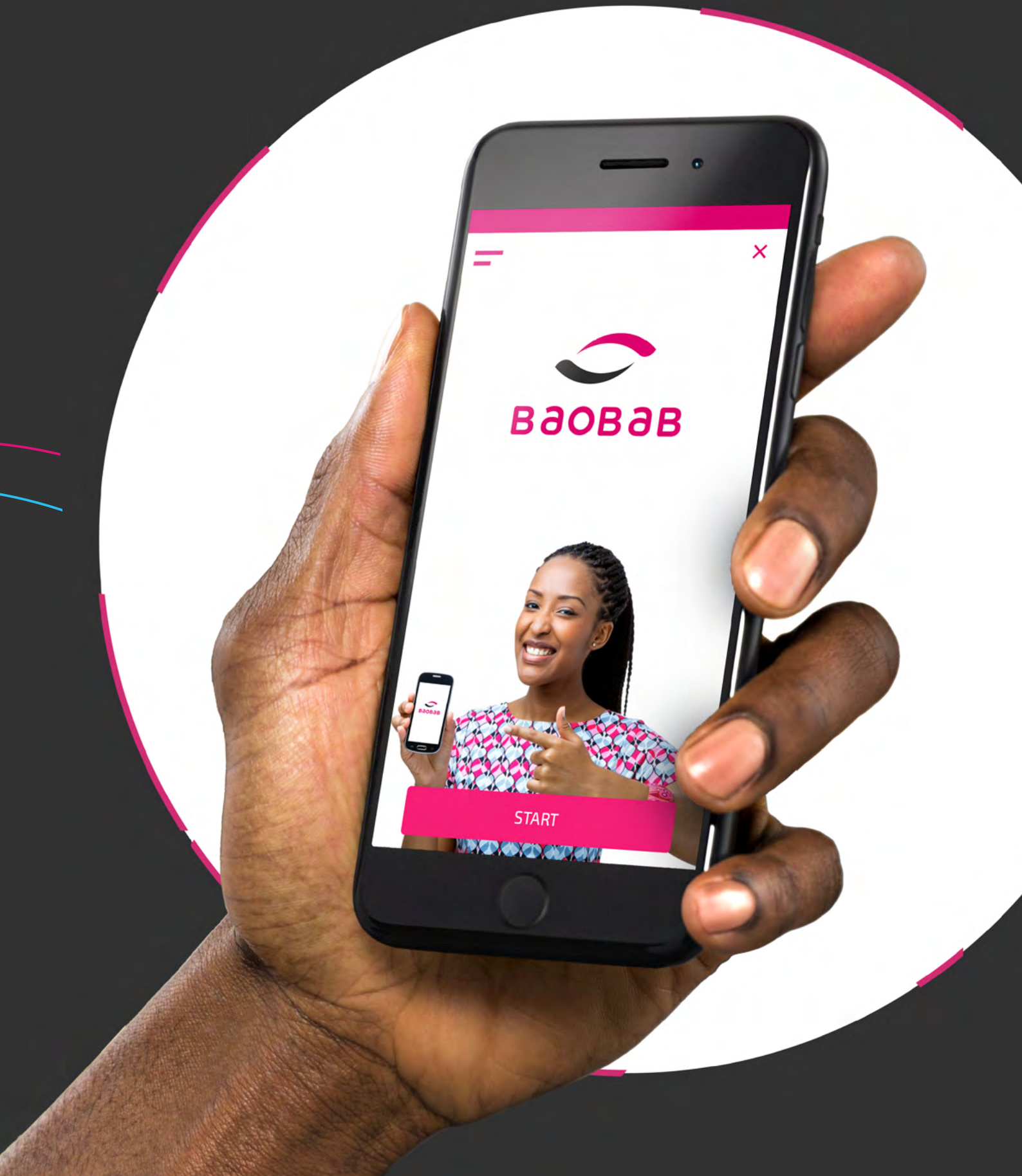
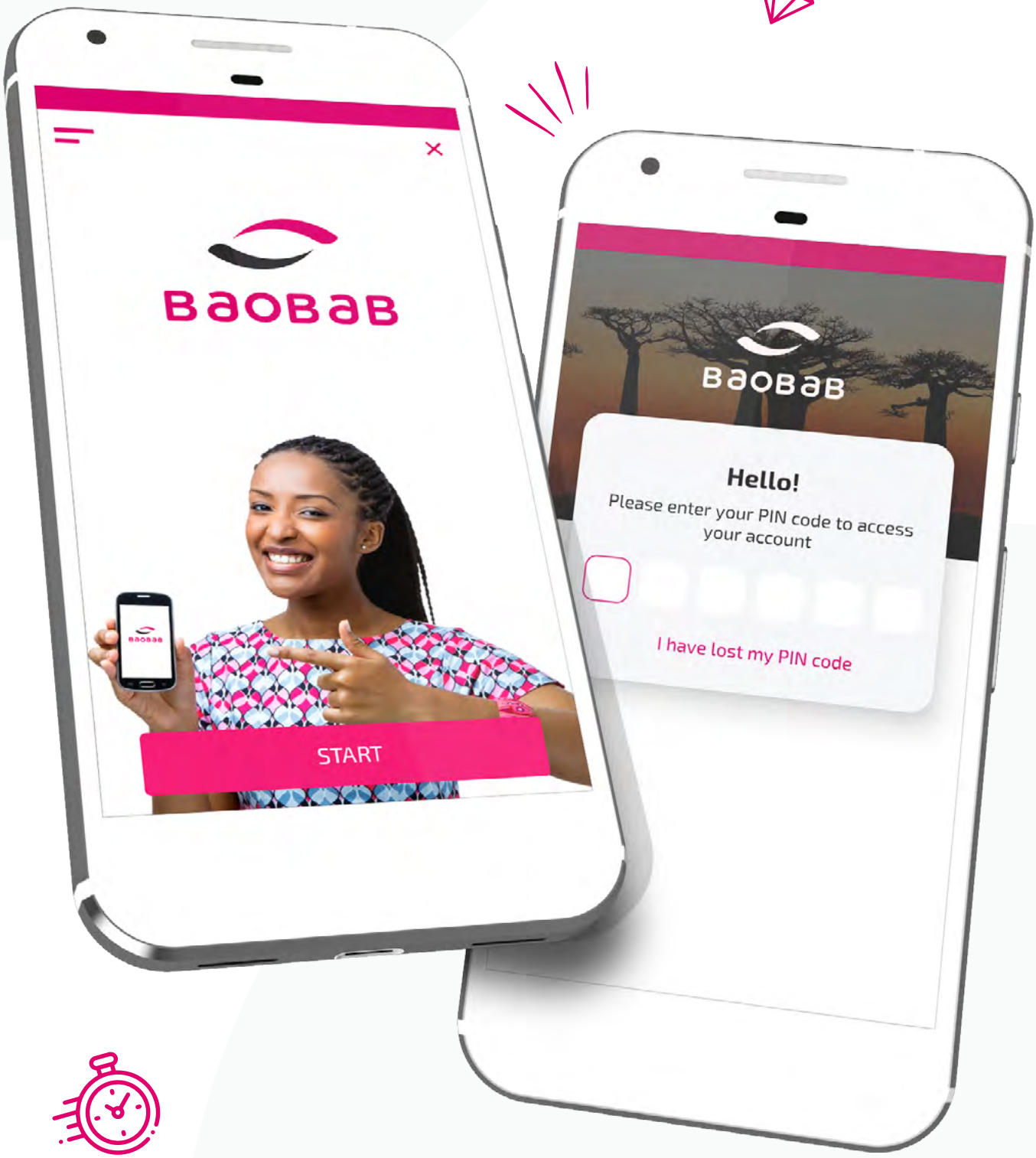
Annual Report 2020




baobab
START
baobab
Hello!
Please enter your PIN code to access your account
I have lost my PIN code

Contents

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD AND THE CEO

Arnold **EKPE**
Chairman of the Supervisory Board

Philip **SIGWART**
Chief Executive Officer

Around the world, the year 2020 will be remembered as the year of the Covid pandemic. This is true for countless individuals, and for our business as well. In the first months, we were full of excitement for a year of strong growth, in line with Boabab Group's achievements in 2019, coupled with a focus on digital transformation. When the Covid crisis took shape, however, we shifted into crisis management mode. While Baobab Group, like many businesses, was impacted, the situation was also an opportunity to reinvent ourselves and confirmed the need to transform our business model. The crisis also illustrated how access to credit, especially access to working capital financing, is vital, especially at such times, and at Baobab Group we made every effort from the start of the Covid pandemic to support our small business customers in countries where we operate.

We experienced an abrupt slowdown in business during the first half of 2020 with the loan book dropping rapidly, as loan disbursements contracted to a fraction of usual levels in the second quarter of 2020. In several countries where we operate, business came to an almost complete standstill. We had to temporarily cease our fully digital working capital loans, as existing decision-making algorithms were backward looking only, and we were not sure if their decisions would be reliable in the highly uncertain environment. However, as lockdowns eased in the second half of the year business recovered quickly and we saw relatively strong growth of the loan book during the fourth quarter. At the end of the year, our outstanding loan book was €657 million, a decline of only 8% compared to the end of 2019. NPL's (PAR 90 days) stood at 1,42% compared to 1,16% at the end of 2019. We increased savings from customers by 2% to € 262 million. And Baobab Group consolidated income after tax for 2020 stood at € 7.2 million.

"Access to credit is vital in times of crisis and at Baobab Group we made every effort since the start of the Covid pandemic to support our small business customers in the countries we operate in"

This crisis has pushed us to accelerate the company's digital transformation. At the end of 2020, we launched our new proprietary lending platform, called "Tune Loan," which enables fast and efficient loan granting. After completion of a pilot in Nigeria and Senegal, the lending platform was rolled out to all our countries on the African continent. Baobab Group also launched the first version of its mobile application for smartphones, which allows customers to check their accounts and process loan repayments. We furthermore signed a partnership agreement with Orange in Madagascar, Senegal and Mali, enabling our customers to make instant transfers from a Baobab account to an Orange Money mobile wallet.

Most importantly, the teams at Baobab demonstrated resilience and responsiveness. Thanks to sound operational results and to the efforts of our teams worldwide, Baobab Group has held out well despite the shock wave caused by the health crisis. Every effort was made by both our subsidiaries and holding company to mitigate social or human impact. We can proudly say that the business stayed on course.

If we look to the future, there are still challenges ahead. The pandemic is by no means over, and further social and economic consequences are to be expected. Meanwhile, competition in the microfinance sector is fierce and we must adapt our business model to the changing competitive and technological environment. We will continue to invest heavily in technology to improve our customer experience, take faster credit decisions and gain in efficiency to make sure we live up to our customer promise of offering affordable financial services.

We would like to thank all Baobab Group staff for the good results achieved during the very challenging year that was 2020. Their efforts give us confidence and hope for the future. We also thank our partners and shareholders for their trust and support over the past year. We are certain that further success lies in store for the years ahead.

OUR IMPACT IN 2020

Our vision is to be the preferred financial partner for business people

Founded in 2005, Baobab now has around 420,000 active customers in nine markets. Over 3,700 employees work together to simplify banking and meet the needs of entrepreneurs. We aim to make financial services easier, more accessible and inclusive, and thus unleash the potential of our customers.

