. He was able not only to acquire three more storage warehouses, but also to open a mini grocery store and gas depot. He is now the owner of a business that employs 20 people and boasts a vehicle fleet of two trucks and seven motorcycle taxis used to distribute water.
He is proud to supply clean water in pouches and canisters, with Baobab's support. He has acted as surety for Baobab on a number of occasions, and also makes charitable donations. «I hope to continue to receive Baobab's support towards achieving my goals, which include opening a large grocery store, which will bear the 'Baobab' name, and to buy a truck to transport aggregates. »

BAOBAB DEMOCRATIC REPUBLIC OF CONGO

In 2017, Baobab Group acquired OXUS DRC, a microfinance company in business since July 2013. Within two years, the institution granted loans to almost 40,000 customers, mostly microenterprises and SMEs. Baobab DRC meets its customers' needs by offering products and services in digital format. The company took the opportunity to expand its network in 2019, which is now made up of six branches and 174 employees, of which 40% are women.

40,009 CUSTOMERS

€11,4M LOAN PORTFOLIO

€3M TOTAL DEPOSITS

16.3% PORTFOLIO AT RISK 30 DAYS

€2,050 AVERAGE LOAN AMOUNT

174 EMPLOYEES

6 SALES POINTS

TOTAL ASSETS **€15,2M**

TOTAL EQUITY **€2,7M**

NET RESULT **€(0,18)M**

Amos

Mobile telephone and mobile money retailer based in Kinshasa

Baobab customer since 2013

Amos, 45, is a Kinshasa-based retailer who provides mobile telephone and mobile money products and services. He sells mobile telephones as well as M-Pesa, Orange Money and Airtel Money services.
Amos had reached out to other microfinance institutions before turning to Baobab DRC. Over his 13 years in business, he has faced challenges such as robberies, and short illness of his wife. As his bank was not offering much in the way of help, he later approached Baobab on the recommendation of a family member.
Amos has been able to open four new outlets over six loan cycles. He has no plans to stop until he reaches his goal of running 24 outlets across Kinshasa.
In Baobab, he has found a reliable partner, and he is not reluctant to recommend Baobab to other business owners in his sector or to family members. Aside his plans for expansion, he also plans to buy a house to avoid renting in the future.
He has an eight member staff – five women and three men – and considers it a great source of pride to be able to «pay my employees' monthly wages and see them thrive day in, day out. »

BAOBAB ZIMBABWE

In May 2016, MicroKing Finance was acquired by Baobab Group and AfricInvest. The company was renamed MicroCred Zimbabwe in the summer of 2016 and will be rebranded as Baobab Zimbabwe in 2020. The institution has acquired a wealth of experience to become one of Zimbabwe's leading MFIs.
At present, Baobab Zimbabwe has 15,102 customers and nine branches.

15,102 CUSTOMERS

€0,6M LOAN PORTFOLIO

15.1% PORTFOLIO AT RISK 30 DAYS

€1,027 AVERAGE LOAN AMOUNT

84 EMPLOYEES

9 SALES POINTS

TOTAL ASSETS **€0,95M**

TOTAL EQUITY **€0,3M**

NET RESULT **€0,3M**

Tambudzai

Owner of a specialist school uniform and baby clothing factory based in Domboshava

Baobab customer since 2011

Aged 44, Tambudzai started her business in 2003. At that time, she exported clothes to Botswana and sold her products at flea markets near where she lived in the Warren Park area of Harare. That year, she received loans to gradually expand her factory. Over time, she was able to acquire land in Domboshava, where she also built her house.

Tambudzai has never defaulted on instalments of her loans. For Tambudzai, Baobab's services have helped her grow her business. «Being a Baobab customer gives you an advantage, as they give you the amount you need in a single payment and allow you to repay monthly. This has helped me to plan my projects.»

In 2011, Tambudzai undertook training in areas ranging from the production to the sale of uniforms. Through this training, she was able to diversify her business and no longer be restricted to importing and exporting clothes. When she started making clothes, she had no machines or equipment. In 2018, she imported five machines from China, which are essential for making school uniforms. She then acquired separate machines for embroidery and producing t-shirts.

Her business has grown, and Tambudzai now employs five people to make clothes, as well as other regular part-time staff. She plans to continue growing her business with a view to becoming a supplier to other retailers in the sector.

MICROCRED CHINA

After 13 years of steady expansion, MicroCred China now plays an important role in a country with the lowest take-up among the population of banking services in the world. The institution began operations in Nanchong in December 2007 and expanded into Chengdu in January 2011 (both cities are in the Sichuan province). The company has developed a comprehensive suite of digital solutions. Since 2018, MicroCred China customers have been able to renew their loans online via WeChat. They no longer need to visit the branch as they can sign the loan agreement online using their smartphone and renew their loan within one hour. MicroCred China has 46 outlets in 13 towns and cities across Sichuan province.

92,712 CUSTOMERS

€190,6M LOAN PORTFOLIO

0.9% PORTFOLIO AT RISK 30 DAYS

€13,098 AVERAGE LOAN AMOUNT

550 EMPLOYEES

46 SALES POINTS

TOTAL ASSETS **€220M**

TOTAL EQUITY **€92,8M**

NET RESULT **€8,9M**

Yang

Owner of a delivery company in Nanchong

MicroCred Nanchong customer since 2017

Now the head of a successful fuel delivery company, Yang started off driving fuel tankers for almost 12 years. As a diligent driver, he always completed deliveries on time, to the delight of his customers. In 2010, with his wife's help, Yang decided to start his own fuel delivery enterprise. Using his savings and money borrowed from family, he bought two fuel tankers and started his business, which quickly grew thanks to his network of customers. However two fuel tankers were not enough to meet the needs of his customers and the margins were limited. So he turned to MicroCred China.

«I wanted to buy more fuel tankers to sustain the business, but that would require more capital. I saw a MicroCred leaflet, and what appealed to me most was how I could receive an unsecured loan within one to two days. I submitted my loan application and received a loan of 500,000 Chinese yuan (€64,000) the next day. Since then, I have secured four loans from MicroCred, the largest of which was for 1.5 million Chinese yuan (€191,000). My business has quickly grown since it began. I now have 12 fuel tankers and employ 28 full-time staff. The company has expanded into neighbouring cities and become very competitive throughout Sichuan and neighbouring provinces. Annual total sales have reached 50 million Chinese yuan (€6.4m).»

In early 2020, China was badly affected by the Covid-19 pandemic. As a socially responsible business owner, Yang donated protective equipment, bottles of water and food worth over 30,000 Chinese yuan (€385,000). These products were distributed to state-run Covid emergency centre.

BAOBAB+

Baobab+ provides access to energy and digital services in Senegal, Mali, Côte d'Ivoire and Madagascar. Baobab+ sells innovative products (solar kits and digital products containing content with high social impact), with finance options that ensure that they are accessible to everyone.

BAOBAB+ PRODUCTS AND SERVICES

ACCESS TO ENERGY

In Africa, two thirds of the population are without electricity. However, electricity is one of the key factors in combatting poverty and enabling access to health care, education and employment, which are the three pillars of a country's economic development. To address this challenge, Baobab+ provides lamps and solar kits that can be used for lighting, recharging mobile telephones and accessing news on television. Within four years, Baobab+ has provided equipment to 900,000 people in 170,000 households, 80% of which are in rural areas.

DIGITAL ACCESS

Baobab+ is also playing its part in the digital revolution by providing households with digital products featuring content with a high social impact to address a range of needs, including literacy, health care and running small businesses. In three years, Baobab+ has equipped over 40,000 households with digital products, and is the first company in west Africa to launch a *pay as you go* (PAYG) smartphone service.

Baobab+ uses a number of distribution channels to ensure its products are accessible to all :

BAOBAB BRANCH NETWORKS

Baobab customers have access to special credit, in addition to their existing business loan. The value of this Top Up credit is then used to purchase solar or digital products.

A DEDICATED MOBILE SALES FORCE

those living in rural areas can access a *pay as you go* offer for their solar kits. Price is no longer an obstacle to using solar energy. Baobab+ makes allowance for the ability to pay of those on low incomes by tailoring their offer to their everyday spending. With an initial deposit of 10% of the purchase price, the customer makes payments via mobile money based on their ability to pay. These payments activate remote installation, and the customer ultimately takes ownership of the product.

BAOBAB+
ENERGY, DIGITAL & MORE

www.baobabplus.com

SOLAR ENERGY ON CREDIT

Baobab+, in partnership with the Baobab Group, has developed a credit scoring system that enables customers to access financial products available to people on low incomes in rural areas. The aim is to extend microcredit to eligible Pay-As-You-Go customers. Customers complete an application on their mobile and receive their credit at participating Baobab outlets. The credit decision is made using an algorithm that analyses payment data for solar kits. The initial results are promising and seem to have a real impact on the lives of our customers. Developed and trialled in Senegal, the service will be rolled out in Madagascar, Côte d'Ivoire and Mali in 2020.

170,000
HOUSEHOLDS, SUPPOSEDLY **900,000** BENEFICIARIES EQUIPPED WITH SOLAR

40,000
HOUSEHOLDS EQUIPPED WITH DIGITAL PRODUCTS (SMARTPHONES AND TABLETS)

4 COUNTRY: MADAGASCAR, SENEGAL, MALI, CÔTE D'IVOIRE

119 SALES POINTS

464 EMPLOYEES INCLUDING 213 BAOBAB + AGENTS

2019

- Empower a Billion Lives : 1st in the Europe competition in the category Decentralized Model – Commercially Available Solutions
- Africa Investment Forum Awards : Silver Award of « Best energy project » and Silver Award of « Best renewable energy project »
- Grand Prize for Growth Companies: «Grand Prize for French Entrepreneur International»
- Finalist Ashden Awards, innovative business model category
- Africa CEO Forum (Kigali) : Award nomination « Disrupter of the Year 2019 »

Martin Wright
Ashden Awards

Rosine

Poultry farmer and bee-keeper near Bignona

Baobab+ customer since 2017

Rosine is 64 and lives in a small village near Bignona in Senegal's Casamance region. She is one of Baobab+'s first customers in Ziguinchor and is already on her fourth loan cycle. Having made early repayments, her loan has increased from 54,000 to 81,000 CFA francs (€82 to €124). Rosine rears chickens in order to sell eggs and also makes honey. Her loans have enabled her to invest in new livestock, as well as upgrade her hen house, by investing in lamps used to heat the eggs. Not only has the solar kit allowed Rosine to charge her electronic devices, but she has also created new income-generating activities.

#3 FINANCIAL STATEMENTS OF BAOBAB GROUP

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

OPINION

In compliance with the engagement entrusted to us by your annual general meeting. we have audited the accompanying consolidated financial statements of Baobab SAS ("the Group") for the year ended 31 December 2019. These financial statements were approved by the President on 30th of April 2020 based on information available at that date and in the evolving context of the Covid-19 health crisis.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2019 and of the results of its operations for the year then ended in accordance with IFRS accounting principles as adopted by European Union.

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

EMPHASIS OF MATTER

We draw attention to the following matter described in the consolidated financial statements relating to:
- the change in accounting policy concerning: the application as from 1 January 2019 of the new IFRS 16 «Leases» standard and the IFRIC 23 Interpretation disclosed in Note 2.1 « General principles applied to the evaluation and presentation of the consolidated financial statements".

Our opinion is not modified in respect of this matter.

JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgement is paramount in our audit of the consolidated financial statements of the current period.

These assessments were addressed in the context of our audit of the consolidated financial statements, approved in the context described above. In forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the President approved on 30th of April 2020. Management has confirmed that events that have occurred and information that has come to light relating to the Covid-19 crisis since the financial statements were closed will be reported to the Annual General Meeting called to approve these financial statements.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the President

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore :

• Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

• Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

• Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

• Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Marseille and Sarcelles,
2nd of June 2020

Statutory Auditors

PricewaterhouseCoopers Audit
DocuSigned by:
136DE385BF65481...
Vincent Thyssen

Cabinet Jean LEBIT
DocuSigned by:
Jean Lebit
6B3F9595821C484...
Jean Lebit

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Unless otherwise indicated, financial information is presented in thousands of Euros (K €). «K €» and «M €» represent «thousands of Euros» and «millions of Euros» respectively.

