Annual Report 2017

BAOBAB GROUP

BAOBAB

LOANS, SAVINGS & MORE

CONTENTS

SUMMARY

Baobab Group

Leader in digital financial inclusion in Africa and in China

OUR MISSION

Our mission is to unleash the potential of our clients by offering them simple and easy to use financial services.

We offer a wide range of digital and mobile solutions that enable clients to simply, quickly and safely manage their finances. We deliver loans, savings and more.

BAOBAB LOANS · BAOBAB SAVINGS · BAOBAB PAY · BAOBAB INSURANCE

OUR CLIENTS
703,959

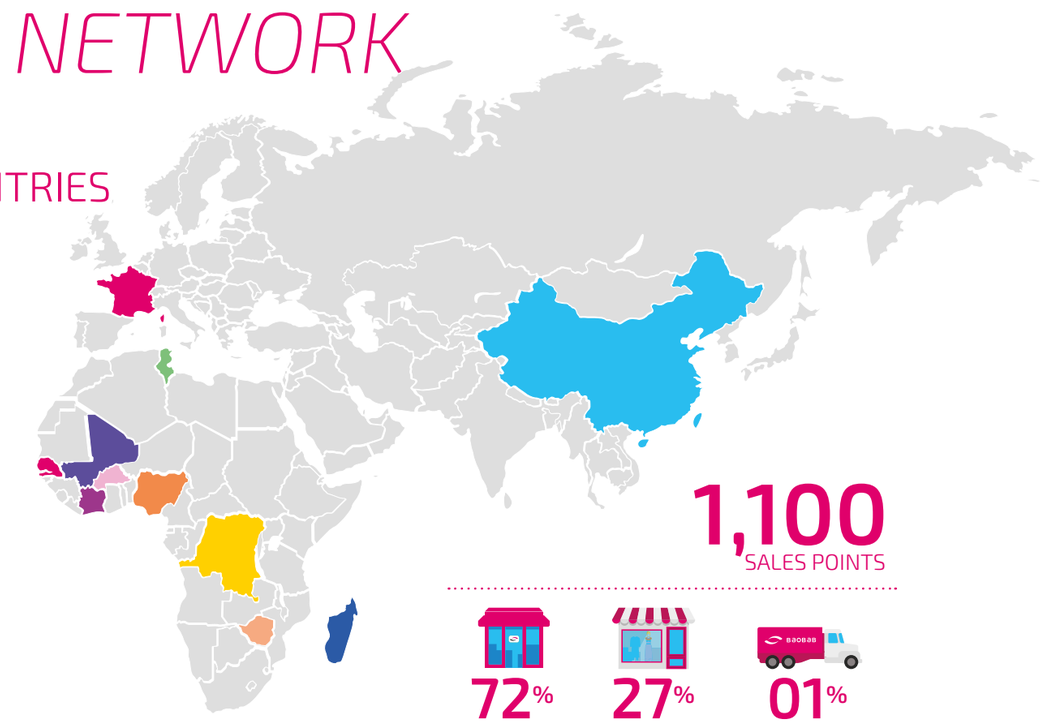
OUR EMPLOYEES
3,917

LOANS DISBURSED IN 2017 (IN EURO)
850,000,000

OUR NETWORK

11 COUNTRIES

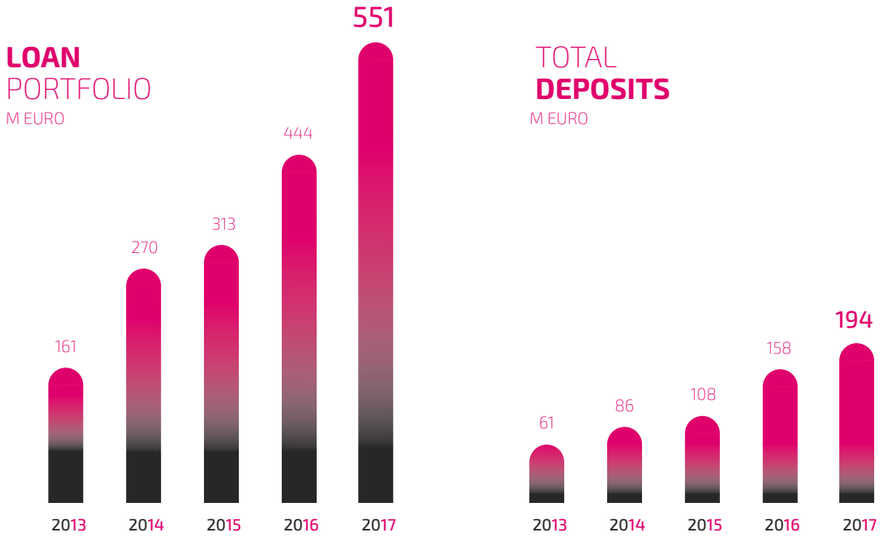
- FRANCE
- BURKINA FASO
- CHINA
- IVORY COAST
- MADAGASCAR
- MALI
- NIGERIA
- DR CONGO
- SENEGAL
- TUNISIA
- ZIMBABWE



1,100 SALES POINTS

72% BAOBAB POINTS · **27%** BAOBAB BRANCHES · **01%** MOBILES BRANCHES

OUR KEY FIGURES



+24% vs 2016 — TOTAL ASSETS **635** M EUR

+180% vs 2016 — NET RESULT **9,5** M EUR

+01% vs 2016 — TOTAL EQUITY **130** M EUR

21% OF LOANS DISBURSED IN 2017 VIA MOBILE PHONE

50% OF OUR CLIENTS IN 2017 ARE YOUNG

OUR SHAREHOLDERS

AXA · apis partners (growth equity in growth markets) · MAJ INVEST · Banque européenne d'investissement · nmi NORDIC MICROFINANCE INITIATIVE

A word of

ARNOLD EKPE

CHAIRMAN OF THE SUPERVISORY BOARD

Whilst much of the global banking market has seen sluggish growth in recent years, the African banking market has experienced significant expansion and is likely to maintain this positive trend into the foreseeable future.