BAOBAB LOANS

BAOBAB SAVINGS

BAOBAB PAY

BAOBAB INSURANCE

424,110
ACTIVE CUSTOMERS

45 %
WOMEN

44 %
BETWEEN 25 AND 40 YEARS OLD

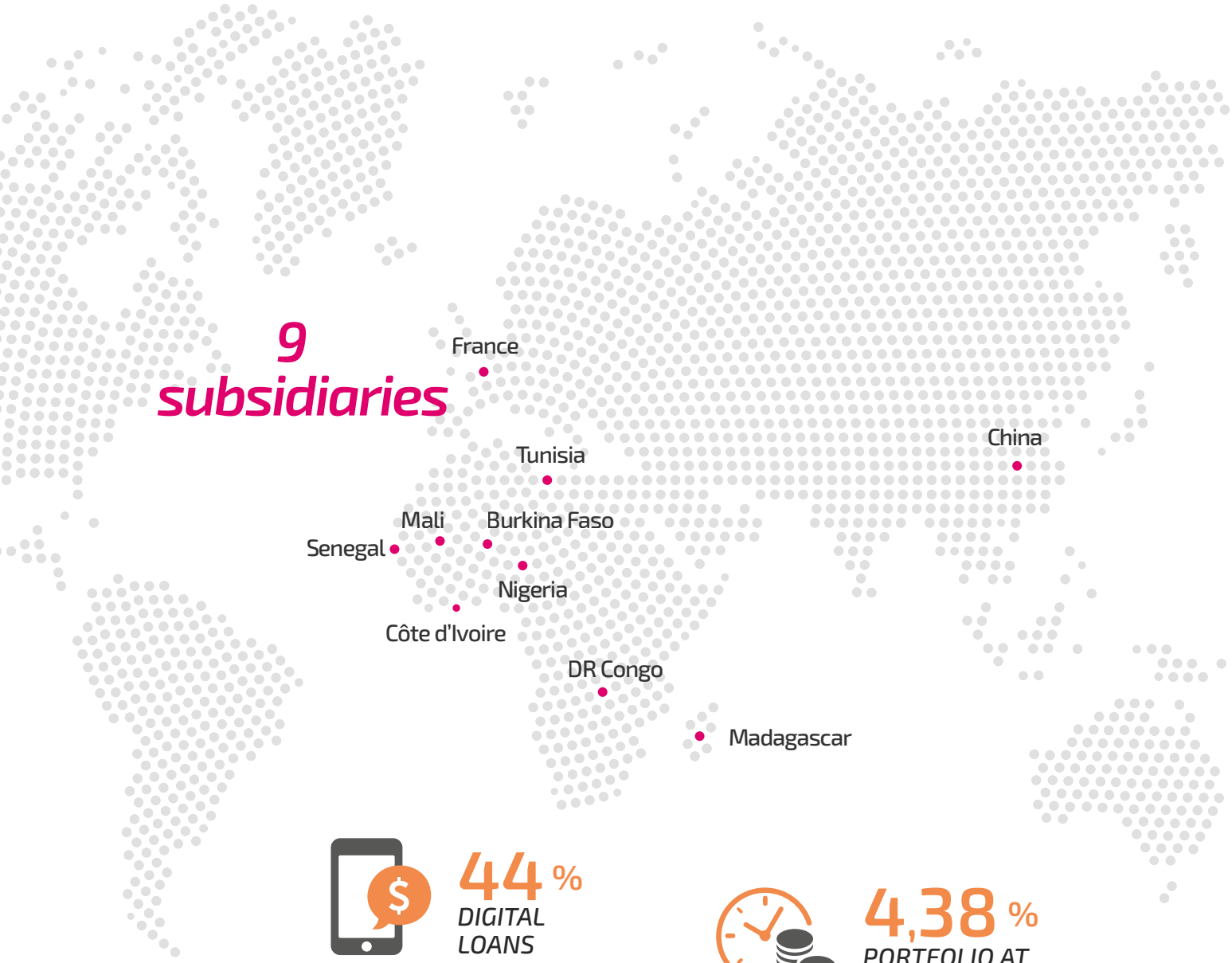
1,210
SALES POINTS

3,773
EMPLOYEES

59 %
LOAN OFFICERS

An active customer is a person or a legal entity having done a transaction on a Baobab account over the last 12 months.

9 subsidiaries



44 %
DIGITAL LOANS

4,38 %
PORTFOLIO AT RISK 30 DAYS

659 M€
LOAN PORTFOLIO

264 M€
TOTAL DEPOSITS

10 COUNTRIES

- BURKINA FASO
- CHINA
- IvORY COAST
- DEMOCRATIC REPUBLIC OF CONGO
- FRANCE (HEADQUARTER)
- MADAGASCAR
- MALI
- NIGERIA
- SENEGAL
- TUNISIA

At the end of 2019, Zimbabwe began a transition towards a sale. Therefore, no specific section of this report will focus on this subsidiary.

#1 BAOBAB GROUP

Baobab Group, the financial service provider of choice for entrepreneurs.

HIGHLIGHTS 2020

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

1 - First, we made every effort to guarantee the health and safety of our staff and customers by rapidly deploying all the recommended health measures in our branches and head offices. Beyond these health precautions, we took steps to guarantee security of employment for our staff by keeping our teams in place and using temporary furlough measures where possible.

2 – Secondly, regulatory and strategic intelligence was deployed to ensure we were informed of measures recommended by governments and competent authorities in response to the crisis in each country. This information allowed us to swiftly take action, particularly for our most impacted customers.

3 - A certain number of financial risk management tools were rolled out to detect and analyse the impacts of business restrictions on our profitability. Stress tests and scenario analysis were implemented to anticipate major effects on our performance.

4 – One of the most important actions that Baobab took during this crisis was the fine-tuning of our customers' loan products to help them overcome the challenges: we offered our customers loan moratoriums, relief on monthly repayments and greater flexibility in repayments. We set up regular monitoring of our customers' business activity, to adjust our support measures to them.

5 - Lastly, the introduction of a new set of early warning indicators in credit operations and risk management allowed to precisely detect potentially tricky situations in the loan portfolios and take adequate measures in response.

The management of the crisis is reflected in the figures: at Baobab, the impact of the crisis on our business indicators was well managed: we limited the decline of our outstanding loan book to an 8% decline, while customer savings grew 2%.

Thanks to these measures, Baobab Group retained its ability to recover quickly. The sales teams were swiftly redeployed and successfully supported the growth of business at the end of the year.

To better manage risks, Baobab launched a number of initiatives to strengthen the skills of local teams in risk analysis and segmentation.

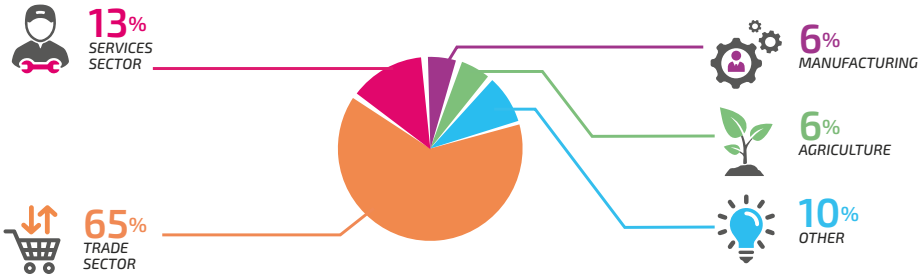
In 2020 we accelerated some of our digital initiatives. We reorganised the IT, tech and data teams around the CTO (Chief Technical Officer) and set the foundation for a quicker roll out of new digital products. The data team will play a key role in future as lending decisions are becoming more data driven. We also launched several digital products. Two examples illustrate this ambition: first, the launch of the mobile application V1, which was rolled out to seven countries between April and November 2020. At the end of 2020, more than 15,000 customers were actively using the app. We also deployed our new lending platform, Tune Loan, which was made available to loan officers.

OUR CUSTOMERS

As at 31 December 2020, Baobab Group had 424,110 active customers, mostly consisting of micro-entrepreneurs and small and medium-sized businesses, which received little or no support from the formal financial sector.
The gross loans portfolio reached over €659 million and the average loan amount paid out was €3,308 over 13 months in general. Most of the loan book portfolio was for working capital financing of small businesses.

In 2020, Baobab Group provided loans to 228,071 small businesses for a total amount of €266,015,902, thanks to a revision of the offering and our close relationship with the local economic fabric.
Baobab mostly financed the trade sector (65%), followed by services (13%) and small scale manufacturing (6%). 45% of our customers were women and 44% are under 40 years of age.

PROFILE OF OUR CUSTOMERS' BUSINESS ACTIVITIES



OUR PRODUCTS AND SERVICES

Loan

Our micro and small business loans are either working capital or investments 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, 2020 was marked by the Covid-19 pandemic, which considerably impacted our own business and that of our customers. However, thanks to the close relationship with our customers and our understanding of the local economy, in just a few weeks, the institution developed financing offers in response to our customers' new needs: longer and more flexible repayment plans; bespoke lending offers to revive business after partial or total lockdowns; and support for expanding sectors (hospitals, pharmacies, etc.).

Launch of the Baobab Mobile App

In 2020, Baobab launched the first version of its mobile application. Customers can view their bank account status with this version but cannot yet carry out transactions. However, these functions will be available in a significantly enhanced second version due for launch in 2021. Despite its limited functionalities, the first version of our mobile app proved to be very popular with our customers.

Savings

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

Insurance

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

Payment

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. In Madagascar, in partnership with Orange, an interoperability service has been rolled out. This new service allows Malagasy customers to instantly transfer money from their Baobab account to their Orange Money wallet. Both secure and easy to access, this channel aims to simplify the everyday transactions of our 200,000 customers in Madagascar.

Call Centre

Baobab has rolled out call centres in all countries of operations to improve its customer service. Call centres gather suggestions, opinions and complaints from customers 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

Baobab Group has rolled out a network of banking agents to be close to customers even when they are in remote geographical areas.

Network of Correspondents

Baobab has rolled-out a network of banking agents where customers can carry out transactions. They can deposit and withdraw cash, repay their loan instalment, and transfer money between accounts. All transactions are secured thanks to a biometric system directly connected to the Baobab system.
The Baobab Group now operates networks of banking agents in three markets (Ivory Coast, Madagascar and Senegal), with over 900 agents completing the networks of branches in these countries. At Babab 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.

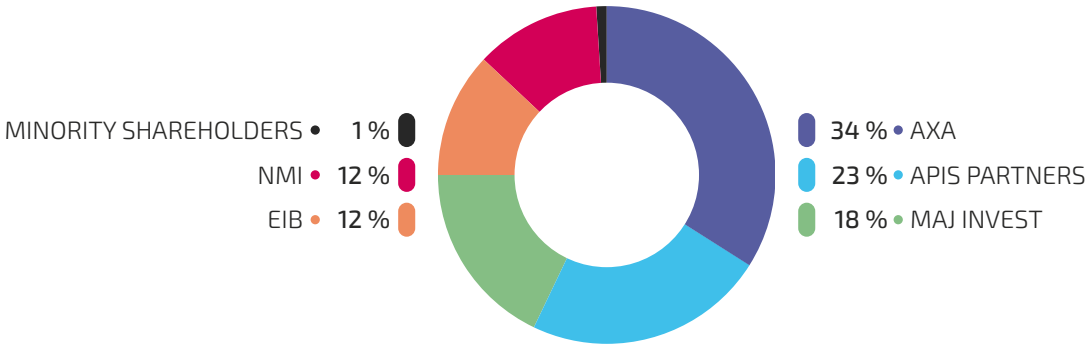
They are provided with Baobab kiosks featuring special branding in semi-rural areas where Baobab detects potential for growth. Each kiosk is located at least three kilometres from a Baobab branch. As support when they start up their business, these entrepreneurs receive working capital funding, a tablet and a basic minimum salary. The aim is to assist them over the first six months of their startup 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.
In 2020 Baobab Group launched a new lending platform, Tune Loan. The pilot for the new platform was conducted in Nigeria and Senegal. After a successful pilot Baobab deployed the Tune Loan lending platform to all the other subsidiaries on the African continent.

GROUP GOVERNANCE

THE GROUP'S SHAREHOLDING



SUPERVISORY BOARD

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

Vice-Chairman
Jean-Michel **PIVETEAU**
Independent Consultant

Member
Thierry **PORTÉ**
Managing Director J.C. Flowers & Co.

Member
François **ROBINET**
President of Axa Strategic Ventures – AXA

Member
Nick **TALWAR**
Venture Partner - APIS Partners

Member
Alain **NADEAU**
Head of Representation to China and Mongolia – EIB

Member
Asad **NAQVI**
Partner – APIS Partners

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

Member
Garance **WATTEZ RICHARD**
Head of AXA Emerging Customers – AXA

Member
Kasper **SVARRER**
Permanent representative DMP Holding Denmark

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

EXECUTIVE MANAGEMENT BOARD

Philip **SIGWART**
Chief Executive Officer

Guillaume **LESAY**
Group Chief Risk Officer

Delphine **MARTIN**
Group Chief People Officer

Hervé **GUYON**
General Counsel

Nicolas **SERRE**
Group Chief Technology Officer

Christina **REIFSCHNEIDER**
Group Chief Financial Officer

Ruben **DIEUDONNÉ**
Regional Director WAEMU

OUTLOOK 2021

It would be impossible to talk about 2021 without mentioning the COVID 19 crisis, which is still impacting the countries of our operations. New waves are expected and their impact will again disrupt the economy and the lives and livelihoods of our customers and employees. Access to credit will continue to be essential to overcome the effects of the crisis on the local economies.

The digital transformation of Baobab Group will remain one of the focus areas for 2021. We will launch a second version of our mobile app. The mobile app will include payment functions and mobile money features. We will also leverage our data capabilities to automate more of the loan underwriting with automated credit scoring and machine learning. Our partnership with Orange will be rolled out in additional countries, such as Mali and Senegal. Lastly, our lending platform, Tune Loan, will be rolled out to the remaining countries of operations and will streamline the loan granting process thanks to more digital technology and less paper. Our IT team will continue to prepare the migration of the core banking system to a new platform. We expect that we will migrate the first countries of operations to the new platform in late 2021 or early 2022. This project will help us speed up our digital transformation and our ability to swiftly launch new products.

