2022 Annual Report

Table of Contents

Letter from the Chairman

“ The past three years have demonstrated that the Group is highly resilient to shocks, an essential quality for any financial services company, but especially one operating in Africa ”

2022 can be described as the year we fully recovered from Covid, as reflected in the company’s annual results, despite lingering effects in China. Equally important, the Baobab Group has emerged from the Covid era with a strengthened position in its markets, thanks to effective risk management as well as the company’s retention of quality talent. Above all, the past three years have demonstrated that the Group is highly resilient to shocks, an essential quality for any financial services company, but especially one operating in Africa.

We now see a Group that is, in many ways, the leading microfinance company in Africa today. This statement, not made lightly, reflects a tremendous effort on the part of the management team, working hand in hand with the Board. There remains a great deal of work to do to improve efficiency and grow the business, but we are moving decisively in the right direction. Enhanced oversight has yielded results in risk management, reflected in loan portfolio quality. Likewise, the executive team has done an excellent job levelling up on gender and is working on doing the same for diversity more broadly.

Digitalisation is and must remain a strategic priority for the Baobab Group. Smartphone penetration in SubSaharan Africa is set to be 87% by the end of the decade, and its populations are recognising the convenience of digital financial services faster than those anchored in traditional banking. The Group now has robust fundamentals on which to build, moving apace with Africa’s rapid adoption of technology to provide simple, straightforward, and cost-effective solutions for its broad customer base.

Looking ahead, the Board will contribute to ensuring that the milestones of Baobab’s strategic roadmap for 2023-2025 are met by providing effective governance and guidance consistent with the Group’s objectives and values. Baobab’s key markets may vary in maturity, but in none of them is there a lack of opportunity and the Group can fulfil its mission of responsibly providing access to finance for the underbanked most effectively through growth. While 2023 and the following years are likely to bring delayed effects from current crises in the West, as well as new challenges, the company is strategically positioned to grow and reach its target of 1 million active customers.

I hope you enjoy this overview of the Baobab Group’s initiatives over the past year. I am grateful to all those whose hard work rendered them possible, including the management and employees at Group level and at our subsidiaries, as well as my fellow members of the Board. Last but not least, one of the Baobab Group’s key strengths is its engaged shareholders, whom I also wish to thank for their support.

Arnold Ekpe
Chairman of the Supervisory Board

Letter from the CEO

“ Despite rising food prices, falling raw materials, and the harsh impact of a strong dollar, our African subsidiaries delivered strong performances across the board ”

2022 was a very successful year for the Baobab Group, despite being a year of geopolitical and macroeconomic upheaval marked by conflict and inflation. Baobab Group disbursed 1.03 billion euros in loans to over 450,000 small businesses, illustrating the resilience of microfinance and the essential role fulfilled by the Group’s services in the everyday lives of the populations we serve.

In fact, every subdidary except our Chinese subsidiary delivered strong performance. Obviously, business at our MicroCred China subsidiary suffered throughout 2022 from the effects of the government’s Zero-Covid policy, however, the accelerated reopening suggests that recovery will be swift in the year ahead. Despite rising food prices, falling raw materials, and the harsh impact of a strong dollar, our African subsidiaries delivered strong performances across the board. The teams in Mali and Burkina Faso deserve special mention here for their resilience in the face of extremely challenging working conditions, but in all our countries, I am proud that the Baobab Group is able to attract and retain such talented people.

The year brought new partnerships with mobile money and mobile wallet operators, notably with WAVE Money, the rising player in West Africa. These synergies epitomise how the Baobab Group views digitalisation: as a tool for facilitating inclusion that complements, rather than replacing, our unmatched network of employees. The key is to make finance more accessible and inclusive, which is one reason our second-generation mobile app, released in 2022, focuses on user experience.

The impact-driven Baobab+, our subsidiary offering pay-as-you-go solar power kits, continued to grow, following entry into two new markets, the Democratic Republic of the Congo and Nigeria. In the past year, Baobab+ added larger solar generators geared towards “productive use” for small businesses that can be financed by green microloans from Baobab.

At the Group level, we further strengthened our organisation with the hire of a Chief Operations Officer, Cécile Chahid Nourai, who joined Baobab in June 2022. And, on a lighter note, you may have noticed the brand refresh we conducted in 2022. Its purpose was to ensure a distinctive visual identity that is memorable for clients from all walks of life, everywhere we operate.

Looking ahead, the Baobab Group will be focused on growth. It will be primarily organic growth in the countries where we already operate, but we might also expand into new markets that best fit with our current geographies. We will also broaden the range of services and channels we offer to match the needs of our customers who are not yet properly served by the traditional financial sector on the African continent.

As I review our achievements for the year, I believe congratulations are in order for those who made them possible — the investors who support us, the 4,300 employees who do amazing work, and our clients, who turn loans into jobs and lives.

Philip Sigwart
Chief Executive Officer

baobab

Our Key Figures & Our Corporate Governance

Our History

From seedling idea to thriving ecosystem: How Baobab became a leader of digital financial inclusion

The Baobab story begins in 2005, with the foundation of Microcred, supported by Positive Planet (formerly PlaNet Finance) via its Chairman Jacques Attali, as well as shareholders AXA Group, the European Investment Bank (EIB) and the International Finance Corporation (IFC). We started with the belief that everyone deserves access to fair finance. And we set out to provide just that, with a range of fair financial services.

From Microcred's first loan in February of 2006 (funding a fruit and vegetable stand)... to the launch of instant loans via our mobile app, the Group's vision has always been to fuel the ambitions of people, so that great ideas and communities can flourish.

After starting operations in Mexico in February 2006 (exited 2010), the second country we offered loans in was Madagascar (November 2006). Since this landmark moment, the Baobab Group has never stopped growing and developing on the African continent. We are also proud to have been the first microcredit company in China: in 2007, we launched operations in the province of Sichuan. Currently, the Group operates subsidiaries in Burkina Faso, China, Democratic Republic of Congo, Ivory Coast, Madagascar, Mali, Nigeria and Senegal.

In 2018, we cemented this by taking the name Baobab. Strong and resilient, the African baobab — or 'tree of life' – thrives in harsh conditions, providing food, shelter and water to millions. Committed to supporting its customers beyond financial services, the Group founded Baobab+ in 2018 to offer non-financial solutions. Today, Baobab+ brings access to light and digital technologies—two drivers of economic development—within reach of rural populations.

Moving ahead, Baobab is deepening its roots in the local communities it serves. We're combining the best aspects of automation and scaling with the intimacy born of our unparalleled network of field agents to connect people through trust, in life and in business.

And the best part is that by continuing to flourish itself, Baobab can extend its efforts to ever more entrepreneurs, supporting a virtuous circle of shared prosperity in the communities we serve.

Key Figures in 2022

Our vision is to be the number one financial partner for small businesses

loans | savings | insurance | payments

Baobab is a financial services group with operations in seven countries on the African continent and one province of China. Via its subsidiaries, Baobab provides financial services to half a million micro entrepreneurs and small businesses, **fulfilling its mission of broadening access to funding among those underserved by traditional banks**. Our global range of products includes micro-loans, savings solutions, transaction and daily banking services as well as innovative banking products like mobile payments, digital nano loans & also pay-go solar products via our subsidiary Baobab+.

457,079 active customers*

48% women customers

34% of customers are under 35

4,301 employees

1,142 sales points**

€4,569 average loan amount

€335m total deposits

€745m loan portfolio

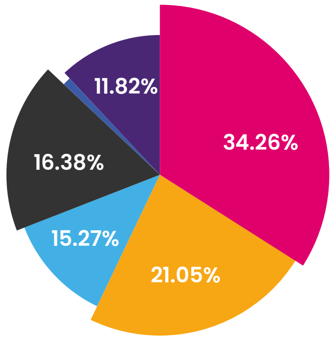
2.2% portfolio at risk 30 days

Burkina Faso | China | Côte d'Ivoire | France (HQ) | Madagascar | Mali | Nigeria | Democratic Republic of Congo | Senegal

* An active customer is a person or a legal entity having done a transaction on a Baobab account over the last 12 months.
** Sales points includes our branches and our network of banking agents.

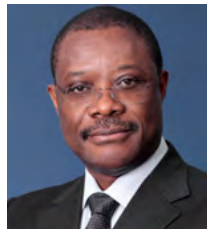
Our Governance

Shareholding Structure - 31 December 2022

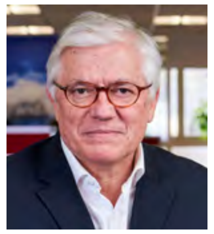


AXA
APIS GROWTH 2 LTD
MAJ INVEST
EIB
ABLER NORDIC
MINORITY SHAREHOLDERS

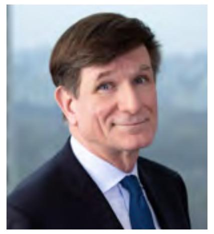
Our Supervisory Board



Arnold EKPE
Chairman of the Supervisory Board - Honorary President of the Business Council For Africa



Jean-Michel PIVETEAU
VIce chairman
Independant Director



Thierry PORTE
Chairman of the Audit, Risk & Compliance Committee - Managing Director JC Flowers & Co

François ROBINET
Member - President of Axa Strategic Ventures, AXA

Alain NADEAU
Chairman of the ESG Committee - EIB Group Representative in Hungary

Nadia BOUGHARA
Member - Head of Products, Operations and Technology - Axa Emerging Customers

Nick TALWAR
Chairman of the Strategy Committee - CEO of CircleUp

Houssam A. MOUSSA
Member - Partner, Apis

Erick DECKER
Member - Chief Investment Officer, Southern Europe & Emerging Markets, AXA

Kasper SVARRER
Member - Managing partner, Maj Invest

Thomas KLUNGSOEYR
Chairman of the HR Committee - Investment Director, Abler Nordic

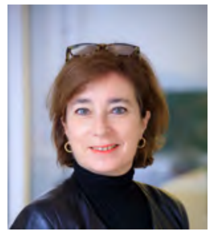
Executive Management Team

Philip SIGWART
Chief Executive Officer

Christina REIFSCHNEIDER
Group Chief Financial Officer

Hervé GUYON
General Counsel

Guillaume LESAY
Group Chief Risk Officer



Cécile CHAHID-NOURAI
Group Chief Operating Officer

Ruben DIEUDONNÉ
WAEMU Regional Director
Country Manager Baobab CI

Sarah TANC-WATTEEUW
Group Chief People Officer

Marion BOUILLIE
Group Audit Director

Nicolas SERRE
Group Chief Technology Officer

Mamadou CISSÉ
Country Manager Baobab Senegal

Mor Talla Diop TINE
Country Manager Baobab Mali

Hugues BONSHE
Country Manager Baobab Madagascar

Emmanuel DECAMPS
Group Head of Credit Operations

Missa ADJE
Country Manager Baobab Burkina Faso

Alexandre COSTER
CEO Baobab+

Bodo LIEBERAM
Country Manager MicroCred China

Kabeya KANYONGA
Country Manager Baobab Democratic Republic of Congo

baobab

Review of 2022 Activities

Highlights 2022

In 2022, Baobab Group successfully emerged from the Covid era and consolidated its competitive advantage in Sub-Saharan francophone Africa, delivering strong financial results and moving forward on strategic priorities to make access to inclusive finance easier while focusing on high standards of responsibility.

- Over the 2022 fiscal year, Baobab disbursed €1.03 billion in loans to a total of 450,000 small business owners serving communities across the African continent and in China.
- We added a key position with the hire of a Group-level Chief Operating Officer, Cécile Chahid-Nourai, who brings experience in leveraging AI and digitalisation.
- We moved forward on our digitalisation journey, rolling out the V2 of our smartphone app to all countries and gathering extensive feedback to prepare for the next iteration.
- Baobab Group became the first microfinance company to establish a direct partnership with Wave, West Africa's fast-growing mobile payments provider.
- We joined two inclusive finance impact initiatives, SPTF (Social Performance Task Force) and the European Microfinance Platform, as a signatory, and participated at several conferences to share and learn best practices as part of maturing industry standards.
- Following the publication of its first two country impact reports in 2022, Baobab has inked a partnership with impact measurement leader MFR to conduct assessments in two countries per year, beginning with Burkina Faso and the DRC.

- The Group successfully exited Tunisia after a decade in the country, turning over the subsidiary's operations to a committed player that will continue to support the values of inclusive finance.
- We welcomed Norfund to the board of Baobab+, which entered 2 new countries, Nigeria and DRC Congo, thanks to the Norwegian investor's €10-million equity stake.
- And lastly, we rolled out an updated logo across our subsidiaries as part of a Group-level brand refresh that also included a new website.

Clients & Products

Our customers

On December 31st, 2022, Baobab Group had more than **457,000 active customers**, mostly consisting of micro-entrepreneurs and small and medium-sized businesses, which receive little or no support from the formal financial sector. Baobab supports its customers with adapted and flexible financing offers.

At the end of 2022, the gross loan portfolio amounted to €745 million and the average loan amount was €4,569. Most of the loan book portfolio is for working capital financing of small businesses. Baobab primarily finances the trade sector (63%), followed by services (14%) and small scale manufacturing (7%). 48% of our borrowers are women and 34% are under 35 years old.

Total savings collected reached **€335 million in 2022.**

Profile of our clients' activities

63%	14%	7%	7%	9%
Trade sector	Services sector	Agriculture	Small scale manufacturing	Other

Our Products and Services

loans

Our micro and small business loans are either working capital or investment loans. Target customers may be very small entrepreneurs who need a micro-credit (less than €3,000) repayable in the short term (less than 12 months), and SMEs in need of bigger loans (up to €200,000) and longer maturities (up to 36 months), to support more substantial investments.

