



BAOBAB

2020

BAOBAB

IMPACT

REPORT



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MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD AND THE CEO

ARNOLD EKPE

Chairman of the Supervisory Board

PHILIP SIGWART

Chief Executive Officer

This first Impact Report is an important milestone for Baobab Group. Impact is not a secondary effect of Baobab's activities, it is the very core of our business. The present report shows how Baobab's products and services enable our micro- and small business customers to expand their activities and improve living conditions for themselves and those around them. The material provides a wide range of data on our activities. It also puts a spotlight on the impact of Covid-19 and the need to continue servicing our clients throughout the pandemic and its aftermath.

Each and every day, our staff collaborate closely with our micro and SME customers, offering them targeted, tailored financial products. We help them overcome challenges and build their business — essential at a time when many activities have been disrupted by the effects of the pandemic.

Alongside our traditional micro and SME lending activities, we launched a subsidiary a few years ago which specialises in the sale of solar panels based on a pay-as-you-go model. This new business line, known as Baobab+,

has grown remarkably during the past years and now represents 7% of our total revenues. Baobab+ is helping to electrify rural areas in a low-cost and decentralised manner.

In the coming years, we will continue to grow our operations and our footprint both through brick-and-mortar branches and new digital channels. The ongoing digital transformation of financial services is essential to keeping costs low and making financial services more fair, accessible, and inclusive. We will also establish new partnerships to support micro and small entrepreneurs in rural areas, including smallholder farmers. Finally, we will focus particularly on women clients. Women entrepreneurs are 45% of our customer base and a key component of our impact strategy.

We are proud of the tremendous effort of data gathering by our teams that this report represents, and we look forward to enriching this with each new edition, to share with you both the aggregate progress we are making and some of the unique stories that our loans bring into existence.



Founded in 2005, Baobab had almost 425,000 active customers in nine markets at the end of 2020. Over 3,700 employees work together to simplify banking and meet the needs of entrepreneurs. We aim to make financial services easier, more accessible and inclusive.

Baobab's current range of products covers loans, including instantly available digital nano, a range of savings accounts and payment options such as electronic and interbank transfers, payment cards, cheques. Baobab offers customers mobile access to their account, to check their balance, follow the evolution of their credit, and benefit from credit offers directly from their smartphone.

OUR MISSION

OUR KEY FIGURES IN 2020

Our vision is to be the preferred financial partner for small businesses in the countries where we operate.



**BAOBAB
LOANS**



**BAOBAB
SAVINGS**



**BAOBAB
PAY**



**BAOBAB
INSURANCE**



424,110

ACTIVE CUSTOMERS



45 %
WOMEN



44 %
BETWEEN
25 AND 40
YEARS OLD



1,210
SALES
POINTS



3,773
EMPLOYEES



59 %
LOAN
OFFICERS



659 M€
LOAN PORTFOLIO



264 M€
TOTAL DEPOSITS



44 %
DIGITAL
LOANS



4,38 %
PORTFOLIO AT
RISK 30 DAYS

10 COUNTRIES

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

9
subsidiaries



An active customer is a person or a legal entity that has done at least one transaction on a Baobab account over the last 12 months.



OUR VALUES



PROXIMITY

We are always available and easily accessible.



INTEGRITY

We are honest, respectful and perform to a high standard.



SIMPLICITY

We are helpful and efficient.



TRANSPARENCY

We are transparent and clear.



COMMITMENT

We strive to build a relationship of trust with our customers and employees.



2020 BAOBAB GROUP IMPACT AT A GLANCE



€ 832 M
loans originated
in 2020



228 000
supported
entrepreneurs.



45%
of female
customers



45%
of female
employees



79%
of our customers
were unbanked
before they
joined Baobab



OUR CONTRIBUTION TO THE UN SDGS

1 NO
POVERTY



LOANS DISBURSED

In 2020, despite the global health crisis and its major impacts on the local and global economy, Baobab successfully supported more than 228,071 entrepreneurs (number of borrowers) with €832 M disbursed.

4 QUALITY
EDUCATION



NUMBER OF TRAINED EMPLOYEES

Baobab has implemented a training program for middle managers to upskill the front and middle managers on management, finance, risk, customer relation and strategy, both in field operations and headquarters.



31%
of employees
were trained

BAOBAB+

Baobab+ focuses on education via digital content and tools by distributing and financing tablets. In cooperation with Foundation Breteau, Baobab+ offers a tablet with a selection of educational apps. Baobab+ also provides a business tablet with tools enabling entrepreneurs to record sales, manage inventory etc. The plan is to extend the initiative to all its African subsidiaries.