Last but not least, Baobab's transformation will depend on the continuous engagement and professional development of our employees. A strong focus will be on monitoring employee engagement and a renewed focus on training. We plan the launch of a Baobab Academy to support each employee and manager with their training and career development.

We are confident that with a strong focus on digital and our staff, we will be well positioned to address the challenges of the years to come and remain the best financial partner for many small businesses in the countries where we operate.

#2 BAOBAB SUBSIDIARIES

Madagascar
Senegal
Nigeria
Ivory Coast
Mali
Tunisia
Burkina Faso
Democratic Republic of Congo
China
Baobab+

BAOBAB BANK 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 2020, Baobab Bank Madagascar provided financing to 62,386 active customers. It has a country-wide presence with 40 branches and 284 banking agents.

62,386
ACTIVE CUSTOMERS

40,5 M€
LOAN PORTFOLIO

50,3 M€
TOTAL DEPOSITS

7,51 %
PORTFOLIO AT RISK 30 DAYS

1020€
AVERAGE LOAN AMOUNT

564
EMPLOYEES

324
SALES POINTS

TOTAL ASSETS
60,7 M€

TOTAL EQUITY
8,4 M€

NET RESULT
0,1 M€

Beranger

CEO of a company specialised in visual communication

Customer since 2019

Béranger, CEO of Adrenaline, started his business at the end of 2017 with the production of visual media. Today, his customers are highly diverse and include companies in the food industry, mass retail, franchisees and mobile operators.

At first, Béranger financed his new enterprise with his own money. After a few months, he obtained a loan from a financial institution and was able to develop his business for two years.

In 2019, market demand grew and Béranger wanted to develop his company's capabilities. So he decided to contact his usual bank to obtain a loan. But unfortunately, it was unable to offer him any further help. Disappointed but just as determined, he contacted Baobab that he heard about from people he knew.

After submitting his loan application he received a positive response and was granted a loan of MGA 166 million (€36,451).

Today, Béranger's goal is to set up other sites in Antananarivo and develop his activities in the rest of the country. Over the next five years, he plans to open branches on the islands in the Indian Ocean, thanks to the support of Baobab. To Béranger, "Baobab stands out from other financial institutions due to its tremendous support."

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 2020, Baobab Senegal granted more than 50,000 loans to its customers. The Baobab Senegal network now covers almost the whole country with 55 branches and 439 banking agents. Thanks to a BBB+/Stable/w-3 rating by the West Africa Rating Agency (WARA) on its regional scale, Baobab Senegal has benefitted from better financing conditions on the West African market.

146,700
ACTIVE CUSTOMERS

163,2 M€
LOAN PORTFOLIO

81,8 M€
TOTAL DEPOSITS

2,5 %
PORTFOLIO AT RISK 30 DAYS

2 727€
AVERAGE LOAN AMOUNT

662
EMPLOYEES

485
SALES POINTS

TOTAL ASSETS
181,4 M€

TOTAL EQUITY
27 M€

NET RESULT
5,5 M€

Amadou

Manager of an entrepreneurship and management firm

Customer since 2013

After working for various organisations, Amadou started saving and was able to launch his own firm, specialising in entrepreneurship and management. He decided to join Baobab in 2013.

"I heard about Baobab through word of mouth. I had a savings account with another institution at the time, but I had several problems with them. That's when I closed my account and turned to Baobab. I had heard that in addition to financing various entrepreneurial activities, Baobab offered its customers a good quality service. This feedback prompted me to inquire and that's when I decided to open an account with Baobab."

The savings account is very useful for managing his daily expenses, securing his money and ensuring his business remains sustainable. Amadou can access his money quickly and easily whenever he wants. Today, his business is doing well, and Amadou is very happy in his job. He is very active with young people in Senegal and takes part in many events to promote the development of entrepreneurship. He supports project developers and encourages them to save as soon as possible, even if they start with small amounts.

On his recommendation, one of his acquaintances opened a savings account with Baobab and eventually obtained a loan that allowed him to open a driving school in Dakar. His business has been doing very well ever since.

For Amadou, Baobab offers great opportunities for young people, and he encourages them to seize them by starting to save gradually. "After a few years, this money will give these young people access to bigger loans to start their own business." Amadou is an entrepreneur who encourages all young people to develop a savings culture. To him, it's not important, it's essential!

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 aims to be a driver of economic development in Nigeria.

45,634
ACTIVE CUSTOMERS

30,3 M€
LOAN PORTFOLIO

24,9 M€
TOTAL DEPOSITS

4,49 %
PORTFOLIO AT RISK 30 DAYS

1181€
AVERAGE LOAN AMOUNT

575
EMPLOYEES

22
SALES POINTS

TOTAL ASSETS
43,2 M€

TOTAL EQUITY
8,9 M€

NET RESULT
1,3 M€

Elieja

Printing Company Owner

Customer since 2011

Elieja owns one of the largest silk-screen printing companies in Kaduna. His customers include large local and international companies, NGOs and private individuals.

When he started out in 2011, Elieja had to cope with several difficulties, especially financial. Buying machines and supplies requires a lot of capital which he did not have at the time.

To meet his needs for working capital, he decided to contact Baobab and secured a first loan of €600. Today, he has access to much higher amounts that can reach over €10,000.

Thanks to these funds, Elieja has been able to confidently develop his business and offer his customers quality printing services. Over the years, the small company has made a name for itself and built up a loyal customer base.

Today, his company employs over 40 people and his business continues to grow across the country. Elieja is proud to be assisted by Baobab. To him, "the financial services offered by Baobab are a great help." Content and totally fulfilled, Elieja congratulates Baobab on its business strategy aimed at supporting African entrepreneurs".

BAOBAB IVORY COAST

Baobab Ivory Coast 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 Ivory Coast 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 Ivory Coast expanded outside Abidjan, opening more than fifteen branches in the provinces. Today, Baobab Ivory Coast has 33 branches and 250 Baobab outlets.

62,302
ACTIVE CUSTOMERS

141,8 M€
LOAN PORTFOLIO

71,4 M€
TOTAL DEPOSITS

2,9 %
PORTFOLIO AT RISK 30 DAYS

4 812 €
AVERAGE LOAN AMOUNT

558
EMPLOYEES

283
SALES POINTS

TOTAL ASSETS
161,7 M€

TOTAL EQUITY
24,8 M€

NET RESULT
7,3 M€

Michel

Clothing Store Manager

Customer since 2018

Michel started out selling clothes door-to-door. Thanks to the sales he made, he was able to save money to rent a small store and start his business. He soon realised that his stock of goods was insufficient to meet demand from his customers. It was then that his brother, already a Baobab customer, advised him to contact Baobab.

Every day, he takes a lot of orders from customers in his store and online. To procure his textile products, Michel orders from local suppliers when he can, otherwise he travels directly abroad. Regularly renewing his goods allows him to build customer loyalty. Today, his store has developed greatly and he is very proud of it.

"Baobab supported me when I needed it most! Thanks to my first loan, I was able to increase my orders considerably. And the money was available within a fortnight."

Ambitious and determined, Michel hopes to develop his business online. He is working on the design of a website and a mobile app that will allow him to grow his sales long term. It was the Covid crisis that made him realise the importance of online trade because he has seen his turnover drop 50% over the period. It's a hard blow but nothing stops him. As dedicated as ever to his job, Michel has set himself the goal of travelling to Dubai very soon to stock up on goods and open a new store in Abidjan •

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 34,183 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 over 320 staff, half of whom work out in the field.

34,183
ACTIVE CUSTOMERS

38 M€
LOAN PORTFOLIO

16,3 M€
TOTAL DEPOSITS

3,4 %
PORTFOLIO AT RISK 30 DAYS

508€
AVERAGE LOAN AMOUNT

284
EMPLOYEES

19
SALES POINTS

TOTAL ASSETS
39,5 M€

TOTAL EQUITY
– 2,5 M€

NET RESULT
(– 4 M€)

Mahamane

Clothing Store Manager

Customer since 2014

Mahamane has been in the clothes trade for over 20 years. He started out selling second-hand clothes and opened his first store a few years later.

Positioned in a highly competitive sector, this Malian entrepreneur is constantly seeking to invest in order to renew his stock of goods and attract more customers. "I am able to invest regularly in my business thanks to the different forms of financing granted by Baobab."

Mahamane received his first loan of FCFA 1,000,000 (€1,524) in 2014. Since then, he has renewed his loan several times according to his needs. Today, his business is doing very well. "My financial situation is healthy. I sell quality garments and have good customers such as government employees, executives and retailers."

However, at the start of the year, the health crisis had a major impact on his business. Border closures prevented him from travelling and caused a considerable shortage of goods. He saw his sales drop significantly over the period. But today, things are much better and thanks to a new loan, he can continue his business more confidently.

To Mahamane, Baobab stands out from other microfinance institutions by its proximity and its ability to respond quickly to the financing needs of Malian entrepreneurs. "As soon as you apply for a loan from Baobab, things are quickly taken care of and without any hitches." He has always been very satisfied with his experience and regularly recommends Baobab to fellow retailers •

BAOBAB TUNISIA

Baobab Tunisia opened its first branch in November 2014 and finances a wide range of customers, from very small businesses to SMEs. Today, Baobab Tunisia is one of the leading microfinance institutions in Tunisia with more than 20,000 active customers through its network of 20 branches dotted around the country, and 370 million dinars committed in the different sectors of the economy. Baobab Tunisia currently employs 250 people dedicated to achieving its mission.

20,866
ACTIVE CUSTOMERS

28,9 M€
LOAN PORTFOLIO

6,75 %
PORTFOLIO AT RISK 30 DAYS

1 328€
AVERAGE LOAN AMOUNT

251
EMPLOYEES

20
SALES POINTS

TOTAL ASSETS
44,9 M€

TOTAL EQUITY
4,4 M€

NET RESULT
(1,2 M€)

Seif

Florist

Customer since 2018

Aged 30, Seif is a young florist from the governorate of Monastir. A true lover of flowers, he spends his days making new floral arrangements. Seif regularly stocks up from local nurseries and suppliers. His customers are mainly restaurants, hotels and event organisers.

Seif started his business with very limited means and his situation gradually became stable. Driven by his passion for the profession, he has moved forward and made his dream come true. He contacted Baobab in 2018 because he heard about the financial services tailored to micro-enterprises. The same year, he obtained his first loan and was able to invest and develop his business. "I wanted to invest even more, given the strategic location of my premises and my expertise in the profession."

In 2020, due to the health crisis, he faced several difficulties when demand for gift items and bouquets suddenly plunged due to legal restrictions on organising public events. But Seif did not lose heart and again turned to Baobab for help to get back on track. "My ambitions have no limits. My biggest dream is to develop my King Flower project throughout Tunisia. That is what I would really like to accomplish."

BAOBAB BURKINA FASO

Baobab Burkina Faso began 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 the Alip automated loan renewal. In five years, Baobab Burkina Faso has developed its network, which currently has five branches, including four in Ouagadougou and one in Bobo-Dioulasso. In 2020, the institution had 170 employees and 19,594 active customers.

19,594
ACTIVE CUSTOMERS

31,7 M€
LOAN PORTFOLIO

15,2 M€
TOTAL DEPOSITS

2,8 %
PORTFOLIO AT RISK 30 DAYS

2 279€
AVERAGE LOAN AMOUNT

137
EMPLOYEES

5
SALES POINTS

TOTAL ASSETS
35,5 M€

TOTAL EQUITY
4,5 M€

NET RESULT
0,4 M€

Cécile

Entrepreneure in Burkina Faso

Customer since 2017

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

At first, she faced many difficulties as a woman in a very male environment. After a series of discouragements due to a lack of funds to develop her business, one of her daughters advised her to contact Baobab. She immediately decided to turn to Baobab in August 2017, and received her very first loan of 7,000,000 CFA Francs in less than two weeks. This financing allowed Cécile to improve the stability of her main business. After rapidly repaying her first loan, she took out a second one for 10,000,000 CFA Francs, which allowed her to open a security company where she now employs over 500 people.

Cécile then obtained a third loan that she used to purchase land to set up a plantation.

Today, Cécile is totally fulfilled and a true model for her family but also and especially for her community, in which she actively participates. Thanks to the loans she received, Cécile has not only built projects in her village but has also been able to buy a vehicle for the needs of her security company.

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

BAOBAB DEMOCRATIC REPUBLIC OF THE CONGO

In 2017, Baobab Group acquired OXUS DRC, a microfinance institution that began operating in July 2013. It is currently providing financing to over 12,000 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.