One of the key emerging trends that we are witnessing is the shift from traditional brick & mortar banking infrastructure towards the provision of digital solutions. This shift is being driven primarily by increased levels of mobile phone coverage across the continent, enabling the creation of lower priced offerings whilst delivering wider service distribution.

Today, nearly half of Africans prefer to use digital channels to perform their financial transactions and this trend is certain to continue.

In China, the digital economy is taking more and more share and represents 42% of global e-commerce. Payments by mobile phone are eleven times larger than in the United States.

With this in mind, Baobab Group has made digital its priority.

My mission as the new Chairman of the Supervisory Board is to support the Baobab Group in this key moment of its development. Therefore, I will be placing all of my financial sector expertise at the service of Baobab and its management team to deliver this digital vision and assist in making Baobab Group Africa's leading responsible digital financial services provider and a key player in China's Sichuan Province.

> *"The Baobab Group has made digital its priority."*

Whilst it is important to achieve strong results, I believe that this is best done in a way that respects the interests of all stakeholders - employees, customers, regulators and shareholders - in a fair and transparent manner. With this in mind, the Supervisory Board and I will ensure that Baobab remains a place where all employees have the opportunity to realize their potential, in a stimulating environment that encourages honesty, integrity and respect for the interests of our customers and shareholders.

The commitment and competence of our employees coupled with our capabilities in digital innovation enables the Baobab Group to approach the future with confidence and determination as we build further on the achievements we have attained.

We look forward to sharing the journey with you.

A word of

ARNAUD VENTURA

CEO

2017 has been another exciting year for the Group with the launch of new digital initiatives across a number of our markets.

In 2017, we disbursed more than EUR 814 million of loans to support the development of micro & SMEs in Africa and China.

Our gross loan portfolio grew to more than EUR 551 million, disbursing about 300,000 loans to customers across our markets. We also increased our customer deposits by almost EUR 195 million by the end of the year.

> *"Our gross loan portfolio grew to more than EUR 551 million."*

In 2017, the Group strengthened its governance. Arnold Ekpe, the former CEO of ECOBANK Group and an accomplished financial services executive in Africa, was appointed Chairman of the Supervisory Board. In addition, An Advisory Board was set up headed by Lionel Zinsou, the former Prime Minister of Benin and former Chairman and Chief Executive of PAI Partners. The objective of the advisory board will be to support the Group in the execution of its long-term strategy.

Lastly, during the first quarter of 2017, the Group strengthened its management team with the hiring of Charles Gill (Chief Operating Officer), Frédéric Vincent (Chief Financial Officer) and Guillaume Lesay (Chief Risk Officer).

One of the highlights of 2017 was the renewal of the brand and visual identity of the Group. Twelve years after its foundation, Microcred has become Baobab. This new name complements our digital strategy and our goal of providing our customers a range of digital-enabled financial services to enable them to unlock their potential.

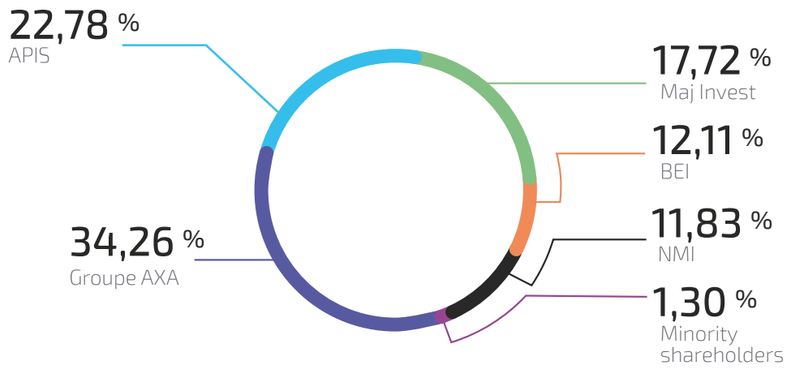
After an ambitious geographical expansion these past few years, including a new acquisition in 2017 in Democratic Republic of Congo, a greater emphasis will be placed on delivering digital solutions, either standalone or through partnerships, to deliver seamless and secure financial transaction capabilities to our customers.

Without a highly committed and professional group of employees, the achievements we have seen to date would not be possible. I would like to take this opportunity to thank the entire Baobab team for their efforts. In addition, I would like to extend my thanks to our shareholders, lenders and other partners who have continually demonstrated their strong support for our vision and mission.

I look forward to continuing the journey with all of you towards becoming Africa and China's leading digital financial services group focusing on financial inclusion.

GOVERNANCE

SHAREHOLDING STRUCTURE



BOARD OF DIRECTORS

CHAIRMAN
Arnold
EKPE
HONORARY PRESIDENT OF THE BUSINESS COUNCIL FOR AFRICA

VICE CHAIRMAN
Jean-Michel
PIVETEAU
CONSULTANT

Udayann
GOYAN
MANAGING PARTNER
APIS PARTNERS

Matteo
STEFANEL
MANAGING PARTNER
APIS PARTNERS

Alain
NADEAU
HEAD OF DIVISION BANKS & CORPORATES, WESTERN EUROPE DEPARTMENT – EIB

Corinne
VITRAC
DIRECTRICE GÉNÉRALE AXA CREDITOR AXA

François
ROBINET
PRESIDENT OF AXA STRATEGIC VENTURES – AXA

Garance
WATTEZ RICHARD
HEAD, EMERGING CUSTOMERS – AXA

Kasper
SVARRER
PARTNER
MAI INVEST

Knut
FRIGAARD
INVESTMENT DIRECTOR
NMI FRONTIER FUND

Thierry
PORTÉ
MANAGING DIRECTOR
J.C. FLOWERS & CO.