CONSOLIDATED BALANCE SHEET

(IN THOUSANDS OF EURO - KEUR)

	Notes	2019	2018	Variation
ASSETS				
Non current assets		35 041	29 693	5 349
Goodwill	3	89	612	(523)
Intangible assets	4	2 589	2 626	(36)
Tangible assets	5	12 679	12 154	525
Right-of-use	5	9 027		9 027
Financial assets	6	1 818	1 941	(123)
Deferred tax assets	7	8 840	12 361	(3 522)
Current assets		785 135	721 861	63 274
Inventory		2 342	1 127	
Loan Portfolio (gross value)		714 462	696 639	17 823
Loan provisions		-51 070	(52 868)	1 798
Loan Portfolio (net value)		663 393	643 772	19 621
Other receivables		20 738	17 106	3 633
Cash and cash equivalents		98 662	59 857	38 806
TOTAL ASSETS		820 176	751 554	68 622

	Notes	2019	2018	Variation
LIABILITIES				
Shareholders'equity	11	158 255	140 056	18 199
Paid-in capital / Share premium		101 809	101 735	74
Reserves		3 509	(2 641)	6 150
Current translation adjustment		(6 246)	(4 903)	(1 343)
Net result of the period (Group share)		15 456	10 592	4 864
Total consolidated equity (Group share)		114 528	104 783	9 745
Minority interests		43 727	35 274	8 453
Non current liabilities	12	241 786	224 901	16 886
Provisions		2 962	1 775	1 187
Long term borrowings		232 621	223 125	9 495
Long term borrowings on right-of-use		6 203		
Current liabilities	13	420 135	386 597	33 538
Trade payables		4 856	3 494	1 362
Other creditors		27 695	22 858	4 837
Short term borrowings		128 161	124 105	4 056
Short term borrowings on right of use		2 733		
Customer deposits		256 690	236 141	20 549
TOTAL LIABILITIES		820 176	751 554	68 622

The information as of December 31, 2018 has not been restated from the impacts of the first-time adoption of IFRS 16 «Leases» in accordance with the option offered by this standard. The impacts of the first-time adoption of IFRS 16 (right-of-use recognized in respect of leasehold agreements) are described in note 2.

CONSOLIDATED INCOME STATEMENT

	Notes	2019	2018
IN KEUR			
Net income from loans		141 261	118 803
Interests on loan portfolio	18	143 125	122 513
Loan commissions		19 027	16 202
Fees, penalties and other loan commissions		9 735	9 084
Interests paid and other similar expenses		(39 299)	(33 799)
Net loan revenues		132 587	114 000
Provisions for client loans and write-offs		(23 013)	(23 391)
Net income after provisions and write-offs		109 573	90 608
Operational subsidies		1 999	2 669
Other income		29 688	25 525
Revenues from other activities		31 687	28 194
Operating expenses		(103 404)	(93 038)
External charges		(37 058)	(37 006)
Payroll costs		(51 454)	(47 230)
Taxes, duties and similar payments		(5 422)	(4 121)
Operational provisions/depreciations		(9 470)	(4 680)
Operating result	20	37 856	25 764
Financial result	21	(2 542)	(1 695)
Profit before tax		35 313	24 069
Tax expenses		(9 584)	(6 256)
Current tax		(9 487)	(7 056)
Deferred tax		(97)	800
Total net consolidated result		25 730	17 814
Minority interests		10 274	7 222
NET RESULT (GROUP SHARE)		15 456	10 592

The information as of December 31, 2018 has not been restated from the impacts of the first-time adoption of IFRS 16 «Leases» in accordance with the option offered by this standard. The impacts of the first-time adoption of IFRS 16 (right-of-use recognized in respect of leasehold agreements) are described in note 2.

OTHER COMPREHENSIVE INCOME

	2019	2018
Consolidated net result	25 730	17 814
Other items		
Total income and expenses recognized under other items of the profit and loss account		
Total currency translation gains and losses	(3 669)	28
Total consolidated net results	22 061	**17 842**
Including Group share	11 457	10 624
Including minority interest	10 604	7 218

VARIATION DES CAPITAUX PROPRES

	Capital	Share premium	Consolidated reserves	Relations with minority interests	Currency Translation Gain/Loss	Net Result Group Share	Total Equity Group Share	Total Equity Minority Interest	Total Consolidated Equity
Equity Position as of December 31, 2017	77 799	23 937	517	(5 260)	(4 927)	5 003	97 070	33 406	130 475
Effect of the first application of IFRS 9 (i)			(415)				(415)	(97)	(512)
Correction of errors (ii)			(627)				(627)	(93)	(720)
Effect of a change in the treatment of Swap options (iii)			5 187				5 187		5 187
Equity Position as of January 1, 2018	77 799	23 937	4 663	(5 260)	(4 927)	5 003	101 216	33 215	134 431
Allocation of the previous year's profit			5 003			(5 003)			
Capital increase									
Transactions related to share-based payment plans									
Dividens paid								(2 116)	(2 116)
Additional goodwill on the buyout of minority interests				(3 748)			(3 748)		(3 748)
Impact of Put and Swap options				(3 332)			(3 332)		(3 332)
Sub-total associated with shareholders			5 003	(7 080)		(5 003)	(7 080)	(2 116)	(9 196)
Income						10 592	10 592	7 222	17 814
Other comprehensive income									
Currency translation gains/ losses					32		32	(4)	28
Gains and losses recognized in equity								(3 025)	(3 025)
Other items			33		(9)		24	(18)	6
Equity Position as of December 31, 2018	77 799	23 937	9 699	(12 340)	(4 903)	10 592	104 783	35 274	140 057
Allocation of the previous year's profit			10 592			(10 592)			
Capital increase	9	65					74		74
Transactions related to share-based payment plans									
Dividens paid								(1 037)	(1 037)
Effect of the first application of IFRIC23			(649)				(649)	(267)	(916)
Additional goodwill on the buyout of minority interests									
Impact of Put and Swap options				(711)			(711)	(499)	(1 209)
Sub-total associated with shareholders	9	65	9 943	(711)		(10 592)	(1 286)	(1 802)	(3 088)
Income						15 456	15 456	10 274	25 730
Other comprehensive income									
Currency translation gains/ losses					(3 999)		(3 999)	330	(3 669)
OCI			(472)				(472)	(350)	(822)
Other items			46				46		46
EQUITY POSITION AS OF DECEMBER 31, 2018	77 807	24 002	19 216	(13 050)	(8 903)	15 456	114 528	43 726	158 255

CASH FLOW STATEMENT

	IN KEUR	2019	2018
Activity related Operations	Consolidated net result	25 730	17 814
	Net depreciation	8 199	4 156
	Net provision expenses	6 414	22 628
	Changes in deferred tax	(93)	(800)
	Other unpaid income and expenses	(1 746)	1 399
	Operating cash flow	**38 504**	**45 197**
	Net disbursements on loan portfolio	(16 796)	(126 583)
	Loans disbursed	(962 902)	(935 109)
	Loans paid back	946 107	808 526
	Changes in working capital requirements	**32 153**	**17 772**
	Changes in customer deposits	12 119	27 810
	Working capital requirements	**27 476**	**(81 001)**
	A - Net Operating cash flows	65 980	(35 804)
Investment Operations	Acquisition of intangible assets	(2 286)	(1 271)
	Acquisition of tangible assets	(4 499)	(2 818)
	Acquisition of financial assets	(2 680)	(9 949)
	Assets entry in scope	0	(4)
	Disposal of financial assets	7	0
	Assets : Out of scope	0	0
	B - Net cash flows provided by/used in investing activities	(9 458)	(14 041)
Financing Operations	Capital increase	74	4
	Change in minority interests	(1 007)	(2 086)
	Increase borrowings (Long and short term)	(11 197)	70 792
	C - Net cash flows provided by/used in financing activities	(12 131	68 710
	Effects of the foreign exchange gains/losses	(889)	503
	CASH FLOWS	43 503	19 368
	Cash and cash equivalent at opening	53 238	33 861
	Cash and cash equivalent at closing	96 740	53 238

NOTES TO THE CONSOLIDATED ACCOUNTS

The notes below are an integral part of the consolidated financial statements.

The 2019 milestones were :

- In October 2019, Baobab's Supervisory Board appointed Mr. Philip Sigwart as the Group's new Chairman, in place of Mr. Arnaud Ventura.
- The subsidiaries Baobab Plus Senegal and Baobab Plus Mali were incorporated during FY 2019. These subsidiaries carry on the Group's non-core activity (Baobab Plus), which consists in marketing innovative non-financial products with financing solutions.
- In 2019, Baobab increased its shareholding in the following subsidiaries:
  - Purchase of 166,500 shares of Baobab Mali held by Africinvest as of April 14, 2019, increasing the Group's shareholding to 85%.
  - Subscription of 150 million new shares of the MFI Microcred RDC SA-Baobab bringing its shareholding by the Group to 99.96%.
- Given the political and monetary situation in Zimbabwe, which persisted in 2019, the subsidiary's macroeconomic environment significantly deteriorated, as did the country's currency (the Zimbabwe Dollar), which fell sharply. The fair value of this subsidiary strongly decreased and consequently the goodwill generated on the subsidiary's acquisition was fully depreciated (Note 3).
- An analysis is presented in Note 26 on the impacts of this impairment on the Group's equity.
- The subsidiaries Microcred Africa and MC UK have been liquidated as they became inactive

NOTE 1 – GROUP PROFILE

Baobab S.A.S a simplified joint stock company headquartered in Paris (France) and created in 2005. Its corporate purpose is to create and develop a network of microfinance institutions serving clients excluded from or with poor access to the traditional financial system. Baobab invests in microfinance banks and companies and provides them with the technical assistance they need to become leading microfinance institutions in their country.

Please refer to Note 2.3 for a detailed list of institutions controlled by Baobab S.A.S at the end of 2019.
The financial statements of the Group Baobab (" the Group" or "Baobab") are in KEUR unless otherwise stated.
The Chairman approved Baobab S.A. S's accounts on April 30, 2020. The accounts shall be submitted to the General Assembly of Shareholders.

NOTE 2 - ACCOUNTING PRINCIPLES AND METHODOLOGIES APPLIED TO THE EVALUATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 GENERAL PRINCIPLES APPLIED TO THE EVALUATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated accounts of Baobab and its subsidiaries (The Group) are stated in Euros and prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

This frame of reference includes: the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the International Financial Reporting Interpretations Committee (IFRIC).

These standards are available on the European Union's website : https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_fr

The methods and principles applied for the consolidated accounts as of December 31, 2019 are consistent with those used to prepare the Group's consolidated accounts as of December 31, 2018.

The standards, amendments and interpretations mandatory as from a later date than January 1, 2019 and that have not been applied in advance by the Group are :

New standards and interpretations	Application Date
IFRS 3- Business Combinations	Financial years beginning on January 1, 2020
IAS 1 et IAS 8 – Definition of Materiality	Financial years beginning on January 1, 2020
IFRS 17- Insurance Contracts	Financial years beginning on January 1, 2021

Provided they are given final approval by the European Union, these standards and amendments are mandatory for the financial years beginning on or after January 1, 2020. The Group is currently assessing the potential impact of the first application of these texts.

IFRS 16

Since January 1, 2019, the Group has been applying IFRS 16 « Leases » adopted by the European Union on October 31, 2017.

IFRS 16 «Leases» replaces IAS 17 «Leases» and the interpretations relating to accounting for such contracts.

According to IFRS 16, the definition of a lease involves, on the one hand, the identification of an asset and, on the other hand, control by the lessee of the right to use that asset.

From the lessor's point of view, the expected impact is limited, as the applicable provisions are substantially unchanged from IAS 17.

IFRS 16 mainly affects the accounting for leases as lessee. It requires the lessee to account for leases in the balance sheet in the form of a right-of-use of the leased asset presented as an asset under property, plant and equipment and a lease liability. The rental liability is a financial liability that corresponds to the present value of the lease payments that have not yet been made over the term of the contract.
The standard mainly introduces a change for contracts that according to IAS 17 met the definition of operating leases or finance leases and as such did not give rise to the recognition of leased assets in the balance sheet.
The right-of-use is amortized on a straight-line basis and the lease liability is amortized on an actuarial basis using the Group's marginal borrowing rate as the discount rate.

The main impact on the income statement is the replacement of rents previously recognised on a straight-line basis in general expenses by an increase in interest expense in net banking income due to rental debts, and an increase in depreciation expense due to rights of use.
The expense relating to the rental liability is included in interest expense within financial income, while the depreciation expense for the right-of-use is included in operating expenses.

The implementation of IFRS 16 by Baobab focuses to a very large extent on real estate assets leased for operating purposes as offices and commercial branches. A significant impact is therefore expected on the «Property, plant and equipment» item without changing the relatively small weight of fixed assets in the balance sheet total.

For the first-time application of this standard, the Group has chosen the modified retrospective approach: the net value of leased assets is equal to the liability as of January 1, 2019. There is therefore no impact on equity as assets and liabilities are equal. However, future net income is impacted. Deferred taxes are recognized separately for assets and liabilities.

IFRIC 23

The Group has applied IFRIC 23 "Uncertainty over Income Tax Treatments" for the preparation of its consolidated financial statements for the year ended December 31, 2019. This standard results in the reclassification under « Current and deferred tax liabilities » of provisions for uncertainties relating to income taxes

2.2 SCOPE OF CONSOLIDATION

The consolidated accounts include the financial statements of the French entities (Baobab S.A.S, Baobab Plus S.A.S and of the foreign companies making up Baobab Group. The financial statements of foreign subsidiaries, prepared in accordance with local accounting rules, have been restated to comply with the accounting principles adopted by the Group at December 31, 2018.

The entities Baobab Plus Mali and Baobab Plus Senegal were incorporated during the financial year and are consolidated for the first time in financial year 2019.

At the closing date, Baobab S.A.S. either holds more than 50% of the shares and voting rights of its subsidiaries, or exercises control, in the sense that it has the power to direct the financial and operational policies of these companies in order to obtain benefits from their activities. Consequently, the subsidiaries are fully consolidated. In addition, the Group does not have any other interest in a joint venture or an associate company.