12,681

CUSTOMERS

10,9 M€
LOAN PORTFOLIO

2,4 M€
TOTAL DEPOSITS

7,3 %
PORTFOLIO AT RISK 30 DAYS

1 557€
AVERAGE LOAN AMOUNT

175
EMPLOYEES

6
SALES POINTS

TOTAL ASSETS
12,2 M€

TOTAL EQUITY
2 M€

NET RESULT
0 M€

Mamie

Retailer in the food sector

Customer since 2016

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

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

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

MICROCRED CHINA

After thirteen years of steady development, MicroCred China now plays an important role in Baobab Group. The institution started operating in Nanchong in December 2007 and expanded to Chengdu in January 2011 (both cities are in the Sichuan province). It has greatly developed its digital solutions. Since 2018, MicroCred customers have been able to renew their loans online via WeChat. They no longer need to go to a branch; they sign their loan contract online directly on their smartphone and their credit is renewed in less than an hour. MicroCred China currently has 46 outlets covering 13 cities in the Sichuan Province.

19,636
ACTIVE CUSTOMERS

164,8 M€
LOAN PORTFOLIO

0,8 %
PORTFOLIO AT RISK 30 DAYS

13 000€
AVERAGE LOAN AMOUNT

507
EMPLOYEES

46
SALES POINTS

TOTAL ASSETS
179,2 M€

TOTAL EQUITY
95 M€

NET RESULT
6,5 M€

Chenggang

Restaurant Owner

Customer since 2018

Chenggang runs a restaurant serving dishes made with ecological mutton. Eight years ago, he started raising sheep, but the management was not always easy. Due to his lack of experience, sheep plague caused great losses that year. Despite the difficulties, Chenggang did not give up and he decided to seek advice from experienced farmers to start again. After a few years, Chenggang was a lot more experienced and became well known among local farmers.

In Fushun, development prospects for the cattle business are quite impressive. So, in 2015, Chenggang decided to take the plunge and open his first restaurant "Shuntai Ecological Mutton". There is no spacious frontage and no plush decoration. The restaurant has only four small tables, but customers are attracted by his delicious-tasting dishes.

In 2018, Chenggang wanted to make his cattle business more profitable, so he decided to contact a MicroCred China agent to rapidly obtain a loan.

Today, Chenggang not only sells his ecological meat in his own restaurant, it is also available in several large restaurants in the city. Thanks to Baobab's support, his business is doing well and Chenggang is already thinking about his future plans. "We are currently planning to open a second restaurant, and we are already looking for a good location".

BAOBAB+

Baobab+ is active in access to energy and digital technology in Senegal, Mali, Ivory Coast and Madagascar. Baobab+ markets innovative products (solar kits and digital products featuring high social impact content) and offers financing solutions such as Pay-As-You-Go (PAYG) to make them accessible to all.

BAOBAB+

ENERGY, DIGITAL & MORE

www.baobabplus.com

BAOBAB+ PRODUCTS AND SERVICES

ACCESS TO ENERGY

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

DIGITAL ACCESS

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

Baobab+ uses various distribution channels to make its products accessible to all:

THE BAOBAB BRANCH NETWORK

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

TELCO NETWORKS

Customers of our various partners (Orange, MTN) can buy a smartphone in Pay-As-You-Go (PAYG) in partner shops in Ivory Coast and Senegal.

A DEDICATED MOBILE SALES FORCE

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

FROM SOLAR POWER TO CREDIT

In partnership with Baobab Group, Baobab+ has developed a unique scoring analysis to allow its customers, especially those in rural areas, who were previously ineligible for financing, including with microfinance institutions, to gain access to financial products and services, using PAYG as their first financial experience.
The aim is to offer eligible PAYG customers a digital nano credit. The application is made directly on their mobile phone and the loan is paid out through the Baobab relay outlets. The credit decision is made by a scoring algorithm that analyses the payment data relating to solar kits. The first results are promising and seem to have real impact on our customers' lives. After being developed and tested in Senegal, this offer will be available in Madagascar, Ivory Coast and Mali in 2021.

200 000

*HOUSEHOLDS, SUPPOSEDLY **1 200 000** BENEFICIARIES EQUIPPED WITH SOLAR*

70 000

HOUSEHOLDS EQUIPPED WITH DIGITAL PRODUCTS (SMARTPHONES AND TABLETS)

4 *COUNTRIES*
MADAGASCAR
SENEGAL
MALI
IVORY COAST

190 *SALES POINTS*

545 *EMPLOYEES INCLUDING 213 BAOBAB + AGENTS*

2020

- Ashden Awards finalist, innovative business model category
- Nomination for the "Disrupter of the Year 2019" Award - Africa CEO Forum (Kigali), Nomination for the "Disrupter of the Year 2020" Award (Abidjan March 2020)
- Empower a Billion Lives: 1st in the Europe competition in the Decentralized Model – Commercially Available Solutions category
- Africa Investment Forum Awards: Silver Award for "Best Energy Project" and Silver Award for "Best Renewable Energy Project"
- Grand Prix for Growth Companies: "Grand Prix for the French entrepreneur abroad"

*I am totally satisfied with **My Biolite SolarHome 5000 solar kit.** The intensity of the lamps allows my children to study better but what I like the most is the TV 24" with its multiple channels that allows me to keep children at home...which is a guarantee of security.*
Solar TV kit Client, Senegal

*I am happy and satisfied with my **Biolite 620** which is a quality product especially in terms of autonomy. Darkness and insecurity are today old memories. That's why I recommend Baobab+ to everyone around me.*
Solar Kit Client, Senegal

Thank you Baobab +

BAOBAB+
ENERGY, DIGITAL & MORE

www.baobabplus.com

#3

FINANCIAL STATEMENTS


SAVING
INSURANCE

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON DECEMBER, 31ST, 2020

OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Baobab SAS ("the Group") for the year ended 31 December 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2020 and of the results of its operations for the year then ended in accordance with IFRS accounting principles as adopted by European Union.

BASIS FOR OPINION

Audit Framework

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

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from 1st January 2020 to the date of our report.

EMPHASIS OF MATTER

We draw attention to the following matter described in Note 2.2 to the consolidated financial statements relating to changes of presentation of the balance sheet and income statement as at 31 December 2020 to be consistent with those of the financial sector. Our opinion is not modified in respect of this matter.

JUSTIFICATION OF ASSESSMENTS

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These assessments were addressed in the context of our audit of the consolidated

financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the President.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

The consolidated financial statements were approved by the Président.

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

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

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

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

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This

assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Marseille and Sarcelles,
9th of July 2021

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)

	Notes	2020	2019	Variation
ASSETS				
Cash and cash equivalents	10	105 807	98 662	7 144
Cash on hand		17 078	21 387	(4 309)
Deposits		88 729	77 275	11 453
Demand deposits and short term investments		82 716	71 393	11 322
Deposits to central banks		6 013	5 882	131
Loans and advances to customers	8	631 005	663 393	(32 388)
Gross portfolio (incl. Accrued interests)		659 301	714 462	(55 161)
Loan impairment		(28 296)	(51 070)	22 773
Other assets		57 307	58 122	(815)
Intangible assets	4	2 651	2 678	(27)
Tangible assets	5	19 201	21 706	(2 505)
Financial assets	6	1 396	1 818	(422)
Inventories		2 702	2 342	361
Deferred tax assets	7	9 015	8 840	175
Other receivables	9	22 341	20 738	1 602
TOTAL ASSETS		794 118	820 176	(26 058)

	Notes	2020	2019	Variation
LIABILITIES				
Debts to customers	12	264 463	258 025	6 438
Demand deposits		102 729	103 530	(801)
Term deposits - Customers		55 876	35 626	20 250
Term deposits - Institutions		45 476	52 857	(7 382)
Compulsory Deposits		60 382	66 012	(5 630)
Debts issued and borrowed funds	12	333 019	368 382	(35 364)
Senior debt		314 716	347 077	(32 361)
Subordinated debt		18 302	21 305	(3 003)
Provisions	13	5 611	2 962	2 649
Other liabilities	13	30 235	32 551	(2 316)
Total Shareholders' Equity	11	160 790	158 255	2 535
Share capital and share premium		101 821	101 809	12
Reserves		18 500	3 509	14 991
Net result, Group share		1 070	15 456	(14 386)
Translation reserves		(7 095)	(6 246)	(849)
Shareholders' equity, Group share		**114 296**	**114 528**	**(232)**
Minority interest		46 494	43 727	2 767
TOTAL LIABILITIES AND EQUITY		794 118	820 176	(26 058)

NB : The format of the balance sheet is different from the one published for the 2019 financial year following a change in the presentation of the Group's consolidated financial statements (see Note 2.2)

CONSOLIDATED INCOME STATEMENT

	Notes	2020	2019*	Variation
IN K€				
Interest received and similar income	18	157 378	171 886	(14 509)
Interest paid and other similar expenses		(40 421)	(40 932)	511
NET INTEREST INCOME		116 957	130 955	(13 997)
Commissions	18	12 400	13 409	(1 010)
Other financial revenue	19	(3 335)	(910)	(2 425)
Financial expenses		(7 264)	(3 402)	(3 861)
Financial income		3 929	2 493	1 436
GROSS FINANCIAL INCOME		126 022	143 454	(17 432)
Cost of risk	20	(26 353)	(23 013)	(3 340)
NET FINANCIAL INCOME		99 669	120 441	(20 772)
Income from Baobab Plus		10 735	8 540	2 195
Oher revenues		3 222	9 738	(6 516)
OTHER INCOME		13 957	18 278	(4 321)
OPERATING INCOME		113 626	138 719	(25 093)
Personnel expenses		(48 180)	(51 454)	3 274
External expenses		(34 594)	(37 058)	2 465
Amortization and depreciation		(9 098)	(9 470)	372
Taxes, duties and similar expenses		(8 021)	(5 422)	(2 599)
OPERATING EXPENSES	21	(99 893)	(103 404)	3 512
PROFIT BEFORE TAX		13 733	35 314	(21 581)
Tax expenses	22	(6 513)	(9 584)	3 071
Deferred tax		829	(97)	926
Current tax		(7 433)	(9 487)	2 054
Tax credits		91	0	91
PROFIT AFTER TAX		7 220	25 730	(18 510)
MINORITY INTERESTS		6 150	10 274	(4 124)
PROFIT AFTER TAX, GROUP SHARE		1 070	15 456	(14 386)

NB : The format of the balance sheet is different from the one published for the 2019 financial year following a change in the presentation of the Group's consolidated financial statements (see Note 2.2)

OTHER COMPREHENSIVE INCOME

	2020	2019
Consolidated net result	7 220	25 730
Other comprehensive income	(539)	
Total income and expenses recognized under other items of the profit and loss account	0	0
Total currency translation gains and losses	(2 357)	(3 669)
Total consolidated net results	4 325	22 061
Group share	(244)	11 457
Minority interests	4 568	10 604

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 Position as of December 31, 2018	77 799	23 937	9 699	(12 340)	(4 903)	10 592	104 783	35 274	140 057
Allocation of the previous year's profit			10 592			(10 592)			
Capital increase	9	65					74		74
Transactions related to share-based payment plans									
Dividends paid								(1 037)	(1 037)
Effect of the first implementation of IFRIC 23			(649)				(649)	(267)	(916)
Additional goodwill on purchase of minority interests									
Impact of the Put and Swap options				(711)			(711)	(499)	(1 209)
Sub-total associated with shareholders	**9**	**65**	**9 943**	**(711)**		**(10 592)**	**(1 286)**	**(1 802)**	**(3 088)**
Income						15 456	15 456	10 274	25 730
Other items of the consolidated net result									
Currency translation gains/losses			(2 658)		(1 343)		(3 999)	330	(3 669)
Gains and losses recognized in equity			(472)				(472)	(350)	(822)
Other items			46				46		46
Equity Position as of December 31, 2019	77 807	24 002	(16 560)	(13 050)	(6 246)	15 456	114 528	43 726	158 255
Allocation of the previous year's profit			15 456			(15 456)			
Capital increase		12					12		12
Transactions related to share-based payment plans									
Dividends paid								(2 690)	(2 732)
Effect of the first implementation of IFRIC 23									
Additional goodwill on purchase of minority interests									
Impact of the Put and Swap options								889	853
Sub-total associated with shareholders		**12**	**15 456**			**(15 456)**	**12**	**(1 801)**	**(1 867)**
Income						1 070	1 070	6 150	7 220
Other items of the consolidated net result									
Currency translation gains/losses					(849)		(860)	(1 496)	(2 456)
Gains and losses recognized in equity			(481)				(481)	(84)	(566)
Other items			26				26	()	26
EQUITY POSITION AS OF DECEMBER 31, 2020	77 807	24 014	31 551	(13 050)	(7 095)	1 070	114 296	46 494	160 611