Like all financial institutions, for Baobab, 2021 was marked by the Covid-19 pandemic, which considerably impacted our own business and that of our customers. Throughout the period, Baobab's financial risk management and sales teams have worked hand in hand, supporting our clients while safeguarding our loans.

insurance

The main insurance product offered by the Group's subsidiaries protects borrowers and their families in the event of death or disability.

savings

Baobab offers savings accounts where the funds can be withdrawn at any time, various savings schemes and a range of term deposits with attractive yields.

payments

In addition to cash transactions available in Group branches, Baobab has developed partnerships to offer payment options in several subsidiaries. The payment options include electronic and interbank transfers, payment cards, cheques, payment vouchers and electronic bill payment. Specific payment products have been launched in some countries, such as NIBSS in Nigeria which can be used to securely make a loan repayment via a mobile phone.

call center

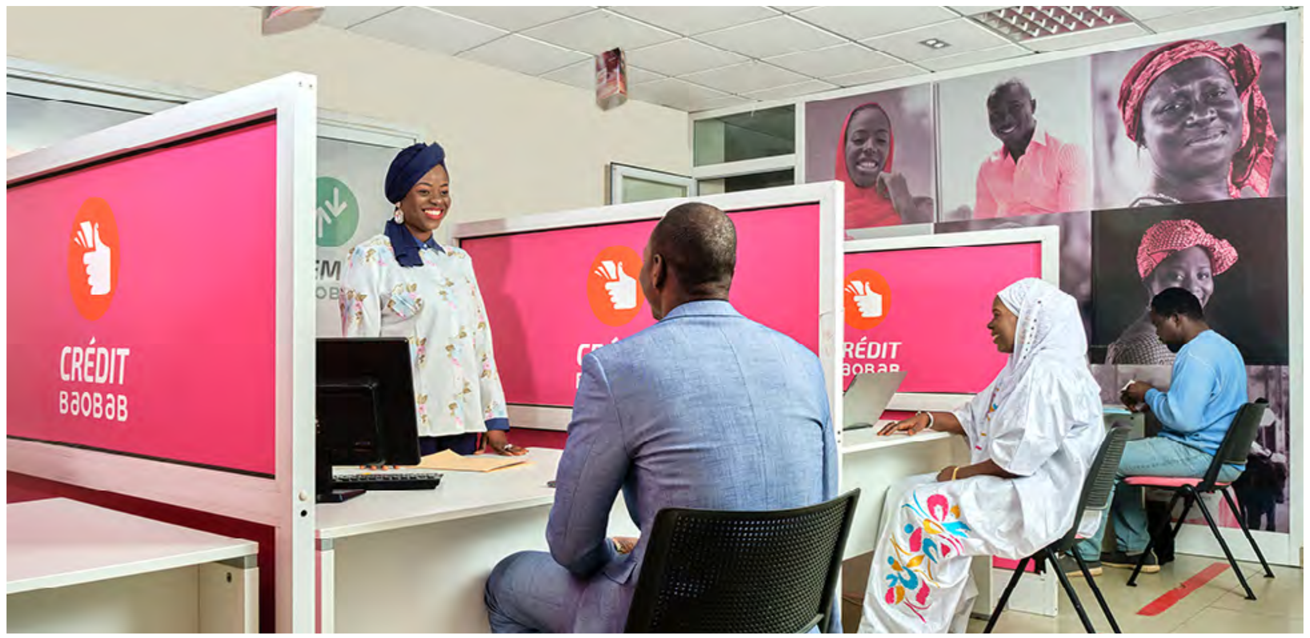
Baobab has rolled out call centres in all countries to improve its customer service. Call centres gather suggestions, opinions and complaints from customers on every claim communication channel (Calls, email, Facebook) and provide information about our products and services. They also carry out customer satisfaction surveys and are becoming a means of acquiring potential customers through out-bound campaigns.

banking agents

The Baobab Group now operates networks of banking agents in three markets (Côte d'Ivoire, Madagascar and Senegal), with over 900 agents completing the networks of branches in these countries. At Baobab banking agents, customers can make deposits and withdrawals, open a Baobab account, apply for a loan, check their account balance, pay bills, obtain nano-credits and transfer money.
Baobab has two types of banking agents, exclusive banking agents and non-exclusive agents who also provide agency services for other financial institutions and telecom providers. The staff in Baobab branches hires and trains the exclusive agents who are generally motivated young entrepreneurs. They are 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 entrepreneurs receive working capital funding, a tablet and a basic minimum salary. The aim is to assist them over the first six months of their start-up phase.

account opening in the field and smartphone loan application

Baobab has developed an application for opening an account in the field. It allows sales staff or banking agents to open accounts for new customers anywhere in just five minutes. With the application, the employee collects the customer's information from their ID card and their fingerprints via a biometric identification system. After the data is collected, branch staff checks the information and confirms the opening of the account.



Digitalising Baobab to Better Connect People and Financial Services

Simon-Pierre Behr
Digital Channel Lead

What makes digitalisation important for Baobab?

Fintech has changed the landscape of financial services in Africa, and clients now expect money to move instantly, to be able to access their accounts when they want, where they want, and to seamlessly obtain working capital for their business via a mobile app. Baobab has the advantage of already serving hundreds of thousands of clients across the continent, but to remain relevant we must surpass these new expectations in terms of digital services.

Partnerships are a major part of this process, aren't they?

Absolutely. Partnerships can help us leverage the existing client and database of the partner in order to provide relevant services to a wider audience. In Senegal for example, we work with Orange Money (OM) to provide micro loans and savings products to clients deemed worthy by a scoring system using data from OM and Baobab. Partnerships also allow us to offer innovative services to our clients. In Nigeria, we partnered with a fintech company so that our clients can instantly transfer money to any bank in the country. We have a similar and exciting partnership with Wave, the company shaking up the mobile money industry, to offer instant transfers between Baobab accounts and Wave mobile money wallets.

What role do Baobab's employees play in the digitalisation project?

We're looking closely where adoption of the app is especially high to identify processes that drive success. One measure that's been especially effective is having hostesses at branches to walk customers through the set-up process and demonstrate features. We're also soliciting feedback to add the services that make the most sense for our clients. We're not looking to move fast and break things—we're leveraging the strength of our amazing network of employees in the field and freeing up their time to meet our customers' needs even better.

And what are you working on right now?

Well, we have a pretty packed roadmap for the mobile app this year, and we're starting deployment of the V3 in Q1/Q2 2023. We have completely redesigned our mobile app by working with clients to make it simple and intuitive to use. We're very excited about this, but we also have a WhatsApp banking chatbot and our own USSD codes that will be deployed this year. These two channels will allow our clients that might not have a functional smartphone or internet coverage to access their accounts via mobile. We also have additional mobile money partnerships, anti-money laundering intelligence, and user experience improvements (UX) that we want to deliver.

wave baobab

Baobab and WAVE team up to make financial services ever more inclusive

Baobab is proud to be the first microfinance institution to establish a partnership and direct integration with WAVE Mobile Money, allowing its nearly 10 million users to easily make transfers between a WAVE digital wallet and a Baobab account. For those who don't know, WAVE, West Africa's first 'unicorn', is a young fintech that has shaken up mobile payments starting with Senegal, followed by Côte d'Ivoire and now Burkina Faso, Mali, and Uganda. While it's the company's low transfer fees and free withdrawals that drive headlines, its easy-to-use QR code system for those without smartphones and intuitive mobile app are what make it especially accessible.

The positive developments of 2022 will further strengthen and stabilize the group's performance going forward

Christina REIFSCHNEIDER
Group Chief Financial Officer

How would you characterise Baobab's performance in 2022?

The group closed 2022 with a very solid financial performance, and a profit above the 2021 results, in spite of the geopolitical tensions and a general economic downturn with rising inflation. Our loan portfolio developed very well, both in terms of volume and credit quality, and customer deposits increased, too.

What were some of the year's main achievements?

2022 was a year of significant growth of operations in our core markets in sub-Saharan Africa. While the bigger institutions further strengthened their positions, the significant growth rates of our smaller institutions allowed them to generate more economies of scale. These positive developments of 2022 will further strengthen and stabilize the group's performance going forward. Furthermore, there was a specific focus on products and services for clients beyond lending. This was reflected in a growing customer deposit portfolio, and allowed Baobab to cover an increasing share of its funding needs with local retail funding. For Baobab+, our African solar energy provider subsidiary, we welcomed Norfund, the Norwegian investment fund for developing countries, as a strategic minority shareholder. This allowed Baobab+ to expand its operations to Nigeria and DRC Congo.
To sharpen the focus on our core activities, we strategically exited our operations in Tunisia. The sale and handover of the entity to a likeminded investor was completed in H2-2022.

Can you share your roadmap for 2023?

Building on 2022, we intend to deepen and broaden our investment in sub-Saharan Africa, refining our range of services and seeking new opportunities. In addition to growing our loan portfolio, we aim to grow deposits, and open new channels for our clients to access our products and services. Underpinning this strategy, our investment in digitalisation continues. We believe in our overall approach, which is based on our close, longstanding relationships with our clients. It allows us to respond to our clients' needs and changing circumstances in a flexible way, which makes Baobab Group very resilient even in challenging environments.

The importance of digitalization in achieving Baobab's goals

One reason for Baobab's continued success across the multiple countries it serves is the company's commitment to investing in digital technology. Baobab's budget for upgrading and expanding its digital footprint increases steadily each year, supporting greater efficiency both at group level and for in-country operations. Digitalization has also allowed Baobab to expand its range of banking and microfinance services to respond to client needs. Going forward, and starting in 2023, Baobab expects these investments to produce returns as it opens up new channels for its expanding customer base. We are already seeing that clients appreciate additional options to work and cooperate, such as bid-for-loan applications, repayment of debt instalments and cash transactions.

Outlook 2023: Digitalisation gains traction

In 2023, we will build on the achievements of 2022 to further accelerate responsible growth in our Middle African markets and the full recovery of our China subsidiary. Digitalisation will play a critical role in this process, as we continue to enhance the user experience and add functionality.

On the technology front, we will be localising the 3rd iteration of our mobile application, as well as gathering feedback from users and Baobab employees. Meanwhile, we will be rolling out WhatsApp functionalities in Q3 this year to provide an additional mobile channel. In conjunction with the application, we plan to expand our automated Taka nano-loans from Nigeria to additional markets as a great way for customers to start building a positive credit history and to reach a broader cross-section of the underbanked.

To determine how the Group's activities translate into benefits for people, while also providing valuable local insight into our customers' needs and wants, Baobab Group will conduct Impact Assessments in Côte d'Ivoire, Madagascar & Mali this year under the partnership with Microfinanza signed in 2022. Within Baobab, we are further automating impact data to increase the number of subsidiaries reporting impact figures at Board level. On a more concrete level, as part of our ongoing commitment to women entrepreneurs, and following on our successful hybrid-format training on social media tools "She Means Business" with Meta, we will be conducting additional workshops in 2023.

The new Chief People Officer,
Sarah Tanc-Watteeuw, will carry on the work already underway to ensure the Baobab Group not only attracts and retains the best talent, but inspires engagement in its employees, who are the brand's ambassadors on the ground. Promoting diversity beyond gender at Group level will be a particular focus of her tenure, as will questions of safety and employee well-being. We will also continue to provide training and support in 2023 so that employees in the field can help customers get set up with our application, as evidence indicates this can lead to much higher adoption.

Group COO, Cécile Chahid-Nourai, appointed in H2 2022, will begin setting out a plan to consolidate operational excellence across the Group, working with the Risk Management Department to address operational risks, including those arising from the Baobab Group's digital transformation.

Last but not least, Baobab Group's subsidiary dedicated to providing access to green power, Baobab+, will focus in 2023 on synergies with Baobab via green loans to provide attractive energy solutions for entrepreneurs based on its 'Productive Use' solar generators.

The considerable effort that Baobab Group has put into building strong governance, risk management and operational processes paid off handsomely in 2022, in the form of growth, healthy loan portfolios, and improved positioning in our markets. While the African continent may experience delayed fallout from rising interest rates in 2023, the Group's business is broadly resilient to such turbulence, and we expect to continue our growth trajectory as we integrate our new digital capabilities and physical network.

Building a Solid Foundation in Risk Management

Guillaume LESAY
Group Chief Risk Officer

Credit defaults at Baobab hit an all-time low in 2022, to what do you attribute this?

I'd say there are three main factors. Firstly, we put a huge effort into managing Covid, and we came out of the pandemic in good shape. Secondly, local teams have become more autonomous using tools to identify and address credit risks before they get out of hand. And lastly, our two largest subsidiaries in Africa both performed well, which isn't always the case. Overall, the takeaway is that our processes are working to deliver a healthy loan portfolio.

What about digitalisation, is it a source of risk or a solution?

Both, really. Digitalisation is a source of credit risk, as fewer interactions mean problems may go unnoticed. It's also a potential source of operational risk. That's why we work hand-in-hand with the Technology department to identify and address risks in both client-facing apps and back-office software. In 2022, we focused on automation of key workflows like loan origination and arrears.
Done right, this is where digital can help, by automating repetitive processes and maximising follow-through. More importantly though, digitalisation has made our employees more interested in risk management. In short, our organisation is maturing.

Any specific initiatives you'd point to that illustrate Baobab's greater maturity?

It may sound routine – and technically that's exactly what it is – but establishing continuous risk monitoring and reporting in 2022 was a big step. This was made possible by the training we conducted in 2021 and by ensuring every subsidiary has dedicated risk management staff. And upstream, risk management is part of the steering committees that now review every new initiative across our departments. On this basis, we will continue training and refining processes in 2023.

baobab

Our Impact

Our Impact Figures

65%
of customers who were unbanked before they joined Baobab

48%
women customers

€1.032 bn
total loans disbursed in 2022

1,560,000
Baobab+ beneficiaries since the launch

Amplifying Impact Through Collective Action

Hervé Guyon
Baobab Group
General Counsel

Bianca Le Thanh
Microcred China
General Counsel

You performed several country-level impact audits in 2022. What's the added value of this exercise?

Bianca :
Each year we commission Social Ratings conducted by the industry gold standard, MFR, for two or three subsidiaries, namely Burkina Faso and the Democratic Republic of the Congo (DRC) in 2022. These audits cover systems, processes, and results, so we get a truly granular look at what we're doing right and where we can make concrete improvements.

Hervé :
The benchmarking aspect is also valuable, because it helps us identify areas where industry solutions exist that we can learn and apply—and where we should be sharing our ideas. There are also both 'hard' and 'soft' benefits to putting things in black and white for our teams. Seeing the cumulative impact Baobab has on populations reinforces a sense of shared purpose, while having specific figures motivates everyone to meet new and higher targets.

Baobab joined several industry associations in 2022, was this coincidence or part of a larger picture?

Bianca :
For us it was very important to 'walk the talk' first and foremost. So, the bigger picture is being more organised internally so we can benefit from these interactions. The point is to pool our knowledge so that microfinance can do a better job of financing the underbanked to help them prosper and contribute to a thriving economy.

Hervé :
Inclusive finance is an area that is still taking shape, with new and exciting developments – like Green Microfinance. Thanks to our benchmarking, we are now able to analyse our own experience more effectively and contribute to the industry conversation, as well as gaining insights from our peers. In 2022, we joined SPTF and the European Microfinance Platform, two key industry initiatives.

And how are you translating what you've learned into action to strengthen impact at Baobab ?

Bianca :
In 2022, all subsidiaries formally adhered to the Client Protection Principles (CPP) sponsored by Cerise and SPTF, an industry standard to promote Responsible Financial Inclusion that sets out a detailed framework and pathway for improvement. Currently, we're reviewing and updating our social goals, policies and KPIs

Hervé :
First, we've worked extensively with IT to automate data gathering. Currently, 80-90% of our KPIs have been automated. Second, we're continuing to train teams at our subsidiaries so that reporting on impact becomes fully integrated. In 2022, 60% of subsidiaries reported their KPIs to the Board, and we're aiming to improve in 2023. And lastly, we continue to emphasise the SDGs, because they are such a concrete way to link incremental change to major societal goals.

Social Performance Management

Baobab is committed to upholding microfinance industry standards for responsible financial inclusion, as set out in the Client Protection Pathway (CPP), and the widely recognised Universal Standards for Social and Environmental Performance Management (USSEPM) managed by Cerise - SPTF, two leading global organisations dedicated to social and environmental performance management.

All Baobab subsidiaries formally joined the CPP and are part of the Cerise-SPTF list of Financial Service Providers committed to Client Protection.

Aligned with those practices, the Social Performance Management (SPM) at Baobab strives to integrate the 5 pillars: clients, board members and shareholders, staff, environment, and community. Baobab endeavours to promote social performance at every step of its operations. Each Baobab subsidiary integrates in its operation a system of Environmental & Social policies and framework, with an SPM Coordinator as a focal local SPM point.