During FY 2019, the Group increased its interest in some of these subsidiaries (Mali and DRC) by acquiring minority interests or by subscribing to new shares, thereby increasing the Group's shareholding. In the event of acquisition of minority interests, in accordance with the provisions of IFRS 3, the difference between the acquisition cost of these shares and the additional share of consolidated shareholders' equity that these shares represent at the date of acquisition has been charged to Group shareholders' equity without any change in the initial value of goodwill.

Subsidiaries' financial statements are prepared for the same accounting period as the parent company. Consolidation adjustments may be made in order to harmonize all the Group's accounting methods and principles. Restatements and reclassifications necessary to bring the accounts of all consolidated subsidiaries into line with the Group's accounting principles are made.

The determination of the percentage of control takes into account potential voting rights granting access to additional voting rights, when they are immediately exercisable or convertible.

The accounting methods are consistent with those of the previous year. The scope of consolidation as of December 31, 2019 is as follows

Company	Country	Currency	dec-19	% consolidation	Method *
Baobab S.A.S	France	EUR	100,0 %	100 %	IG
Baobab Madagascar	Madagascar	MGA	88,1 %	100 %	IG
Baobab Senegal	Sénégal	FCFA	53,9 %	100 %	IG
Baobab Nigeria	Nigeria	NGN	58,9 %	100 %	IG
Baobab Ivory Coast	Côte d'Ivoire	FCFA	69,7 %	100 %	IG
Baobab Mali	Mali	FCFA	85,0 %	100 %	IG
Microcred China	Hong Kong	HKD	71,1 %	100 %	IG
Microcred Nanchong	Chine	CNY	71,1 %	100 %	IG
Microcred Sichuan	Chine	CNY	71,1 %	100 %	IG
Baobab Tunisia	Tunisie	DTN	66,9 %	100 %	IG
SCI Baobab RE Senegal	Sénégal	FCFA	100 %	100 %	IG
SCI Baobab RE CI	Côte d'Ivoire	FCFA	100 %	100 %	IG
Baobab Services	Sénégal	FCFA	100 %	100 %	IG
Microcred Africa limited **	Maurice	EUR	100 %	100 %	IG
Microcred Zimbabwe	Zimbabwe	USD	100,0 %	100 %	IG
Baobab Burkina Faso	Burkina Faso	FCFA	100,0 %	100 %	IG
Baobab Money Madagascar	Madagascar	MGA	88,1 %	100 %	IG
Baobab Services Madagascar	Madagascar	MGA	100,0 %	100 %	IG
Microcred UK **	Royaume-Uni	GBP	100 %	100 %	IG
Microcred DRC	RDC	USD	99,96 %	100 %	IG
Baobab + Ivory Coast	Côte d'Ivoire	FCFA	100 %	100 %	IG
Baobab + Holding	France	EUR	100,0 %	100 %	IG
Baobab + Mali	Mali	FCFA	100 %	100 %	IG
Baobab + Senegal	Sénégal	FCFA	100,0 %	100 %	IG

**FC = Full Consolidation*
i Entities liquidated during the 2019 financial year

The subsidiaries' financial statements are consolidated line by line as soon as control is exercised and until it ceases to exist.

REMINDER OF THE 2018 SCOPE

Company	Country	Currency	dec-18	% consolidation	Method *
Baobab S.A.S	France	EUR	100,0 %	100 %	IG
Baobab Madagascar	Madagascar	MGA	88,1 %	100 %	IG
Baobab Senegal	Sénégal	FCFA	53,9 %	100 %	IG
Baobab Nigeria	Nigeria	NGN	58,9 %	100 %	IG
Baobab Ivory Coast	Côte d'Ivoire	FCFA	69,7 %	100 %	IG
Baobab Mali	Mali	FCFA	85,0 %	100 %	IG
Microcred China	Hong Kong	HKD	71,1 %	100 %	IG
Microcred Nanchong	Chine	CNY	71,1 %	100 %	IG
Microcred Sichuan	Chine	CNY	71,1 %	100 %	IG
Baobab Tunisia	Tunisie	DTN	66,9 %	100 %	IG
SCI Baobab RE Senegal	Sénégal	FCFA	100 %	100 %	IG
SCI Baobab RE CI	Côte d'Ivoire	FCFA	100 %	100 %	IG
Baobab Services	Sénégal	FCFA	100 %	100 %	IG
Microcred Africa limited **	Maurice	EUR	100 %	100 %	IG
Microcred Zimbabwe	Zimbabwe	USD	100,0 %	100 %	IG
Baobab Burkina Faso	Burkina Faso	FCFA	100,0 %	100 %	IG
Baobab Money Madagascar	Madagascar	MGA	88,1 %	100 %	IG
Baobab Services Madagascar	Madagascar	MGA	100,0 %	100 %	IG
Microcred UK **	Royaume-Uni	GBP	100 %	100 %	IG
Microcred DRC	RDC	USD	99,7 %	100 %	IG
Baobab + Ivory Coast	Côte d'Ivoire	FCFA	100 %	100 %	IG
Baobab + Holding	France	EUR	100,0 %	100 %	IG

- Companies removed from the scope of consolidation as of December 31, 2019
Microcred Africa Limited and Microcred UK

- Newly consolidated companies as of December 31, 2019

Baobab Plus Mali and Baobab Plus Senegal

2.3 ELIMINATION OF INTRA-GROUP TRANSACTIONS

Balances of gains and losses on transactions between Group entities, and intra-group transactions such as intra-group billing and provisions for impairment of consolidated investments, are eliminated.

2.4 MINORITY INTERESTS

Stakes that do not grant control (minority interests) are presented separately in the consolidated net income, as well as in the consolidated balance sheet under equity. Losses are allocated to the Group and the minority interests in proportion to the equity held.

2.5 FOREIGN CURRENCY TRANSLATIONS

The accounts of foreign subsidiaries using another currency are translated at the closing exchange rate. Accordingly, all the monetary and non-monetary items recorded in Assets and Liabilities are translated at the closing exchange rate. The revenues and expenses are translated at the average exchange rate of the period.

The currency translation adjustments on items of the balance sheet and profit and loss account are recorded, for the Group's share, in the Other Comprehensive Income.

In the event of disposal, or partial disposal, of an investment in a foreign entity outside the Euro zone resulting in a change in the investment (loss of control, significant influence or joint control), the currency translation adjustment recorded in equity at the date of liquidation or disposal shall be reallocated to the profit and loss account.

In case change in the percentage of interest does not modify the nature of the investment, the currency translation adjustment is reallocated to the Group share and the minority interests provided that the entity is fully consolidated.

The Group is exposed to foreign exchange sensitivity due to stakeholding in subsidiaries implemented in countries where the functional currency is different from the Group reporting currency (Nigeria, Madagascar, China, etc.) and for which the Group has chosen not to refinance in the relevant currency.

2.6 BUSINESS COMBINATIONS AND GOODWILL VALUATION

- *Business combinations before January 1, 2010*

Business combinations are recorded using the acquisition method. Accordingly, the assets, liabilities and contingent liabilities acquired and meeting the IFRS recognition criteria are recorded at market value at the acquisition date. Non-current assets and assets held for sale are recorded at market value net of the switching costs. The acquisition cost, measured at the date of purchase, is the market value of liabilities incurred or committed to, and of equity instruments issued to gain control of the entity, plus any costs that are directly attributable to the acquisition. Goodwill is the difference between the acquisition cost and the acquirer's share in the fair market value of the assets, liabilities and contingent liabilities at the date of purchase. At this date, positive goodwill is recorded in Assets in the acquirer's accounts and negative goodwill is recorded as a loss. The value at stake is denominated in the currency of the purchased company and translated at the closing exchange rate. Changes in the market value of assets, liabilities and contingent liabilities of the Group share are recorded against the reserves.

- *Business combinations from January 1, 2010*

The implementation of the revised IFRS 3 has induced the changes to the rules described above. The main changes are as follows:

- the contingent liabilities of the purchased entity are recognised in the balance sheet if and only if they result in a present obligation (excluding possible obligations) at the date of acquisition, and if their market value can be reliably measured;
- costs directly attributable to the acquisition are recorded as a separate transaction and recognized in profit and loss;
- any additional price shall be integrated into the acquisition cost at market value at the date control was obtained (whereas previously, projected additional prices that could be reliably measured were integrated);
- if the acquirer previously had a stake in the purchased entity, this share shall be marked-to-market at the date of control with a corresponding impact in profit and loss.

If the Group raises its share in an entity over which it already exercises exclusive control, the difference between the price paid for the additional stake and the share acquired in the net equity of the entity at that date is recorded in consolidated reserves, Group share. Similarly, any reduction in the Group's stake in an entity over which it keeps sole control is recorded as an equity transaction in the accounts.

Goodwill is the difference between the acquisition cost of securities and the share of ownership in the equity of the entity whose securities were acquired.
Goodwill is subject to a periodic analysis based on the discounted future cash flows generated by the activities to which it is allocated corresponding to the most probable assumptions used by Group management. This impairment test is based on assumptions in terms of growth rates, credit risk, discount rates and tax rates. The assumptions used are based on the five-year business plans of each subsidiary.
This assessment is performed annually or whenever an indication of risk of impairment is identified. However, actual results may differ from projections. An impairment loss is recorded when the valuation reveals a shortfall in the value of the intangible items assessed.

2.7 INTANGIBLE ASSETS

Intangible assets acquired separately are recognised at purchase cost.

Software and information systems that qualify as assets are recorded on the balance sheet at direct development costs, which mainly include external costs. After initial recognition, intangible assets are recognized at cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Capital assets are depreciated over their estimated useful lives according to the straight-line method.

Software maintenance costs are recognised as an expense in the profit and loss account, when incurred. Expenses made to improve existing software or extend its service life are recognised as an additional acquisition or production cost.

2.8 TANGIBLE ASSETS

In accordance with the provisions of IAS 16, tangible assets are recorded at the acquisition cost, excluding maintenance expenses, after deducting accumulated depreciation and accumulated impairment losses. The costs incurred by replacing or renewing parts of the asset can be included, if the accounting criteria are met. Depreciation is calculated on the estimated useful life of assets, according to the straight-line method. Assessments are carried out on a regular basis to make sure that there is no major discrepancy between the book value and fair value of the assets.

Some assets are made up of components that can be replaced separately, have different uses and/or do not produce benefits simultaneously. In this event, each component is recorded separately using the appropriate depreciation period.

An impairment test is carried out on relevant assets if there is an indication that they may be impaired at the date of closing. The re-assessed recoverable amount of the asset is compared to its net carrying value, so that the loss, if any, can be recorded as impairment in the statement of accounts. An impairment loss may be reversed if there is a change in the recoverable amount, or if indicators of impairment can no longer be identified.

The depreciation life of the Group's fixed assets is as follow:

Depreciable life of tangible assets	
Software and Information systems	3 /5 years
Hardware	3 /4 years
Office equipment and furniture	5 / 10 years
Fixtures, layout and renovation works	3 /9 years
Vehicles	4 / 5 years

2.9 CURRENT AND DEFERRED TAX

Tax assets and liabilities (IAS 12) for the current and the previous financial years are determined on the basis of the amount the company can reasonably expect to pay or recover. The tax rates and rules used to calculate this amount are those in force at the closing date, or shortly coming into force.

Deferred taxes are recorded in the event of a timing difference between the book value of the assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable timing differences.

Deferred taxes are valued using the liability method. Deferred tax assets are recognised when the company is likely to recover such tax benefits. They are presented in the balance sheet under the items "Deferred tax assets" or "Liabilities" depending on whether the position is active or passive.

The income tax expense is determined for each subsidiary on the basis of the rules and rates of the operating country, over the relevant financial year. The tax rates in force in current operating subsidiaries are as follows:

Country	Tax Rate
France	28 %
Madagascar	20 %
Senegal	30 %
China	25 %
Nigeria	30%
Ivory Coast (MicroFinance)	0 %
Ivory Coast (standard rate)	25 %
Mali	30 %
Tunisia	25 %
Zimbabwe	25,75 %
Burkina Faso	27,5 %
United-Kingdom	19 %
Democratic Republic of Congo	30 %

Baobab Ivory Coast is not subject to corporate income tax due to its microfinance activity, which grants it the status of an entity exempt from corporate income tax by the local tax authorities. However, the Baobab Plus Ivory Coast subsidiary, which markets non-financial products, is subject to the 25% standard tax rate.

During the 2019 financial year, the tax rate in the DRC has decreased from 35% to 30%.

Deferred tax assets and liabilities can offset each other if they originate in the same tax group, relate to the same tax authority and if there is a legal right to do so.

The impact of a change in tax rates is recorded in the consolidated statement or in equity depending on the item it is related to.

2.10 INVENTORY

Inventories should be valued at lower costs and net realizable value.

The cost of inventories must include all acquisition costs, processing costs and other costs incurred in bringing inventories to their present location and condition.

Inventory acquisition costs include the purchase price, customs duties and other taxes (other than taxes recoverable by the entity from the tax authorities subsequently), as well as transportation, handling and other costs directly attributable to the acquisition of the products. Trade discounts, rebates and other similar items are deducted to determine acquisition costs.
When inventories are sold, the book value of these inventories should be recognized as an expense in the period in which the related revenue is recognized. The amount of any impairment of inventories to their net realizable value and any inventory losses shall be recognised as an expense for the period during which the impairment or loss occurred. The sum of any reversal of inventory impairment resulting from an increase in the net realizable value is recognised as a reduction in the amount of inventories recognised as expenses for the period during which the recovery occurs.