CASH FLOW STATEMENT

	IN KEUR	2020	2019
Activity-related operations	Consolidated net result	7 220	25 730
	Net depreciation	9 098	8 199
	Net provision expenses	-7 987	6 414
	Changes in deferred tax	-829	-93
	Other unpaid income and expenses	775	-1 746
	Self-financing capacity	**8 276**	**38 504**
	Net disbursements on loan portfolio	35 274	-16 796
	Loans disbursed	-832 153	-962 902
	Loans paid back	867 428	946 107
	Changes in working capital requirements	**1 733**	**32 153**
	Changes in customer deposits	6 438	12 119
	Working capital requirements	**43 445**	**27 476**
	A - Net Operating cash flows	**51 721**	**65 980**
Investment Operations	Acquisition of intangible assets	-452	-2 286
	Acquisition of tangible assets	-5 350	-4 499
	Acquisition of financial assets	-111	-2 680
	Assets entry in scope	0	0
	Disposal of financial assets	0	7
	Disposal of assets : scope exit	-23	0
	B - Net cash flows provided by/used in investing activities	**-5 935**	**-9 458**
Financing Operations	Capital increase	12	74
	Change in minority interest	-2 767	-1 007
	Change in borrowings	-35 364	-11 197
	C - Net cash flows provided by/used in investing activities	**-38 119**	**-12 131**
	Effects of the foreign exchange gains/losses	-2 357	-889
	CASH FLOWS	5 310	43 503
	Cash and cash equivalent at opening	96 740	53 238
	Cash and cash equivalent at closing	102 050	96 740

NOTES TO THE CONSOLIDATED ACCOUNTS

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

The 2020 milestones:

- At the end of 2019, an emerging infectious disease, called Covid-19 and caused by the coronavirus SARS-CoV-2, started in the city of Wuhan in central China. The disease gradually spread to the rest of the world during the first quarter of 2020.
- On January 30, 2020, the WHO (World Health Organization) declared the epidemic a public health emergency of international concern and proclaimed a state of health emergency. On March 11, 2020, the WHO declared the disease a pandemic.
- Due to the disruption of our clients' activities, either due to lockdown measures or to the economic situation, the Group slowed down disbursements in order to focus on supporting measures for its clients. This resulted in a gradual

reduction in the outstanding loan portfolio between Q2 and the end of Q3. Since October 2020, the Group has resumed a pace of loan disbursements in all markets, leading to a new growth in the Group's loan portfolio; however, despite this recovery, the Group's portfolio has fallen from €715M at the end of 2019 to €659M at the end of 2020.

- The Group has adopted a number of measures to support its clients, in particular by granting loan deferrals, loan buybacks/restructuring or even exemption from certain fees.
- This pandemic had a strong impact on the Group's profitability due to a decrease of €18M in net loan income and an increase of around 15% in the cost of risk (net charge for the year).
- The health impact on the Group's workforce has been reduced thanks in particular to the widespread use of remote working measures where possible, the distribution of equipment (masks, hydro-alcoholic gel) to promote compliance with barrier measures, and the massive distribution of prevention messages (flyers in branches, in offices, electronic messages, etc.)
- However, the Group's liquidity situation remained comfortable with a +7% increase in cash between 2019 and 2020, mainly due to stable client deposits, which even increased by +3%. In addition, financing lines were secured upstream and the Group worked on a coordinated control of General expenses.
- However, the Group's liquidity situation remained comfortable with a 7% cash growth between 2019 and 2020, mainly due to stable customer deposits, which even increased by + 3%. In addition, financing lines have been secured very early on and the Group worked on coordinated control of operating costs.
- Given the political and monetary situation in Zimbabwe, which persisted in 2020, the macroeconomic environment of the subsidiary deteriorated sharply, as did the country's currency (the Zimbabwe dollar), which fell sharply. The Group has begun to divest from this subsidiary, whose contribution to the consolidated accounts is now nil, the subsidiary becoming deconsolidated. The FX impact previously recorded through reserves in this jurisdiction has also been recycled to the P&L for an amount of €3.5M.
- Baobab Holding continued the process of divesting from the subsidiary, which is expected to be finalised in 2021.
- In 2020, Baobab increased its shareholding in the following subsidiaries:
  - BAOBAB Mali: Subscription of 78,715 new shares as of 30/09/2020 bringing the Group's shareholding to 87%.
  - BAOBAB PLUS HOLDING: Subscription of 3,400 new shares as of 26/06/2020. The Group's shareholding remains at 100%.

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 2020 are provided in Note 2.4. The financial statements of the Group Baobab (" the Group" or "Baobab") are in KEUR unless otherwise stated.

The Chairman approved Baobab S.A. S's accounts on May 31, 2021. 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 December 31, 2020 are prepared on a going concern basis. The impacts of the Covid 19 pandemic mitigated by all the risk management, cost reduction and business resumption measures, as well as the supporting measures of the authorities and the economic activity recovery plans from which clients benefit, mainly concern expected credit losses and asset valuation. The estimation of these impacts has been made in a context of uncertainty as for the extent of the consequences of this epidemic on local and global economies.
The methods and principles applied for the consolidated accounts as of December 31, 2020 are consistent with those used to prepare the Group's consolidated accounts as of December 31, 2019.

The standards, amendments and interpretations mandatory as from a later date than January 1, 2020 and that have not been applied in advance by the Group are:

New standards and interpretations	Application Date
IFRS 17- Insurance contracts	Financial years beginning on January 1, 2023

Provided they are given final approval by the European Union, these standards and amendments are mandatory for the financial years beginning on or after January 1, 2021. The Group is currently assessing the potential impact of the first application of these texts; however, the impact should be minor for the Baobab Group.

2.2 FORMAT OF THE FINANCIAL STATEMENTS

The format of the Baobab Group's consolidated balance sheet and income statement has been amended for Year-end 2020 reporting in order to align the Group's Financial statements with the financial sector and allow for better comparability with Groups engaged in the same activity.

- On the balance sheet, the changes between the 2019 and 2020 closings are mainly in the sequence of the various headings, with little change in the amounts shown, as well as a combination of debts toward credit institutions (removal of the distinction between short and long term).

- The income statement has undergone more amendments to get more in line with an international banking version. The reconciliation between the 2019 and 2020 headings is as follows:

HEADING 2019	AMOUNT 2019	*HEADING 2020*	PROFORMA AMOUNT 2019
Produit net d'exploitation	**141 261**	**Not applicable**	
Net income from loans	***109 574***		
Interest on loan portfolio	143 125	Interest on loan portfolio	143 125
Loan commissions	19 027	Loan commissions	19 027
Fees, penalties and other loan commissions	9 735	Fees, penalties and other loan commissions	9 735
Gross income	171 886	**Interest received and similar income**	171 886
Interest paid and other similar expenses	(39 299)	*"Interest paid and other similar expenses (incl 1,6M€ of Holding's cost of funding)"*	(40 932)
		NET INTEREST INCOME	130 955
		*Commissions (13 409 previously in "other income")***	13 409
		*Other financial revenue******	(910)
		Financial income	2 493
		Financial expenses	(3 402)
Loan impairment provisions and losses on loans	***(23 013)***	***Cost of risk***	(23 013)
		REVENUS FINANCIERS NETS	120 441
Other Income	31 687	**Other income**	18 278
Grants	1 999		
Other income (incl. 13 409 of commissions)***	29 688	Commissions **	0
		Income from Baobab Plus	8 540
		Other revenues (incl. 2M€ of Grants)	9 738
Operating expenses	**(103 404)**	**Operating expenses**	**(103 404)**
External expenses	(37 058)	External expenses	(37 058)
Personnel expenses	(51 454)	Personnel expenses	(51 454)
Taxes, duties and similar expenses	(5 422)	Taxes, duties and similar expenses	(5 422)
Amortization and depreciation	(9 470)	Amortization and depreciation	(9 470)
Operating income	37 857	**Not applicable**	
Financial income	(2 542)		
Financial income	2 493		
Financial expenses	(5 035)		
Profit before tax	**35 314**	**Profit before tax**	**35 314**
Tax expenses	***(9 584)***	Tax expenses	(9 584)
Deferred tax	(97)	Deferred tax	(97)
Current tax	(9 487)	Current tax	(9 487)
		Tax credit	0
Total net consolidated result	25 730	Total net consolidated result	25 730
Minority interest	10 274	Minority interest	10 274
NET RESULT, GROUP SHARE	15 456	NET RESULT, GROUP SHARE	15 456

** includes the Holding's cost of funding previsously stated in 'Financial result"*
*** Neaw heading below "Net interest income" (previously in "Other revenue")*
**** Included the "commissions" which are now a separate heading*
***** Included the Holding's cost of funding which are now stated in "Inerests paid and similar charges"*
****** Subheading of "Gross financial income"*

2.3 ESTIMATES USED TO PREPARE THE FINANCIAL STATEMENTS

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

- the determination of impairment losses to cover credit risk 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 buy-out of minority interests). This assessment requires the Group to estimate future cash flows and discount rates;
- deferred tax assets. Deferred tax assets are recognised on tax losses if it is likely that the Group will have future taxable profits that could be used to offset these losses. To determine the amount of deferred tax assets that can be recognised, the Management must put forward assumptions both on the period of consumption of the deferred losses, and on the amount of future taxable profit.

2.4 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 at December 31, 2020.

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 year 2020, the Group increased its shareholding in two of its subsidiaries (Baobab Mali and Baobab Plus Holding) by subscribing to new shares, thereby strengthening the Group's share in the case of the Mali subsidiary, as Baobab Plus Holding was already 100% owned.
In addition, the subsidiaries Baobab Plus Nigeria and Baobab Plus DRC were registered but not consolidated as of December 31, 2020 due to their non-material contribution.

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 harmonize 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 for the current closing are consistent with previous year. The scope of consolidation as of December 31, 2020 is as follows:

Company	Country	Currency	déc-20	déc-19
Baobab S.A.S	France	EUR	100,0%	100,0%
Baobab Madagascar	Madagascar	MGA	88,1%	88,1%
Baobab Senegal	Senegal	FCFA	53,9%	53,9%
Baobab Nigeria	Nigeria	NGN	58,9%	58,9%
Baobab Ivory Coast	Ivory Coast	FCFA	69,7%	69,7%
Baobab Mali	Mali	FCFA	87,0%	85,0%
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	Tunisia	DTN	66,9%	66,9%
SCI Baobab RE Senegal	Senegal	FCFA	100%	100%
SCI Baobab RE CI	Ivory Coast	FCFA	100%	100%
Baobab Services	Senegal	FCFA	100%	100%
Microcred Zimbabwe[i]	Zimbabwe	USD	100%	100%
Baobab Burkina Faso	Burkina Faso	FCFA	100%	100%
Baobab Money Madagascar	Madagascar	MGA	88,1%	88,1%
Baobab Services Madagascar	Madagascar	MGA	100%	100%
Microcred DRC	DRC	USD	99,96%	99,96%
Baobab + Ivory Coast	Ivory Coast	FCFA	100%	100%
Baobab + Holding	France	EUR	100%	100%
Baobab + Mali	Mali	FCFA	100%	100%
Baobab + Senegal	Senegal	FCFA	100%	100%
Baobab + Mali	Mali	FCFA	100 %	100 %
Baobab + Senegal	Senegal	FCFA	100,0 %	100 %

All entities included in the scope are fully consolidated as of 31/12/2020 except for Baobab Zimbabwe.
The financial statements of subsidiaries 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 December 31, 2020

Baobab Zimbabwe: this subsidiary has been deconsolidated from the 2020 financial statements as its contribution is no longer material due to the economic and monetary difficulties experienced in this jurisdiction, resulting in the discontinuation of the activity. The divestment process is underway and should be finalised during 2021.

- Newly consolidated companies as of December 31, 2020

(None)

2.5 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 January 1, 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 a financial debt in advance was not required.

As of December 31, 2020, the commitments still exercisable concern the subsidiaries Baobab Ivory Coast (put and swap) and Baobab Mali (put). The buyback values concluded are based on the IFRS equity of the subsidiaries concerned.

2.6 ELIMINATION OF INTRA-GROUP TRANSACTIONS

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

2.7 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.

2.8 FOREIGN CURRENCY TRANSLATIONS

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

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

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

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

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

2.9 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 market value at the acquisition date. Non-current assets and assets held for sale are recorded at market value net of the costs of disposal. 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 fair market value of the assets, liabilities and contingent liabilities at the date of purchase. At this date, positive goodwill is recorded in Assets in the acquirer's accounts and negative goodwill is recorded as a loss. The value at stake is denominated in the currency of the purchased company and translated at the closing exchange rate. Changes in the market value of assets, liabilities and contingent liabilities of the Group share are recorded against the reserves.

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.

2.10 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 recognized 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.

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

2.11 TANGIBLE ASSETS

In accordance with the provisions of IAS 16, tangible assets are recorded at the acquisition cost, excluding maintenance expenses, after deducting accumulated depreciation and accumulated impairment losses. The costs incurred by replacing or renewing parts of the asset can be included, if the accounting criteria are met. Depreciation is calculated on

the estimated useful life of assets, according to the straight-line method. Assessments are carried out on a regular basis to make sure that there is no major discrepancy between the book value and fair value of the assets.