The Supervisory Board has set up an ESG Committee in order to monitor the implementation of the standards of SPM practice, to oversee SPM-related actions and reporting, and to advise the Supervisory Board on all SPM matters.

Since 2017, Baobab subsidiaries conduct annual SPI4 self-assessment to evaluate and monitor their SPM progress and achievements. SPI4 is an industry recognised tool that helps microfinance institutions assess and monitor their level of implementation of the Universal Standards and CPP.

Since 2021, Baobab undertakes to measure the social impact of its operations via a Social Rating and/ or Impact Measurement study performed by third party partners.
In 2022, with the support of Baobab shareholder Maj Invest, Baobab Senegal conducted a Impact Measurement study performed by third-party experts, which revealed excellent alignment of outreach, quality of services, and change in clients' life with its mission and objectives.

In 2022, Baobab launched a 3-year Social Rating and Impact Measurement study program as part of target to continuously measure the Social Performance of all its subsidiaries' operation. Baobab Burkina Faso and Baobab RDC both benefitted from a Social Rating and a Impact Measurement study under this program. Baobab Burkina Faso scored sBB in its Social Rating, which reflects adequate social performance management and client protection systems, and satisfactory alignment to the social mission.
Baobab is continuing its efforts to automate the SPM indicators reporting process to better track performance.
Baobab will continue to adjust its SPM practices to follow the evolving standards of the microfinance industry on social and environmental performance and to measure the impact of its activities.

baobab

Our Subsidiaries

Baobab Banque Madagascar

Hugues BONSHE
Country Manager
Baobab Madagascar

Baobab Bank Madagascar launched its first operations in December 2006. Thanks to its diversified offering, the institution has been able to support very small businesses as well as small and medium-sized businesses with their projects. In 2022, Baobab Bank Madagascar provided financing to 57,222 active customers. It has a country-wide presence with 37 branches and 284 banking agents.

57,222
active customers

839
employees

€54m
loan portfolio

€53m
total deposits

€2,442
average loan amount

37
total branches

4.2%
portfolio at risk 30 days

€67m
total assets in 2022

€10m
total equity in 2022

€1.4m
net result in 2022

Mahefa

Businesswoman in the textile sector
Baobab customer since 2011

“ Baobab has believed in me from the start and their close support has driven my business growth ”

Mahefa runs a company called Mahefarimanana Harivelo, which is a combination of two businesses, her own and that of her husband, both specialising in textiles. Her business makes fabrics and clothes for the local market.

As a wife and mother of two children, Mahefa’s days are always very busy, between running her business and looking after her family, which is always her priority. When she first started out, Mahefa faced several challenges, particularly to make a name for herself in a male-dominated sector. Thanks to the close support provided by Baobab, she successfully took up this challenge and improved her business development plan. Since 2011, she has received several loans and has thus been able to grow her production and sales.

This year, Mahefa is determined to achieve her ultimate goal of producing all her fabrics on her own. She would then like to turn to cotton farming, to limit the imports which today represent one of the company’s biggest items of expenditure. While she naturally intends to hire qualified technicians, she is also counting on essential financial support, thanks to her long-standing relationship with Baobab.

Baobab Senegal

Mamadou CISSÉ
Country Manager
Baobab Senegal

Baobab Senegal opened its first branch in Dakar in September 2007. Today, Baobab Senegal has become a leader in microfinance, offering increasingly innovative, differentiated services that are unique on the market. In 2022, Baobab Senegal granted more than 60,000 loans to its customers. The Baobab Senegal network now covers almost the whole country with 59 branches and 439 banking agents. Thanks to a BBB+/Stable/w-3 rating by the GCR-Rating Agency on its regional scale, Baobab Senegal has benefitted from better financing conditions on the West African market.

157,358
active customers

765
employees

€177m
loan portfolio

€106m
total deposits

€3,673
average loan amount

59
total branches

1.3%
portfolio at risk 30 days

€193m
total assets in 2022

€31m
total equity in 2022

€5.9m
net result in 2022

Siki

Fabric shop owner
Baobab customer since 2015

“ I have grown with Baobab over the years. They have provided the support I needed to really build my business ”

Siki has been in the fabrics business in Dakar for more than ten years and he has been a Baobab Senegal customer for eight. With a view to growing his business, and being in need of funds, he decided to apply for a first loan in 2015, but without much hope. In just a few days, his application was granted and he received his very first loan. “My first loan with Baobab was for FCFA 300,000 (or €457), even though I only had a small stall.” Today, his business has developed and Siki is now eligible for loans of more than FCFA 40,000,000 (approximately €61,000). “I have grown with Baobab over the years. They have provided the support I needed to really build my business.”

Since then, Siki has moved on in leaps and bounds, and has even bought the building where he first started selling his wares outside. In just a few months, he had renovated the building and put it up for rent, giving him a new source of income. He also has a plot of land where he has built his own shop, and he has hired staff. His life has completely changed in just a few years. “Today, I’m married and I have built my house, bought a car and travelled quite a lot. When I first contacted Baobab, I didn’t even have a passport”, he says with a smile.

Siki is very pleased with this partnership and is grateful to Baobab for processing his requests quickly, and for its available and responsive teams. “Baobab is and will remain my only financial partner! It has a real impact and can bring very positive change to the lives of African business people.

Baobab Nigeria

Baobab opened its Nigerian subsidiary in March 2010 and is one of eight national microfinance banks licensed to operate in Nigeria. In addition to cash transactions, Baobab Nigeria offers other payment solutions through its electronic channels and the NIBSS platform. Customers can make payments and instant repayments via dedicated terminals or partner banks. Baobab aims to fill the gap faced by 47% of Nigerians who have no access to the traditional banking sector and then to be a driver of economic development in Nigeria

64,085
active customers

711
employees

€53m
loan portfolio

€27m
total deposits

€2,440
average loan amount

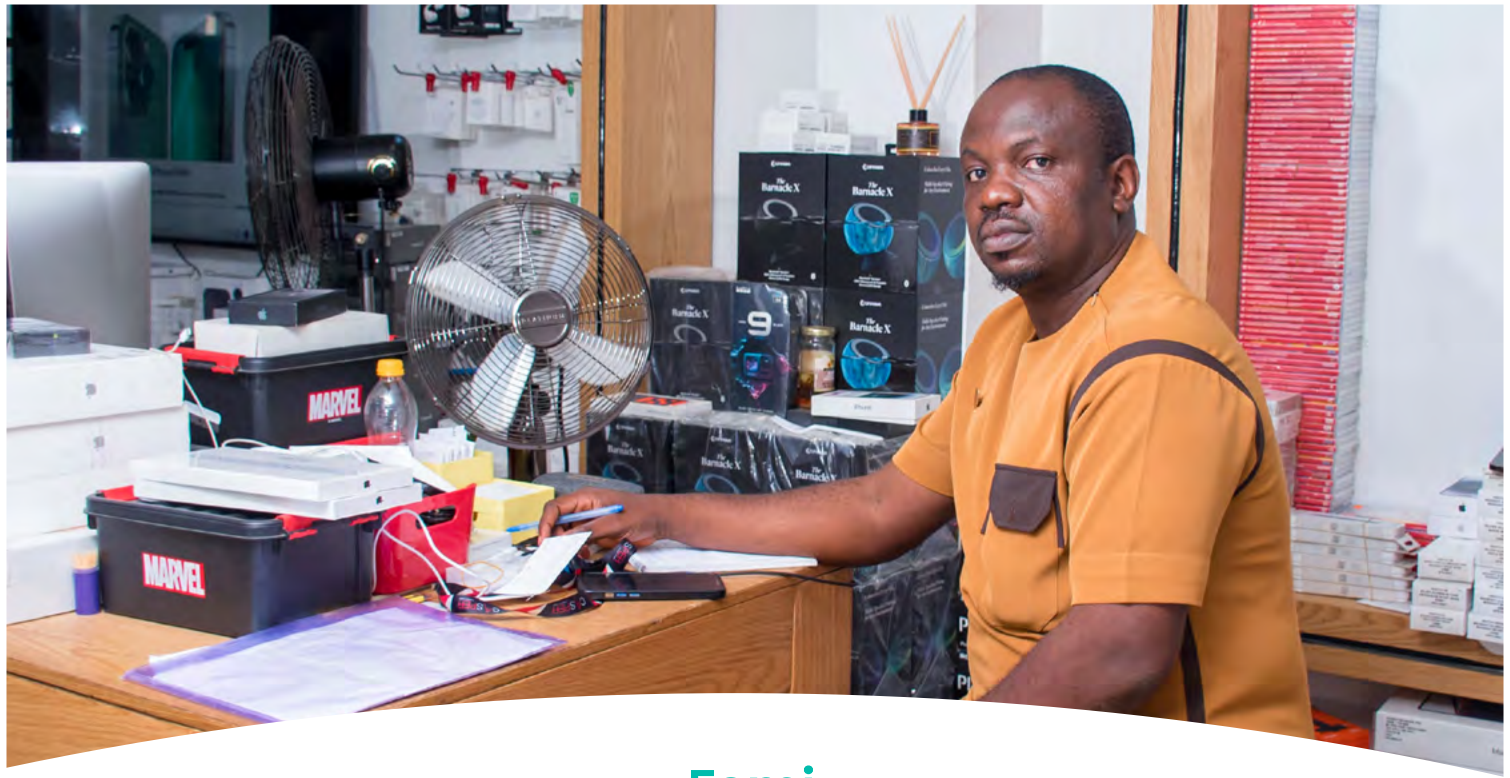
31
total branches

2.2%
portfolio at risk 30 days

€60m
total assets in 2022

€14m
total equity in 2022

€2.6m
net result in 2022



Femi

Apple-accredited distributor
Baobab customer since 2018

“ I have complete confidence in Baobab’s ability to meet the requirements of any business, which is why I am always at ease recommending them to fellow entrepreneurs ”

Femi is the Director of Casper Gadgets, an Apple-accredited distributor based in Nigeria. With almost a decade of industry experience, he has acquired a deep understanding and expertise in delivering top-notch technology solutions. Since 2018, Femi has also been a valued customer of Baobab. Femi’s journey with Baobab began with a loan of 35 million naira (approximately €7100), which has significantly increased over time. Today, his business enjoys remarkable stability, and Femi expresses great satisfaction with the support he has received from Baobab in recent years. «I can confidently say that I made the right choice! The Baobab teams have a profound understanding of my business needs and have consistently provided me with the necessary capital to fuel the growth of my enterprise.»

Without hesitation, Femi has consistently recommended Baobab to those in his circle. «The reason is simple: their service is exceptional and highly reliable. I have complete confidence in their ability to meet the requirements of any business, which is why I am always at ease recommending them to fellow entrepreneurs.»

Femi would like to witness Baobab’s services being more widely accessible and extended to other regions of the country.

Baobab Côte d'Ivoire

Ruben DIEUDONNÉ
WAEMU Regional Director
Country Manager Baobab CI

Baobab Côte d'Ivoire is one of the biggest subsidiaries of Baobab Group. It was founded in 2009, but only opened its first branch in October 2010 due to the 2010 political crisis. Baobab Côte d'Ivoire began active operations in June 2011 and contributed to improving the lives and livelihoods of its customers. Until 2013, the institution was only present in Abidjan with five branches. The following year, Baobab Côte d'Ivoire expanded outside Abidjan, opening more than fifteen branches in the provinces. Today, Baobab Côte d'Ivoire has 35 branches and 295 banking agents.

82,388
active customers

834
employees

€184m
loan portfolio

€90m
total deposits

€5,549
average loan amount

35
total branches

2.5%
portfolio at risk 30 days

€198m
total assets in 2022

€35m
total equity in 2022

€10.1m
net result in 2022

Massanvi & Gisèle

Restaurant owners
Baobab customers since 2011 and 2018

" We are very pleased with our experience with Baobab and feel fully confident about the future "

Gisèle, 57, and Massanvi, 53, are two sisters who work in the catering sector in Abidjan. After losing their jobs as salaried employees, they both decided to go into the fast food business. They inherited their love of cooking from their mother, who was very gifted in the kitchen.

The two sisters serve local dishes that are very popular with passers-by. Gisèle is known for her sweet potatoes and grilled chicken and fish. And Massanvi prepares side dishes such as ablo (steamed corn and rice cake) and akassa balls (dough made from steamed, ground corn), which are big favourites among the local population.

Massanvi has been a Baobab customer for over ten years. She first opened a savings account to deposit her savings and then, a few years later, she decided to apply for financing to grow her business. She quickly obtained her first loan of FCFA 350,000 (€535).

Pleased with her relationship with Baobab, she recommended the institution to her sister, who was already a customer elsewhere. So, in turn, Gisèle took the plunge in 2018 and received her first loan for FCFA 200,000 (€305). Today, the two sisters are very satisfied and confident about the future. Gisèle says: "My account manager is very attentive to my needs and the branch team really looks after me. I feel very comfortable with Baobab".

Baobab Mali

Mor Talla Diop TINE
Country Manager
Baobab Mali

Baobab Mali opened its first branch in Bamako in September 2013. The institution is one of the country's leading financial inclusion specialists. Today, Baobab Mali has 35,861 active customers, mostly working in the retail trade sector. Its network consists of 18 branches, with nine in Bamako and nine in the regions. The subsidiary employs 324 people, half of whom work out in the field.

35,861
active customers

324
employees

€45m
loan portfolio

€25m
total deposits

€3,161
average loan amount

18
total branches

2.5%
portfolio at Risk 30 days

€47m
total assets in 2022

€3m
total equity in 2022

€2.0m
net result in 2022

Moumouni

Merchant and manager of a money transfer outlet
Baobab customer since 2015

" The big difference between Baobab and other microfinance institutions is the rapidity of the loans, the diversity of offers, and the technological innovations "

Moumouni is a young merchant based in Bamako, Mali. He first started out in business in 2007 with a notions store, before moving into fabric trading and then money transfer operations.

Moumouni heard about Baobab from his father, who was a customer himself and who encouraged him to follow suit.
Moumouni was granted a first loan of FCFA 800,000 (or €1,215) to help him develop his business and, since he was very satisfied with the service, he applied for another loan a few months later. This time, he was able to borrow FCFA 1,000,000 (€1,520). Today, all his businesses are thriving. Moumouni has a very diverse customer base consisting of both retailers and semi-wholesalers. His fabrics come from Gambia and Togo, and he sometimes travels to neighbouring countries to meet new suppliers.

As for his second line of business, money transfer, Moumouni is today a partner of one of the biggest money transfer companies in Mali.

Moumouni says: "The big difference between Baobab and other microfinance institutions is the rapidity of the loans, the diversity of offers, and the technological innovations that Baobab provides, such as the TAKA loan and the My Baobab mobile app." He regularly recommends Baobab to his friends and family in order to develop their businesses. To him, it is also a way of fighting unemployment in Mali.

Baobab Burkina Faso

Missa ADJE
Country Manager
Baobab Burkina Faso

Baobab Burkina Faso started operations with the opening of its first branch in September 2016 in Ouagadougou. To better serve its customers, in addition to traditional credit and savings, the institution offers the Taka nano credit and Alip automated loan renewal. In five years, Baobab Burkina Faso has opened 10 branches. The 263 employees of Baobab Burkina Faso work together to support their 20,001 customers.