ADVISORY BOARD

CHAIRMAN

Lionnel **ZINSOU**

FORMER CHAIRMAN OF PAI PARTNERS
FORMER PRIME MINISTER OF BENIN

Kablan **YAO-SAHI**

DIRECTOR OF CENTRAL BANK OF WEST AFRICA
DIRECTOR OF BAOBAB IVORY COAST

Younoussi **TOURE**

FORMER PRIME MINISTER OF MALI

Marcel **KODJO**

FORMER CENTRAL BANK OF
WEST AFRICA GENERAL SECRETARY
DIRECTOR OF BAOBAB IVORY COAST
DIRECTOR OF BAOBAB MALI

Hassen **ZARGOUNI**

CHAIRMAN OF BAOBAB TUNISIA

Ben **ZWINCKELS**

CHAIRMAN OF AFRICINVEST
DIRECTOR OF BAOBAB NIGERIA

Xavier **LEROY**

PARTNER AT EGON ZEHNDER AFRICA
DIRECTOR OF BAOBAB ZIMBABWE

Greg **RUNG**

PARTNER AT OLIVER WYMAN

Alain **LEPATRE-LAMONTAGNE**

FORMER CEO OF
BOA MADAGASCAR & BURKINA FASO
DIRECTOR OF BAOBAB BURKINA FASO

GROUP MANAGEMENT

Arnaud **VENTURA**
CHIEF EXECUTIVE OFFICER

Arnaud founded Baobab in 2005 after having successfully co-founded and led PlaNet Finance (Positive PlaNet) an organization focusing on financial inclusion globally. Prior to this, Arnaud worked with BNP Paribas in France and Argentina.

Isabelle **LEVARD**
DEPUTY CEO

Isabelle joined Baobab in 2007 as Head of International Audit and Strategy. In 2008, she was appointed Deputy Chief Executive Officer of the Group. Previously, Isabelle chaired the Rating Department of PlaNet Rating, running over 50 rating missions and training sessions.

Hervé **GUYON**
GENERAL COUNSEL

Hervé has been Group General Secretary since 2012. He joined Baobab in 2006 as Chief Financial Officer of Baobab Banque Madagascar and held this position until 2009. He was then CFO of Baobab Senegal until 2012. Previously, Hervé was manager of Legal & Tax Department of CM-CIC Group's market activities.

Charles **GILL**
GROUP CHIEF OPERATING OFFICER

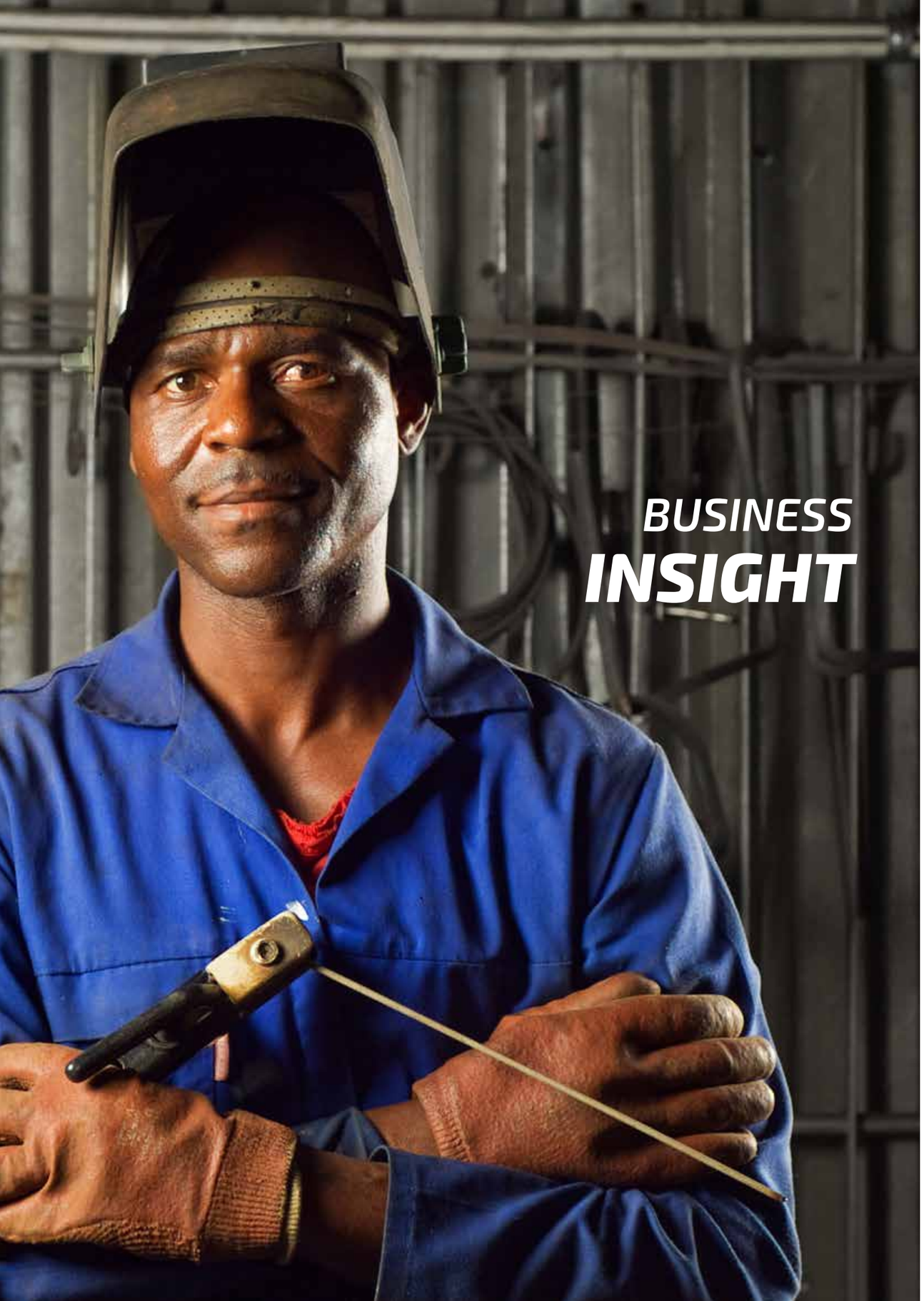
Charles is responsible for the Group's offering to the mass market and the development of digital banking in its operations. Previously, Charles was COO for Emerging Market Payments Group and worked at Barclays, Standard Chartered and Visa.