Where an asset is made up of 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 follow:

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

2.12 RIGHTS-OF-USE

Since January 1, 2019, the Group applies IFRS 16 standard "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 sales offices.

2.13 CURRENT AND DEFERRED TAX

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

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

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

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

Country	Tax rate
France	28,0%
Madagascar	20%
Senegal	30%
China	25%
Nigeria	30%
Ivory Coast (MicroFinance)	0%
Ivory Coast (ordinary tax rate)	25%
Mali	30%
Tunisia	15%
Zimbabwe	25.75%
Burkina Faso	27.5%
Democratic Republic of Congo	30%

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

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.

2.14 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. Judgment should be applied in assessing the business model.
The determination of the business model should take into account all the information on how the cash flows were collected in the past, as well as any other relevant information.
At 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. The vast majority of the credits granted by the Group are classified in this category.

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

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 on 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 's model is based on the recognition of expected credit losses. As a result, impairment and provisions are recognized upon initial recognition of financial assets, funding commitments and financial guarantees without waiting for the occurrence of an event triggering 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 customers, losses on bad debts and recoveries on amortised receivables. It is recorded in the income statement under "Provision for customer loans and loan losses".

2.15 IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

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

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

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

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

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

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

This general model is applied to all instruments within the 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"

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

Governance and measurement of ECL

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

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

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

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

The 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 December 31, 2020, based on the analyses performed, and the absence of any correlation between the risk parameters and the macroeconomic environment of each country, the implementation of forward looking data was deemed insignificant. Specifically, an analysis of the change in the default probabilities taking into account the GDP growth was carried out and this analysis did not reveal any correlation between the two parameters. This analysis is a preliminary analysis; other criteria are under consideration based on their availability and relevance to Baobab's markets.

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

In Nigeria, in addition to the difficulties encountered during the year due to Covid and the slowdown in activity, the subsidiary was confronted with the "EndSARS" movement calling for the banning of the Special Anti-Robbery Squad, a unit of the Nigerian police deemed brutal by the population.
This movement, which reached its peak in the fourth quarter of 2020, led to clashes in many large cities and resulted in branch closures and a slowdown in prospecting and/or recovery activities.

Confronted to this exceptional situation, the Group anticipated a further deterioration of credit risk in Nigeria by integrating a Forward looking stress test (by expert judgement) which resulted in a 50% increase in the probability of default on Stratum 1 loans.

Significant deterioration in credit risk

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

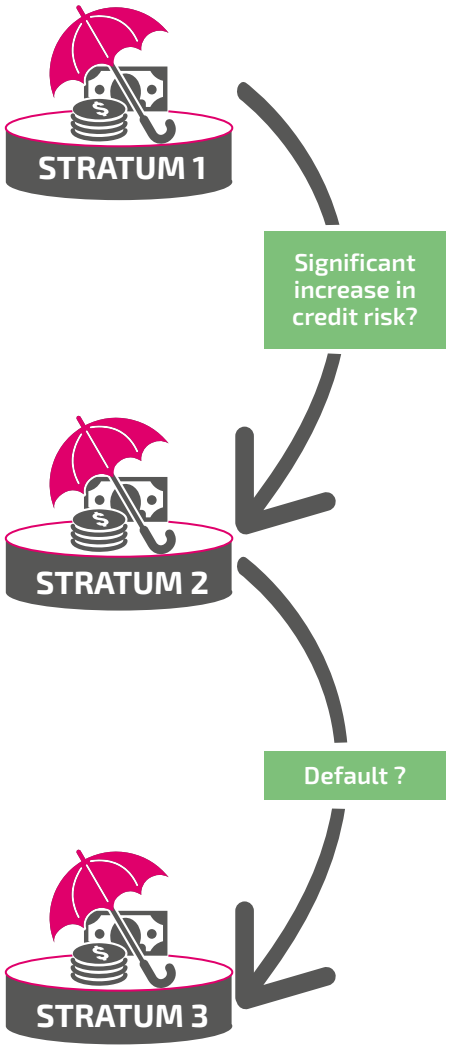
The Baobab Group retains the absolute threshold of more than 30 days past due as the ultimate threshold of significant deterioration and classification in Stratum 2 as a quantitative criterion. However, in addition to the number of days past due, qualitative criteria can also be considered by the Group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

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

The measurement of the increase in credit risk is as follows in relation to these categories:

Non-recoverability

When a receivable is deemed unrecoverable, i.e. there is no more hope of recovering all or part of it, the amount deemed unrecoverable should be derecognised in the balance sheet and written-off.



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
- Assessing 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
- Differentiating technical defects
- Consideration of qualitative indicators

The assessment of the period before the write-off is based on the expert judgement. Each entity must therefore determine it, with its Risk Department, according to the knowledge it has of its activity. Before any writing-off, a stratum 3 provision will have to be created (with the exception of assets at fair value through profit or loss).
For loans at amortized cost or at fair value through recyclable equity, the amount written off is recorded under Allocation for provisions on loans to customers and credit losses for the par value, and interest.

2.16 FEES FROM SERVICES

- Revenues and expenditures derived from the provision of services are recorded in profit or loss according to the type of service provided:
- fees and commissions which are an integral part of the yield of a financial instrument are recognized as a yield adjustment 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 yield of the commissions charged for it are recognized under "commissions" by reference to the stage of completion of the transaction at the date of closing

a) fees and commissions collected or paid as remuneration for one-time services are recorded in profit or loss. Fees and commissions due to be paid or collected, and subject to the achievement of a performance condition, are recorded only if all the following requirements are met:

- the amount of the fee can be reliably estimated;
- the economic benefits associated with the transaction are likely to be collected by the company;
- the stage of completion of the transaction can be reliably determined, and the costs incurred for the provision of services and the completion of the transaction can be reliably estimated.

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

2.17 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 financial long-term debt. They are initially recorded at fair value, less directly attributable transaction costs.

2.18 PROVISIONS

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

2.19 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 ».

2.20 OPERATING SUBSIDIES

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

2.21 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 2020, provisions for post-employment benefits were recognized for an amount of KEUR 564 for the following entities:
- Baobab SAS
- Baobab Senegal
- Baobab Ivory Coast
- Baobab Mali
- Baobab Burkina Faso
- Baobab Services
- Baobab Plus entities

2.22 SEGMENT INFORMATION

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

NOTE 3 - GOODWILL

	2020	2019
Goodwill at opening	89	612
Changes in minority interest	0	(523)
Goodwill at closing	**89**	**89**
	0	0
	2020	2019
Goodwill on Microcred DRC	89	89
Goodwill at closing	**89**	**89**

Impairment tests were carried out based on 5-year business plans. Considering the divestment in Zimbabwe, the Goodwill generated, at the time of the subsidiary's acquisition, has been 100% impaired.

NOTE 4 - INTANGIBLE ASSETS

GROSS VALUE	Closing 2019	Acquisitions	Disposals	Other changes	Scope entry	Cur. Transl.	Closing 2020
Concessions, licences, patents, similar assets	3 828	171	(5)	0	0	(73)	3 922
Leasehold rights	678	0	(2)	0	0	0	676
Business and Goodwill	51	0		89			140
Other intangible assets	56	3		0	0	(1)	58
Assets in progress	996	277		9	0	0	1 282
TOTAL	5 608	452	(7)	98	0	(74)	6 077

DEPRECIATION	Closing 2019	Provisions	Disposals	Other changes	Scope entry	Cur. Transl.	Closing 2020
Concessions, licences, patents, similar assets	2 954	466		0		(64)	3 357
Leasehold rights	20	32		0		(30)	22
Business and Goodwill	0			0			0
Assets in progress	45	4				(1)	47
TOTAL	3 020	502	0	0	0	(95)	3 426

NET VALUE	Closing 2019	Closing 2020
Concessions, licences, patents, similar assets	874	565
Leasehold rights	658	654
Business	50	139
Other intangible assets	11	10
Assets in progress	996	1 282
TOTAL	2 589	2 651

NOTE 5 - TANGIBLE ASSETS

GROSS VALUE	Closing 2019	Acquisitions	Disposals	Other changes	Scope entry	Cur. Transl	Closing 2020
Land	436	49					485
Office equipment and computers	8 898	1 118	(601)	1		(355)	9 061
Fixtures / layouts	15 428	2 613	(1 205)	(129)		(685)	16 023
Vehicles	4 981	1 555	(632)	(26)		(272)	5 606
Advances on fixed assets	55	0	(36)	0		(5)	15
Assets under construction	347	(255)	(22)	0		(3)	66
Rights of use	12 300	271					12 571
TOTAL	42 445	5 350	(2 496)	(155)	0	(1 319)	43 826

DEPRECIATION	Closing 2019	Provisions	Disposals	Other changes	Scope entry	Cur. Transl	Closing 2020
Office equipment and computers	5 702	1 214	(577)	0		(206)	6 133
Fixtures / layouts	9 026	1 768	(1 034)	0		(511)	9 249
Vehicles	2 739	908	(507)			(157)	2 982
Advances on fixed assets							
Assets under construction							
Rights of use	3 273	2 988					6 261
TOTAL	20 740	6 877	(2 117)	0	0	(874)	24 626

OFFICE EQUIPMENT AND COMPUTERS	Clôture 2019	Clôture 2020
Fixtures / layouts	436	485
Vehicles	3 196	2 928
Advances on fixed assets	6 402	6 773
Assets under construction	2 243	2 623
Rights of use	55	15
Total	347	66
Right-of-use	9 027	6 310
TOTAL	21 706	19 201

Tangible assets include office equipment, IT equipment, vehicles, fixtures and fittings. All Baobab subsidiaries are tenants and as such have no immovable property. Overall, the increase in tangible assets mainly results from the opening of new branches in 2020.

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

NOTE 6 - FINANCIAL ASSETS

FINANCIAL ASSETS	2019	Increase	Decrease	Scope entry	Cur. Transl	2020
Guarantees and deposits	1674	72	(506)	0	(24)	1 215
Non-consolidated shares	145	40	0		(4)	181
Total	1 818	111	(506)	0	(28)	1 396

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

NOTE 7 - DEFERRED TAX

The change in deferred tax assets for the year 2020 is as follows:

Closing 2018	Change in income	Change in OCI	Cur. Transl	Other change	Closing 2019
12400	(97)	(667)	(2 821)	25	8 840
Closing 2019	**Change in income**	**Change in OCI**	**Cur. Transl**	**Other change**	**Closing 2020**
8840	829	(342)	(250)	(62)	9 015

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 has changed by approximately €500K between 2019 and 2020

Follow up of deffered taxes on losses

Closing 2018	Change in income	Change in OCI	Change in DTA recognition	Cur. Transl	Other change	Closing 2019
7668	539	(667)	(1 119)	(2 821)	(107)	3 492

Follow up of deffered taxes on losses

Closing 2019	Change in income	Change in OCI	Change in DTA recognition	Cur. Transl	Other change	Closing 2020
3492	967	(342)	0	0	(124)	3 993

Given the nature of the Group's activity, its economic structure and the development prospects on the various markets, Baobab Group foresees enough taxable profits in the future to offset losses carried forward.

NOTE 8 – CURRENT ASSETS

8.1 INVENTORIES

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

Inventories as of December 31, 2020 amount to EUR 2.7 M and correspond to the goods relating to the "Baobab Plus" activity (solar lamps, tablets and telephones).
The cost of inventories shall include all acquisition costs, conversion costs and other costs incurred in bringing 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), and 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.

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

8.2 LOANS AND CLAIMS ON CLIENTS

		Loans to customers
2020	Gross portfolio	659 301
	Impairment	(28 296)
	Net portfolio	631 005
2 019	Gross portfolio	714 462
	Impairment	(51 070)
	Net portfolio	663 393

The average rate of provisioning applied to the outstanding portfolio amounts to 4.30 % at the end of 2020 against 7.15 % at the end of 2019.
The Group has introduced a maximum financial write-off date of 360 days for the 2020 closing, which has resulted in a writing-off of the portfolio beyond this threshold (- €28M) as well as a reversal of the provision equivalent to this portfolio (€27M). This change leads to a mechanical decrease in the average provision rate.

Adaptation of the credit risk estimation model in the Covid 19 context

For all of the Baobab Group's operating subsidiaries, the Covid pandemic has had the following impact on the normal conduct of business:

- The economic difficulties linked to the crisis (economic slowdown, fall in consumption, climate of tension) as well as the lockdown measures imposed in the various countries have led to a sharp slowdown in activity and, as a result, consequences in terms of disbursements and credit risk.
- Payment terms have been granted to clients, in particular through the introduction of deferred or restructured loans. This rescheduling follows either directives from the local regulator or management decisions taken by local managers in consultation with the Group.