20,001
active customers

263
employees

€48m
loan portfolio

€24m
total deposits

€3,738
average loan amount

10
total branches

1.2%
portfolio at risk 30 days

€53m
total assets in 2022

€6m
total equity in 2022

€1.1m
net result in 2022

Simon

Hardware store owner
Baobab Customer since 2019

“ I feel that I belong to the big Baobab family, not only because of its values, but also and above all because of the close relationship and the quick loan processing speed ”

Simon, who is married and the father of three children, runs a hardware store in Ouagadougou. For several years, Simon worked in water connections for private clients and companies, but it was a tough job, so he looked for an alternative that was less demanding on his health. In 2017, Simon decided to start selling mobile phone accessories. After a few months, he had earned enough money to rent a 19sqm shop to sell hardware and various materials.

Simon heard about Baobab in 2019, through a friend, but at first, he did not really see the advantage of seeking support to develop his business.

However, one day, he received a visit from a Baobab business development officer who gave him all the information he needed to open an account.

After giving it some thought, Simon took his first steps with Baobab and opened a current account, Then, he soon applied for and received an initial loan of FCFA 600,000 (€914). Thanks to this loan, Simon diversified his business by selling drinks and household furniture.
Today, he is proud of his achievements and is grateful to Baobab. He has also recommended the institution to several people around him who, like him, have been able to quickly obtain a loan.

Since then, Simon says he has been canvassed by several other microfinance organisations but he was not convinced by them. He feels that he belongs to the big Baobab family, not only because of its values, but also and above all because of the close relationship and the speed with which it processes loan applications.

Baobab DR Congo

Kabeya KANYONGA
Country Manager Baobab
Democratic Republic of Congo

In 2017, Baobab Group acquired OXUS DRC, a microfinance institution that began operating in July 2013. It is currently providing financing to over 14,112 active customers, mostly micro-enterprises and small and medium-sized companies. Baobab DRC supports the needs of its customers, particularly by rendering its offering more digital.

14,112
active customers

255
employees

€28m
loan portfolio

€10m
total deposits

€5,774
average loan amount

8
total branches

3.1%
portfolio at risk 30 days

€37m
total assets in 2022

€8m
total equity in 2022

€2.3m
net result in 2022

Marie Jeanne

Shopkeeper
Baobab Customer since 2021

“ Baobab helped me to develop my business. Thanks to this financing, I was able to add new items at the request of my customers ”

Marie Jeanne, 61, runs a retail business selling food and non-food products in the heart of the capital. Her main customers are private individuals who live close to her shop. When Marie Jeanne had the idea of starting a business, she didn't hesitate for a second. At the beginning, she chose to finance herself with her own funds and small savings. Very quickly, her business developed and she found that she needed more financing to purchase her goods.

Marie Jeanne learned about Baobab through a portfolio manager who suggested that she apply for a loan at the closest branch. At first, she was quite hesitant, but when she asked other Baobab clients, she received many positive reviews. A few days later, Marie Jeanne finally decided to submit her first credit application and received very quickly her first financing. «Baobab helped me to develop my business. Thanks to this financing, I was able to add new items at the request of my customers. This had a positive impact on the financial health of my business. «

Marie Jeanne is very satisfied with the support she received from Baobab. Moreover, she regularly recommends Baobab to her friends and family. Her goal over the next five years is to open new shops in the country's major cities, again with the financial support of Baobab.

Microcred China

Bodo LIEBERAM
Country Manager
MicroCred China

MC China started operations in Nanchong in December 2007 and expanded into Chengdu in January 2011 (both cities are located in the Sichuan province). The institution performs an onsite investigation for its clients which ensures an excellent quality of the loan portfolio and a good relationship with the client. At the same time, the company provides a range of different digital solutions to improve customer experience, such as digital loan application and digital loan contracts. Microcred customers have the possibility to renew their credit via WeChat : all the process is 100% digital and the money is available in less than one hour. After 15 years of steady expansion, Microcred China has become one of the most successful microcredit institutions in China. The institution has 54 outlets in 13 cities across the Sichuan province.

18,738
active customers

506
employees

€155m
loan portfolio

€13,470
average loan amount

54
total branches

2.2%
portfolio at risk 30 days

€159m
total assets in 2022

€81m
total equity in 2022

€3.3m
net result in 2022

Li Xiaqiong

Plantation Owner
Microcred Customer since 2020

“ Microcred supported me during financial difficulties, and their manager’s professionalism reassured me about microfinance institutions ”

In 2010, Li Xiaoqiong, weary of urban life, entrusted her mushroom business to her son and made the decision to relocate to the countryside to cultivate cherry trees, sell saplings, and embrace a pastoral lifestyle.

Li Xiaoqiong shared her vision of establishing a cherry blossom garden with the local government. The project received strong encouragement and support from the authorities. However, amidst the allure of the project, she had to confront the realities on the ground. With no prior experience in planting, she embarked on a steep learning curve. To aid her journey, the government arranged for agricultural planting experts to visit her garden multiple times, offering valuable technical advice. The sight of the first batch of cherry blossom trees moved Li Xiaoqiong deeply, even though she was already over 50 years old at the time.

In 2020, as the pandemic took its toll, Li Xiaoqiong encountered cash flow challenges. Due to age restrictions, her previous bank was unable to continue providing support. Through a friend, she was introduced to the director of Microcred China, who swiftly extended financial assistance.

«Microcred stepped in to support me when I faced financial difficulties, and the professionalism exhibited by the manager alleviated my concerns about microfinance institutions. I have full confidence in Microcred and look forward to continuing our partnership!»

Presently, Li Xiaoqiong aspires for this forest to serve as a sanctuary where individuals can momentarily escape the pressures of life, unwind, and forge a closer connection with nature.

Baobab Plus

194,052
Number of kerosene lanterns that have been replaced

255,809
Metric tons of CO_2eq saved

2,354,019
Number of Watts of clean energy

260,000
Homes equipped since the launch

75%
Increase of study time (source 60 decibels)

1,560,000
Baobab+ beneficiaries since the launch

Alexandre Coster
Co-Founder and CEO of Baobab+

Baobab+ Energizing a Virtuous Cycle of Development

Can you tell us briefly what Baobab+ does and where?

Baobab+ provides pay-as-you-go solar and digital solutions to rural and peri-urban populations where grid service is non-existent or spotty in Senegal, Mali, Côte d'Ivoire, Madagascar, Nigeria and the DRC. Founded in 2018, the project grew out of my years of experience at Baobab. I used to see kids walk miles to do their homework under streetlights, which is clearly not safe, and people who would have to stop work at dusk.

Impact is obviously at the core of Baobab+. What does this mean in practical terms?

Access to energy is critical to development, and in Mali or Madagascar, close to 80% of the population lacks access to electric power. On the material needs side, using Baobab+ solar kits, adults can work longer, just as children can complete their homework and so do better in school. Light also means physical security for many. Solar lights are safer than kerosene, and better for the planet. This is also true of our new and very popular cookstoves, which launched in 2022 and generate carbon credits for Baobab+ as well as safer, energy saving ovens that reduce CO_2 and toxic fumes.

What about the economic side?

Through our partnerships with Orange and MTN we drive access to digital technology and payment systems, especially mobile money, a huge factor in development. Many of our customers never had access to the formal economy before.

And how do you measure the impact you have?

As a 100% digital company we have very complete data, which we analyse. We also work with social impact measurement experts like 60+ decibels, which produced an Impact Report on Baobab+ Madagascar in 2022, a critical step for meeting our customers' needs more effectively and responsibly.

What are your big ambitions in the near term?

Two things on the immediate horizon. Firstly, we plan to scale up our larger solar-powered system suitable for entrepreneurs who need to plug in a freezer, hairstyling equipment or woodworking tools. These 'Productive Use' units are offered to qualified candidates alongside Green Microloans from Baobab. Second, we will be focusing on profitability, to make sure we can keep reaching the many who can benefit from Baobab+.

baobab

Financial Statements

Statutory Auditors' Report On The Consolidated Financial Statements

For the year ended December 31, 2022

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 for the year ended December 31, 2022.
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 at December 31, 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the 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 these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors for the period from January 1, 2022 to the date of our report.

Justification of Assessments

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the most significant assessments we made, in our professional judgement, concerned the appropriateness of the accounting policies applied, the reasonableness of the significant estimates used and the presentation of the financial statements.

These assessments were made as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also performed the specific verifications on the information pertaining to the Group presented in the President's management report.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of 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 expects to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the President.

Responsibilities of the Statutory Auditors relating to 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 of 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 taken by users on the basis of these consolidated financial statements.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.
They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;

- obtain an understanding of the internal control procedures 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;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess 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 the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain 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 Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Marseille and Sarcelles,
June 13, 2023

The Statutory Auditors

PricewaterhouseCoopers Audit	**Cabinet Jean Lebit**
Vincent Thyssen	**Jean Lebit**

Contents

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)

ASSETS	Notes	2022	2021	Variation
Cash and cash equivalents	**10**	**67 927**	**91 316**	**(28 805)**
Cash in hand		19 541	17 695	1 846
Deposits		48 386	73 620	(30 651)
Demand deposits and short-term investments		42 552	66 466	(29 331)
Deposits to central banks		5 834	7 154	(1 320)
Loans (net outstanding and accrued interest)	**8**	**727 979**	**683 357**	**44 621**
Loans (gross outstanding and accrued interest)		743 968	698 450	45 518
Loans impairment		(15 989)	(15 093)	(896)
Other assets		**89 749**	**104 377**	**(14 628)**
Intangible assets	4	9 365	5 774	3 590
Tangible assets	5	21 429	17 728	3 701
Financial assets	6	1 335	1 206	129
Inventory		10 150	4 928	5 222
Deferred tax assets	7	13 781	10 599	3 182
Other receivables	9	33 690	29 541	4 149
Non-current assets held for sale		0	34 601	
TOTAL ASSETS		885 655	879 050	1 188

LIABILITIES	Notes	2022	2021	Variation
Debts to clients	**12**	**337 034**	**313 315**	**23 719**
Demand deposits		134 784	117 195	17 590
Term deposits - Clients		60 757	134 645	(73 888)
Term deposits - Institutions		59 257	61 475	(2 218)
Mandatory deposits		82 236		82 236
Debts to financial institutions	**12**	**310 508**	**315 271**	**(10 179)**
Senior debt		306 721	305 197	(3 893)
Subordinated debt		3 787	10 073	(6 287)
Provisions	**13**	**4 322**	**3 900**	**422**
Non-current liabilities held for sale			**32 249**	
Other Liabilities	**13**	**37 942**	**31 561**	**6 382**
Total Equity	**11**	**195 848**	**182 754**	**13 094**
Share capital and share premium		109 819	101 821	7 998
Reserves		36 340	21 841	14 499
Net result, Group share		17 870	14 411	3 459
Translation reserves		(1 518)	(145)	(1 372)
Equity, Group share		**162 512**	**137 928**	**24 583**
Minority interests		33 336	44 826	(11 490)
TOTAL LIABILITIES AND EQUITY		885 655	879 050	1 188

Consolidated Income Statement

IN K€	Notes	2022	2021	Variation
Received interest and related income	18	179 505	158 874	20 631
Interest paid and related expenses		(38 441)	(37 184)	(1 257)
Interest, net		**141 064**	**121 690**	**19 374**
Commission	18	14 469	13 408	1 061
Other financial income	19	(2 413)	(796)	(1 617)
Financial expenses		(2 413)	(1 475)	(2 853)
Financial income		0	679	1 235
Financial income, gross		**153 120**	**134 302**	**18 818**
Cost of risk	20	(18 574)	(18 219)	(355)
Financial income, net		**134 546**	**116 084**	**18 462**
Baobab plus income		20 743	15 338	5 406
Other income		11 327	5 141	6 186
Income from other Business		**32 070**	**20 478**	**11 592**
Total operating Revenue		**166 616**	**136 562**	**30 054**
Personnel expenses		(64 725)	(51 986)	(12 738)
External expenses		(57 989)	(41 593)	(16 396)
Operating allowances		(10 771)	(9 206)	(1 564)
Taxes and duties		(3 990)	(4 994)	1 004
Total operating expenses	**21**	**(137 474)**	**(107 779)**	**(29 695)**
Pre-tax income		**29 142**	**28 783**	**359**
Tax on profits	**22**	**(8 650)**	**(5 938)**	**(2 712)**
Deferred tax		2 913	1 561	1 352
Current tax		(11 613)	(7 668)	(3 946)
Tax credit		50	169	(119)
Profit/loss from assets held for sale		1 661	(2 050)	
Profit/loss, net		**22 153**	**20 795**	**1 358**
Minority interests		**4 283**	**6 384**	**(2 101)**
NET PROFIT/LOSS, GROUP SHARE		17 870	14 411	3 459

Other Comprehensive Income

	2 022	2 021
Total Net profit/loss	**22 153**	**20 795**
Other comprehensive income	0	1 257
Total income and expenses recognised through other comprehensive income		
Total gains and losses on foreign currency translation	(1 532)	9 532
Comprehensive income for the year	**20 621**	**31 583**
Of which group share	16 497	22 657
Of which minority interests	4 124	8 926

Changes in equity

	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 as of 31/12/2020	**77 807**	**24 014**	**31 551**	**(13 050)**	**(7 095)**	**1 070**	**114 296**	**46 494**	**160 790**
Allocation of the income from the previous period			1 070			(1 070)			
Capital increase									
Operations resulting from share-based payment plans									
Dividends distributed								(4 850)	(4 850)
Impact of 1st application of IFRIC23									
Additional goodwill on minority buy-out									
Impact of Put and Swap options and changes in scope				974			974	(5 716)	(4 742)
Sub-total of movements related to shareholder relations			**1 070**	**974**		**(1 070)**	**975**	**(10 567)**	**(9 592)**
income for the year						14 411	14 411	6 384	20 795
Other comprehensive income									
Translation adjustments					6 950		6 950	2 558	9 508
Gains and losses recognised directly in equity			1 296				1 296	(43)	1 253
Other items								()	()
Equity as of 31/12/2021	**77 807**	**24 014**	**33 917**	**(12 076)**	**(145)**	**14 411**	**137 928**	**44 826**	**182 754**
Allocation of the income from the previous period			14 411			(14 411)			
Capital increase	6 369	1 629					7 998		7 998
Operations resulting from share-based payment plans									
Dividends distributed								(6 856)	(6 856)
Prior years adjustments			(1 601)				(1 601)	(117)	(1 718)
Additional goodwill on minority buy-out									
Impact of Put and Swap options and changes in scope				1 689			1 689	(8 639)	(6 950)
Sub-total of movements related to shareholder relations	**6 369**	**1 629**	**12 810**	**1 689**		**(14 411)**	**8 086**	**(15 613)**	**(7 527)**
Profit/loss of the period						17 870	17 870	4 283	22 153
Other comprehensive income									
Translation adjustments					(1 372)		(1 372)	(159)	(1 532)
Gains and losses recognised directly in equity									
Other items									
EQUITY AS OF 31/12/2022	**84 176**	**25 643**	**46 727**	**(10 387)**	**(1 518)**	**17 870**	**162 512**	**33 336**	**195 848**