5 GENDER
EQUALITY



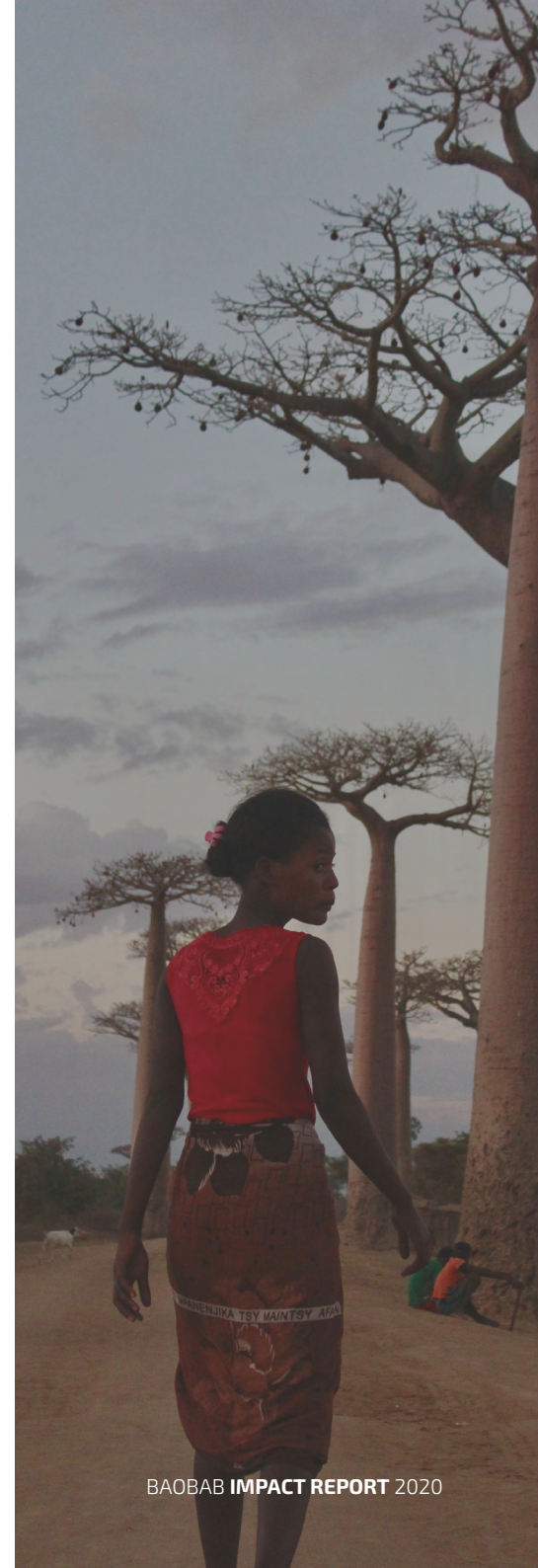
PARTNERSHIP WITH BNP ONU FEMMES

Agrifed - Financial inclusion facility for women entrepreneurs working in the rice value chain in Senegal

- Disbursement of a 1 billion credit line with BNP Paribas at a preferred rate.
- Definition and implementation of a new product (REFAN).



45% of female
customers
45% of women
among Baobab
employees.





ACCESS TO CLEAN WATER AND SANITATION

One third of the world's population does not have access to clean water. Through Baobab+, Baobab is the official distributor of the LifeStraw in Senegal and the Côte d'Ivoire. The LifeStraw filters 99.99% of all bacteria creating easier access to clean water.

Partnership between USAID & Baobab Banque Madagascar - WASH & HEALTH project

This specific DCA "Development Credit Authority" guarantee is dedicated to the players of the Health and Wash sectors.



ACCESS TO CLEAN ENERGY

In Africa, two thirds of the population does not have appropriate access to electricity. Baobab+ addresses this issue by making domestic solar solutions available and enabling people to have access to light. The lamps significantly improve the lives and prolong the activity hours of the population by enabling them to cook, study and work beyond the hours of daylight. Additionally, people can communicate more freely by being able to recharge their phones at any time, at any time and autonomously.



220,000 energy access



80,000 digital access products
sold via PAYG and "cash" (Baobab micro-loans)



OUTREACH – ECONOMIC GROWTH

79% of Baobab clients were unbanked before working with Baobab entities. Getting a loan from Baobab helped those clients improve their economic growth potential.