Impairment must be recognised when the cost of the inventory exceeds its realisable value. This corresponds to the targeted sales price, less sales costs.

Inventories recognised as of December 31, 2019 relate only to the Baobab Plus activity.

2.11 FINANCIAL ASSETS AT AMORTISED COST

Financial assets are classified at amortised cost if both of the following criteria are met: the business model consists of holding the instrument to collect the contractual cash flows («collection») and the cash flows consist solely of principal and interest payments on the principal.

Assets at amortised cost are basic financial assets held in a collection model. The vast majority of the credits granted by the Group are classified in this category.

Upon initial recognition, financial assets are recognised at fair value, including transaction costs directly attributable to the transaction and commissions related to the provision of loans. They are subsequently measured at amortised cost, including accrued interest not due and net of principal repayments and interest payments made during the period. These financial assets are also initially subject to an impairment calculation for expected credit risk losses.
Interest is calculated using the effective interest rate method determined at the start of the contract.

Classification and measurement of financial assets and liabilities
IFRS 9 provides for the classification of financial assets into three categories (amortized cost, fair value through profit or loss and fair value through other comprehensive income) based on the characteristics of their contractual cash flows and the manner in which the entity manages its financial instruments (business model).

Business Model
The Business Model reflects how the Entity manages its assets in order to generate cash flows. Judgment should be applied in assessing the business model.

The determination of the business model should take into account all the information on how the cash flows were collected in the past, as well as any other relevant information.

Some examples are:
- how the assets' performance is evaluated and reported to key management personnel;
- the risks affecting the performance of the business model and, in particular, how these risks are managed;
- how managers are compensated (for example, whether the compensation is based on the fair value of the assets under management or the contractual cash flows received);
- the frequency, volume and pattern of sales.

In addition, the business model should be determined at a level reflecting the way the groups of financial assets are collectively managed in order to achieve the economic objective set. The business model is therefore not determined instrument by instrument but at a higher level of aggregation, by portfolio.

The standard identifies three business models:

- a business model whose objective is to hold financial assets for collection of contractual cash flows («collection model»). This model however, the concept of which is fairly close to holding to maturity, is not questioned if sales occur in the following cases:
  - sales result from increased credit risk;
  - sales occur shortly before maturity and at a price reflecting the outstanding contractual cash flows;
  - Other sales may also be compatible with the objectives of the contract flow collection model if they are not frequent (even if they are of significant value) or if they are not of significant value considered both individually and globally (even if they are frequent).

For the Baobab Group, the collection model applies to micro-credit and financing activities;

- a mixed business model in which assets are managed with the objective of both collecting the contractual cash flows and selling financial assets («collection and sales model»).
  Baobab Group does not apply this business model on its assets.

- a model specific to other financial assets, in particular transaction assets, in which the collection of contractual flows is incidental.
  Baobab Group does not apply this business model on its assets.

Characteristic of the contractual flows: determination of the basic nature or SPPI (Solely Payments of Principal and Interest)
A financial asset is said to be «basic» if the contractual terms of the financial asset give rise, on specified dates, to cash flows corresponding solely to payments of principal and interest calculated on the outstanding capital. The determination of the basic nature is to be made for each financial asset upon initial recognition.

The principal is defined as the fair value of the financial asset at the date of acquisition. Interest is the consideration of the time value of money and the credit risk associated with the principal, but also other risks such as liquidity risk, administrative expenses and the negotiation margin.
To assess whether the contractual cash flows are only payments of principal and interest, the contractual terms of the instrument must be considered. This involves analysing any element that could question the exclusive representation of the time value of money and credit risk. For example:

- Any contractual term that would generate exposure to risks or volatility of flows that are inconsistent with a basic lending arrangement, such as exposure to changes in equity prices or market index, or the introduction of a leverage effect would not make it possible to consider that the contractual cash flows are of a basic nature.
- the characteristics of the applicable rates (for example, consistency between the rate reset date and the interest calculation period);
- In cases where a qualitative analysis does not produce a precise result, a quantitative benchmark test comparing the contractual cash flows of the asset under review with the contractual cash flows of a reference asset, is done.
- the terms of early repayment and extension.

The contractual term, for the borrower or the lender, to prepay the financial instrument remains compatible with the basic nature of the contractual cash flows provided that the amount of the prepayment represents mainly the outstanding principal and the interest thereon, as well as, where applicable, a reasonable compensatory allowance.

Given the activity of the Baobab Group whose business model is based on the «collection» business model and whose assets meet the SPPI criterion with the receipt of cash flows made solely of principal and interest, its financial assets are measured at amortised cost.

Credit Risk
IFRS 9 replaces IAS 39's model based on the recognition of incurred credit losses with a model based on the recognition of expected credit losses. As a result, impairment and provisions are recognized upon initial recognition of financial assets, funding commitments and financial guarantees without waiting for the occurrence of an event triggering a credit risk.

Credit risk is the risk of impairment losses on account receivables carried by institutions, existing or potential due to given commitments, and resulting in the downgrading of the credit quality of debtors, up to their default. The measurement of this probability of default and the expected recovery in the event of default is the essential element for measuring credit quality.

The risk cost includes, in respect of credit risk, provisions and reversals of provisions for depreciation of loans and receivables on customers, losses on bad debts and recoveries on amortised receivables. It is recorded in the income statement under «Provision for customer loans and loan losses».

2.12 IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The credit risk impairment model is based on expected losses.

Financial assets at amortised cost are systematically subject to an impairment or provision for expected credit losses. These impairment and provisions are recorded as soon as the loans are granted or the commitments are concluded without waiting for the appearance of an objective indication of impairment.

To determine the amount of impairment or provisions to be recognized at each balance-sheet date, these assets and liabilities are divided into three categories based on the change in credit risk noted since their initial recognition. An impairment or provision for credit risk must be recorded in the outstanding amounts of each of these categories.

The Group identifies three «strata» each corresponding to a specific situation with respect to the change in the credit risk of the counterparty since the initial recognition of the asset.

- Expected credit losses at 12 months («Stratum 1»): if, at the balance sheet date, the credit risk of the financial instrument has not increased significantly since its initial recognition, this instrument is subject to an impairment allowance for an amount equal to the expected credit losses at 12 months (resulting from default risks in the next 12 months).

- Credit losses at maturity for non-impaired assets («Stratum 2»): the impairment provision is measured for an amount equal to the expected credit losses over the lifetime (at maturity) if the credit risk of the instrument has significantly increased since the initial recognition without the financial asset being considered impaired or doubtful.

- Expected credit losses at maturity for impaired or doubtful financial assets («Stratum 3»): the impairment allowance is also measured for an amount equal to the credit losses expected at maturity.

This general model is applied to all instruments within the impairment scope of IFRS 9.

Definition of the default
The default for the purposes of ECL provisioning is defined as the past due generally of more than ninety days unless special circumstances show that the past due results from causes unrelated to the debtor's situation.

The definition of «default» is applied consistently to all financial instruments unless information becomes available that indicates that another definition of «default» is more appropriate for a specific financial instrument.

The notion of Expected Credit Loss "ECL"
The ECL is defined as the probable weighted expected value of the credit loss (principal and interest) discounted. It is the present value of the difference between the contractual cash flows and the expected cash flows (including principal and interest).
The ECL approach aims at anticipating as soon

as possible the recognition of expected credit losses

Governance and measurement of ECL
The governance of the IFRS 9 measurement system is based on the organization set up by the Group Finance Department, Data Department and Group Risk Department. They are responsible for defining the methodological framework and the supervision of the mechanism for provisioning the outstanding amounts.

The calculation formula integrates the parameters for probability of default, loss in case of default and exposure at the time of the default.

Expected credit losses for the next 12 months are a portion of expected lifetime credit losses, and represent cash flow shortfalls in the event of a default in the 12 months following the balance-sheet date (or a shorter period if the expected lifetime of the financial instrument is less than 12 months), weighted by the probability of default.

Expected credit losses are discounted at the nominal rate determined upon initial recognition of the financial instrument. The IFRS 9 parameters are measured and updated according to the methodologies defined by the Group and therefore allowing to establish a first reference level, or shared base, of provisioning.

The IFRS 9 parameters are measured and updated according to the methodologies defined by the Group and therefore allow for a first reference level, or shared base, of provisioning.

The back-testing of the models and parameters used is done at least once a year.

In accordance with IFRS 9, these calculations are made based on an analysis at the balance-sheet date (Point in Time) while taking into account historical losses in the assessment of the parameters used. The calculated parameters are specific to the credit risk profiles of each entity in the Group. They are calculated on a collective basis

Forward Looking
As of December 31, 2019, based on the analyses performed, and the absence of any correlation between the risk parameters and the macroeconomic environment of each country, the implementation of forward looking data was deemed insignificant. Specifically, an analysis of the change in the default probabilities taking into account the GDP growth was carried out and this analysis did not reveal any correlation between the two parameters. This analysis is a preliminary analysis; other criteria are under consideration based on their availability and relevance to Baobab's markets.

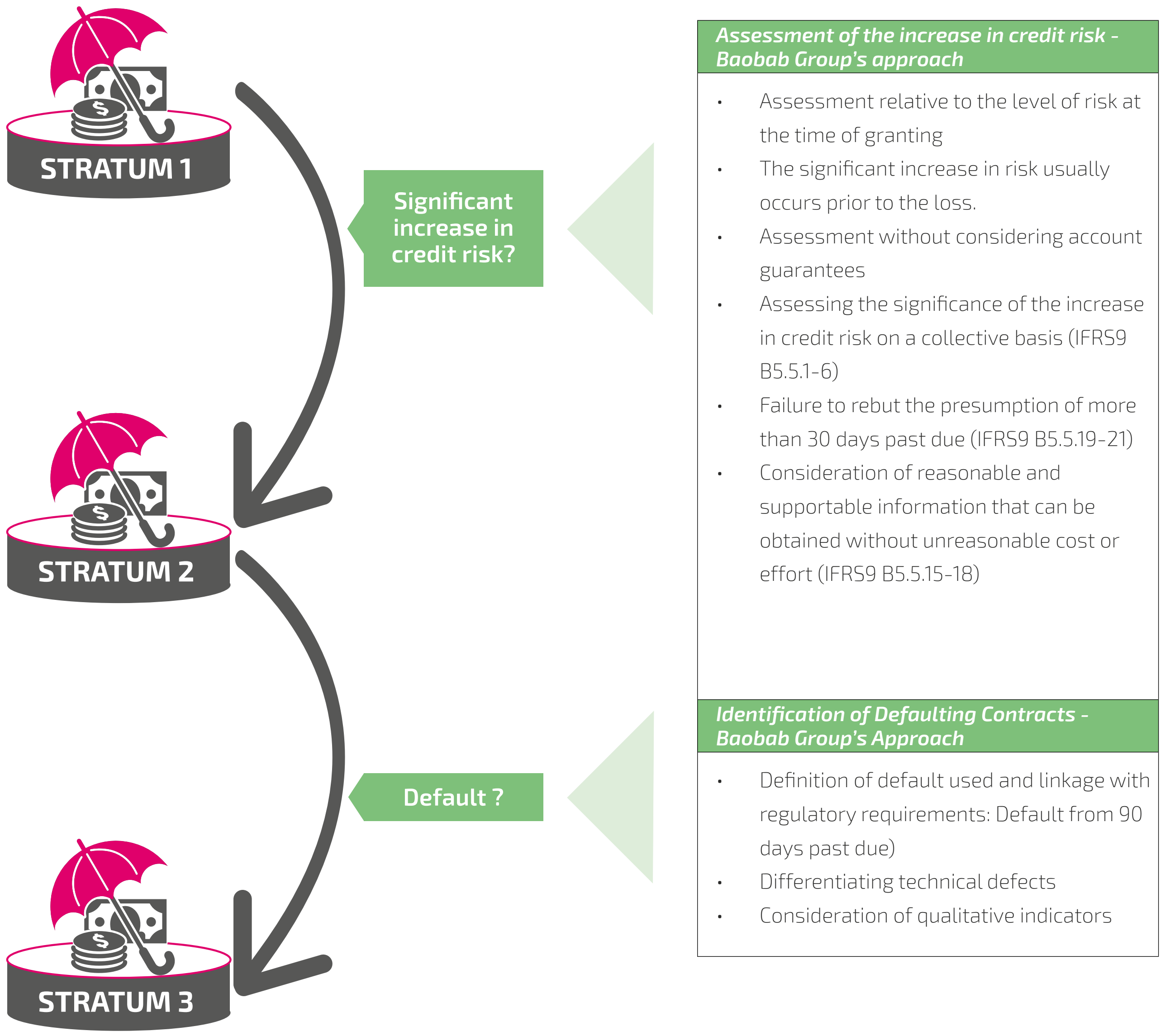
Moreover, it is complicated to find reliable databases for regular indicators (monthly or quarterly) in the geographical areas where the Group's subsidiaries are located. In this context, the standard also states that application must be made on the basis of reasonable and supportable information and it is specified that «for the purposes of this standard, reasonable and supportable information must be provided in a timely manner» and that «for the purposes of this standard, the reasonable and supportable information is information that is reasonably available at the closing date without the need for any further incurring unreasonable costs or efforts, including information about past events and current circumstances and forecasts of economic conditions still to come.