Guillaume **LESAY**
GROUP CHIEF RISK OFFICER

Guillaume is in charge of setting risk management policies and strategies to support the main operational and financial objectives of Baobab. He has accumulated significant experience through several global assignments (Indonesia, Brazil, USA, Singapore, Turkey) at Société Générale and GE Capital..

Frédéric **VINCENT**
GROUP CHIEF FINANCIAL OFFICER

Frédéric joined Baobab in March 2018, after having held the position of Chief Financial Officer of the Pierre et Vacances Center Parcs Group and Executive Director in charge of the support functions of the Spir Communication Group. Frédéric graduated from the ESCM Business School in Tours and holds a Postgraduate Diploma in Finance and Accounting (DESCF).



HIGHLIGHTS OF 2017

This year, after twelve years of existence, Microcred changed its name and visual identity to become Baobab and to highlight the acceleration in its developments. More dynamic than ever, Baobab is positioning itself as a leader in digital financial inclusion in Africa and China.

In March, Baobab completed the acquisition of OXUS RDC, a microfinance institution created in Kinshasa in the Democratic Republic of Congo in 2013, and established itself in Central Africa. This acquisition took place in several stages, and today Baobab Group holds more than 99% of the capital of Baobab RDC.

In the digital domain, the Group has launched in most of its subsidiaries, two new digital products and services, to retain the best customers and help them deal with potential cash emergencies.

In addition, several initiatives have emerged in some of the Group's subsidiaries:

Baobab launched its agent network in Ivory Coast, similar to the agent networks that were established in Senegal and Madagascar in 2016. This network of agents, based on partnerships with local shopkeepers, provides Baobab customers secure services thanks to biometric recognition. After one year of existence, the institution has more than 50 agents offering withdrawal, deposit and money transfer services in real time, allowing clients to reduce their travel time to Baobab locations and have more ready access to their money. In addition, Baobab Côte d'Ivoire was named «Best Microfinance Institution» in 2017 by the «La Finance s'engage» initiative.

In China, Baobab celebrated ten years of successfully delivering financial services in Sichuan Province. Baobab China also entered into a partnership with WeChat, one of China's leading social network and digital payment providers, to allow customers to repay their credit facilities via the WeChat platform

21% OF THE CREDITS ARE DISBURSED VIA MOBILE PHONES

In Nigeria, Baobab officially joined the Nigerian Interbank Settlement System (NIBSS). The institution can now allow its customers to make instant money transfers online. In addition, all Baobab Nigeria branches have been equipped with electronic payment terminals.

CLIENTS

At the end of 2017, Baobab Group had more than 700 000 clients, mostly micro entrepreneurs and SME businesses.

The outstanding gross loan portfolio was € 551m at the year end, with more than 218 000 active loans. The average loan disbursed during the year was for € 2 780 and the average loan term was 10 months.

Almost the entire portfolio is for working capital purposes. The activities financed by Baobab in 2017 were mainly concentrated on the trade sector (60% of the outstanding loan portfolio) and on the services sector (21%).

In 2017, 46% of the loans disbursed by the Group were made to women and 47% were made to people aged between 25 and 40 years old.

47% OF THE CLIENTS ARE YOUNG

PRODUITS AND SERVICES

CREDIT

The core loan product is intended to finance the working capital and/or investment needs of small and micro businesses.

Targeted clients range from very small entrepreneurs looking for micro loan amounts (typically one or two thousand euros) with short maturities (less than 12 months) to SMEs needing higher loan amounts (up to € 300,000) and longer maturities (up to 36 months), to support substantial investments.

This core loan product is a reducing balance loan with equal monthly instalments. Other repayment options include bullet loans, quarterly repayments and repayment schedules linked to seasonal cycles (an innovation successfully developed in Tunisia in 2017 to accompany the needs of clients involved in agricultural activities).

As well as business finance, Baobab also offers consumer loans to people with regular salaries.

During 2017, Baobab implemented a new service enabling good clients to renew and increase their loans in a matter of minutes, significantly reducing the administrative burden for both the client and Baobab.

Also during 2017, Baobab implemented a new 'nano' loan product, known as Taka in most markets, designed to help good clients with short term funding needs, whether to cover emergency expenses or business opportunities, and which involves no paperwork. Baobab also offers overdrafts selectively to appropriate clients to help address short-term liquidity gaps.

SAVINGS

Baobab offers instant access savings accounts, a variety of savings plans and a range of term deposits offering attractive returns.

In addition, Baobab is developing a number of new savings products and features that include standard bank accounts and new types of savings plans.

INSURANCE

The main insurance product offered by Baobab protects borrowers, fully repaying their loan in the event of death.

PAYMENTS AND TRANSFERS

In addition to cash transactions at its branches, Baobab offers alternative payment options in each market including electronic and inter-bank transfers, payment cards, cheques, payment vouchers and electronic bill payment.