By successfully supporting more than 228,071 entrepreneurs (number of borrowers) and disbursing €832 M in the year 2020, Baobab contributed to the economic growth of its clients' business, personal household, and local community.

EMPLOYMENT – DECENT WORK

Baobab employs a total of 3,773 people of which 45 percent are female. An HR policy is in place covering wages, non-discrimination practices, whistle-blower policy, anti-harassment guidelines and training. Baobab has implemented a training program for middle managers to upskill the front and middle managers on management, finance, risk, customer relation and strategy, both in field operations and headquarters. Also, a sales force programme focusing on the development of selling skills has been implemented.

JOBS CREATION

The staff in Baobab branches hires and trains the dedicated correspondents who are generally motivated young entrepreneurs keen to manage their own business. They are then provided with Baobab kiosks featuring special branding in semi-rural areas where Baobab detects potential for growth. Each kiosk is located at least three kilometres from a Baobab branch. As support when they start up their business, these managers receive working capital funding, a tablet and a minimum salary. The aim is to assist them over the first six months of their start-up phase.



PREVENTION OF OVERINDEBTEDNESS

Baobab has a sound process in place to ensure that credit will be offered only if borrowers have demonstrated an adequate ability to repay. In the process, Baobab ensures that a maximum of 70 percent of the monthly repayment capacity is used for the repayment of the loan instalment, that future indebtedness of the business does not exceed 60 percent of total liabilities. When available, credit bureau information is used and clients informed about the challenges of overindebtedness. Furthermore, loan sizes can only increase with a demonstrated repayment capacity for the new and increased loan. Regular client audits are completed, including validation of the consistency of the data, e.g. expenses and revenues collected by commercial officers and validation of the use of the loan.



130 000 lanterns with kerozen have been replaced



Avoided CO2 emissions: **144 306** metric tons of CO2eq



Installed Clean power : **163 482 Watts**



SOCIAL PERFORMANCE MANAGEMENT (SPM)



OUR APPROACH

Since its beginning, Baobab has been committed to upholding microfinance industry standard for responsible financial inclusion practice, as set out in the Client Protection Principles (CPP) of the former Smart Campaign initiative, and the Universal Standards for Social Performance Management (USSPM) of the Social Performance Task Force (SPTF), both widely recognized and adopted by the industry.

Following those practices, Baobab carries out its SPM activities from 5 aspects: clients, board members and shareholders, staff, environment, and community, and strives to promote social performance in every step of its operation. A system of Environmental & Social policies and framework is integrated in each Baobab subsidiary operation, with an SPM Coordinator as a focal local SPM point.

In 2014, its subsidiary Microcred Nanchong was certified Smart Campaign, and was the first Chinese microfinance institution to receive such certification.

Since 2017, Baobab has conducted SPI4 assessments to evaluate, track indicators, and monitor its SPM activities. SPI4 is a recognized SPM assessment tool that helps microfinance institutions to evaluate their level of implementation of the USSPM and CPP.

Since its beginning, Baobab has undertaken to regularly measure its social performance and social impact. Several subsidiaries underwent Social Rating and/or Social Impact studies throughout the years, and most recently, in 2021, 2 Social Ratings and 2 Social Impact studies were completed. Going forward, Baobab Group is working to set up systematic Social Rating and Social Impact studies for all of its subsidiaries.

Baobab is continuously adapting its SPM to follow the best practices of the industry, to measure its social impact and compliance to the industry standards.





AWARDS

AWARDS FROM CHINA

2020 Sichuan Association of Microcredit Excellent Microfinance Company in Sichuan

2020 Sichuan Association of Microcredit 2018-2019 Annual Industry Rating A

2020 Chengdu Association of Microcredit Chengdu Industry Rating A

AWARDS FROM NIGERIA

Best Employer in Training Contribution for 2020

Best Digital innovator 2020

AWARDS FROM TUNISIA

2020 Customer Service of the Year.

MEET OUR ENTREPRENEURS

Aged 58 and a mother of seven children, Cécile lives in Burkina Faso, in the Dassasgho district where her main business is based. Cécile started out as the manageress of a small restaurant specialising in the sale of roast pork. Then, in 2011, she started her business in beverage sales.

At first, she faced many difficulties as a woman in a very male environment. After a series of discouragements due to a lack of funds to develop her business, one of her daughters advised her to contact Baobab. She immediately decided to turn to Baobab in August 2017, and received her very first loan of CFAF 7,000,000 in less than two weeks. This financing allowed Cécile to improve the stability of her main business.