Significant deterioration in credit risk
All the Group entities must measure, for each financial instrument, the deterioration in the credit risk from the outset at each balance-sheet date based on the number of days past due. This measurement of the change in credit risk leads entities to classify their operations by risk class (Strata).

The Baobab Group retains the absolute threshold of more than 30 days past due as the ultimate threshold of significant deterioration and classification in Stratum 2 as a quantitative criterion. However, in addition to the number of days past due, qualitative criteria can also be considered by the Group to judge the deterioration in a credit (historical past due, taking into account the economic situation of the customer…).

If the outstanding payments settled, the impairment is reduced to losses expected at 12 months.

The measurement of the increase in credit risk is as follows in relation to these categories:
Non-recoverability
When a receivable is deemed unrecoverable, i.e. there is no more hope of recovering all or part



of it, the amount deemed unrecoverable should be derecognised in the balance sheet and written-off.
The assessment of the period before the write-off is based on the expert judgement. Each entity must therefore determine it, with its Risk Department, according to the knowledge it has of its activity. Before any writing-off, a stratum 3 provision will have to be created (with the exception of assets at fair value through profit or loss).

For loans at amortized cost or at fair value through recyclable equity, the amount written off is recorded under Allocation for provisions on loans to customers and credit losses for the par value, and interest

2.13 FEES FROM SERVICES

Revenues and expenditures derived from the provision of services are recorded in profit or loss according to the type of service provided:
- fees and commissions which are an integral part of the yield of a financial instrument are recognized as a yield adjustment and integrated into the effective interest rate of this instrument;
- if the result of a transaction involving the provision of services can be reliably estimated, the yield of the commissions charged for it are recognized under "commissions" by reference to the stage of completion of the transaction at the date of closing:

a) fees and commissions collected or paid as remuneration for one-time services are recorded in profit or loss. Fees and commissions due to be paid or collected, and subject to the achievement of a performance condition, are recorded only if all the following requirements are met:
- the amount of the fee can be reliably estimated;
- the economic benefits associated with the transaction are likely to be collected by the company;
- the stage of completion of the transaction can be reliably determined, and the costs incurred for the provision of services and the completion of the transaction can be reliably estimated.

b) fees and commissions collected for the provision of on-going services are spread over the duration of the operation.

2.14 DEBTS TO FINANCIAL INSTITUTIONS AND CUSTOMER DEPOSITS

Amounts due to financial institutions and customer deposits are broken down according to their initial term and type: demand (demand deposits and current accounts), savings accounts and term debt. Accrued interest on these amounts is recorded as related payable through profit and loss.

Financial liabilities include borrowings and financial long-term debt. They are initially recorded at fair value, less directly attributable transaction costs (IAS 39).

2.15 CASH AND CASH EQUIVALENT

Cash and cash equivalents recognised in the balance sheet include demand deposits, cash in hand and short term deposits (initial maturity date equal to or less than three months).

2.16 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Assets and liabilities are offset (so as to present a net balance) only in cases when the Group has a legal right to offset the recognised amounts, and intends either to settle the net amount, or to realise the assets and settle the liabilities simultaneously.
The conditions are not met for the Group to make such compensation.

2.17 PROVISIONS

Baobab records an allowance for risks and liabilities when the Group has a present obligation (legal or constructive) resulting from a past event, if it is likely that an outflow of resources will be required to settle the obligation and if the amount at stake can be reliably estimated. The net amount of the provision is presented as an expense in the profit and loss account, for its amount net of any repayment.

2.18 CURRENT LIABILITIES/NON-CURRENT LIABILITIES

Liabilities that must be settled during the operating cycle, or within 12 months following the closing, are recorded as "Current liabilities", as well as liabilities held for sale. The other liabilities are "non-current liabilities". The portion due in more than a year is recorded in «Non-current liabilities», the portion due in one year or less is «current financial liabilities».

2.19 OPERATING SUBSIDIES

Operating subsidies are recognised when there is reasonable assurance that they will be paid and that the company will comply with any conditions attached to the grant. A grant receivable as compensation for costs already incurred should be recognised as income on a systematic basis, and over the appropriate period to link it to the expense it is meant to cover.

2.20 STAFF BENEFITS

Group staff benefits fall into four categories:

- short-term benefits such as wages and annual leave;
- long-term benefits, such as paid leaves;
- termination benefits;
- post-employment benefits, in particular bonuses allocated upon retirement.

Short-term benefits
The company recognises an expense when the economic benefit arising from the employee's services is consumed in exchange for the benefits granted.

Long-term benefits
They are benefits - other than post-employment and termination benefits - which are not entirely due within 12 months following the end of the financial year in which the work giving rights to the benefits was performed.

Termination benefits
They are benefits granted to staff members upon termination of the work contract by the Group before the normal age of retirement, or upon an employee's decision to accept voluntary redundancy in exchange for those benefits.

Post-employment benefits
In France, this category refers in particular to supplemental retirement pension schemes and one-time retirement bonuses. The method used to calculate them is called Projected Benefit Obligation (PBO): it consists in calculating the actuarial value of the benefits due to each employee upon retirement, and spreading this amount over the career of the employee.

The Company's aggregate commitments toward this participant (Total actuarial value of Future Benefits) are then calculated by multiplying the estimated benefit by an actuarial factor, which takes into account the following:

- the probability of survival in the participant's business up to the age of payment of the benefit (death or mobility – departure from the company),
- the discounting of the benefit at the date of the valuation.

These aggregate commitments are then allocated to each of the financial years, past and future, resulting in an allocation of rights with the participant's plan.

Opening differences between commitments and recognised amounts have been recorded in equity.

At year-end 2019, provisions for post-employment benefits were recognized for an amount of KEUR 508 for the following entities:
- Baobab SAS
- Baobab Senegal
- Baobab Ivory Coast
- Baobab Mali
- Baobab Burkina Faso
- Baobab Services
- Baobab Plus entities

2.21 DE-RECOGNITION OF FINANCIAL ASSETS OR LIABILITIES

A financial asset is partly or totally de-recognised when the right to receive contractual cash flows expires, or when the Group transfers this right together with the risks and benefits linked to the ownership of the asset. If one of these conditions is not met, the asset must remain in the balance sheet, and liabilities be recognised to record obligations induced by the transfer of the asset. The Group partly or totally de-recognises a financial liability when it is extinguished.

2.22 CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method model. Investment activities represent cash flows for the acquisition and disposal of financial investments, held-to-maturity financial assets and as well as tangible and intangible assets. Financing activities result from changes in financial structure operations relating to equity and financial debt.

Operational activities are made up of the flows not included in the other two categories, primarily loan disbursements. The concept of net cash includes petty cash, cash receivables and payables to banks and demand deposits (assets and liabilities) in credit institutions

2.23 MINORITY INTEREST BUY-OUT OBLIGATIONS

Baobab S.A.S. has entered into buy-out agreements with minority shareholders of its consolidated companies, granting them put options which may be exercised after a given term and at prices determined upon purchase of the subsidiary's shares, on the basis of the subsidiary's projected activity These buyout agreements are subject to conditions. These agreements apply, as of December 31, 2019 to the following subsidiaries in which the Group does not hold 100% of the share capital.

In accordance with IAS 32, these buy-out agreements representing a put option given to

	IFC	IFC	FISEA
	BB Senegal	BB Nigeria	
Signing date	december 2009	June 2011	
Period covered	Dec 2014 - Dec 2020	June 2016 - June 2020	
Terms	Swap Option	Swap Option	Swap Option
	BAD	BEI	IFC
	BB Ivory Coast		BB Mali
Signing date	july. - 13		march - 15
Period covered	July 2018 - July 2021		March 2021 - March 2024
Terms	Put Option	Swap Option	Put Option

minority interests imply that the said minority interests must be recorded as debt, not equity.

Buy-out agreements made after January 1, 2010 are recorded in debt at discounted fair value at the date of acquisition. Subsequent changes in this liability, due to changes in the estimated exercise price of the options and in the book value of minority interests, are fully recognised in the consolidated reserves, Group share.

At the end of the agreement, if the buy-out is not made, the accounting records are reversed. If the buy-out is made, the amount recognised in the financial debt is reversed. The other accounting entry will then be the amount cashed related to the acquisition of the minority interests, as provisioned for in IFRS 3.

A swap option is the option for minority shareholders to exchange securities held in a subsidiary with newly issued securities of the holding company. The value of securities newly issued by the holding company in the framework of the contracts concluded by Baobab with its minority shareholders is based on the book value The Group considered that such an operation does not require the mobilization of funds outside the Group, the recognition of an advance financial debt was not required.

2.24 FINANCIAL GUARANTEES GRANTED

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially valued at fair value.

The financial guarantees given are off-balance sheet commitments. The Group is primarily concerned with the issue of securities for the benefit of its subsidiaries.

2.25 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders of the parent company by the weighted average number of shares outstanding over the financial year.

2.26 ESTIMATES USED TO PREPARE THE FINANCIAL STATEMENTS

LTo prepare the financial statements, the Management must put forward hypotheses and estimates, which impact the determination of revenues and expenses, assets and liabilities, and the related notes. The company trusts its managers to use their analytical skills and rely on all the information available when preparing the financial statements. Obviously, the future results of operations may differ noticeably from the estimate made, due in particular to unforeseeable market conditions, which may affect the financial statements.

This is the case in particular for the:

- determination of impairment losses to cover credit risk.
- fair value of financial assets
- provisions for post-employment benefits
- estimates based on data included in the business plan of the subsidiaries (estimation of the value of debts related to the buy-out of minority interests). This assessment requires the Group to estimate future cash flows and discount rates;
- deferred tax assets. Deferred tax assets are recognised on tax losses if it is likely that the Group will have future taxable profits that could be used to offset these losses. To determine the amount of deferred tax assets that can be recognised, the Management must put forward hypotheses both on the period of consumption of the deferred losses, and on the amount of future taxable profit.

2.27 SEGMENT INFORMATION

The segment assets and liabilities include all components of the Group's consolidated balance sheet. Segment reporting is based on business lines (Baobab's business lines are specific groups of assets and operations, associated with the provision of products and financial services subject to various risks and generating various income) and on geographical criteria (each geographic segment operates within a specific economic environment and provides products and services subject to different risks and generating various income).

NOTE 3 - GOODWILL

	2019	2018
Goodwill at opening	612	693
Changes in minority interest	(523)	0
Acquisition DRC	0	0
FIDES		(82)
Goodwill at closing	**89**	**612**

	2019	2018
Goodwill on Baobab Zimbabwe	0	523
Goodwill on Microcred DRC	89	89
Goodwill at closing	**89**	**612**

Impairment tests were carried out on the basis of 5-year business plans. In view of the political and monetary situation in Zimbabwe, the Goodwill generated at the time of acquisition of the Zimbabwean subsidiary has been 100% impaired.

NOTE 4 - INTANGIBLE ASSETS

GROSS VALUE	Closing 2018	Acquisitions	Disposals	Other changes	Scope entry	Cur. Transl.	Closing 2019
Concessions, licences, patents, similar assets	3 852	25	(42)	0	0	(1)	3 833
Leasehold rights	659	35				(17)	678
Business		50					50
Other intangible assets	42	11		0	0	2	56
Assets under construction	651	340			0	1	992
TOTAL	5 204	461	(42)	0	0	(14)	5 608

DEPRECIATION	Closing 2018	Provisions	Disposals	Other changes	Scope entry	Cur. Transl.	Closing 2019
Concessions, licences, patents, similar assets	2 529	465	(41)	(3)		5	2 954
Leasehold rights	19	10		(8)		(1)	20
Other intangible assets	31	14				1	45
TOTAL	2 579	488	(41)	(11)	0	5	3 020

NET VALUE	Closing 2018	Closing 2019
	1 323	879
Leasehold rights		
Business	640	658
Other intangible assets		50
Assets under construction	12	11
Total	651	992
TOTAL	2 626	2 589

NOTE 5 - TANGIBLE ASSETS

5.1 TANGIBLE ASSETS

GROSS VALUE	Closing 2018	Acquisitions	Disposals	Other changes	Scope entry	Cur. Transl.	Closing 2019
Concessions, licences, patents, similar assets	152	284					436
Leasehold rights	9 005	941	(567)	(135)		(346)	8 898
Business	14 440	1 436	(454)	131		(124)	15 428
Other intangible assets	4 354	1 552	(661)	0		(264)	4 981
Assets under construction	41	14		0		0	55
TOTAL	65	282	0	(1)		0	347
	28 058	4 509	(1 682)	(5)	0	(734)	30 146

DEPRECIATION

Concessions, licences, patents, similar assets	Closing 2018	Provisions	Disposals	Other changes	Scope entry	Cur. Transl.	Closing 2019
Leasehold rights	5 470	1 057	(451)	(118)		(255)	5 702
Other intangible assets	7 655	1 826	(568)	171		(57)	9 026
TOTAL	2 780	777	(585)			(232)	2 739
NET VALUE							
	15 904	3 659	(1 604)	53	0	(545)	17 467
Leasehold rights							

Business	Closing 2018	Closing 2019
Other intangible assets	Clôture 2018 152	Clôture 2019 436
Assets under construction	3 535	3 196
Total	6 786	6 402
TOTAL	1 575	2 242
Avances sur immobilisations	41	55
Immobilisations en cours	65	347
TOTAL	12 154	12 679

Tangible assets include office equipment, IT equipment, vehicles, fixtures and fittings. All Baobab subsidiaries are tenants and as such have no immovable property. The increase in tangible assets mainly results from the opening of new branches in 2019.