Baobab now operates agent networks in three markets (Ivory Coast, Madagascar and Senegal) with more than 800 points of presence complementing the branch networks in those countries.

HUMAN RESOURCES

The Group's Human Resources (HR) policy focuses primarily on the quality of management practices and the development of skills. Career development, compensation and entrusted responsibilities also come into play. Having competent teams and local, high-quality management are the key factors for success, helping to support the growth of the Group.

OUR COLLABORATEURS
3 917

As at December 31, 2017, Baobab Group employed 3,917 people, 43% of whom were portfolio managers. In total, 42% of the Group's workforce were women. More than 900 people joined the Group during the year.

Throughout 2017, the Human Resources Department continued the actions started in 2016. Almost 450,000 euros has been invested in staff training. More than 17,000 days of training and 229 e-learning courses were provided.

The quality of management practices has been the focus of attention, with the training of 380 middle managers via IPC programs.

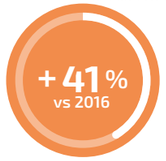
The department also focused on the digitalization of its tools and processes, including a time and absence management application, and the improvement and simplification of the internal career and performance monitoring system.

A new orientation was launched in the HR department with the appointment, in December 2017, of Pauline Ecorcheville as Group Chief People Officer. The department's mission will be, in particular, to harmonize human management policies and practices within the Group, to improve collaborative engagement through the identification of priority areas and to implement the Baobab Talents program. This program aims to identify the best employees of the group and offer them a development and career plan tailored to their needs. At the same time, the career management policy has been strengthened and harmonized to provide all employees with appropriate development opportunities.

> *In 2018, the HR service plans the implementation of the Baobab's Talents program.*

FINANCIAL OVERVIEW

In 2017, operational performances have been translated into high financial performances: a turnover to 140 million euros, up 40% over the previous year, a financial result to 109 million euros (up 41% over 2016) and a net profit after tax has been multiplied by 3 to reach 9.5 million euros.



FINANCIAL INCOME
109
M EUR

Thanks to a more restrictive cost management policy, the cost / income ratio has been improved and this positive trend should be confirmed in 2018.

At the end of 2017, return on equity reached 7.4% (5.1% excluding minority interests).

PERSPECTIVES 2018

Going digital has become a must for companies in the banking industry. Offering digital services helps to retain existing customers and to win new ones. Moreover, digitizing internal processes improves profitability and optimizes internal resources.

2018 will be a year of continuing digital transformation for Baobab Group. Baobab will continue to develop innovative digital products and services to enhance the customer experience, accelerate growth and improve efficiency.

The Group's two business units, financial services and clean energy, will be part of this digital transformation, as well as all Group affiliates, in order to develop and deliver a true digital services culture.

In 2018, the development of savings products will also be a priority for the Group's subsidiaries that hold deposit taking licences.

CREATING A TRUE DIGITAL CULTURE.

SOCIAL PERFORMANCE : BAOBAB+

SOCIAL PERFORMANCE : BAOBAB+

BAOBAB+

At the end of 2015, Baobab Group launched the Baobab+ project, with the mission to sell innovative products designed to improve the daily lives of local populations. These include solar kits, digital tablets and water filters. To help individuals purchase these products, Baobab also provides financing solutions, such as top-up loans, in addition to loans granted to entrepreneurs to develop their business.

Two years after roll out, Baobab+ is now operating in Senegal, Madagascar, Mali and Côte d'Ivoire.

Baobab+ receives financial support from several partners, including the European Union and USAID (United States Agency for International Development).

The US Power Africa initiative advises Baobab+ in its activities and development. Launched by President Barack Obama during his tour of Africa in July 2013, this initiative supports projects that facilitate access to reliable, affordable and sustainable energy on the African continent.

In 2018, a pilot program to enable financial inclusion for clients will be launched, with financial support from CGAP.

ACCESS TO ENERGY

In Africa, two-thirds of the population does not have access to electricity. Yet electricity is one of the main factors in the fight against poverty and promotes access to health, education and work, the three pillars of a country's economic development.

OUR CLIENTS
75 000

Aware of this problem, Baobab+ sells lanterns and fixed solar kits to illuminate and recharge mobile phones, and makes them accessible to all.

Since its creation, the solar kits distributed by Baobab+ have delivered light to over 75,000 customers, 70% of them in rural areas.

Those wishing to purchase these solar kits without being a Group customer beforehand can benefit from Baobab+ Izili, an innovative financing solution based on Pay-As-You-Go (PAYG) technology.

These customers have the opportunity to repay the cost of purchase by paying small daily or weekly amounts, spread over several months. Today, more than 8,500 customers in Senegal and Madagascar benefit from the PAYG financing solution.

Lanterns and solar kits have been available in agencies since late 2015 in Senegal, 2016 in Madagascar and since 2017 in Mali and Côte d'Ivoire.

ACCESS TO WATER

One third of the world's population does not have access to safe drinking water and 70% of infant mortality is water related.

Since 2016, Baobab+ has been the exclusive distributor of LifeStraw® water filters in Senegal and since 2017 in Ivory Coast.

LifeStraw® filters turn contaminated water into drinking water by eliminating over 99.9% of bacteria and protozoa. Simple to use, these filters are an immediate and reliable solution to fight against diarrheal diseases, which afflict more than 1.5 million people each year, especially children.

This WHO certified filter purifies up to 30,000 liters of water, enough to cover the drinking water needs of a family of 5 for 3 years.

ACCESS TO DIGITAL SERVICES

To make technological innovation accessible to all, Baobab+ sells various digital tablets with a selection of pre-installed applications created with various users in mind.

Baobab+ retails the FAMILY tablet, designed to be used by all members of the same family. It contains about fifty applications, such as educational applications, social networks, access to information applications, games, etc.