After rapidly repaying her first loan, she took out a second one for CFAF 10,000,000, which

allowed her to open a security company where she now employs over 500 people.

Cécile then obtained a third loan that she used to purchase land to set up a plantation. Today, Cécile is totally fulfilled and a true model for her family but also, and especially for her community, in which she actively participates. Thanks to the loans she received, Cécile has not only built projects in her village but has also been able to buy a vehicle for the needs of her security company.

Very satisfied with the support, she has convinced several of her relatives to join Baobab and they have also obtained financing to develop their business. This ambitious and determined woman is already thinking about her future projects. She plans to build a service station and is counting on Baobab to help her achieve it.

Cécile
ENTREPRENEUR
Customer since 2017





Mamie

RETAILER IN THE FOOD SECTOR

Customer since 2016

Aged 41, Mamie is a Congolese retailer who has been specialising in the sale of food products commonly called "fresh food" for nearly 22 years now. Unfortunately, four years ago, she was robbed by armed bandits who stole her capital and goods.

Traumatized and deprived of her cash flow, this mother of three children confided in one of her friends who urged her to turn to the services of Baobab. She quickly became a customer and received her first loan. Being resourceful and experienced in the retail trade, she made good use of her financing. Today, she has left the market stalls to build premises that house her store and a cold room to keep her food fresh.

Thanks to Baobab's support, she has gone from being a retailer to a wholesaler and now employs four people. Happy and fulfilled, she regularly shares her experience with other retailers around her. As a true ambassador of Baobab, Mamie constantly recommends the brand to other entrepreneurs facing difficulties in their business. Her dream now is to own several cold rooms and become a reference in the fresh food sector.

MEET OUR ENTREPRENEURS

A GLANCE AT BAOBAB+

ACCESS TO ENERGY

In Africa, two thirds of the population do not have access to electricity. Electricity is a primary factor in fighting poverty and it fosters access to health, education and employment, the three pillars of a country's economic development. In response to this problem, Baobab+ markets solar lamps and solar kits that allow people to have light, to recharge their phones and to have access to information on the television. In five years, Baobab+ has equipped 200,000 households, i.e. 1,200,000 beneficiaries, more than 80% of whom live in rural areas.

DIGITAL ACCESS

Baobab+ is also contributing to the digital revolution by equipping households with digital products with high social impact content to meet various needs: literacy, health, and management of small business activities. Baobab+ has equipped over 70,000 households with digital products and was the first company in West Africa to launch a pay as you go (PAYG) offer for smartphones.





SYNERGY WITH THE BAOBAB BRANCH NETWORK

Baobab customers can apply for a specific loan, in addition to the loan obtained to develop their business activities. This top-up credit allows them to purchase solar or digital products.



A DEDICATED MOBILE SALES FORCE

To reach people living in rural areas too (last mile distribution), Baobab+ has offices in the main regions of countries, and mobile agents to travel to the villages. People living in rural parts can therefore use the PAYG offer for their solar kits. This loan removes the major obstacle of the price and makes products accessible to low-income households, by adapting to their spending habits. It also allows remote monitoring of the product. After an initial deposit equivalent to 10% of the price, the customer makes payments via mobile money according to their repayment capacity so that they can use the product before they actually own it.



FROM SOLAR POWER TO CREDIT

In partnership with Baobab Group, Baobab+ has developed a unique scoring analysis to allow its customers, especially those in rural areas, who were previously ineligible for financing, including with microfinance institutions, to gain access to financial products and services, using PAYG as their first financial experience.

The aim is to offer eligible PAYG customers a digital nano credit. The application is made directly on their mobile phone and the loan is paid out through the Baobab relay outlets. The credit decision is made by a scoring algorithm that analyses the payment data relating to solar kits. The first results are promising and seem to have real impact on our customers' lives. After being developed and tested in Senegal, this offer will be available in Madagascar, Côte d'Ivoire and Mali in 2021.