5.2 RIGHTS OF USE

	Closing 2018	FTA IFRS 16	Acquisitions/ Provisions	Disposals/ Reversals	Other changes	Closing 2019
Gross value		10 656	1 644			12 300
Depreciation			(3 273)			(3 273)
Net value right of use	0	10 656	(1 629)	0	0	9 027

The rights of use recognized by the Group correspond mainly to rights relating to leases of offices and commercial branches.

NOTE 6 - FINANCIAL ASSETS

FINANCIAL ASSETS	2018	Increase	Decrease	Scope enrty	Cur. Transl	2019
Guarantees and deposits	1 941	38	(308)	0	3	1 674
Non-consolidated holdings	0	144	0			144
Total	1 941	182	(308)	0	3	1 818

"Guarantees and deposits" are mainly:

- security deposits required under lease terms.
- and a deposit of one million euros made on a term account as a deed of pledge taken out with a bank to constitute a guarantee in favour of Baobab Zimbabwe as part of of a financing request from the subsidiary. During the year 2019, this guarantee decreased to EUR 0.7 M following a reduction in the subsidiary's exposure.

NOTE 7 - DEFERRED TAX

	Income Statement	Balance sheet
France	1 196	2 649
Madagascar	(82)	108
Senegal	166	1 519
Nigeria	7	39
Ivory Coast	0	0
Nanchong	34	2 284
Sichuan	0	0
Mali	(289)	1 081
Tunisia	(61)	344
Zimbabwe	11	198
Burkina Faso	(128)	114
DRC	(1 128)	286
Baobab Plus Ivory Coast	114	117
Baobab Services Madagascar	25	62
Baobab Plus Mali	20	20
Baobab Plus Senegal	17	17
Total	(97)	8 840

In accordance with IAS 12 «Income Taxes», deferred taxes have been recognised on tax losses, using the liability method. The carrying amount of the deferred tax assets is reviewed at each reporting date and is reduced if it is no longer probable that sufficient taxable income will be available to recover all or part of the asset.

	Deferred taxes/ Losses carried forward
France	2 507
Senegal	0
Nigeria	0
Nanchong	0
Sichuan	0
Mali	608
Tunisia	0
Zimbabwe	151
Burkina Faso	0
DRC	0
Baobab IVC	0
Baobab Services Madagascar	53
Baobab Plus Ivory Coast	117
Baobab Plus Holding	56
Total	3 492

Given the nature of the Group's activity, its economic structure and the development prospects on the various markets, Baobab Group foresees enough taxable profits in the future to offset losses carried forward. Deferred taxes on losses carried forward have been recognised on the basis of five-year business plans, which is the horizon over which the Group plans to use almost all of these deficits.
Given the consecutive negative performance of Baobab DRC, the Group has chosen not to recognize deferred tax assets on the subsidiary's tax losses.

NOTE 8 – CURRENT ASSETS

8.1 INVENTORIES

Under IAS 2, inventories are assets held for sale in the ordinary course of business, assets in production for such a sale, or raw materials or supplies to be consumed in the production process.

Inventories as of December 31, 2019 amount to EUR 2.3 million and correspond to the goods relating to the «Baobab Plus» activity (solar lamps, tablets and telephones).

An impairment loss is recognised if the net realizable value of the goods is less than the cost price recognised.

8.2 LOANS AND CLAIMS ON CUSTOMERS

		Loans to customers	Total
2019	Gross value	714 462	**714 462**
	Provision	(51 070)	**(51 070)**
	Net value	663 393	**663 393**
2018	Gross value	696 639	**696 639**
	Provision	(52 868)	**(52 868)**
	Net value	643 772	**643 772**

The average rate of provisioning applied to the outstanding portfolio amounted to 7.15 % at the end of 2019 against 7.59 % at the end of 2018.

Financial assets at amortised cost are systematically subject to an impairment or provision for expected credit losses. These impairment and provisions are recorded as soon as the loans are granted or the commitments are concluded without waiting for the appearance of an objective indication of impairment.

To determine the amount of impairment or provisions to be recognised at each balance-sheet date, these assets and liabilities are divided into three categories based on the change in credit risk observed since their initial recognition. An impairment or provision for credit risk must be recorded on the outstanding amounts of each of these categories.

The criterion used for classification in these categories is the number of days past due of the contract :

Stages	Critera
Strate 1 (healthy without significant increase of credit risk)	All contracts that, at the closing date, register less than 30 days of arrears of payment.
Strate 2 (healthy with a significant increase of credit risk)	All contracts that, at the closing date, recorde a number of days of arreas of payment between 31 and 90 continuous days.
Strate 3 (defaulted)	All contracts that, at the closing date, recorde a number of days in arrears of payment greater than of equal to 91 continuous days.

The observation of the provisioning by «stratum» as of December 31, 2018 and December 31, 2019 by country is as follows:

IFRS 9

Country	Strage 1	Strage 2	Strage 3	"Loan impairment 31/12/2018"
Senegal	465	352	6 544	7 361
Madagascar	227	555	8 142	8 924
Nigeria	73	82	1 439	1 595
Côte d'Ivoire	1 268	846	15 913	18 028
Mali	84	296	3 293	3 673
Tunisia	9	56	191	257
Zimbabwe	16	1	1 669	1 687
Burkina Faso	49	60	205	314
RDC	56	189	875	1 120
China	863	306	8 739	9 908
TOTAL 31/12/2018	3 112	2 745	47 011	52 868

IFRS 9

Pays	Strage 1	Strage 2	Strage 3	"Loan impairment 31/12/2019"
Senegal	533	585	8 393	9 510
Madagascar	310	321	13 427	14 058
Nigeria	127	90	1 328	1 546
Côte d'Ivoire	810	450	12 005	13 264
Mali	168	147	2 915	3 230
Tunisia	12	104	1 040	1 155
Zimbabwe	2	0	86	88
Burkina Faso	39	47	494	580
RDC	222	86	2 316	2 624
China	436	506	4 072	5 014
TOTAL 31/12/2019	2 657	2 337	46 076	51 070

The recorded impairments concern only loans and receivables at amortised cost.
The analysis of the variation between 2018 and 2019 of the impairment by stratum is as follows :

	STRAGE 1	STRAGE 2	STRAGE 3	TOTAL
Impairment 31/12/2018	3 112	2 745	47 011	52 868
New financial assets originated	2 998	2 935	3 511	9 444
Transfers	(3 453)	(3 343)	(4 445)	(11 242)
Solde au 31/12/2019	2 657	2 337	46 076	51 070

NOTE 9 – OTHER RECEIVABLES

	2019	2018
Advance payments to suppliers	1 164	1 071
Trade receivables	59	134
Receivables towards administration	3 645	1 383
Other receivables	13 709	12 008
Prepaid expenses	2 162	2 509
Total	20 738	17 106

"Other receivables" include primarily:

- accounts receivable relating to the «Baobab Plus» activity for approximately EUR 5 million
- Account receivable of EUR 1.1 million vis-à-vis the former Money Express partner for Baobab Ivory Coast. This receivable was the subject of a provision for risk and the amount on the liabilities (see Note 12).
- Fraudulent loans downgraded from the portfolio and fully depreciated for EUR 1.4 M.
- Interest-bearing deposits made by subsidiaries to make their excess cash flow profitable as well as pending reimbursements from insurance companies for approx. EUR 4.4 million;
- staff loans and other receivables

Prepaid expenses include, mainly, the rent of premises for branches, which is payable in advance.

NOTE 10 – CASH AND CASH EQUIVALENTS

	2019	2018
Petty cash and demand deposit	80 109	51 456
Short term deposit	18 553	8 401
Total	98 662	59 857
Overdraft	1 922	6 616
Cash and Cash equivalent	96 740	53 240

The increase in deposits mainly results from Baobab Madagascar (+ EUR 3 M), Baobab Senegal (+ EUR 3 M) and Baobab Nigeria (+ EUR 5 M)

Cash and cash equivalents recognised in the balance sheet include demand deposits, cash in hand, short-term deposits (maturity date under three months) and all monetary placements with negligible risks of change in value.

NOTE 11 – SHARE CAPITAL

The share capital of Baobab S.A.S. is EUR 77,807 K. The issue premium amounts to EUR 24,002 K.

The shareholding of Microcred S.A.S. breaks down as follows

	2019			2018		
SHAREHOLDERS	Shares	Capital	%	Shares	Capital	%
AXA Group	3 128 639	26 656 004	34,26 %	3 128 639	26 656 004	34,26 %
BEI	1 105 744	9 420 939	12,11 %	1 105 744	9 420 939	12,11 %
Maj Invest	1 618 577	13 790 276		1 618 577	13 790 276	
DMP	927 452	7 901 891	10,16 %	927 452	7 901 891	10,16 %
MIFIF II	691 125	5 888 385	7,57 %	691 125	5 888 385	7,57 %
APIS	2 079 942	17 721 106	22,78 %	2 079 942	17 721 106	22,78 %
NMI	1 079 884	9 200 612	11,82 %	1 079 884	9 200 612	11,82 %
Others	119 523	1 018 336	1,31 %	118 519	1 009 782	1,30 %
TOTAL	9 132 309	77 807 273	100 %	9 131 305	77 798 719	100 %

NOTE 12 – NON-CURRENT LIABILITIES

12.1 NON-CURRENT LIABILITIES

	2019	2018
Non current provisions	2 962	1 775
Liabilities related put options	4 933	6 239
Long term debts	226 614	216 087
Accrued interest on long term debts	1 073	798
Total	235 583	224 901

- *Non-current provisions*

The item «non-current provisions» mainly consists of a provision for risks and charges amounting to EUR 1.1 M for Baobab Ivory Coast and concerns a commercial litigation as well as provisions for HR risks and miscellaneous tax risks (excluding IFRIC23) for EUR 0.9 M.

This item also includes provisions for staff benefits for EUR 0.5 M:

- Baobab SAS: EUR 49 K
- Baobab Senegal: EUR 92 K (the subsidiary having already made contributions to an insurance organization for an additional EUR 276 K)
- Baobab Ivory Coast: EUR 178 K
- Baobab Mali: EUR 45 K (the subsidiary having already made contributions to an insurance organization for an additional EUR 80 K)
- Baobab Services: EUR 63 K
- Baobab Burkina Faso: EUR 53 K
- Baobab Plus Entities: EUR 27 K

- *Debts on Put Options*

This is the valuation as of December 31, 2019 of the amount that the Group would have to pay to acquire minority interests in some of its subsidiaries pursuant to the Group's commitment to acquire these shares under Put Options (See note 2.24)

- *Long-term borrowings*

Generally, subsidiaries in need of refinancing have two options: either turn to Baobab S.A.S. for a shareholder's advance on current account, within the limits set by Baobab S.A.S.' Supervisory Board; or obtain funding locally from financial institutions. The item exclusively includes Group's external refinancing.

The EUR 11 M increase in long-term borrowings is mainly due to a EUR 10 M additional loan contracted by the holding company to fund the acquisitions of minority interests in subsidiaries. Subsidiaries' indebtedness remained broadly similar to the previous year.

All subscriptions and renewals of borrowings are aimed at developing operational subsidiaries.

12.2 DEBTS ON RIGHTS TO USE

	Closing 2018	FTA IMPACT	Proceeds	Repayments	Reclassification	Other chnges	Closing 2019
Long-term debts right-of-use		8 897	1 542	(2 097)	(2 139)	0	6 203
Short-term debts on right-of-use		595	0	0	2 139	0	2 733
RENTAL DEBTS (IFRS)	0	9 492	1 542	(2 097)	0	0	8 937

This is the consideration for the rights to use in the context of the application of IFRS 16 (see note 5).

NOTE 13 – CURRENT LIABILITIES

	2019	2018
Debts to suppliers	4 856	3 494
Other payables/ Current financial liabilities	151 745	142 185
- Bank overdrafts	1 922	6 616
- Short term borrowings	120 714	111 164
- Interest on borrowings	4 190	4 562
- Deferred income	1 533	999
- Social security liabilities	7 599	5 683
- Tax liabilities excluding corporate taxes	3 721	2 966
- Accrued interest on term deposits	1 335	1 762
- Other creditors	7 997	8 432
- Short-term debts on right-of-use	2 733	
State, corporate tax	6 844	4 778
Customer deposits	256 690	236 141
Total	420 135	386 597

The decrease in bank overdrafts was observed for Baobab Senegal and Baobab Mali for – EUR 3 M and – EUR 2 M respectively.