Given this context, specific credit risk modelling work had to be carried out in order to anticipate the expected deterioration in the quality of the portfolio.

i. Treatment of deferred loans

In some of our operating subsidiaries (China, Tunisia, Nigeria,) lockdown measures have been taken by the local authorities preventing the normal recovery of loans granted. The inability of clients to make repayment was not considered by the Group as a significant increase in credit risk due to the forced lockdown.
Furthermore, in this context, moratoriums have also been granted to a significant proportion of the Group's clients. Where a moratorium is provided, the client is given a payment break and any balance due during the moratorium period does not constitute an outstanding balance and is therefore part of the healthy loan portfolio. *

Thus the granting of moratorium, as defined in the European Banking Authority (EBA) guidelines issued in April 2020 or equivalent criteria in the context of the health crisis were not considered, on their own, as indicators of significant credit risk deterioration leading to an automatic downgrading of these loans to stratum 2 or stratum 3.

This logic was applied because in some jurisdictions where the Group operates, late payments are largely due to the inability of clients to meet their payments as a result of lockdown measures.

However, in order to anticipate the future risk on these deferred loans, especially those whose activity has been more impacted by the crisis, stress tests have been modelled in order to take into account the potential risk in the loan provision and to recognise an additional provision, the terms of which are described in ii) below.

During 2020, the outstanding deferred portfolio for the Group peaked in June at approximately €204M (32% of the gross portfolio).

As of December 31, 2020, this volume of deferred loans has been reduced significantly to €79M i.e. 12% of the gross portfolio.

ii. Additional provision

The PDS1 (probability of default for healthy contracts with no significant credit risk), as previously modelled by the Group, was modified to take into account the increase in risk due to the health crisis.
The objective was to identify the contracts impacted by the crisis in order to modify their probability of default, i.e. deferred loans, restructured loans or those that have been redeemed.
The assumption made, in order to stress the probability of default of deferred contracts, was to apply to them the behaviour observed, in terms of risk, of restructured loans in the pre-Covid period. This assumption was adopted because these are facilities granted to clients experiencing economic difficulties that make it necessary to restructure their loans; this behaviour is the one that most closely corresponds to loans that have been deferred or repurchased in the Covid context.

As part of the measures taken to assess the economic situation of our clients, it was also decided to enter a rating for each loan in the banking management tool, based on the estimated impact of the crisis on the client's business. This rating, based on the assessment by the operational staff, provides an additional qualitative approach to the future behaviour of credit risk.

In the financial year 2020, the Group increased its provision for expected credit losses ("ECL") by 13% on a like-for-like basis.

The observation of the provisions by "stratum" as of December 31, 2019 and December 31, 2020 by country is as follows:

Provisions par strate au 31/12/2019

Country	*Stratum 1*	*Stratum 2*	*Stratum 3*	*Financial Assets Impairments 31/12/2019*
Amounts in K€	2 657	2 337	46 076	51 070

Provisions par strate au 31/12/2020

Country	*Stratum 1*	*Stratum 2*	*Stratum 3*	*Financial Assets Impairments 31/12/2020*
Amounts in K€	5 339	3 002	19 955	28 296

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

	STRATUM 1	STRATUM 2	STRATUM 3	TOTAL
31/12/2018	3 112	2 745	47 011	52 868
New financial assets originated	2 998	2 935	3 511	9 444
Transfers	(3 453)	(3 343)	(4 445)	(11 242)
31/12/2019	2 657	2 337	46 076	51 070
New financial assets originated	4 565	3 371	16 780	24 716
Transfers	(1882)	(2 706)	(15 054)	(19 643)
Other variations (incl. Impact of Financial write off date alignment)			(27 847)	(27 847)
31/12/2020	5 339	3 002	19 955	28 296

In the financial year 2020, the Group harmonised the financial write-off date of the portfolio at 360 days in arrears. The strong decrease in the provision for stratum 3 is mainly explained by the effect of the portfolio cancellation beyond the Group write-off date for approximately €30M (roughly equivalent provision reversals were recorded).

Besides, the additional stresses, in the context of Covid, integrated into the provision calculation model explain the increase in the provision on the other strata despite a fall in the portfolio.

NOTE 9 – OTHER RECEIVABLES

	2020	2019
Advance payments to suppliers	1 385	1 164
Trade receivables	61	59
Receivables towards administration	3 879	3 645
Other receivables	14 115	13 709
Prepaid expenses	2 904	2 162
Total	22 343	20 738

"Other receivables" include primarily:

- trade receivables relating to the "Baobab Plus" business for approximately €7M
- a receivable of €1.1M from "Money Express" a former business partner of Baobab Ivory Coast. This receivable was subject of a provision for risk and charges for the same amount (see note 13).
- Fraudulent loans downgraded from the portfolio and fully impaired for €1M
- Approximately €6M corresponding to deposits on interest-bearing accounts made by subsidiaries to make their excess cash flow profitable, as well as pending reimbursements from insurance companies
- 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

	2020	2019
Petty cash and demand deposit	65 831	80 109
Short term deposit	39 975	18 553
Total	105 807	98 662
Overdraft	3 756	1 922
Cash and Cash equivalent	102 050	96 740

Considering their cash surpluses, some subsidiaries have invested part of these surpluses in interest-bearing, risk-free investments, which explains the increase of more than 100% in the item "Short-term investments".

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

NOTE 11 – SHARE CAPITAL

The share capital of Baobab S.A.S. is EUR 77,807 K. The issue premium amounts to EUR 24,014 K.

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

	2020			2019		
SHAREHOLDERS	Shares	Capital	%	Shares	Capital	%
AXA Group	3 128 639	26 656 004	34,26%	3 128 639	26 656 004	34,26%
BEI	1 105 744	9 420 939	12,11%	1 105 744	9 420 939	12,11%
Maj Invest	1 618 577	13 790 276		1 618 577	13 790 276	
DMP	927 452	7 901 891	10,16%	927 452	7 901 891	10,16%
MIFIF II	691 125	5 888 385	7,57%	691 125	5 888 385	7,57%
APIS	2 079 942	17 721 106	22,78%	2 079 942	17 721 106	22,78%
NMI	1 079 884	9 200 612	11,82%	1 079 884	9 200 612	11,82%
Autres	119 558	1 018 336	1,31%	119 523	1 009 782	1,30%
TOTAL	9 132 344	77 807 273	100%	9 132 309	77 798 719	100%

NOTE 12 – BORROWINGS

12.1 CLIENT DEPOSITS

	2020	2019
Demand deposits	102 729	103 530
Term deposits - Customers	55 876	35 626
Term deposits - Institutions	45 476	52 856
Compulsory deposits	60 382	66 012
Total	264 463	258 024

12.2 DEBT TO CREDIT INSTITUTIONS

	2020	2019
Long term deposits	215 463	206 382
Short term deposits	88 987	126 825
Subordinated debt	18 302	21 305
Debts related to put options	4 060	4 933
Debts related to rights of use	6 206	8 937
Total	333 019	368 382

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.

- *Debts on Put Options*

This is the valuation as of December 31, 2020 of the amount that the Group would have to pay to acquire minority interests in some of its subsidiaries pursuant to the Group's commitment to acquire these shares under Put Options (See note 2.24)

- *Debts on rights of use*

	2019	FTA IMPACT	Proceeds	Repayments	Reclassification	Other chnges	2020
Long-term debts right-of-use	6 203	0	324	(2 468)	210	210	4 024
Short-term debts on right-of-use	2 733	0	17	(239)	-210	-119	2 182
Accrued interests on borrowings							0
RENTAL DEBTS (IFRS)	8 937	0	341	(2 708)	0	(364)	6 206

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

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

NOTE 13 – CURRENT LIABILITIES

13.1 PROVISIONS

The "Provisions" item of €5.6M is mainly composed of:

- Provisions for various tax risks (excluding IFRIC23) for €3 million
- A provision for risks and charges of €1.1 million at Baobab Ivory Coast concerning a commercial dispute
- Provisions for HR risks for €0.8M
- and provisions for employee benefits for €0.6 million.

13.2 OTHER DEBTS

	2020	2019
Suppliers liabilities	6 734	4 856
Prepaid income	478	1 533
Social debts	4 656	7 599
Tax debts excluding corporate tax	4 702	3 721
Government, corporate tax	4 295	6 844
Other payables	9 369	7 997
Total	30 235	32 551

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

The following table shows the two main aggregates on Baobab Group's balance sheet with a maturity of over one months.

BAOBAB GROUP	Contractual maturity in EUR 000						
31/12/2020	< 1M	1-3M	3-6M	6-12M	1-2Y	> 2Y	TOTAL
GROUP							
Cash	90 216	8 993	4 880	1 748	-	-	105 807
Loans to customers	84 433	133 640	165 322	199 995	52 528	23 384	659 301
Other assets	11 493	4 379	848	1 449	2 365	1 807	22 341
Assets	**186 111**	**147 0124**	**171 050**	**203 193**	**54 892**	**25 191**	**787 449**
Due to costumers	121 761	16 476	28 862	46 217	42 642	8 506	264 463
Financial debts	11 604	24 146	29 013	54 828	112 102	101 327	333 019
Other liabilities	12 523	3 948	1 383	10 396	1 067	918	30 235
Liabilities	**145 888**	**44 569**	**59 259**	**111 440**	**155 810**	**110 751**	**627 717**
Maturity Gap	40 223	102 443	111 792	91 752	-100 918	-85 560	159 732

BAOBAB GROUP	Expected maturity in EUR 000						
31/12/2020	< 1M	1-3M	3-6M	6-12M	1-2Y	> 2Y	TOTAL
GROUP							
Cash	90 216	8 993	4 849	1 748	-	-	105 807
Loans to customers	35 199	63 122	97 859	188 221	256 080	18 820	659 301
Other assets	11 493	4 379	848	1 449	2 365	1 807	22 341
Assets	**136 909**	**76 494**	**103 556**	**191 419**	**258 445**	**20 627**	**787 449**
Due to costumers	52 587	38 442	44 943	55 483	65 314	7 695	264 463
Financial debts	11 604	24 146	29 013	54 365	112 738	101 153	333 019
Other liabilities	12 523	3 948	1 383	10 396	1 067	918	30 235
Liabilities	**76 714**	**66 535**	**75 339**	**120 243**	**179 119**	**109 766**	**627 717**
Maturity Gap	60 194	9 959	28 217	71 175	79 325	-89 139	159 732

NOTE 15 – HEADCOUNT AS OF 12/31/2020

	Commercial Officers	Other Employees	Total 2020	Total 2019
France		37	37	58
Services		46	46	62
Madagascar	312	252	564	632
Senegal	470	192	662	718
China	298	209	507	550
Nigeria	295	280	575	584
Ivory Coast	308	250	558	615
Mali	210	74	284	320
Tunisia	147	104	251	304
Zimbabwe				84
Burkina Faso	109	28	137	170
DRC	89	63	152	174
Total	2 238	1 535	3 773	4 271

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

	2020	2019
Net income attributable to ordinary shareholders of the parent company (KEUR)	1 070	15 456
"Weighted average number of ordinary shares outstanding during the year"	9 132 327	9 131 807
Total number of shares at the date of closing	9 132 344	9 132 309
Net income / Weighted average number of shares in Euros	0,12	1,69

NOTE 17 – SEGMENT INFORMATION

- *Breakdown per activity 2020*

ASSETS	2 020	Holding	Institutions
Loan portfolio (gross outstanding amount)	659 301	0	659 301
Provisions for loans	(28 296)	0	(28 296)
Loan portfolio (net outstanding amount)	631 005	0	631 005
Other assets	163 113	28 088	135 025
TOTAL ASSETS	794 118	28 088	766 030

LIABILITIES	2 020	Holding	Institutions
Debts to customers	264 463	0	264 463
Debts to credit institutions	333 019	34 352	298 667
Other liabilities and shareholders' equity	196 636	(6 264)	202 900
TOTAL LIABILITIES	794 118	28 088	766 030