Statement of Changes in Equity

	IN KEUR	2 022	2 021
Transactions related to the activity	Consolidated net result	22 153	20 795
	Net allowances for depreciation	10 771	9 206
	Net allowances for provisions	(7 773)	(17 832)
	Changes in deferred tax	(2 913)	(1 561)
	Other unpaid income and expenses	(4 373)	1 135
	Self financing capacity	**17 864**	**11 743**
	Net disbursements on loan portfolio	(53 047)	(41 837)
	Loans disbursed	(1 037 277)	(975 168)
	Loans paid back	984 230	933 330
	Change in working capital requirement	**(12 799)**	**3 468**
	Change in customer deposits	2 3719	48 852
	Working capital requirement	**(42 127)**	**10 483**
	A - Net operating cash flow	**(24 263)**	**22 226**
Investing activities	Acquisitions of intangible assets	(4 881)	(4 379)
	Acquisitions of tangible assets	(7 397)	(4 545)
	Acquisitions of financial assets	(138)	(9 345)
	Disposals of financial assets	5 987	0
	Disposals of assets: deconsolidation	5 134	0
	Dividends paid to minority shareholders	(6 856)	(4 850)
	Cash-flow from non-current assets held for sale	0	(10 075)
	B - Net cash flow from investing activities	**(1 295)**	**(33 195)**
Financing activities	Capital increase	86	28
	Change in minority interests	11 490	1 668
	Change in borrowings	(4 763)	(17 748)
	C - Net cash flow from financing activities	**6 813**	**(16 051)**
	Impact of foreign exchange gains/losses	(1 532)	9 508
	CHANGES IN CASH POSITION	**(20 277)**	**(17 512)**
	Cash and cash equivalents at opening	84 538	102 050
	Cash and cash equivalents at closing	64 261	84 538

Notes to the Consolidated Accounts

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

2022 milestones:
At the beginning of 2022, Baobab S.A.S. purchased the shares of the minority shareholder EIB (European Investment Bank) in its Baobab Côte d'Ivoire subsidiary, bringing its shareholding to 95.41%.
This transaction was carried out via the activation by the EIB of an equity swap concluded with Baobab S.A.S. Under the terms of this swap agreement, Baobab S.A.S. had the possibility of acquiring the EIB's shares in the capital of Baobab Côte d'Ivoire in exchange for newly issued shares of the latter's parent company, Baobab S.A.S.
This capital increase of Baobab S.A.S. in the context of this swap was followed by a subscription of new shares in cash by the shareholders AXA and NMI through an anti-dilution mechanism. As a result, the share capital of the parent company increased from €77,807,571 to €84,176,143.08.

Apart from this transaction, the Group increased its share of ownership in Baobab DR Congo: On 22/12/2022, Baobab carried out a capital increase by incorporating €1,324,017 in receivables and a €1,117,192.24 cash increase. On 29/12/2022, the holding company bought out the shares of the minority shareholder IPAE for €394.98, increasing the percentage of ownership to 99.98%.

Moreover:

- Baobab Tunisia: The Group's Supervisory Board decided in 2021 to withdraw from its Baobab Tunisia subsidiary as part of a change in strategic vision aimed at focusing on Operations in Africa and, more specifically, sub-Saharan Africa. This withdrawal resulted in the active search for a buyer during the 2021 financial year; for this reason, the data relating to this subsidiary has been reclassified as "Assets held for sale" in accordance with the application of IFRS 5 (see Note 9.2). This withdrawal was completed during 2022, as the Group sold its stake in Baobab Tunisia on 27 September 2022 to a local economic player for €6M.
- Microcred China: The subsidiary proceeded to a capital decrease of €9.4M by cash reimbursement to its shareholders. Baobab S.A.S.'s ownership percentage remains unchanged.

Note 1 – Group Profile

Baobab S.A.S. is 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.

Details of the institutions held by Baobab S.A.S. at the end of 2022 are provided in Note 2.3.

The financial statements of the Group Baobab ("the Group" or "Baobab") are in KEUR unless otherwise stated.

On June 12th, 2023, the Chairman approved Baobab S.A.S.'s accounts. 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).
- The Baobab Group's consolidated financial statements as of 31 December 2022 are prepared on a going concern basis. The continued impact of the Covid-19 pandemic, the conflict in Ukraine and the geopolitical crises, as well as the increase in inflation, are all parameters that were taken into account during the closing activities, particularly with regard to the evaluation of the credit risk.
- The methods and principles applied for the consolidated accounts as of 31 December 2022 are consistent with those used to prepare the Group's consolidated accounts as of 31 December 2021.
- IFRS 17 "Insurance Contracts", issued in May 2017 and amended in June 2020, will replace IFRS 4 "Insurance Contracts". It was adopted by the European Union in November 2021, along with an optional exemption from the application of annual cohort pooling for participating contracts based on intergenerational pooling of returns on the assets underlying the technical liabilities. It will become mandatory for accounting periods beginning on or after 1 January 2023. Therefore, the transition date to IFRS 17 will be 1 January 2022 for the purposes of the opening balance sheet of the comparative period required by the standard.
- The analysis of this standard and the identification of its effects are ongoing. It should be noted that the Group does not operate as an insurer and instead acts as an intermediary between insurance companies and end customers. As a consequence, no impact is foreseen on the group's consolidated accounts.
- The entry into force of the other standards, amendments and interpretations that are mandatory from 1 January 2022 did not have an effect on the Group's financial statements as of 31 December 2022. The Group has not anticipated the application of new standards, amendments and interpretations adopted by the European Union if their application in 2022 was optional.

2.2 Estimates used to prepare the financial statements

The preparation of financial statements requires the Management to make assumptions and estimates that are reflected in the determination of revenues and expenses in the income statement, the valuation of assets and liabilities in the balance sheet and the preparation of 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 to make the necessary estimates. Obviously, the future results of operations may differ noticeably from the estimates 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 and possible impairment 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 buyout of minority interests). This assessment requires the Group to estimate future cash flows and discount rates
- deferred tax assets recognition. 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 assumptions both on the period of

consumption of the deferred losses and on the amount of future taxable profit.

2.3 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 the 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 on 31 December 2022.

At the closing date, Baobab S.A.S. holds more than 50% of the shares and voting rights of its subsidiaries, and consequently, the subsidiaries are fully consolidated. In addition, the Group has no other interests in any joint venture or associate.
During the 2022 financial year, the Group increased its shareholding in its subsidiary Baobab Côte d'Ivoire:
The subsidiary Baobab Tunisia, which was classified in 2021 as "Assets held for sale" in accordance with IFRS 5, was sold in September 2022 to a local economic player.

In case of minority interests acquisition, in accordance with the provisions of IFRS 3, the difference between the purchase price 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 recorded in order to harmonise all the Group's accounting methods and principles. Restatements and reclassifications necessary to bring the accounts of all consolidated subsidiaries in 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 used are consistent with those of the previous year. The scope of consolidation as of 31/12/2022 is as follows:

			% of stakeholding	
Company	**Country**	**Currency**	**déc-22**	**déc-21**
Baobab S.A.S	France	EUR	100,0%	100,0%
Baobab Madagascar	Madagascar	MGA	100,0%	100,0%
Baobab Senegal	Senegal	FCFA	69,3%	69,3%
Baobab Nigeria	Nigeria	NGN	80,1%	80,1%
Baobab Côte d'Ivoire	Côte d'Ivoire	FCFA	95,4%	79,8%
Baobab Mali	Mali	FCFA	100,0%	100,0%
Microcred China	Hong Kong	HKD	71,1%	71,1%
Microcred Nanchong	China	CNY	71,1%	71,1%
Microcred Sichuan	China	CNY	71,1%	71,1%
Baobab Tunisia i	Tunisia	DTN	0,0%	66,9%
SCI Baobab RE Senegal i	Senegal	FCFA	100%	100%
SCI Baobab RE CI i	Côte d'Ivoire	FCFA	100%	100%
Baobab Services	Senegal	FCFA	100%	100%
Baobab Burkina Faso	Burkina Faso	FCFA	100%	100%
Baobab Money Madagascar	Madagascar	MGA	100,0%	100,0%
Baobab Services Madagascar	Madagascar	MGA	100%	100%
Microcred DRC	DRC	USD	99,96%	99,96%
Baobab + Côte d'Ivoire	Côte d'Ivoire	FCFA	100%	100%
Baobab + Holding	France	EUR	100%	100%
Baobab + Mali	Mali	FCFA	100%	100%
Baobab + Senegal	Senegal	FCFA	100%	100%
Baobab + Nigeria	Nigeria	NGN	100%	100%
Baobab + DRC	DRC	CDF	100%	100%

i Entities deconsolidated in 2022

All entities included in the scope of consolidation are fully consolidated as of 31/12/2022.

The subsidiaries' financial statements are included line by line in the consolidated financial statements from the date control is obtained until the date control ceases.

- Companies removed from the scope of consolidation as of 31 December 2022

The inactive entities Baobab RE Senegal and Baobab RE Côte d'Ivoire were liquidated; the subsidiary Baobab Tunisia was sold in September 2022

- Newly consolidated companies as of 31 December 2022

None

2.4 Liabilities related to minority interest buy-out commitments

Baobab S.A.S. has made commitments to minority shareholders of some of the Group's subsidiaries to buy back their interests. Baobab S.A.S. grants them options to sell their shares from a certain date at prices determined according to calculation methods predefined at the time of acquisition of the subsidiary's shares, taking into account the future activity of the subsidiary. These buy-back commitments are conditional.

These commitments constitute put options granted to minority shareholders, which, in accordance with the provisions of IAS 32, result in the minority interests concerned being classified as debt and not as equity.

Put commitments entered into on or after 1 January 2010 are recognised as a liability at the fair market value of the strike price at the date of acquisition. Subsequent changes in this liability arising from changes in the estimated strike price of the options and the carrying amount of the minority interests are recognised in full in consolidated Reserves, Group share.
At the end of the commitment, if the buyout is not carried out, the entries previously recognised are reversed with an impact on equity. If the purchase is made, the amount recognised in financial debt is reversed by offsetting the cash outflow related to the purchase of the minority interest as defined by IFRS 3.
A swap option is the possibility for a minority shareholder to exchange the shares held in a subsidiary for newly issued shares of the holding company. The valuation of the newly issued shares of the holding company in the context of the contracts concluded by Baobab with its minority shareholders is based on the book value of the subsidiaries concerned. The Group considered that, as such a transaction did not require the raising of funds outside the Group, the recognition of financial debt in advance was not required.

In December 2021, the European Investment Bank sent a letter to exercise the equity swap it had previously entered into with Baobab Holding involving the shares it holds in Baobab Côte d'Ivoire. The transactions relating to this equity swap were finalised during the 1st quarter of 2022, bringing Baobab Holding's ownership percentage in Baobab Côte d'Ivoire to 95.41%.

2.5 Elimination of intra-group transactions

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

2.6 Minority interest

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.

2.7 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 period's average exchange rate. The exchange rates used are those available on documented databases recognised in particular by local regulators.

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

In the event of disposal or partial disposal of an investment in a foreign entity outside the eurozone 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. This is the case of Baobab Tunisia, following the sale of the latter, for an impact of -1.2 million euros.

If a 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 if the entity is fully consolidated.

The Group is exposed to foreign exchange sensitivity due to stakeholdings in subsidiaries implemented in countries where the functional currency is different from the Group reporting currency (Nigeria, Madagascar, China, etc.).

2.8 Business combinations and goodwill valuation

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 fair value at the acquisition date. Non-current assets and assets held for sale are recorded at market value net of the disposal costs. The acquisition cost is equal to the market value, or its equivalent, at the date of exchange of the assets given, the liabilities representing a present obligation at the date of acquisition of control and whose market value can be reliably estimated, or the equity instruments issued to obtain control of the acquired company.
Costs directly related to the business combination are a separate transaction from the business combination and are recognised in profit or loss.
Goodwill is the difference between the acquisition cost and the acquirer's share in the 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.
Any earn-outs are included in the acquisition cost at fair value at the acquisition date. At the date of acquisition of control of an entity, any stake previously held in that entity is revalued to its market value and offset against the income statement.

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.

2.9 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 for the value of the direct development costs, which mainly include external costs. After initial recognition, intangible assets are recognised at cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. The assets are depreciated over their estimated useful lives according to the straight-line method.

When incurred, software maintenance costs are recognised as an expense in the profit and loss account. On the other hand, expenses that contribute to improving the functions of existing software or to extending its service life are recognised as an additional acquisition or production cost.

2.10 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 the fair value of the assets.

Where an asset comprises several components that can be replaced at regular intervals, have different uses and/or do not produce benefits simultaneously, each component is accounted for separately, and each component is depreciated according to its own depreciation schedule.

Depreciable assets are tested for impairment when, at the balance sheet date, there is an indication that the asset may be impaired. If there is any indication of impairment, the new recoverable amount of the asset is compared with the net book value of the asset. If the event of an impairment loss, an impairment loss is recognised in the income statement. The impairment loss is reversed if there is a change in the estimate of the recoverable amount or if there is no indication of impairment.

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

Depreciation life of fixed assets	
Software and information systems	3 /5 years
Computer supplies	3 /4 years
Office furnitures and supplies	5 / 10 years
Fixtures and fitting works	3 /9 years
Vehicles	4 / 5 years

2.11 Rights-of-use

Since 1 January 2019, the Group has applied the standard IFRS 16 "Leases".

According to IFRS 16, the definition of leases involves, on the one hand, the identification of an asset and, on the other hand, the lessee's control of the right to use that asset.

IFRS 16 requires the lessee to recognise 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 lease liability is a financial liability that corresponds to the present value of the outstanding lease payments over the term of the lease.
The right of use is amortised on a straight-line basis, and the lease liability is amortised actuarially using the Group's incremental borrowing rate as the discount rate.

The main impact on the income statement is the replacement of rent previously recorded on a straight-line basis in general expenses by an increase in interest charges in net banking income due to lease liabilities and an increase in depreciation charges due to right of use.
The charge for the lease liability is included in interest expense within the financial result, while the depreciation charge for the right of use is included in operating expenses.

Baobab's implementation of IFRS 16 focuses, to a very large extent, on property assets leased for operational purposes as offices and branches.
However, this standard is also applied to the recognition of revenue of the Baobab Plus business *(see note 2.22)*

2.12 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. Deferred taxes on tax losses are recognised in view of the prospects of tax recovery. 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	25,0%
Madagascar	20%
Senegal	30%
China	25%
Nigeria	30%
Côte d'Ivoire (MicroFinance)	0%
Côte d'Ivoire (standard rate)	25%
Mali	30%
Tunisia	15%
Burkina Faso	27,5%
Democratic Republic of the Congo	30%

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

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.

2.13 Financial instruments

Classification and measurement of financial assets and liabilities

IFRS 9 provides for the classification of financial assets into three categories (amortised cost, fair value through profit or loss and fair value through equity) based on the characteristics of their contractual flows and the way 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. Judgement 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.
At the Baobab Group, the business model under IFRS 9 is determined by Management based on the actual circumstances prevailing at the time of the assessment. The main decision criteria are:

- The Group's business and risk strategy
- The state of the Group's performance and monitoring of the strategy's implementation as reported to the Baobab Group's Executive and Supervisory Boards
- In the case of portfolio disposals in the past, the frequency, volume and reasons for such transactions.

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. All the credits granted by the Group are classified in this category.