Baobab+ also offers an educational tablet, named EDUCA, created in partnership with the Breteau Foundation. EDUCA is equipped with informative applications aimed at school-aged children.

Since 2017, Baobab+ has offered a BUSINESS tablet for entrepreneurs.This tablet has an ultraslick digital checkout tool, able to register sales, manage stock and monitor margins to optimise business performance.

All Baobab branches in which Baobab+ sells these tablets are set up with a "digital bar". This is a dedicated space used to train clients on how to use these tablets.

Over 10,000 tablets have been sold since they were first launched in April 2016. In 2018 Smartphones installed with Baobab applications will be added to this offer.

BAOBAB+ SOLIDAIRE

Baobab+ provides solar lamps to rural schools to help pupils continue to study at home in the evening. In 2018, some twenty schools will be equipped thanks to a crowdfunding campaign carried out at the end of 2017.

FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED ACCOUNTS

OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of MicroCred S.A.S. for the year ended 31 December 2017.
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 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

BASIS FOR OPINION

Audit Framework

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

Indépendence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics for statutory auditors.

JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you the the most significant matters used to support our professional judgment, were the adequacy of the accounting principles in place, the reasonability of the significant estimates made and the overall presentation of the financial statements.

These matters 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.

VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements..

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards 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 managing partners.

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.

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- wEvaluates 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 ▪

The Statutory Auditors
Paris La Défense and Sarcelles,
Le 11 july 2018

KPMG S.A. / Valéry Foussé
Cabinet Jean Lebit / Jean Lebit

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CONSOLIDATED BALANCE SHEET
(IN THOUSANDS OF EUROS – KEUR)

ASSETS	NOTES	2017	2016	Change
Non Current Assets		28 665	26 360	2 305
Goodwill	3	693	1 554	(861)
Intangible Assets	4	2 425	2 119	306
Tangible Assets	5	12 641	11 664	977
Financial Assets	6	842	633	209
Deferred Tax Assets	7	12 063	10 389	1 675
Current Assets		606 227	485 689	120 538
Loans to Customers and Receivables	8			
Loan Portfolio (gross outstanding amount)		600 038	448 831	151 207
Loan Impairment		(49 054)	(8 784)	(40 271)
Loan Portfolio (net outstanding amount)		550 983	440 047	110 936
Other Receivables	9	13 418	14 189	(771)
Cash and Cash Equivalent	10	41 825	31 452	10 373
TOTAL ASSETS		634 892	512 048	122 843

LIABILITIES	NOTES	2017	2016	Change
Total Shareholders' Equity	11	130 476	129 612	864
Share Capital		101 735	101 735	0
Reserves		(4 742)	(5 814)	1 073
Currency Translation Adjustments		(4 926)	1 097	(6 023)
Total Income (Group Share)		5 003	825	4 178
Total Shareholders' Equity (Group Share)		97 070	97 843	(772)
Interest not granting control		33 405	31 769	1 636
Non-current Liabilities	12	193 699	131 447	62 252
Provisions		1 775	366	
Goodwill				
Long-term Financial Debt		191 923	131 080	60 843
Subsidies				
Current Liabilities	13	310 717	250 990	59 728
Debt to Suppliers		3 071	3 356	(285)
Other Debts		29 034	17 490	11 544
Short-term financial debt		86 104	73 063	13 041
Client Deposits		192 509	157 080	35 428
TOTAL LIABILITIES		634 892	512 048	122 843

CONSOLIDATED INCOME STATEMENT
(IN THOUSANDS OF EUROS – KEUR)

EN KEUR	NOTES	2017	2016
Net Operating Income		**105 370**	**73 826**
Net income from loans	18	84 803	60 140
Interest on loan portfolio		102 535	77 214
Loan commissions		12 368	8 475
Fees, penalties and other loan commissions		6 930	4 698
Interest paid and other similar expenses		(26 131)	(19 439)
Loan impairment provisions and losses on loans	19	(10 899)	(10 808)
Other Income		20 567	13 686
Operating subsidies		4 479	5 690
Other products		16 088	7 997
Operating expenses		**(89 943)**	**(67 519)**
External expenses		(34 501)	(27 113)
Payroll expenses		(42 586)	(33 729)
Taxes, duties and similar expenses		(4 486)	(3 325)
Operational expenses		(8 370)	(3 354)
Operating result	20	**15 427**	**6 307**
Financial income	21	**(1 074)**	**(1 675)**
Financial income		2 563	1 361
Financial expenses		(3 637)	(3 035)
Profit before tax		**14 353**	**4 632**
Tax expenses	22	**(4 811)**	**(1 221)**
Tax expenses		(6 312)	(4 052)
Deferred tax		1 502	2 831
Total net consolidated result		**9 543**	**3 411**
Minority interest		4 539	2 586
Net result, Group share		**5 003**	**825**

OTHER COMPREHENSIVE INCOME

	2017	2016
Consolidated net result	**9 543**	**3 411**
Other items		
Total income and expenses recognized under other items of the profit and loss account		
Total currency translation gains and losses	(9 191)	(4 609)
Total consolidated net results	**351**	**(1 198)**
Including Group share	(1 020)	(2 099)
Including minority interest	1 371	903