Short-term borrowings have increased by EUR 10 M for the Group. This increase is mainly due to Madagascar (+ EUR 4,5M), the Chinese entities (+ EUR 3 M), the DRC (+EUR 3.6 M) and Ivory Coast (- EUR 2 M).

Short-term debt on rights of use is related to the application of IFRS 16 (see note 12.2).

Current liabilities also include EUR 256 M of customer deposits at the end of 2019 compared to EUR 236 M at the end of 2018. The increase in the item is correlated with the increase in portfolio, in the majority of Baobab subsidiaries, the customers having the obligation to make a cash deposit to obtain a loan. In addition, the Group has relied on institutional savings as an alternative source of financing its activities in the subsidiaries.

NOTE 14 – BREAKDOWN OF SOME ASSETS/ LIABILITIES IN THE BALANCE SHEET ACCORDING TO THEIR RESIDUAL TERM

The following table shows the two main aggregates on Baobab Group's balance sheet with a maturity of over three months. Most other assets/liabilities have a maturity of less than three months.

	< 3 months	3 months to 1 year	1 year à 5 years	> 5 years	2019
Cash and cash equivalents	74 615	18 561	5 497		98 672
Outstanding loans to clients	120 919	524 831	68 710		714 459
Other receivables	9 868	9 329	1 542	0	20 738
Total	205 401	552 720	75 748	0	833 869

	< 3 months	3 months to 1 year	1 year à 5 years	> 5 years	2019
Cash and cash equivalents	71 173	123 754	39 956	21 808	256 690
Outstanding loans to clients	38 893	92 511	187 712	41 309	360 426
Other receivables	18 225	11 051	3277	0	32 553
Total	128 291	227 316	230 946	63 117	649 669

NOTE 15 – HEADCOUNT AS OF 12/31/2019

	Commercial Officers	Other Employees	Total 2019	Total 2018
France		58	58	68
Services		62	62	84
Madagascar	329	303	632	608
Senegal	461	257	718	716
China	316	234	550	568
Nigeria	330	254	584	517
Ivory Coast	484	131	615	644
Mali	166	154	320	287
Tunisia	171	133	304	295
Zimbabwe	35	49	84	90
Burkina Faso	112	58	170	158
DRC	100	74	174	192
Total	2 504	1 767	4271	4 227

NOTE 16 – EARNINGS PER SHARE

Below is the data on results and stock which was used to calculate the basic diluted earnings per share, on all the activities:

	2019	2018
Net income attributable to ordinary shareholders of the parent company (KEUR)	15 456	10 592
"Weighted average number of ordinary shares outstanding during the year"	9 131 807	9 131 305
Total number of shares at the date of closing	9 132 309	9 131 305
Net income / Weighted average number of shares in Euros	1,69	1,16

NOTE 17 – SEGMENT INFORMATION

- *Breakdown per activity 2019*

ASSETS	2019	Holding	Institutions	Intragroups
Goodwill	89		89	
Intangible assets	2 589	1 817	772	
Tangible assets	12 679	486	12 193	
Right-of-use	9 027	831	8 196	
Financial assets	1 818	0	1 818	
Deferred tax assets	8 840	2 682	6 157	
Inventories	2 342	802	1 539	
Loan portfolio (gross outstanding amount)	714 462		714 462	
Provisions for loans	(51 070)		(51 070)	
Loan portfolio (net outstanding amount)	663 393		663 393	
Other receivables	20 738	14 061	6 677	
Cash and cash equivalent	98 662	7 762	90 901	
TOTAL ASSETS	820 176	28 442	791 735	0

LIABILITIES	2019	Holding	Institutions	Intragroups
Shareholders' equity	158 255	(7 826)	166 081	
Provisions	2 962	772	2 190	
Non-current liabilities	238 824	29 710	209 114	
Current liabilities	420 135	5 785	414 350	0
TOTAL LIABILITIES	820 176	28 442	791 735	0

IN KEUR	2019	Holding	Subsidiaries	Baobab Plus
Net operating income	141 261	2 373	129 715	9 174
Net loan revenue	109 574	0	109 574	
Interest on loan	143 125	0	143 125	
Loan commissions	19 027	0	19 027	
Fees, penalties and other loan revenues	9 735	0	9 735	
Interest paid and similar expenses	(39 299)	0	(39 299)	
Loan impairment provisions and losses on loans	(23 013	0	(23 013)	
Other income	31 687	2 373	20 141	9 174
Operating subsidies	1 999	1 384	245	370
Other income	29 688	989	19 896	8 804
Operating expenses	(103 404)	(19 363)	(75 404)	(8 637)
External expenses	(37 058)	(7 250)	(23 295)	(6 513)
Payroll expense	(51 454)	(10 023)	(40 099)	(1 332)
Taxes and duties	(5 422)	(444)	(4 979)	
Operating allowances	(9 470)	(1 646)	(7 031)	(793)
Operating result	37 857	(16 990)	54 311	536
Financial result	(2 542)	(1 632)	(704)	(206)
Pre-tax current result	35 314	(18 622)	53 606	330
Tax expenses	(9 584)	1 094	(10 834)	155
Intragroups		15 237	(14 154)	(1 082)
Net consolidated result	25 730	(2 292)	28 619	(597)
Minority interest	10 274		10 274	
NET RESULT, GROUP SHARE	15 456	(2 292)	18 345	(597)

- *Breakdown per activity 2018*

ASSETS	2019	Holding	Institutions	Intragroups
Goodwill	612		612	
Intangible assets	2 626	1 803	823	
Tangible assets	12 154	495	11 659	
Financial assets	1 941	1 125	815	
Deferred tax assets	12 361	1 586	10 775	
Inventories	1 127	604	524	
Loan portfolio (gross outstanding amount)	696 639		696 639	
Provisions for loans	(52 868)		(52 868)	
Loan portfolio (net outstanding amount)	643 772		643 772	
Other receivables	17 106	19 670	12 317	(14 881)
Cash and cash equivalent	59 857	4 387	55 470	
TOTAL ASSETS	751 554	29 669	736 766	(14 881)

LIABILITIES	2019	Holding	Institutions	Intragroups
Shareholders' equity	140 056	284	139 773	
Provisions	1 775	206	1 569	
Non-current liabilities	223 125	23 377	199 748	
Current liabilities	386 597	5 803	395 675	(14 881)
TOTAL LIABILITIES	751 554	29 669	736 766	(14 881)

IN KEUR	2019	Holding	Subsidiaries	Baobab Plus
Net operating income	118 991	3 489	111 719	3 784
Net loan revenue	90 797	0	90 797	
Interest on loan	122 513	0	122 513	
Loan commissions	16 202	0	16 202	
Fees, penalties and other loan revenues	9 084	0	9 084	
Interest paid and similar expenses	(33 799)	0	(33 799)	
Loan impairment provisions and losses on loans	(23 203)"	0	(23 203)	
Other income	28 194	3 489	20 922	3 784
Operating subsidies	2 669	1 933	95	641
Other income	25 525	1 556	20 827	3 142
Operating expenses	(93 226)	(18 856)	(71 833)	(2 537)
External expenses	(37 006)	(7 634)	(27 933)	(1 439)
Payroll expense	(47 230)	(9 522)	(36 948)	(760)
Taxes and duties	(4 121)	(698)	(3 422)	
Operating allowances	(4 868)	(1 002)	(3 529)	(337)
Operating result	25 765	(15 368)	39 886	1 247
Financial result	(1 695)	(1 058)	(468)	(169)
Pre-tax current result	24 070	(16 425)	39 418	1 078
Tax expenses	(6 256)	756	(6 953)	(59)
Intragroups		8 424	(7 258)	(1 166)
Net consolidated result	17 814	(7 246)	25 207	(148)
Minority interest	7 222		7 222	
NET RESULT, GROUP SHARE	10 592	(7 246)	17 985	(148)

- *Geographical breakdown 2019*

ASSETS	2 019	France	Africa	Asia	Intragroups
Goodwill	89		89		
Intangible assets	2 589	1 767	789	33	
Tangible assets	12 679	304	12 141	234	
Paid-up licences	9 027	1 721	6 189	1 117	
Financial assets	1 818	802	874	143	
Deferred tax assets	8 840	2 721	3 835	2 284	
Inventories	2 342	2	2 339		
Loan portfolio (gross outstanding amount)	714 462		517 369	197 093	
Provisions for loans	(51 070)		(46 056)	(5 014)	
Loan portfolio (net outstanding amount)	663 393		471 314	192 079	
Other receivables	20 738	14 061	4 341	2 336	0
Cash and cash equivalent	98 662	7 194	68 522	22 946	
TOTAL ASSETS	820 176	28 573	570 433	221 172	0

LIABILITIES	2 019	France	Africa	Asia	Intragroups
Shareholders' equity	158 255	(7 990)	73 400	92 845	
Provisions	2 962	709	2 254	0	
Non-current liabilities	238 824	29 710	147 777	61 337	
Current liabilities	420 135	6 144	347 003	66 989	0
TOTAL LIABILITIES	820 176	28 573	570 433	221 172	0

IN KEUR	2 019	France	Africa	Asia
Net operating income	141 261	2 034	109 855	29 373
Net loan revenue	109 574	0	80 233	29 341
Interest on loan	143 125	0	103 598	39 527
Loan commissions	19 027	0	16 677	2 350
Fees, penalties and other loan revenues	9 735	0	9 409	326
Interest paid and similar expenses	(39 299)	0	(28 654)	(10 646)
Loan impairment provisions and losses on loans	(23 013)	0	(20 798)	(2 215)
Other income	31 687	2 034	29 622	31
Operating subsidies	1 999	1 384	615	0
Other income	29 688	651	29 007	31
Operating expenses	(103 404)	(16 687)	(72 185)	(14 532)
External expenses	(37 058)	(6 520)	(27 884)	(2 654)
Payroll expense	(51 454)	(8 386)	(32 378)	(10 690)
Taxes and duties	(5 422)	(329)	(4 888)	(206)
Operating allowances	(9 470)	(1 452)	(7 036)	(982)
Operating result	37 857	(14 653)	37 669	14 840
Financial result	(2 542)	(1 632)	(1 105)	195
Pre-tax current result	35 314	(16 285)	36 565	15 035
Tax expenses	(9 584)	1 196	(7 192)	(3 589)
Intragroups		12 702	(10 182)	(2 521)
Net consolidated result	25 730	(2 387)	19 191	8 926
Minority interest	10 274	0	7 698	2 576
NET RESULT, GROUP SHARE	15 456	(2 387)	11 494	6 349

- *Geographical breakdown 2018*

ASSETS	2 019	France	Africa	Asia	Intragroups
Goodwill	612		26	586	
Intangible assets	2 626	1 798	26	43	
Tangible assets	12 154	122	784	279	
Financial assets	1941	1 453	845	0	
Deferred tax assets	12 361	2	8 674	2 234	
Inventories	1 127		1 125		
Loan portfolio (gross outstanding amount)	696 639		500 721	195 918	
Provisions for loans	(52 868)		(42 960)	(9 908)	
Loan portfolio (net outstanding amount)	643 772		457 761	186 010	
Other receivables	17 106	19 861	10 672	2 026	(15 453)
Cash and cash equivalent	59 857	4 178	51 405	4 273	
TOTAL ASSETS	751 554	28 511	543 046	195 451	(15 453)

LIABILITIES	2 019	France	Africa	Asia	Intragroups
Shareholders' equity	140 056	428	55 431	84 197	
Provisions	1 775	160	1 616	0	
Non-current liabilities	223 125	23 377	150 141	49 608	
Current liabilities	386 597	4 546	335 858	61 646	(15 453)
TOTAL LIABILITIES	751 554	28 511	543 046	195 451	(15 453)

IN KEUR	2 019	France	Africa	Asia
Net operating income	118 803	4 708	87 949	26 146
Net loan revenue	90 609	0	64 505	26 104
Interest on loan	122 513	0	88 537	33 976
Loan commissions	16 202	0	14 059	2 143
Fees, penalties and other loan revenues	9 084	0	8 826	258
Interest paid and similar expenses	(33 799)	0	(24 865)	(8 934)
Loan impairment provisions and losses on loans	(23 391)	0	(22 052)	(1 339)
Other income	28 194	4 708	23 444	42
Operating subsidies	2 669	2 574	95	0
Other income	25 525	2 134	23 349	42
Operating expenses	(93 038)	(14 016)	(64 756)	(14 266)
External expenses	(37 006)	(5 493)	(28 001)	(3 512)
Payroll expense	(47 230)	(7 471)	(29 463)	(10 296)
Taxes and duties	(4 121)	(441)	(3 499)	(181)
Operating allowances	(4 680)	(611)	(3 794)	(276)
Operating result	25 765	(9 308)	23 193	11 880
Financial result	(1 695)	(1 032)	(595)	(67)
Pre-tax current result	24 070	(10 340)	22 598	11 813
Tax expenses	(6 256)	764	(4 341)	(2 679)
Intragroups		6 261	(3 722)	(2 539)
Net consolidated result	17 814	(3 315)	14 534	6 595
Minority interest	7 222	0	5 316	1 907
NET RESULT, GROUP SHARE	10 592	(3 315)	9 219	4 689

NOTE 18 – OPERATING INCOME

Operating income is mainly made of interests, fees and commissions on loans. The breakdown of operating income per institution is as follows:

● *Revenues derived from the lending activity*

Revenues	*2019*	*2018*
Interest on loan portfolio	143 124	122 513
Madagascar	17 233	19 562
Senegal	27 492	21 630
China	39 527	33 976
Nigeria	11 313	7 430
Ivory Coast	24 142	21 600
Mali	5 321	4 811
Tunisia	7 787	5 631
Zimbabwe	1 415	1 986
Burkina Faso	4 239	2 413
DRC	4 654	3 474
Baobab SA	0	0
Commissions on loans	19 027	16 202
Madagascar	1 541	1 746
Senegal	5 658	5 519
China	2 350	2 143
Nigeria	984	976
Ivory Coast	2 276	1 449
Mali	2 832	2 297
Tunisia	1 463	1 096
Zimbabwe	215	364
Burkina Faso	983	350
DRC	726	262
Fees, penalties / other income	9 735	9 084
Madagascar	956	867
Senegal	3 177	2 501
China	326	258
Nigeria	222	156
Ivory Coast	3 448	4 084
Mali	646	469
Tunisia	107	130
Zimbabwe	14	33
Burkina Faso	465	234
DRC	375	354
TOTAL	171 885	147 799

Significant points that should be noted about revenue related to the customer lending activity are:

- Higher revenues for most subsidiaries
- Increase in customer lending income by 16% or EUR 24 M for the Group.