Upon initial recognition, financial assets are recognised at market 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..

Cash and cash equivalent

Cash and cash equivalents recognised in the balance sheet comprise cash at bank, cash in hand, deposits with central banks and short-term deposits with an original maturity of three months or less.

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 offsetting.

Derecognition of financial assets or liabilities

The Group derecognises all or part of a financial asset when the contractual rights to the cash flows of the asset expire or when the Group has transferred the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership of that asset. If all of these conditions are not met, the Group retains the asset on its balance sheet and recognises a liability representing the obligations arising upon the transfer of the asset. The Group derecognises all or part of a financial liability when all or part of the liability is extinguished.

Credit risk

IFRS 9 introduces a model based on the recognition of expected credit losses. As a result, impairment and provisions are recognised upon initial recognition of financial assets, funding commitments and financial guarantees without waiting for the occurrence of an event triggering an incurred 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 clients, losses on bad debts and recoveries on amortised receivables.

2.14 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 impairments 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 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.

Stages	Criteria
Stratum 1 (healthy contracts that have not experienced a significant increase in their credit risk)	All contracts with a number of days past due less than or equal to 30 at the balance sheet date
Stratum 2 (healthy contracts that have experienced a significant increase in their credit risk)	All contracts with a number of days past due between 31 and 90 at the balance sheet date
Stratum 3 (defaulting contracts)	All contracts with a number of days past due more than or equal to 91 at the balance sheet date

- 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 scope of impairment under IFRS 9, namely financial assets at amortised cost.

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"

ECL is defined as the present probability-weighted expected value of the credit loss (principal and interest). 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 to anticipate the recognition of expected credit losses as soon as possible.

Governance and measurement of ECL

The governance of the IFRS 9 measurement system is based on the organisation 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 the 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; therefore, they make it possible to establish a first reference level, or shared base, for 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 factors

As of 31 December 2022, 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 variation in certain parameters was carried out, and this analysis did not reveal any correlation between the two parameters. Despite these results showing no clear correlation, 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 its application should be based on reasonable and supportable information and states that "for the purposes of this standard, the reasonable and supportable information is information that is reasonably available at the closing date without incurring unreasonable costs or efforts, including information about past events and current circumstances and forecasts of future economic conditions".

However, given the current geopolitical context and widespread inflation, the Group anticipated a further deterioration of credit risk in its various subsidiaries by integrating a forward-looking stress test (by expert judgement), which resulted in a 10% increase in the probability of default on Stratum 1 loans.
This stress factor was not applied to China, which conducted in-depth local analyses to assess an additional ad hoc provision.

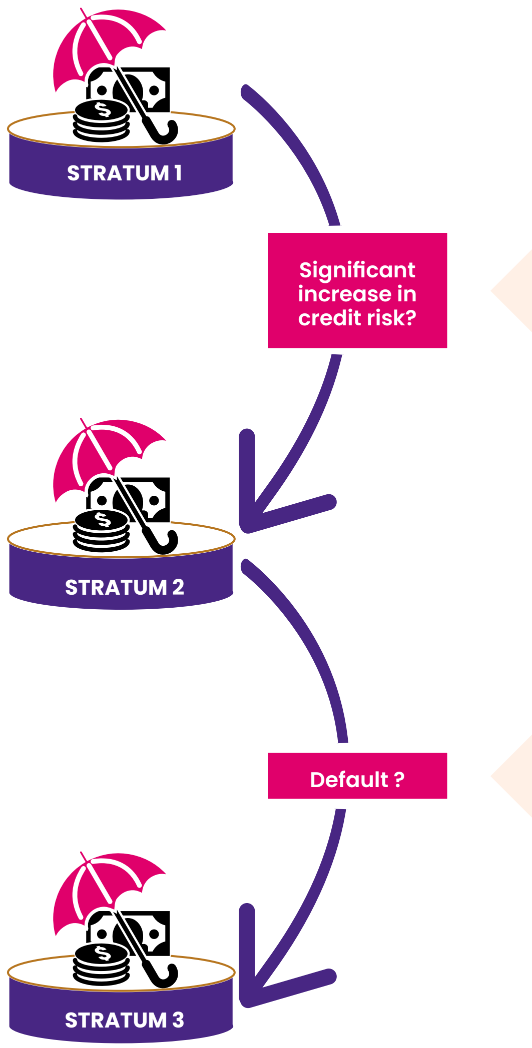
Significant deterioration in credit risk

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, the Group can also consider qualitative criteria to judge the deterioration in a credit (historical past due, taking into account the client's economic situation, etc.).

If the outstanding payments are 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:



Assessment of the increase in credit risk - Baobab Group's approach

- Assessment relative to the level of risk at the time of granting
- The significant increase in risk usually occurs prior to the loss
- Assessment without considering account guarantees
- Assessment of the significance of the increase in credit risk on a collective basis (IFRS9 B5.5.1-6)
- Failure to rebut the presumption of more than 30 days past due (IFRS9 B5.5.19-21)
- Consideration of reasonable and supportable information that can be obtained without unreasonable cost or effort (IFRS9 B5.5.15-18)

Identification of Defaulting Contracts - Baobab Group's Approach

- Definition of default used and linkage with regulatory requirements: Default from 90 days past due
- Differentiation of technical defects Consideration of qualitative indicators

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 expert judgement. Each entity must therefore determine it, together with its Risk Department, based on its knowledge 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 amortised cost or at fair value through recyclable equity, the amount written off is recorded under Allocation for provisions for client loans and loan losses for the par value and the interest.

2.15 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 recognised as a yield adjustment of this instrument and integrated into the effective interest rate;
- if the result of a transaction involving the provision of services can be reliably estimated, the commission income associated with that transaction is recognised under "commissions" and, depending on 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 ongoing services are spread over the duration of the service provided.

2.16 Debts to financial institutions and client deposits

Amounts due to financial institutions and client 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 long-term financial debt. They are initially recorded at fair value, less directly attributable transaction costs.

2.17 Provisions

Provisions are recognised if the Group has a present obligation (legal or constructive) resulting from a past event, if it is probable that an outflow of resources embodying economic benefits 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 IFRIC 23

The Group has applied IFRIC 23 "Uncertainty about tax treatments" in preparing its consolidated financial statements. This standard results in the reclassification of provisions for uncertainties relating to income taxes to the heading "Current and deferred tax 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.
For the Baobab Plus business, in accordance with IAS 20.29, subsidies received to finance the business and, in particular, the acquisition of inventory for sale have been recognised as a reduction in the purchase cost of this inventory.

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 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.

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, considering 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 2021, provisions for post-employment benefits were recognised for an amount of KEUR 1 240 for the following entities:
- Baobab SAS
- Baobab Senegal
- Baobab Côte d'Ivoire
- Baobab Mali
- Baobab Burkina Faso
- Baobab Services
- Baobab Plus entities

2.21 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 incomes) 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 incomes).

2.22 Recognition of revenue

As part of the «Baobab Plus» (BB+) ancillary business, part of the revenue is generated by purchases of non-financial products in Baobab branch financed by additional credit granted to customers by Baobab; the price of these products is therefore paid in full to Baobab Plus.

Another part of BB+'s revenue is generated by «PayGo» (Pay as you go). PayGo products are sold via BB+'s own branch network and dedicated agents. The customer benefits from the product but pays according to a schedule defined in the contract.

The possibility of payment deadlines for the customer results in a revenue split between transaction price and financial income. The difference between the contractual transaction price and the price that would have been paid in cash, along with the direct costs incurred in concluding these contracts, represents the financial income component.

As baobab Plus is operating as a lessor manufacturer/ distributor, IFRS16 is applicable because the contracts meet the definition of a lease, i.e. a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Accordingly, Baobab Plus' PayGo contracts meet the definition of a finance lease and are accounted for as such.

Note 3 - Goodwill

	2 022	2 021
Opening Goodwill	89	89
Change in minority interests	0	0
Closing Goodwill	**89**	**89**

	2 022	2 021
Goodwill on Microcred DRC	89	89
Closing Goodwill	**89**	**89**

Impairment tests were carried out based on 5-year business plans.

Note 4 - Intangible assets

GROSS	End of 2021	Acquisitions	Disposals	Other changes	First-time consolidation	Foreign exchange effect	End of 2022
Concessions, licences and equivalent	5 587	328	(1)	293	0	(52)	6 154
Lease right	638	102	(11)	0	0	(101)	628
Goodwill	140	0		0			140
Other intangible assets	31	(0)	(0)	3	0	0	34
Assets under construction	3 299	4 452	(24)	(296)	0	0	7 431
TOTAL	**9 694**	**4 881**	**(36)**	**0**	**0**	**(153)**	**14 386**

Amortisation and depreciation	End of 2021	Allowances	Disposals	Other changes	First-time consolidation	Foreign exchange effect	End of 2022
Concessions, licences and equivalent	3 879	521		0		(32)	4 369
Lease right	17	86		611		(86)	628
Goodwill	0			0			0
Other intangible assets	23	1				(1)	24
TOTAL	**3 920**	**609**	**0**	**611**	**0**	**(118)**	**5 021**

NET	End of 2021	End of 2022
Concessions, licences and equivalent	1 708	1 785
Lease right	621	(1)
Goodwill	139	139
Other intangible assets	8	10
Assets under construction	3 299	7 431
TOTAL	**5 774**	**9 364**

The Group is investing in the digitization of its operations, resulting in the renewal of the IT tools required for the subsidiaries' operations. Costs relating to this digitalization, known as the «Digital Banking Platform», amounted to €4.5 million during 2022, which explains the increase in «Assets under construction».

Note 5 - Tangible assets

GROSS	End of 2021	Acquisitions	Disposals	Other changes	First-time consolidation	Foreign exchange effect	End of 2022
Land	443	(66)					377
Office and computer supplies	10 049	2 727	(514)	(125)		(103)	12 035
Fixtures / fittings	16 841	1 309	(83)	55		(214)	17 907
Vehicles	6 533	2 085	(184)	(62)		(139)	8 233
Advances on fixed assets	423	471	0	0		(68)	827
Construction work in progress	445	871	0	(37)		(13)	1 266
Rights of use	12 565	3 510					16 075
TOTAL	**47 300**	**10 907**	**(781)**	**(170)**	**0**	**(536)**	**56 720**

Amortisation and depreciation	End of 2021	Allocations	Disposals	Other changes	First-time consolidation	Foreign exchange effect	End of 2022
Office and computer supplies	7 158	1 399	(485)	(122)		(53)	7 897
Fixtures / fittings	10 686	1 223	(82)	26		(182)	11 671
Vehicles	3 846	1 025	(144)	(33)		(71)	4 623
Advances on fixed assets							
Construction work in progress							
Rights of use	7 883	3 218					11 100
TOTAL	**29 573**	**6 865**	**(712)**	**(129)**	**0**	**(306)**	**35 292**

NET	End of 2021	End of 2022
Land	443	377
Office and computer supplies	2 891	4 137
Fixtures / fittings	6 155	6 236
Vehicles	2 688	3 609
Advances on fixed assets	423	827
Construction work in progress	445	1 266
Rights of use	4 682	4 975
TOTAL	**17 728**	**21 429**

Property, plant and equipment comprise office equipment, computer hardware, vehicles, fixtures and fittings. Most Baobab Group institutions do not hold any buildings in their fixed assets, as all subsidiaries rent their premises. Generally speaking, the increase in property, plant and equipment is explained by the need to open new branches in 2022 and to renew the vehicle fleet in certain subsidiaries.

Rights of use recognised by the Group correspond mainly to rights relating to office and commercial agency leases. The gross value of these rights has risen significantly, mainly as a result of lease extensions and rent reviews.

Note 6 - Financial Assets

Financial assets	2021	Increase	Decrease	First-time consolidation	Foreign exchange effect	2022
Guarantees and deposits	1 049	138	(14)	0	9	1 182
Not consolidated equity securities	157	0			(4)	153
Total	**1 206**	**138**	**(14)**	**0**	**6**	**1 335**

"Guarantees and deposits" are mainly security deposits required under lease terms.

Note 7 - Deferred tax assets

The change in deferred tax assets for the year 2022 is as follows:

End of 2021	Change in profit/loss	Change in OCI	Foreign exchange effects	Other changes	End of 2022
10 599	2 913	(286)		(17)	13 781

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. The deferred tax asset on tax losses changed by approximately €1.2M between 2021 and 2022.

End of 2021	Change in profit/loss	Change in OCI	Change in recognition of deferred tax assets	Foreign exchange effects	Other changes	End of 2022
5 020	1 194		0	0	456	6 670

Given the nature of the Group's activity, its economic structure and the development prospects in the various markets, the 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 period over which the Group expects to use almost all of these 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 31 December 2022 amount to €10M and correspond to the goods relating to the "Baobab Plus" activity (solar lamps, tablets and telephones). This item has increased by more than 50% due to the strong growth of this non-financial activity and the expansion of operations in two new subsidiaries in 2022.

The cost of inventories must include all acquisition costs, conversion costs and other costs incurred to bring the inventories to their present location and condition.

The acquisition costs of inventories include the purchase price, customs duties and other taxes (other than taxes subsequently recoverable by the entity from tax authorities), as well as transportation, handling and other costs directly attributable to the acquisition of the goods. Trade discounts, rebates and similar items are deducted from the acquisition costs.
Subsidies received to finance the acquisition of this inventory have been recognised as a reduction in the purchase cost of this inventory (see Note 2.19).

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

8.2 Loans and claims on clients

		Loans to customers
2 022	Gross value	743 968
	Provision	(15 989)
	Net value	727 979
2 021	Gross value	698 450
	Provision	(15 093)
	Net value	683 357

The average rate of provisioning applied to the outstanding portfolio amounts to 2.15% at the end of 2022 compared to 2.16% at the end of 2021.

The observation of the provisions by "stratum" as of 31 December 2021 and 31 December 2022 is as follows:

Provisions per stratum on 12/31/2021

Baobab Group	Stratum 1	Stratum 2	Stratum 3	Financial Assets Impairments 31/12/2021
Amounts in K€	**4 309**	**2 222**	**8 562**	**15 093**

Provisions per stratum on 12/31/2022

Baobab Group	Stratum 1	Stratum 2	Stratum 3	Impairment of financial assets 31/12/2022
Amounts in K€	**5 842**	**2 923**	**7 224**	**15 989**

The analysis of the change in impairment by stratum is as follows:

	Stratum 1	Stratum 2	Stratum 3	TOTAL
Balance on 31/12/2020	**5 339**	**3 002**	**47 011**	**28 296**
Production and acquisition	4 653	3 035	5 215	12 902
Derecognition and transfers between statuses	(5 683)	(3 815)	(16 608)	(26 106)
Balance on 31/12/2021	**4 309**	**2 222**	**8 562**	**15 093**
Production and acquisition	3 359	3 157	2 670	9 187
Derecognition and transfers between statuses	(1 826)	(2 456)	(-4 008)	(8 290)
Balance on 31/12/2022	**5 842**	**2 923**	**7 224**	**15 989**

Note 9 – Other receivables

	2022	2021
Suppliers advances and prepayments	625	1 112
Loans to personnel	752	668
Trade receivables	296	199
Government receivables	4 698	4 132
Baobab Plus receivables	14 654	12 641
Escrow accounts	670	
Other receivables	8 869	8 527
Prepaid expenses	3 126	2 262
Total	**33 690**	**29 541**

"Other receivables" include primarily:

- receivables from deceased customers awaiting insurance reimbursement
- deposits to interest-bearing accounts made by subsidiaries to make their excess cash flow profitable
- loans to staff and miscellaneous receivables

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

Note 10 – Cash and cash equivalents

	2022	2021
Demand deposits and cash in hand	48 673	51 188
Short-term investments	19 165	40 127
Total	**67 927**	**91 316**
Bank overdrafts	3 666	6 777
Cash and cash equivalents	**64 261**	**84 538**

The decrease in cash and cash equivalents is explained by a strong increase in disbursements in 2022.