CHANGES IN EQUITY

	CAPITAL	SHARE PREMIUM	CONSILIDATED RESERVE	CURRENCY TRANSLATION GAIN/LOSS	GAINS AND LOSSES RECOGNIZED IN EQUITY	NET RESULT GROUP SHARE	TOTAL EQUITY GROUP SHARE	TOTAL EQUITY MINORITY INTEREST	TOTAL CONSOLIDATED EQUITY
Equity Position as of December 31, 2015	**50 730**	**18 099**	**(571)**	**3 386**	**(25)**	**264**	**71 883**	15 104	**86 987**
Allocation of the previous year's result			264			(264)			
Capital increase	27 069	5 838					32 906		32 906
Transactions related to share-based payment plans									
Dividends paid								(658)	(658)
Changes in minority interest buy-out obligations					(263)		(263)	(371)	(633)
Changes in minority interest				1 315	(5 900)		(4 586)	16 792	12 207
Sub-total associated with shareholders	**27 069**	**5 838**	**264**	**1 315**	**(6 163)**	**(264)**	**28 058**	**15 764**	**43 822**
Net result						825	825	2 586	3 410
Other items of the consolidated net result									
Currency translation gains/losses				(2 924)			(2 924)	(1 685)	(4 609)
Gains and losses recognized in equity									
Translation reserve equity adjustment from previous years				(680)	680				
Equity Position as of December 31, 2016	**77 799**	**23 937**	**(308)**	**1 097**	**(5 508)**	**825**	**97 842**	**31 769**	**129 612**
Allocation of the previous year's result			825			(825)			
Capital increase									
Transactions related to share-based payment plans									
Dividends paid								(1 056)	(1 056)
Changes in minority interest buy-out obligations					832		832	1 046	1 878
Changes in minority interest					(584)		(584)	275	(309)
SUB-TOTAL ASSOCIATED WITH SHAREHOLDERS			**825**		**248**	**(825)**	**248**	**265**	**514**
Net result						5 003	5 003	4 539	9 543
Other items of the consolidated net result									
Currency translation gains/losses				(6 023)			(6 023)	(3 168)	(9 191)
Gains and losses recognized in equity									
Capitaux propres au 31 décembre 2017	**77 799**	**23 937**	**517**	**(4 927)**	**(5 260)**	**5 003**	**97 070**	**33 406**	**130 475**

CASH FLOW STATEMENT

KEUR		2017	2016
Activity related operations	Consolidated net result	9 543	3 411
	Net depreciation	4 357	2 955
	Net provision expenses	16 509	(1 773)
	Changes in deferred tax	(1 469)	(2 831)
	Other non-cash income and expenses	1 337	2 803
	Operating cash flow	***30 277***	***4 566***
	Net disbursements on loan portfolio	(128 688)	(132 392)
	loans disbursed	(935 933)	(644 815
	Loans paid back	807 245	512 423
	Changes in working capital requirements	**16 324**	**2 584**
	Changes in customer deposits	32 008	41 577
	Working capital requirements	**(80 356)**	**(88 231)**
	A - Net Operating cash flows	**(50 079)**	**(83 665)**
Investment Operations	Acquisition of inta,gible assets	(995)	(1 722)
	Acquisition of tangible assets	(4 948)	(5 547)
	Acquisition of financial assets	(144)	(206)
	Acquisitions of assets : scope entry	358	(280)
	B - Net cash flows provided by/used in investing activities	**(5 730)**	**(7 755)**
Financing Operations	Capital increase	(6)	33 639
	Change in borrowings	63 625	49 882
	C - Net cash flows provided by/used in investing activities	**63 619**	**83 520**
	Effects of the foreign exchange gains/losses	(1 656)	(1 824)
	Cash flows	**6 154**	**(9 724)**
	Cash and cash equivalent at opening	27 707	37 431
	Cash and cash equivalent at closing	33 861	27 707

APPENDIX TO THE CONSOLIDATED ACCOUNTS

The 2017 milestones were:

- The capital of Microcred Zimbabwe has been increased as of July 20, 2017 in cash to support the activities of the subsidiary. Microcred's shareholding has increased from 70% to 86.07%.

- The capital of Microcred Burkina Faso has been increased on June 8, 2017 in cash to support the activities of the subsidiary. Microcred's ownership has remained unchanged at 100%.

Microcred S.A.S acquired 50% of the shares of Oxus RDC on March 9, 2017. This company is a microfinance institution located in the Democratic Republic of Congo. The purchase price of the shares is EUR 4 K. The goodwill recognized for this acquisition amounts to EUR 89 K. The capital of Oxus RDC has then been increased in cash as of June 30, 2017 by US $ 3 million and by US $ 1.5 million as of December 19, 2017 to support the activities of the subsidiary. Microcred S.A. S's shareholding increased from 50% to 99.73% as a result of these transactions.

- Microcred Senegal has acquired 100% of the shareholding of Fides Microfinance Sénégal on December 21, 2017. This company is a microfinance institution based in Senegal. The acquisition price of the securities is CFAF 162.4 million FCFA. The fair value of the assets acquired and the liabilities incurred in connection with the acquisition takes into account the partial waiver of CFAF 480.8 million of the loan granted by KFW.

NOTE 1 - GROUP PROFILE

Microcred 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.
Microcred invests in microfinance banks and companies and provides them with the technical assistance they need to become leading microfinance institutions in their country.

Please refer to Note 2.2 for a detailed list of institutions controlled by Microcred at the end of 2017.
The financial statements of the Microcred Group (" the Group" or "Microcred") are in KEUR unless otherwise stated.
During the 2018 financial year, «Microcred» changes its name to become «Baobab».
The Chairman approved Microcred S.A. S's accounts on July 10, 2018. 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

Microcred Group's consolidated accounts 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), the publications of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

These standards are available on the European Union's website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

The methods and principles applied for the consolidated accounts as of December 31, 2017 are consistent with those used to prepare the Group's consolidated accounts as of December 31, 2016.