● *Subsidies*

IN KEUR	*2019*	*2018*
Subsidies	1 999	2 669

The other income corresponds to operating subsidies received mainly by:

- the holding company (EUR 1 M), as part of the financing by the investors of the technical assistance provided by the Holding to the subsidiaries.
- By Baobab Plus entities (EUR 0.6 M).

NOTE 19 – LOAN LOSS/LOAN IMPAIRMENT PROVISIONS

Loan loss/loan impairment provisions represent the impairment on the portfolio and cover the credit risk inherent to the loan activity

IN KEUR	*2019*	*2018*
Madagascar	(5 465)	(3 191)
Senegal	(3 774)	(4 212)
China	(2 215)	(1 339)
Nigeria	(856)	(660)
Ivory Coast	(7 020)	(10 340)
Mali	(934)	(1 809)
Tunisia	(355)	(352)
Zimbabwe	140	66
Burkina Faso	(363)	(244)
DRC	(1 864)	(1 114)
Baobab +	(307)	(197)
TOTAL	(23 013)	(23 391)

Despite the increase in the portfolio, the cost of risk was stabilised during FY 2019, compared to 2018, thanks to better credit risk management and more regular monitoring of ECL (Expected Credit Loss) following the adoption of IFRS 9, enabling management to take appropriate decisions.

NOTE 20 – OPERATING EXPENSES

IN KEUR	*2019*	*2018*
External expenses	(42 481)	(41 127)
Purchases and external expenses	(37 058)	(37 006)
Tax, duties and similar expenses	(5 422)	(4 121)
Payroll costs	(51 454)	(47 230)
Operating expenses	(9 470)	(4 680)
Provision expenses on depreciation of fixed assets	(7 844)	(3 958)
Provisions on current assets	(502)	(354)
Provisions for risk and liabilities	(900)	(85)
Provisions for pensions	(225)	(283)
TOTAL OPERATING EXPENSES	(103 404)	(93 038)

In 2019, operating expenses have been generally under control, with an increase by 3.4% compared to the previous year. These expenses break down as follows:

- EUR 51,454 K in personnel expenses, + 9% vs. 2018; they are allocated as follows: 63% in Africa, 21% in China and 16% in the French holding companies.
- Purchases and external expenses remained stable compared to 2018. This item includes:
  - Mission expenses, to ensure the proper development of the entities (participation in board meetings, control of the information systems, etc.) and to allow the search for new investors for Baobab group
  - Rental of branch premises and related expenses" has been significantly reduced (approximately EUR 4 M) due to the application of IFRS 16; these expenses have been replaced by depreciation charges relating to rights of use and interest expenses on the related financial debts.
  - IT expenses mainly related to the maintenance of the current IT tool and the development of the loan management software.
- The increase in depreciation of fixed assets is due to the application of IFRS 16 and relates to amortization recorded on rights of use as a substitute for rental expenses.

NOTE 21 – FINANCIAL RESULT

In 2019, the financial results break down as follows:

IN KEUR	2019	2018
Financial revenue	2 493	1 679
Gains on exchange	406	346
Net profit on disposal of marketable securities	554	163
Other financial revenues	1 532	1 171
Financial expenses	(5 035)	(3 374)
Exchange loss	(1 168)	(533)
Provisions on investments and other financial assets	0	0
Financial expenses on right-to-use	(614)	
Other financial expenses	(3 253)	(2 841)
TOTAL	(2 542)	(1 695)

Financial revenues correspond mainly to investment income earned by the subsidiaries from their cash surplus.

The increase in foreign exchange losses is mainly recorded by the Zimbabwean subsidiary (- EUR 0.9 M) following the devaluation of the local currency in February 2019 and the significant currency drop.

Financial expenses on rights of use correspond to interest expenses calculated on financial debts estimated in accordance with IFRS 16 (see 2.1). The interest rates used are the marginal debt ratios of each subsidiary.

NOTE 22 –RECONCILIATION BETWEEN NOMINAL AND EFFECTIVE TAX RATES

Tax expenses are the total of current income tax and deferred tax. For the financial year ending on December 31, 2019, the reconciliation between tax expenses and the product of accounting profit multiplied by French tax rate is as follows:

The nominal tax rate is the standard tax rate for taxable profits in France at 31 December 2019, i.e. 28% for profits under EUR 500,000 and 33.33% for profits over EUR 500,000.

	2019	2018
Résultat avant impôts	35 305	24 070
Montant théorique d'impôt sur les sociétés	(9 886)	(6 740)
Différentiel de taux d'imposition dans les filiales étrangères	2 776	1 549
Effet de changement de taux	(192)	(101)
Effet des différences permanentes	(985)	(827)
Impôt minimum forfaitaire	(164)	(117)
Impact IFRIC 23	(446)	
Non reconnaissance IDA	(661)	
Effet des autres retraitements	(26)	(21)
IMPÔT COMPTABILISÉ	(9 584)	(6 256)
TAUX EFFECTIF D'IMPÔT	27,15 %	25,99 %

The increase in the effective tax rate in 2019 is explained by:

- The impact of the tax expenses recognised under IFRIC23 (see 2.1)
- The non-recognition of deferred tax assets is related to the DTA on tax losses of Baobab DRC, given the subsidiary's economic performances

NOTE 23 –OFF-BALANCE SHEET COMMITMENTS

GUARANTEES BANK DATA	< 1 year	> 1 year
Total Guarantees	4 363 291	19 333 619
Baobab Madagascar	31/12/2018	
Baobab Senegal		
Baobab Côte d'Ivoire		
Baobab Nigeria	2 646 343	
Baobab Mali	1 018 518	7 368 369
Baobab Tunisia		
Baobab Burkina Faso		3 048 980
Baobab Zimbabwe		372 399
Microcred RDC	698 431	8 543 871
Total Letters of comfort	17 370 083	44 460 755
Baobab Madagascar		2 817 000
Baobab Senegal	9 265 012	22 300 419
Baobab Côte d'Ivoire	3 043 073	6 817 940
Baobab Nigeria		
Baobab Mali	1 951 623	
Baobab Tunisia	761 228	7 463 853
Baobab Burkina Faso	2 349 147	4 928 123
Baobab Zimbabwe		133 420
Microcred RDC		

NOTE 24 –FEES PAID TO STATUTORY AUDITORS

The fees paid to auditors of Baobab Group can be broken down as follows:

- remuneration of audit services: these services consist of verifying the holding company's consolidated accounts and the subsidiaries' annual accounts;
- remuneration of other audit-related services: these include all non-statutory audit services and other advice services that are unrelated to compulsory audits.

IN KEUR	2019	2018
Audit of Baobab S.A.S	102	80
Fees paid to statutory auditors	84	76
Other fees	18	4
Audit of subsidiaries	410	402
Fees paid to statutory auditors	408	400
Other fees	2	2
TOTAL	512	482

NOTE 25 –RELATED PARTIES

As of December 31, 2019, no material transaction has been recognised between the Group and related parties.

NOTE 26 – HYPERINFLATION ZIMBABWE

In February 2019, the Zimbabwean central bank adopted a new currency (the RTGS Dollar) which was devalued. This devaluation has not been treated in the Group's financial statements as of December 31, 2018 since a change in the exchange rate of a currency occurring after the closing of a financial year must be considered as a new circumstance appearing at the time it occurs and should therefore not impact the preparation of the financial statements.

The rate adopted by the Central Bank of Zimbabwe (RBZ) when adopting this new currency was 1 Zimbabwe $ ≈ EUR 0.4

As of December 31, 2019, the changes in the local currency values are as follows:

	2019	2018
Average rate Devise/EUR	0,25591084	0,84755100
Closing rate Devise/EUR	0,05319984	0,87375100

The Zimbabwean currency devalued significantly despite the subsidiary's good economic performance. The net social value of the subsidiary evaluated as follows in local currency (Zimbabwe Dollars) :

	Net equity 31/12/2018	PY result allocation	Net income	Capital increase	Currency Translation Gran/loss	Net equity 31/12/2019
Share Capital	6 544 415			2 161 408		8 705 823
Reserves	(5 112 694)	1 682 062				(3 430 632)
Currency Translation Adjusments						0
Net income	1 682 062	(1 682 062)	1 224 592			1 224 592
Statutory net equity	**3 113 783**		**1 224 592**	**2 161 408**		**6 499 783**

On the other hand, due to the macroeconomic and monetary downturn, the contribution of the Zimbabwean subsidiary in the consolidation of the Baobab Group deteriorated as follows in Euros:

	Net equity 31/12/2018	PY result allocation	Net income	Capital increase	Currency Translation Gran/loss	Net equity 31/12/2019
Share Capital	5 876 199			1 893 238		7 769 437
Reserves	(4 617 016)	1 386 082				(3 230 933)
Currency Translation Adjusments	35 855				(4 581 508)	(4 545 653)
Net income	1 386 082	(1 386 082)	327 378			327 378
IFRS net equity	**2 681 120**		**327 378**	**1 893 238**		**320 228**

This strong deterioration had the following consequences for the Group:

- In the holding company's financial statements: depreciation of the subsidiary's shares for EUR (6) mil-lion. As of December 31, 2019, the residual value of these shares is EUR 0.8 million.
- In the consolidated financial statements: impairment of the entire goodwill on the acquisition of the subsidiary for EUR (0.5) M.

NOTE 27 –SIGNIFICANT POST-CLOSING EVENTS

In late 2019, an emerging infectious disease called Covid-19, caused by the coronavirus SARS-CoV-2, started in the city of Wuhan in central China. The disease gradually spread to the rest of the world during the first quarter of 2020.

On January 30, 2020, the WHO (World Health Organization) declared the epidemic to be a public health emergency of international concern and declared a state of health emergency. On March 11, 2020, the WHO declared the disease as a pandemic.

For Baobab Group, this health crisis at the end of March triggered the following responses :

- At the Group level, a crisis unit was set up in the beginning of the month to take the appropriate measures on a number of issues: health security of the employees, liquidity management, anticipation of credit risk, impact on business, etc.

  This crisis unit includes members of the holding company as well as members present in the various subsidiaries for comprehensive and coordinated action.

  At the date of approval of the 2019 accounts by the President (2020, April 30th), the Group has not used the partial unemployment in any of its jurisdictions (in France or in subsidiaries). For subsidiaries in which containment measures have been taken or activity has slowed down significantly, employees leaves have been rather imposed with a system of team rotation, particularly in the branches.

  In addition, the analysis of liquidity risk is monitored on a very regular basis and the Group's liquidity situation is comfortable at the date of 2019 accounts approval, with cash surpluses in the various subsidiaries and a controlled risk concerning the possible withdrawal of customer deposits.

- In China, the first country to be impacted by this disease, the containment measures imposed lead to a decline in activities, with consequences in terms of disbursements and credit risk. Extended payment terms have been granted to our customers impacted by Covid 19 with a rescheduling of approximately 20% of the portfolio (≈ EUR 30 M).

  Given the strong uncertainty of the behaviour of these customers, it is difficult to reschedule 2019 accounts approval for an accurate estimate of the relevant expected credit loss. As a precautionary measure, an additional provision of around 5% has been made for these rescheduled loans for Q1 2020 closing. Works are in progress to apply a Forward Looking factor on the calculation of provisions.

- At the date of 2019 accounts approval, Africa is the least impacted continent by the health crisis. However, the statistical information that has come to light is being taken very carefully and at this stage, the most significant impact on a portion of the Group's customers concerns the lack of supply of goods, particularly from China, to Baobab's customers in the context of their business, as well as the decline in business due to the containment measures that are being taken in the various countries.

  At the end of March 2020, the impact on loan disbursements or credit risk is fairly limited. Government measures are increasingly being taken in the countries in which our subsidiaries operate to grant moratorium to customers impacted by this crisis. At the date of 2019 accounts approval, work is in progress for a reasonable and justifiable estimate of the need to recognize an additional provision for the Q1 closing for these specific loans.

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