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 – Equity

The share capital of Baobab S.A.S. is EUR 84,176 K. The issue premium amounts to EUR 25,643 K. During the year 2022, a capital increase of €6.4M was carried out, of which €2.7M by the creation of new shares in the context of an equity swap and €3.7M by cash contributions from other shareholders in the context of an anti-dilution mechanism.

This capital increase was accompanied by an additional share premium of €1.6M.

The shareholding of Baobab S.A.S. breaks down as follows:

	2022			2021		
Shareholders	**Number of shares**	**Capital**	**%**	**Number of shares**	**Capital**	**%**
Axa group	3 384 719	28 837 806	34,26%	3 128 639	26 656 004	31,67%
Bei	1 508 761	12 854 644	15,27%	1 105 744	9 420 939	11,19%
Maj invest	1 618 577	13 790 276		1 618 577	13 790 276	
Dmp	927 452	7 901 891	9,39%	927 452	7 901 891	9,39%
Mifif ii	691 125	5 888 385	7,00%	691 125	5 888 385	7,00%
Apis	2 079 942	17 721 106	21,05%	2 079 942	17 721 106	21,05%
Nmi	1 168 272	9 953 677	11,82%	1 079 884	9 200 612	10,93%
Other	119 558	1 018 634	1,21%	119 558	1 018 634	1,21%
Total	**9 879 829**	**84 176 143**	**100%**	**9 132 344**	**77 807 571**	**100%**

Note 12 – Debts to clients

12.1 Client deposits

	2022	2021
Demand deposits	134 784	117 195
Term deposits - Clients	60 757	134 645
Term deposits - Institutions	59 257	61 475
Mandatory deposits	82 236	
Total	**337 034**	**313 315**

12.2 Debts to financial institutions

	2022	2021
Long-term borrowings	205 715	194 368
Short-term borrowings	89 317	98 703
Subordinated debt	3 787	10 073
Shareholder debt	7 668	7 532
Debts on right of use	4 022	4 594
Total	**310 508**	**315 271**

In general, subsidiaries have the possibility of refinancing themselves either with Baobab S.A.S., through advances to shareholders' current accounts within the limits granted by the Supervisory Board of Baobab S.A.S., or locally with financial institutions. Long-term and short-term borrowings include only refinancing from outside the Group.

All subscriptions and renewals of loans are for developing the operating subsidiaries.

Note 13 – Provisions and other liabilities

13.1 Provisions

- The "Provisions" item of €4.3M is mainly composed of:
- Provisions for various tax risks (excluding IFRIC23) for €0.3M
- A provision for commercial risks and disputes of €2M
- Provisions for HR-related risks and expenses of €2M

13.2 Other liabilities

	2022	2021
Suppliers debts	8 290	6 873
Deferred income	1 158	573
Payroll liabilities	6 221	5 349
Tax liabilities excl. corporate income tax	6 683	4 887
Other taxes	6 046	4 973
Other debts	9 544	8 906
Total	**37 942**	**31 561**

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 more than one month.

BAOBAB GROUP	Contractual maturity in EUR 000						
31/12/2022	< 1M	1-3M	3-6M	6-12M	1-2Y	> 2Y	TOTAL
BAOBAB HOLDING							
Liquidity	51 355	-	-	9 075	-	-	60 430
Loan portfolio	35 626	71 253	106 879	213 759	285 012	-	712 529
All other assets	15 149	281	5 823	799	6 171	15 375	43 597
Total assets	**102 131**	**71 534**	**112 703**	**223 633**	**291 183**	**15 375**	**816 557**
Clients deposits	50 613	53 881	54 080	75 676	82 822	7 737	324 809
Financial debts	11 569	26 418	34 709	52 525	146 695	12 074	283 990
All other liabilities	13 336	5 500	14 325	3 878	5 538	1 291	43 868
Total liabilities	**75 519**	**85 800**	**103 114**	**132 078**	**235 055**	**21 101**	**652 667**
Financial gap	**26 612**	**-14 266**	**9 589**	**91 555**	**56 127**	**-5 726**	**163 890**
Cumulative gap	**26 612**	**12 346**	**21 934**	**113 489**	**169 616**	**163 890**	**163 890**

BAOBAB GROUP	Expected maturity in EUR 000						
31/12/2022	< 1M	1-3M	3-6M	6-12M	1-2Y	> 2Y	TOTAL
BAOBAB HOLDING							
Liquidity	51 355	-	-	9 075	-	-	60 430
Loan portfolio	258 982	120 240	138 329	170 064	43 306	8 981	739 901
All other assets	15 149	281	5 823	799	6 171	15 375	43 597
Total assets	**325 486**	**120 521**	**144 152**	**179 938**	**49 476**	**24 356**	**843 929**
Clients deposits	152 794	26 143	35 925	76 329	41 757	9 448	342 395
Financial debts	11 569	26 418	34 709	52 525	146 695	12 074	283 990
All other liabilities	13 336	5 500	14 325	3 878	5 538	1 291	43 868
Total liabilities	**177 699**	**58 062**	**84 959**	**132 731**	**193 990**	**22 812**	**670 253**
Financial gap	**147 787**	**62 459**	**59 193**	**47 206**	**-144 513**	**1 544**	**173 676**
Cumulative gap	**147 787**	**210 246**	**269 439**	**316 646**	**172 132**	**173 676**	**173 676**

The Group manages its liquidity in its various jurisdictions with a conservative approach, namely on a stressed maturity basis. Nevertheless, liquidity remains in surplus even with these stressed scenarios at all maturity dates.

Note 15 – Headcount as of 31/12/2022

	Sales staff	Other employees	Total 2022	Total 2021
France	0	48	48	43
Services	0	94	94	79
Madagascar	641	150	791	705
Senegal	635	104	739	733
China	410	96	506	533
Nigeria	605	103	708	628
Côte d'Ivoire	690	142	832	626
Mali	317	67	384	292
Tunisia	0	0	0	360
Burkina Faso	167	73	240	219
DRC	215	40	255	219
Total	**3 680**	**917**	**4 597**	**4 423**

Note 16 – Earnings per share

Earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.
Below is information on the results and shares, which was used to calculate the basic earnings per share, for all the activities:

	2022	2021
Net profit attributable to the ordinary shareholders of the entity (in KEUR)	17 870	14 411
Weighted average number of ordinary shares for basic earnings per share	9 506 087	9 132 344
Total number of shares at end of the year	9 879 829	9 132 344
Profit per weighted average number of shares in Euros	**1,88**	**1,58**

Note 17 – Segment information

• Breakdown per activity 2022

ASSETS	2 022	Holding Company	Institutions
Loans (gross outstanding)	743 968	0	743 968
Provisions for loans	(15 989)	0	(15 989)
Loans (net outstanding)	727 979	0	727 979
Other assets	157 676	53 737	103 939
TOTAL ASSETS	885 655	53 737	831 918

LIABILITIES	2 022	Holding Company	Institutions
Customer deposits	337 034	0	337 034
Deposits from banks	310 508	27 612	282 896
Other debts and equity	238 113	23 121	214 991
TOTAL LIABILITIES	885 655	50 733	834 922

IN KEUR	2 022	Holding Company	Financial institutions	Baobab Plus
Received interest and related income	179 505	1	178 290	1 214
Interest paid and related expenses	(38 441)	(1 775)	(35 744)	(922)
Interest, net	**141 064**	**(1 774)**	**142 546**	**292**
Commission	14 469	0	14 469	0
Other financial income	(2 413)	(436)	(1 283)	(694)
Financial expenses	*(4 328)*	*(475)*	*(3 070)*	*(782)*
Financial income	*1 915*	*40*	*1 787*	*88*
Financial income, gross	**153 120**	**(2 210)**	**155 732**	**(402)**
Cost of risk	(18 574)	(46)	(17 962)	(565)
Financial income, net	**134 546**	**(2 256)**	**137 770**	**(968)**
Baobab plus income	20 743	0	0	20 743
Other income	11 327	8 826	1 905	597
Income from other Business	**32 070**	**8 826**	**1 905**	**21 340**
Total operating Revenue	**166 616**	**6 570**	**139 674**	**20 372**
Personnel expenses	(64 725)	(10 800)	(48 635)	(5 290)
External expenses	(57 989)	(1 051)	(41 221)	(15 717)
Operating allowances	(10 771)	(1 180)	(8 457)	(1 133)
Taxes and duties	(3 990)	(1 008)	(2 270)	(712)
Total operating expenses	**(137 474)**	**(14 039)**	**(100 584)**	**(22 851)**
Pre-tax income	**29 142**	**(7 469)**	**39 090**	**(2 479)**
	(8 650)	1 350	(10 213)	213
Deferred tax	*2 913*	*1 163*	*1 217*	*533*
Current tax	*(11 613)*	*136*	*(11 430)*	*(320)*
Tax credit	*50*	*50*	*0*	*0*
Profit/loss from assets held for sale	1 661	0	1 661	0
Profit/loss, net	**22 153**	**(6 120)**	**30 538**	**(2 266)**
Minority interests	**4 283**	**0**	**4 283**	**0**
NET PROFIT/LOSS, GROUP SHARE	17 870	(6 120)	26 255	(2 266)

• Breakdown per activity 2021

ASSETS	2 021	Holding	Institutions
Loan portfolio (gross outstanding amount)	698 450	0	698 450
Provisions for loans	(15 093)	0	(15 093)
Loan portfolio (net outstanding amount)	683 357	0	683 357
Other assets	161 092	36 162	124 929
TOTAL ASSETS	844 449	36 162	808 287

LIABILITIES	2 021	Holding	Institutions
Debts to customers	313 315	0	313 315
Debts to credit institutions	315 271	41 612	273 658
Other liabilities and shareholders' equity	218 215	(5 450)	223 665
TOTAL LIABILITIES	846 801	36 162	810 639

IN KEUR	2021	Holding	Institutions	Baobab Plus
Received interest and related income	158 874	3	152 352	6 519
Interest paid and related expenses	(37 184)	(1 706)	(34 936)	(542)
Net interest	**121 690**	**(1 704)**	**117 416**	**5 978**
Commissions	13 408	0	13 408	0
Other financial income	(796)	(117)	(609)	(70)
Financial expenses	*(1 475)*	*(163)*	*(1 241)*	*(71)*
Financial income	*679*	*46*	*632*	*2*
Gross financial income	**134 302**	**(1 821)**	**130 215**	**5 908**
Cost of risk	(18 219)	(4)	(17 736)	(478)
Net financial income	**116 084**	**(1 825)**	**112 479**	**5 430**
Baobab plus income	15 338		0	15 338
Other income	5 141	1 103	4 038	0
Revenues from other business	**20 478**	**1 103**	**4 038**	**15 338**
Total operating revenue	**136 562**	**(722)**	**116 517**	**20 768**
Personnel expenses	(51 986)	(9 789)	(38 160)	(4 037)
External expenses	(41 593)	7 179	(38 442)	(10 329)
Amortization and depreciation	(9 206)	(1 927)	(6 743)	(536)
Taxes and duties	(4 994)	(841)	(3 558)	(594)
Total operating expenses	**(107 779)**	**(5 378)**	**(86 904)**	**(15 497)**
Income from assets held for sale	**(2 050)**		**(2 050)**	
Pre-tax result	**26 733**	**(6 100)**	**27 563**	**5 271**
Income tax	(5 938)	1 009	(6 733)	(215)
Deferred tax	*1 561*	*1 160*	*182*	*218*
Current tax	*(7 668)*	*(320)*	*(6 915)*	*(433)*
Tax credit	*169*	*169*	*0*	*0*
Net result	**20 795**	**(5 091)**	**20 830**	**5 056**
Minority interest	**6 384**	**0**	**6 384**	**0**
NET RESULT, GROUP SHARE	14 411	(5 110)	19 043	478

• Geographical breakdown 2022

ASSETS	2 022	France	Africa	Asia
Loans (gross outstanding)	743 968	0	588 907	155 061
Provisions for loans	(15 989)	0	(11 638)	(4 352)
Loans (net outstanding)	727 979	0	577 269	150 709
Other assets	157 676	53 737	95 383	8 556
TOTAL ASSETS	885 655	53 737	672 653	159 265

LIABILITIES	2 022	France	Africa	Asia
Customer deposits	337 034	0	337 034	0
Borrowings from banks	310 508	28 371	207 879	74 258
Provisions	4 322	784	3 538	0
Other debts	37 942	7 886	26 360	3 697
Equity	195 848	13 692	100 846	81 310
TOTAL LIABILITIES	885 655	50 733	675 657	159 265

IN KEUR	2 022	France	Africa	Asia	Subsidiaries
Received interest and related income	179 505	1	142 444	37 060	179 504
Interest paid and related expenses	(38 441)	(1 775)	(27 535)	(9 131)	(36 666)
Interest, net	**141 064**	**(1 774)**	**114 909**	**27 929**	**142 838**
Commission	14 469	0	14 469	0	14 469
Other financial income	**(2 413)**	**(436)**	**(1 668)**	**(309)**	**(1 978)**
Financial expenses	*(4 328)*	*(475)*	*(3 543)*	*(309)*	*(3 852)*
Financial income	*1 915*	*40*	*1 875*	*0*	*1 875*
Financial income, gross	**153 120**	**(2 210)**	**127 710**	**27 620**	**155 330**
Cost of risk	(18 574)	(46)	(12 801)	(5 726)	(18 528)
Provisions, net	134 546	(2 256)	114 908	21 894	136 802
Write-off	20 743	0	20 743	0	20 743
Recoveries	11 327	8 826	2 473	28	2 501
Financial income, net	**32 070**	**8 826**	**23 216**	**28**	**23 244**
Baobab plus income					
Other income	166 616	6 570	138 125	21 922	160 046
Income from other business	**(64 725)**	**(10 800)**	**(43 781)**	**(10 144)**	**(53 925)**
Total operating revenue	**(10 771)**	**(1 180)**	**(8 617)**	**(973)**	**(9 590)**
Personnel expenses	(3 990)	(1 008)	(2 803)	(179)	(2 982)
External expenses	(137 474)	(14 039)	(108 307)	(15 129)	(123 435)
Operating allowances					
Taxes and duties	29 142	(7 469)	29 818	6 793	36 611
Total operating expenses	**(8 650)**	**1 350**	**(6 473)**	**(3 527)**	**(10 000)**
Pre-tax income	**(11 613)**	**136**	**(7 879)**	**(3 871)**	**(11 750)**
Tax on profits	50	50	0	0	0
Deferred tax	*1 661*	*0*	*1 661*	*0*	*1 661*
Current tax	*22 153*	*(6 120)*	*25 006*	*3 266*	*28 272*
Tax credit					
Profit/loss from assets held for sale	4 283	0	3 339	944	4 283
Profit/loss, net					
Minority interests	**4 283**	**0**	**3 339**	**944**	**4 283**
NET PROFIT/LOSS, GROUP SHARE	17 946	(6 120)	21 743	2 322	24 065