AWARDS

Ashden Awards finalist, innovative business model category

Nomination for the "Disrupter of the Year 2019" Award - Africa CEO Forum (Kigali),
Nomination for the "Disrupter of the Year 2020" Award (Abidjan March 2020)

Empower a Billion Lives: 1st in the Europe competition in the Decentralized Model – Commercially Available Solutions category

Africa Investment Forum Awards: Silver Award for "Best Energy Project" and Silver Award for "Best Renewable Energy Project"

Grand Prix for Growth Companies: "Grand Prix for the French entrepreneur abroad"

ENGAGING AND TAKING CARE OF CUSTOMERS & STAFF THROUGH THE COVID-19 CRISIS

2020 was marked by the global Covid pandemic. Right from the start of the crisis, Baobab was at the side of its customers to help them through the crisis. In March 2020, we implemented an action plan based on four main points:

1. First, we made every effort to guarantee the health and safety of our staff and customers by rapidly deploying all the recommended health measures in our branches and head offices. Beyond these health precautions, we took steps to guarantee security of employment for our staff by keeping our teams in place and using temporary furlough measures where possible.
2. Secondly, regulatory and strategic intelligence was deployed to ensure we were informed of measures recommended by governments and competent authorities in response to the crisis in each country. This information allowed us to swiftly take action, particularly for our most impacted customers.
3. One of the most important actions that Baobab took during this crisis was the finetuning of our customers' loan products to help them overcome the challenges: we offered our customers loan moratoriums, relief on monthly repayments and greater flexibility in repayments. We set up regular monitoring of our customers' business activity, to adjust our support measures to them.
4. Lastly, the introduction of a new set of early warning indicators in credit operations and risk management allowed to precisely detect potentially tricky situations in the loan portfolios and take adequate measures in response.

The management of the crisis is reflected in the figures: at Baobab, the impact of the crisis on our business indicators was well managed: we limited the decline of our outstanding loan book to an 8% decline, while customer savings grew 2%. Thanks to these measures, Baobab Group retained its ability to recover quickly. The sales teams were swiftly redeployed and successfully supported the growth of business at the end of the year.





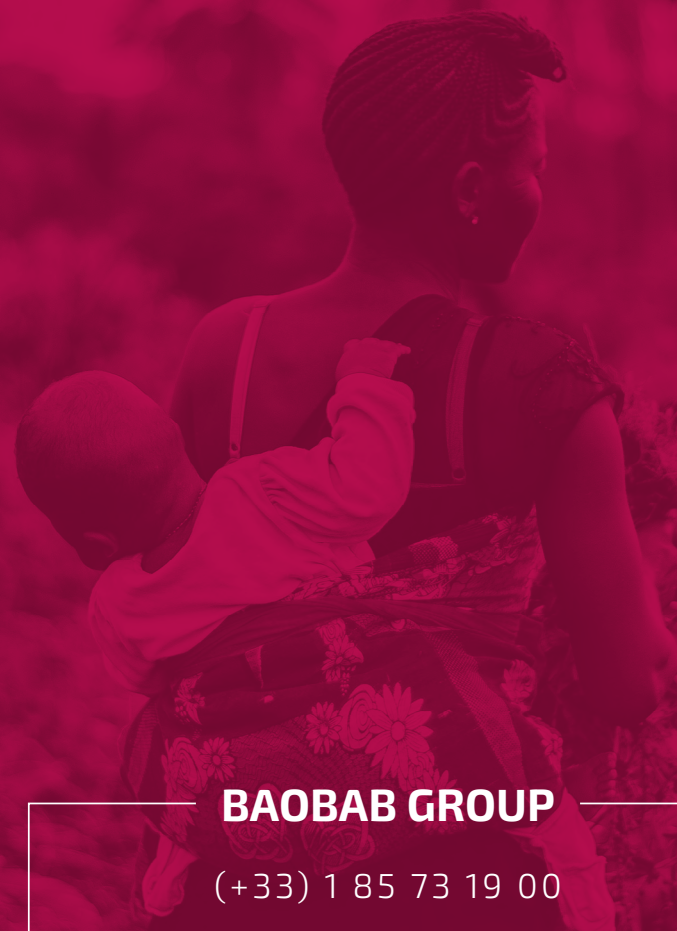
CONCLUSION: GOING FORWARD

The COVID 19 crisis is still impacting the countries of our operations. New waves are expected and their impact will again disrupt the economy and the lives and livelihoods of our customers and employees. Access to financial services will continue to be essential to overcome the effects of the crisis on the local economies.

As a leader in the microfinance sector, we will have to therefore address new challenges: 2 key actions have been identified for 2021 and 2022 :

- To enhance our impact on agriculture to better contribute to the N°2 Zero Hunger UN SDG. We have currently in Côte d'Ivoire a partnership with BNP Paribas on this specific topic.
- To propose specific offers for our women customers on the same model as the partnership between BNP Paribas and ONU Femmes.

We take this opportunity to thank all Baobab Group staff on the good results during this challenging year. Their efforts give us confidence and optimism for the future. We also sincerely thank our partners and shareholders for their trust and support over the past year. We are confident that more impact lies in the years ahead.



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