IN KEUR	2020	Holding	Institutions	Baobab Plus
Interest received and similar income	157 378	0	157 377	1
Interest paid and similar expenses	-40 421	-1 520	-38 687	-214
NET INTEREST	116 957	(1 520)	118 690	(213)
Commissions	12 400	0	12 400	0
Other financial income	(3 335)	(272)	(2 963)	(101)
Financial expenses	-7 264	-319	-6 758	-186
Financial income	3 929	48	3 795	86
GROSS FINANCIAL INCOME	126 022	(1 791)	128 126	(314)
Cost of risk	-26 353	-16	-26 040	-297
NET FINANCIAL INCOME	99 669	(1 807)	102 087	(610)
Baobab Plus income	10 735		0	10 735
Other income	3 222	485	2 255	482
REVENUES FROM OTHER ACTIVITIES	13 957	485	2 255	11 217
TOTAL OPERATING INCOME	113 626	(1 322)	104 341	10 606
Payroll expenses	-48 180	-8 959	-37 389	-1 832
External expenses	-34 594	7 644	-33 191	-9 047
Amortization and depreciation	-9 098	-1 066	-7 564	-468
Taxes and duties	-8 021	-979	-6 668	-374
TOTAL OPERATING EXPENSES	(99 893)	(3 360)	(84 813)	(11 721)
PRE-TAX RESULT	13 733	(4 681)	19 529	(1 114)
Income tax	(6 513)	1 049	(7 459)	(104)
Deferred tax	829	1 018	-265	76
Current tax	-7 433	-60	-7 194	-180
Tax credit	91	91	0	0
NET RESULT	7 220	(3 632)	12 070	(1 218)
MINORITY INTEREST	6 150	0	6 150	0
NET RESULT, GROUP SHARE	1 070	(3 632)	5 920	(1 218)

- *Breakdown per activity 2019*

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

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

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

- *Geographical breakdown 2020*

ASSETS	2 020	France	Africa	Asia
Loan portfolio (gross outstanding amount)	659 301	0	492 107	167 194
Provisions for loans	(28 296)	0	(25 572)	(2 724)
Loan portfolio (net outstanding amount)	631 005	0	466 535	164 470
Other assets	163 113	28 088	120 336	14 689
TOTAL ASSETS	794 118	28 088	586 871	179 159

LIABILITIES	2 020	France	Africa	Asia
Debts to customers	264 463	0	264 463	0
Debts to credit insititutions	333 019	34 352	220 303	78 363
Other liabilities and shareholders' equity	196 636	(6 264)	102 105	100 796
TOTAL LIABILITIES	794 118	28 088	586 871	179 159

IN KEUR	2 020	France	Africa	Asia	Subsidiaries
Interest received and similar income	157 378	0	120 699	36 679	157 378
Interest paid and similar expenses	-40 421	-1 520	-29 770	-9 131	-38 901
NET INTEREST	116 957	(1 520)	90 929	27 547	118 477
Commissions	12 400	0	12 400	0	12 400
Other financial income	(3 335)	(272)	(3 598)	535	(3 064)
Financial expenses	-7 264	-319	-6 677	-267	-6 945
Financial income	3 929	48	3 079	802	3 881
GROSS FINANCIAL INCOME	126 022	(1 791)	99 731	28 082	127 813
Cost of risk	-26 353	-16	-22 595	-3 742	-26 337
NET FINANCIAL INCOME	99 669	(1 807)	77 136	24 341	101 476
Baobab Plus income	10 735		10 735		10 735
Other income	3 222	485	2 719	18	2 736
REVENUES FROM OTHER ACTIVITIES	13 957	485	13 454	18	13 471
TOTAL OPERATING INCOME	113 626	(1 322)	90 590	24 358	114 948
Payroll expenses	-48 180	-8 959	-30 157	-9 064	-39 221
External expenses	-34 594	7 644	-37 940	-4 298	-42 238
Operating allowances	-9 098	-1 066	-7 079	-953	-8 032
Taxes and duties	-8 021	-979	-6 845	-197	-7 042
TOTAL OPERATING EXPENSES	(99 893)	(3 360)	(82 022)	(14 512)	(96 533)
PRE-TAX RESULT	13 733	(4 681)	8 568	9 847	18 414
Income tax	(6 513)	1 049	(4 054)	(3 508)	(7 562)
Deferred tax	829	1 018	-441	252	-189
Current tax	-7 433	-60	-3 613	-3 760	-7 373
Tax credit	91	91	0	0	0
NET RESULT	7 220	(3 632)	4 514	6 338	10 852
MINORITY INTEREST	6 150	0	4 317	1 832	6 150
NET RESULT, GROUP SHARE	1 070	(3 632)	197	4 506	4 703

- *Geographical breakdown 2019*

ASSETS	2019	France	Africa	Asia	Intragroup
Goodwill	89		89		
Intangible assets	2 589	1 767	789	33	
Tangible assets	12 679	304	12 141	234	
Right-of-use	9 027	1 721	6 189	1 117	
Financial as sets	1 818	802	874	143	
Deferred tax as sets	8 840	2 721	3 835	2 284	
Inventories	2 342	2	2 339		
Loan portfolio (gross outstanding amount)	714 462		517 369	197 093	
Provisions for loans	(51 070)		(46 056)	(5 014)	
Loan portfolio (net outstanding amount)	663 393		471 314	192 079	
Other receivables	20 738	14 061	4 341	2 336	0
Cash and cash equivalent	98 662	7 194	68 522	22 946	
TOTAL ASSETS	820 176	28 573	570 433	221 172	0

LABILITIES	2019	France	Africa	Asia	Intragroup
Shareholders'equity	158 255	(7 990)	73 400	92 845	
Provisions	2 962	709	2 254	0	
Non-currentliabilities	238 824	29 710	147 777	61 337	
Current liabilities	420 135	6 144	347 003	66 989	0
TOTAL LIABILITIES	820 176	28 573	570 433	221 172	0

IN KEUR	2019	France	Africa	Asia
Net operating income	141 261	2 034	109 855	29 373
Net loan revenue	109 574	0	80 233	29 341
Interest on loan	143 125	0	103 598	39 527
Loan commissions	19 027	0	16 677	2 350
Fees, penaties and other loan revenues	9 735	0	9 409	326
Interest paid and similar expenses	(39 299)	0	(28 654)	(10 646)
Loan impairment provisions and losses on loans	(23 013)	0	(20 798)	(2 215)
Other income	31 687	2 034	29 622	31
Operating subsidies	1 999	1 384	615	0
Other income	29 688	651	29 007	31
Operating expenses	(103 404)	(16 687)	(72 185)	(14 532)
External expenses	(37 058)	(6 520)	(27 884)	(2 654)
Payroll expense	(51 454)	(8 386)	(32 378)	(10 690)
Taxes and duties	(5 422)	(329)	(4 888)	(206)
Operatingallowances	(9 470)	(1 452)	(7 036)	(982)
Operating result	37 857	(14 653)	37 669	14 840
Financial result	(2 542)	(1 632)	(1 105)	195
Pre-tax curent result	35 314	(16 285)	36 565	15 035
Taxexpenses	(9 584)	1 196	(7 192)	(3 589)
Intragroups		12 702	(10 182)	(2 521)
Net consolidated result	25 730	(2 387)	19 191	8 926
Minority interest	10 274	0	7 698	2 576
NET RESULT, GROUP SHARE	15 456	(2 387)	11 494	6 349

NOTE 18 – OPERATING INCOME

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

- *Revenues derived from the lending activity*

Interest and similar income	2020	2019
Interest on loans	133 603	143 124
Commissions on loans	14 076	19 027
Fees, penaties and other income	9 698	9 735
TOTAL	157 378	171 885

- *Commissions*

COMMISSIONS	2020	2019
Total	12 400	13 409

These revenues are generated mainly by savings products, insurance on loans granted and commissions and fees collected on various transactions other than loans.
As they are not directly linked to the disbursement activity, they were relatively little impacted by the health and economic crisis in 2020.

- *Other income*

IN KEUR	2020	2019
Grants	864	1 999
Miscelleanous icome	2 358	7 739
TOTAL	3 222	9 738

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.

NOTE 19 – OTHER FINANCIAL INCOME

In 2020, other net financial income is as follows:

IN KEUR	2020	2019
Financial revenue	3 929	2 493
Gains on exchange	889	406
Net profit on disposal of marketable securities	692	554
Other financial revenues	2 348	1 532
Financial expenses	(7 264)	(3 402)
Exchange loss	(5 130)	(1 168)
Provisions on investments and other financial assets	(150)	0
Financial expenses on right-to-use	(498)	(614)
Other financial expenses	(1 486)	(1 621)
TOTAL	(3 335)	(910)

Financial income corresponds essentially to investment income earned by the subsidiaries with their cash surpluses.

The increase in foreign exchange losses is mainly due to the Zimbabwean subsidiary (-3.4M€): following the deconsolidation of the latter, the conversion reserves were recycled to the income statement.
Financial expenses on rights of use correspond to interest expenses calculated on financial debts estimated under IFRS 16 (see 2.12). The interest rates used are the marginal debt rates of each subsidiary.

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	2020	2019
Net provision expenses	7 987	(5 246)
Financial write-off*	(41 861)	(26 664)
Recoveries	7 521	8 897
TOTAL	(26 353)	(23 013)

Despite the significant decrease in the portfolio, the cost of risk increased by 15% due to the Covid 2020 context, the observed deterioration of the portfolio at risk and the Group's anticipation of the negative evolution of provisions in some jurisdictions.

* In 2020, the Group harmonised the financial write-off date of the portfolio to a maximum of 360 days of arrears. This has led to a strong write-off of the portfolio beyond this threshold explaining the strong development of this item between 2019 and 2020. At the same time, the provisions previously recognised on these written-off loans have been reversed, resulting in a positive balance in the net Allowances item.

NOTE 21 – OPERATING EXPENSES

IN KEUR	2020	2019
External expenses	(42 615)	(42 481)
Purchases and exernal expenses	(34 594)	(37 058)
Tax, duties and similar expenses	(8 021)	(5 422)
Payroll costs	(48 180)	(51 454)
Operating expenses	(9 098)	(9 470)
Provision expenses on depreciation of fixed assets	(7 484)	(7 844)
Provisions on current assets	(1 165)	(502)
Provisions for risk and liabilities	(25)	(900)
Provisions for pensions	(423)	(225)
TOTAL OPERATING EXPENSES	(99 893)	(103 404)

In 2020, due to the crisis, the management carried out cost control in order to preserve the Group's net position and prepare for resuming the activities at the end of the crisis.

The expenses at the end of 2020 are broken down into:

- 48,180 K€ of personnel expenses, -6% vs 2019 due to the recruitment freeze and the management of paid leave; they are spread 63% over Africa, 19% over China and 17% over the holding companies.
- Purchases and external expenses decreased by 7% vs 2019. 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. These expenses were low in 2020 due to health restrictions.*
  - *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 increase in taxes and similar payments is mainly due to the recognition of provisions for tax risks (excluding corporate income tax) mainly in Africa.

NOTE 22 – RECONCILIATION BETWEEN NOMINAL AND EFFECTIVE TAX RATES

Tax expenses are the total of current income tax and deferred tax. For the financial year ending on December 31, 2020, the reconciliation between tax expenses and the product of accounting profit multiplied by French tax rate is as follows:
The theoretical tax rate is the standard tax rate on taxable profits in France at December 31, 2020, i.e. 28%.

	2020	2019
Pre-tax result	13 733	35 305
Theoretical amount of corporate tax	(3 845)	(9 886)
Tax rate differential in foreign subsidiaries	1 989	2 776
Impact of any rate change	(276)	(192)
Impact of permanent differences	(2 392)	(985)
Minimum tax rate	(173)	(164)
Provisions for tax risks	(1 243)	(446)
Tax credits and withholdings	(145)	
Impacts of DTA recognition	(417)	(661)
Other restatements	(11)	(26)
TAX RECOGNISED	-6 513	-9 584
EFFECTIVE TAX RATE	47,43%	27,15%

The increase in the effective tax rate in 2020 is explained by:

- The impact of tax charges recognised under IFRIC23 for €1.3M
- The effect of recycling translation reserves into profit or loss for almost €1M
- The impact of tax adjustments following the final tax returns filed for the 2019 financial year and resulting in changes in tax loss carryforwards that generated deferred tax assets.

NOTE 23 –RISK MANAGEMENT

1. General

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

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.

The second line of defence is the management that oversees the first line of defence and the 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.

3. Type of 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 economic situation of the debtor 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 of 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 pre-defined levels of delegation and validated by the Risk Committees
- diversifying its portfolio across different geographical areas. As of December 31, 2020, the Group was investing in West Africa, Central Africa, the Maghreb, 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, customer 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)
- 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 Group level.
  - regular holding of ALCOs.

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, or from the launch of a product that is disconnected from the customers need, or from an 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.
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	2020	2019
Audit of Baobab S.A.S	102	102
Fees paid to statutory auditors	84	84
Non-audit services	18	18
Audit of subsidiaries	370	410
Fees paid to statutory auditors	365	408
Non-audit services	5	2
TOTAL	472	512

NOTE 25 –RELATED PARTIES

As of December 31, 2020, 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

At the beginning of 2021, the Group purchased the shares of the minority shareholder IFC (International Finance Corporation) in the following entities

- Baobab Senegal: Repurchase of 68,243 shares, increasing its stakeholding to 69.30%;
- Baobab Mali: Repurchase of 83,250 shares increasing its stakeholding to 100%:
- Baobab Madagascar: Buyback of 20,500 shares increasing its stakeholding to 100%

Notes

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