• Geographical breakdown 2021

ASSETS	2 021	France	Africa	Asia
Loan portfolio (gross outstanding amount)	698 450	0	504 227	194 224
Provisions for loans	(15 093)	0	(13 101)	(1 992)
Loan portfolio (net outstanding amount)	683 357	0	491 126	192 231
Other assets	161 092	36 162	108 892	16 037
Non-current assets held for sale	2 352	0	2 352	0
TOTAL ASSETS	846 801	36 162	602 370	208 269

LIABILITIES	2 021	France	Africa	Asia
Debts to customers	313 315	0	313 315	0
Debts to credit insititutions	315 271	45 797	168 321	101 153
Other liabilities and shareholders' equity	218 215	(9 635)	120 734	107 116
TOTAL LIABILITIES	846 801	36 162	602 370	208 269

IN KEUR	2021	France	Africa	Asia	Subsidiaries
Received interest and related income	158 874	3	121 851	37 020	158 871
Interest paid and related expensives	(37 184)	(1 706)	(27 173)	(8 304)	(35 477)
Net interest	**121 690**	**(1 704)**	**94 678**	**28 716**	**123 394**
Commissions	13 408	0	13 408	0	13 408
Other financial income	**(796)**	**(117)**	**(777)**	**99**	**(679)**
Financial expenses	*(1 475)*	*(163)*	*(1 033)*	*(279)*	*(1 312)*
Financial income	*679*	*46*	*256*	*378*	*633*
Gross financial income	**134 302**	**(1 821)**	**107 308**	**28 815**	**136 123**
Cost of risk	(18 219)	(4)	(17 225)	(990)	(18 214)
Net financial income	**116 084**	**(1 825)**	**90 083**	**27 825**	**117 909**
Baobab plus income	15 338		15 338		15 338
Other income	5 141	1 103	4 018	20	4 038
Revenues from other activities	**20 478**	**1 103**	**19 355**	**20**	**19 376**
Total operating income	**136 562**	**(722)**	**109 439**	**27 845**	**137 284**
Personnel expenses	(51 986)	(9 789)	(31 691)	(10 507)	(42 198)
External expenses	(41 593)	7 179	(45 075)	(3 697)	(48 772)
Amortization and depreciation	(9 206)	(1 927)	(6 412)	(867)	(7 279)
Taxes and duties	(4 994)	(841)	(3 949)	(203)	(4 152)
Total operating expenses	**(107 779)**	**(5 378)**	**(87 127)**	**(15 274)**	**(102 401)**
Income from assets held for sale	**(2 050)**		**-2 050**		**(2 050**
Pre-tax result	**26 733**	**(6 100)**	**20 262**	**12 572**	**32 834**
Income tax	(5 938)	1 009	(4 462)	(2 485)	(6 947)
Deferred tax	*1 561*	*1 160*	*405*	*(5)*	*400*
Current tax	*(7 668)*	*(320)*	*(4 867)*	*(2 481)*	*(7 348)*
Tax credit	*169*	*169*	*0*	*0*	*0*
Net result	**20 795**	**(5 091)**	**15 800**	**10 086**	**25 886**
Minority interest	**6 384**	**0**	**3 526**	**2 858**	**6 384**
NET RESULT, GROUP SHARE	14 411	(5 110)	12 493	7 028	19 521

Note 18 – Operating income

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

• **Revenues derived from the lending activity**

Received interest and related income	2 022	2 021
Interest received on loans	150 294	133 819
Interest Pay-As-You-Go Baobab Plus	1 123	
Commission on loans	15 571	12 474
Fees, penalties / other income	12 518	12 580
TOTAL	179 505	158 874

• **Commissions**

COMMISSION	2 022	2 021
Total	14 469	13 408

This income is generated mainly by savings products, insurance on loans granted, and commissions and fees collected on various transactions other than loans.

• **Other income**

IN KEUR	2 022	2 021
Subsidies	212	1 398
Other income	11 115	3 743
TOTAL	11 327	5 141

Subsidies are granted to Holding companies or directly to institutions with the aim of contributing to the financial inclusion of the targeted populations in the jurisdictions where the Group operates.
Miscellaneous income includes, in particular, the sale price of the subsidiary Baobab Tunisia for €6M and €2M in capitalised production costs as part of the resources used for the Group's digitalisation.

Note 19 – Other financial income

In 2022, other net financial income was as follows:

IN KEUR	2021	2021
Financial revenue	**0**	**679**
Gains on exchange	0	679
Net profit on disposal of marketable securities	0	0
Other financial revenues	0	0
Financial expenses	**(2 413)**	**(1 475)**
Exchange loss	(1 342)	(519)
Provisions for securities and depreciation	(76)	0
Financial expenses on right-of-use	(540)	(438)
Other financial expenses	(455)	(518)
TOTAL	(2 413)	(796)

The net foreign exchange losses recorded were mainly in Nigeria and Madagascar.

Note 20 – Cost of risk

Allowances for provisions / loan losses cover the charge for impairments made to value the credit risk on the loan portfolio.

IN KEUR	2022	2021
Net provision expenses	7 773	17 832
Financial write-off	(37 520)	(44 652)
Recoveries	11 173	8 602
TOTAL	(18 574)	(18 219)

The cost of risk remained stable between 2021 and 2022, despite an increase in the portfolio, which reflects good credit risk control and improved collection performance.

Note 21 – Operating expenses

IN KEUR	2022	2021
External expenses	**(61 979)**	**(46 587)**
Purchases and exernal expenses	(57 989)	(41 593)
Tax, duties and similar expenses	(3 990)	(4 994)
Payroll costs	**(64 725)**	**(51 986)**
Operating expenses	**(10 771)**	**(9 206)**
Allowances for depreciation of fixed assets	(8 213)	(7 412)
Allowances for provisions on fixed assets	(581)	(563)
Allowances for provisions for risk and liabilities	(1 204)	(709)
Allowances for provisions for pensions	(773)	(522)
TOTAL OPERATING EXPENSES	(137 474)	(107 779)

The expenses at the end of 2022 are broken down into:

- €64,725K of payroll expenses, +25% vs 2021 due to the resumption of recruitment, the increase in disbursement activities leading to an increase in variable salaries as well as pay rise campaigns; they are spread 68% over Africa, 16% over China and 17% over the holding companies.
- Purchases and external expenses increased by 39% vs 2021. This item includes:
    - Mission expenses aimed at ensuring the proper development of the entities (participation in boards, control of information systems, etc.) and enabling the search for new investors for the Baobab Group
    - IT expenses mainly related to the maintenance of the current IT tool and the development of the loan management software
    - Fees for the Group's various service providers
- The decrease in taxes and similar payments is mainly due to the reversal of provisions for tax risks.

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 31 December 2022, the reconciliation between tax expenses and the product of accounting profit multiplied by the French tax rate is as follows:

The theoretical tax rate is the standard tax rate on taxable profits in France as of 31 December 2022, i.e. 25%.

	2022	2021
Profit/loss before tax	**31 146**	**26 733**
Theoretical amount of tax on profits	(7 787)	(7 084)
Tax rate differential in foreign subsidiaries	1 646	1 789
Impact of permanent differences	(2 216)	(211)
Tax credits and withholding tax	(1 268)	(1 319)
Provision for tax risks	616	(67)
Impact of recognition of DTA and deconsolidation	601	1 428
Impact of other restatements	(211)	(530)
Minimum tax rate	(30)	101
Impact of change in rate	0	(46)
REPORTED TAX	(8 650)	(5 938)
EFFECTIVE TAX RATE	27,77%	22,21%

Given the improved operating performance in the Group entities, the tax charge increased, with the effective tax rate rising by over 5%.

Note 23 –Risk management

1. General observations

Risk is inherent in the Group's business and is managed through a continuous process of identifying, monitoring and taking corrective action. This risk management process is essential to the continued profitability of the Group and each of its subsidiaries.

2. Risk management organisation

Risk management objectives within Baobab Group are multiple:

- Identifying the risk areas facing the institution and minimising losses;
- Protecting clients and minimising their financial risks;
- Protecting the interests of its shareholders and investors;
- Preserving its estate (assets);
- Maintaining and expanding its operational structure (including the branch network);
- Providing guidance in line with internationally accepted risk management principles
- Defining a risk management framework appropriate to the microfinance business and structure of the institution

3. Risk management organisation within Baobab

The risk management organisation at Baobab follows the governance principles generally defined for financial services. It is based on the principle of three distinct and successive lines of defence.

The first line of defence is the team, person or department that is responsible for carrying out the tasks. It is completed by the Management overseeing the teams.

The second line of defence is primarily Compliance & permanent control structure. The latter provides risk management expertise to help develop strategies, policies and procedures to mitigate risks and implement risk control measures.
Historically represented by the Compliance function, this structure is now being strengthened within the institution's Risk teams.

The third line of defence is the Internal Audit department, which assesses and improves the effectiveness of risk management, control and governance processes through audits of risk control measures. Internal Audit departments are based at the national headquarters of each microfinance institution and report to both the Audit Committee of the subsidiaries and the Group Audit Department. The intervention of the audit teams is governed by an annual audit plan approved annually by the Boards of Directors of the subsidiaries and the Group.

4. Risks

The main risks faced by the Group are the following:

Credit risk

Credit risk is the risk that a debtor will default or that the debtor's economic situation will deteriorate to the extent that the institution's claim on the debtor is devalued.

The Group manages and controls credit risk by:

- disseminating and strictly monitoring operational procedures and rigorous acceptance criteria to limit the risk of client default
- requiring, where possible, guarantees from its clients in order to reduce losses on loans granted. These guarantees are often in cash (client deposits) but may also be in the form of securities (business assets, stocks, etc.), real estate (land title) or moral guarantees (sureties),
- setting up credit committees in each of the subsidiaries to rule on disbursement requests according to predefined levels of delegation and validated by the Risk Committees
- diversifying its portfolio across different geographical areas. As of 31 December 2022, the Group was investing in West Africa, Central Africa, Madagascar and China.

Operational risk

Operational risk is the risk of loss that may result from inadequate or unapplied internal procedures of people, systems or external events. These risk events are internal or external fraud, client relationship risks, personnel management problems, damage to physical assets, total or partial disruption of systems or processes and poor execution of certain processes, whether internal or external to the financial institution.

The Group manages and controls operational risk through:

- the implementation of policies to describe the operation of control processes: fraud detection and prevention, subsidiary operational risk assessment, business continuity plan, access rights and authorisations training (initial training and regular updating of skills)
- training (initial training and regular updating of skills)
- support for audit teams in carrying out unannounced checks on branches or back-office processes
- setting up teams dedicated to permanent control

IT and technology risk

IT and technology risks are common in microfinance institutions. The Group regularly analyses the risks related to hacking or password sharing, possible changes to data and the roles assigned to different users.
An access audit is conducted at least once a year for this purpose.
To mitigate potential information and technology risks, the Group ensures that its employees have appropriate technical support and IT skills. In addition, the Group ensures that it has an adequate data security policy in place.

Financial risk

Financial risk arises from the imbalance between the institution's uses and resources, both in terms of liquidity and cost (interest and exchange). It is broken up into two categories:

- Liquidity risk: the risk that the company will not be able to meet its payment obligations as they fall due under normal and stressed conditions. Most of the Baobab Group's subsidiaries are able to attract and secure third party financing in local currency, Euros or USD.

- The Group manages and controls liquidity risk through:
  - the implementation of liquidity management policies
  - regular and frequent monitoring of liquidity aggregates, assessed at the level of individual microfinance institutions and on a consolidated basis at Group level.
  - regular holding of ALCO committees

- Rate risk: the risk of unfavourable fluctuations in financing, interest and exchange rates. At the level of the subsidiaries, the exchange rate risk is minimal, as they refinance themselves locally, either by building up savings when their status allows it, or by taking on debt on the local banking market. At the Group level, the exchange rate risk arises from investments spread over countries whose currencies fluctuate strongly and rapidly.

The Group manages and controls interest rate risk through:

- natural hedging, i.e. by offsetting the local currency assets of the institutions, which are essentially the loan portfolio of the subsidiary, against the local currency liabilities.
- regular and frequent monitoring of interest rate and foreign exchange position aggregates, assessed at the level of the microfinance institutions and on a consolidated basis at the Group level
- regular holding of ALCO committees

Legal and task risk

This risk includes but is not limited to exposure to fines, penalties or damages resulting from supervisory actions by authorities. It is divided into 3 categories:

- Regulatory risk: Non-compliance with local law or regulation.
- Litigation risk: Litigation with a counterparty resulting from any inaccuracy, deficiency or insufficiency of any kind that may be attributable to the institution in its operations and management.
- Tax risk: Unfavourable and unanticipated changes in the tax regulations applied to Baobab.

The Group manages and controls legal and tax risk through:

- continuous monitoring of the regulatory and legal environment, including through legal officers, compliance officers in all countries where the Group operates and with the assistance of consultancy firms where appropriate
- direct relations with regulators
- functional supervision at the Holding Company level through the establishment of a legal department and a compliance department headed by the Secretary General, who is thus the guarantor of all legal issues concerning the Group
- tax monitoring to prevent risks and anticipate new rules imposed on the Group in its various jurisdictions.

Strategical and reputational risk

Strategy risk can arise from poor market positioning, from the launch of a product that is disconnected from client needs, from inappropriate pricing, or from a lack of knowledge of the competition's strategy. It can also be the result of poor planning, which generates a risk to the profitability or sustainability of the institution, poor management of its resources, or a management error or an external event which affects the image of an organisation.

This risk is mitigated by the presence of experienced Management teams in the microfinance business, which allows for adaptation to market needs and local conditions; this also requires the preparation of robust business plans and their updating in line with market developments.
In addition, the Group also assesses its strategic risks by analysing its competitive and reputational risk, its liquidity and credit risk management, and by regularly and carefully monitoring its growth and cost control.

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 services include those directly related to the audit engagement.

IN KEUR	2022	2021
Audit of Baobab S.A.S	**116**	**118**
Legal audit fees	98	90
Non audit services	18	28
Audit of subsidiaries	**453**	**434**
Legal audit fees	429	413
Non audit services	23	21
TOTAL	**569**	**552**

Note 25 –Related Parties

As of 31 December 2022, no material transaction has been recognised between the Group and related parties other than intra-group transactions eliminated in consolidation.

Note 26 –Significant post-closing events

During the first quarter of 2023, the Norfund fund, which already held a stake in Baobab Plus SAS, exercised its right to convert the bonds redeemable in shares held by the Baobab Plus SAS subsidiary, in return for a €1.3 million capital increase and €6 million share premium.

Notes

Notes

Notes

Notes

Notes

Conception & design

Wilfried Lia Bi
External Communications Manager

Habibatou Cissé
Group Marketing & Communication Manager

Florence Hovsepian
Communication Group Director

Laye Pro
Photographer

Baobab Group

(+33) 1 85 73 19 00

1 rue de Gramont
75002 Paris, France

Baobab Group | baobab.com