The standards, amendments and interpretations mandatory as of January 1, 2018 and that have not been applied in advance by the Group are :

NEW STANDARDS AND INTERPRETATIONS	APPLICATION DATE
IFRS 15 – "Revenue from Contracts with Customers"	Financial years beginning on January 1, 2018
IFRS 9 – "Financial instruments"	Financial years beginning on January 1, 2018
Amendments IAS 40 – "Investment property"	Financial years beginning on January 1, 2018
Interpretation IFRIC 22 – "Foreign Currency Transactions and Advance payments"	Financial years beginning on January 1, 2018
Interpretation IFRIC 23 – Uncertainty over Income Tax Treatments	Financial years beginning on January 1, 2019
IFRS 16 – "Leases"	Financial years beginning on January 1, 2019

The first application of IFRS 9 as of January 1, 2018 is retrospective for the «Classification and Measurement» and «Credit Risk» components, but the transitional provisions of the standard provide the possibility, chosen by the Group, not to restate the comparative data from previous years. Therefore, for financial instruments, the comparative data for the 2017 financial year that will be presented with respect to the data for the 2018 financial year will remain established in accordance with the provisions of IAS 39 as adopted in the European Union.

As of January 1, 2018, the differences in the valuation of financial assets and liabilities, provisions and impairments for credit risk and gains and losses recognized directly in equity resulting from the retrospective application of IFRS 9 as of that date will be recognized directly in equity (Consolidated reserves or Gains and losses recognized directly in equity).
The Group has assessed the credit risk in accordance with the new provisions of IFRS 9 and a positive impact of + EUR 0.3 million is expected on the consolidated reserves as of January 1, 2018.

2.2 SCOPE OF CONSOLIDATION

The consolidated accounts include the financial statements of Microcred S.A.S and of the foreign companies making up the Microcred 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, 2017.

The entities Microcred UK and Microcred Baobab Ivory Coast have been created during the year and are consolidated for the first time in 2017.

Oxus RDC has been acquired in March 2017 and has therefore been integrated since April 1 into the scope of consolidation.

Fides Microfinance Sénégal has been acquired in December 2017 and has therefore been included since the end of December in the scope of consolidation.

At the date of closing, the Microcred S.A.S. holds more than 50% of the shares and voting rights in all of its subsidiaries, or exercises control in the sense that it has the power to govern the financial and operating policies of these companies in order to obtain benefits from their activities. Accordingly, the subsidiaries are fully consolidated. In addition, the Group has no other interest in a joint venture or an associate company.

The financial statements of the subsidiaries are prepared on the same accounting period as the parent company. Consolidation adjustments may be applied to harmonise accounting methods and principles within the Group. The necessary restatements and reclassifications are carried out to make the accounts of all the consolidated subsidiaries conform to the Group's accounting principles.

The level of control is determined by taking into account the existence and effect of potential voting rights that are currently exercisable or convertible.

The accounting methods are consistent with those of the previous year. The scope of consolidation as of December 31, 2017 is as follows:

COMPANY	Country	Devise	déc.-17	% Consolidation	Method*
Microcred S.A.S	France	EUR	100,0%	100%	FC
Microcred Madagascar	Madagascar	MGA	50,1%	100%	FC
Microcred Senegal	Senegal	FCFA	51,2%	100%	FC
Microcred Nigéria	Nigeria	NGN	58,9%	100%	FC
Microcred Ivory Coast	Ivory Coast	FCFA	65,1%	100%	FC
Microcred Mali	Mali	FCFA	55,0%	100%	FC
Microcred China	Hong Kong	HKD	71,1%	100%	FC
Microcred Nanchong	China	CNY	71,1%	100%	FC
Microcred Sichuan	China	CNY	71,1%	100%	FC
Microcred Tunisia	Tunisia	DTN	66,9%	100%	FC
SCI Baobab RE Senegal	Senegal	FCFA	99,9%	100%	FC
SCI Baobab RE CI	Ivory Coast	FCFA	99,9%	100%	FC
Microcred Services	Senegal	FCFA	100%	100%	FC
Microcred Africa limited	Mauritius	EUR	100%	100%	FC
Microcred Zimbabwe	Zimbabwe	USD	86,1%	100%	FC
Microcred Burkina Faso	Burkina Faso	FCFA	100,0%	100%	FC
Baobab Money Madagascar	Madagascar	MGA	50,1%	100%	FC
Baobab Services Madagascar	Madagascar	MGA	100,0%	100%	FC
Microcred UK	United Kingdom	GBP	100%	100%	FC
Microcred RDC	DRC	USD	99,7%	100%	FC
Baobab+ Côte d'Ivoire	Ivory Coast	FCFA	100%	100%	FC
Fides Microfinance Sénégal	Senegal	FCFA	51,2%	100%	FC

* *FC = Full consolidation*

FINANCIAL STATEMENTS

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

- Companies removed from the scope of consolidation as of December 31, 2017 : None

- Microcred UK, Microcred Baobab Ivory Coast, Oxus RDC and Fides Microfinance Sénégal.

2.3 ELIMINATION OF INTRA-GROUP TRANSACTIONS

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

2.4 MINORITY INTERESTS

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

2.5 FOREIGN CURRENCY TRANSLATIONS

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

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

In the event of disposal, or partial disposal, of an interest 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.

If the interest rate adjustment does not change the nature of the investment, the currency translation adjustment is reallocated to the Group share and the minority interests provided that the entity is fully consolidated.

Overall, the Group is not exposed to foreign exchange risk, the assets and liabilities of the subsidiaries are in local currency, however the intra-group transactions are denominated in EURO, thus generating potential exchange gains or losses associated with the fluctuations of the local currencies against the EURO.

The Group remains exposed to foreign exchange sensitivity with regard to equity invested in countries where the operational currency and accounting currency are different (Nigeria, Madagascar, China, etc.) and for which the Group has chosen not to refinance in the given currency.

2.6 BUSINESS COMBINATIONS AND GOODWILL VALUATION

2.6.1 Business combinations before January 1, 2010

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

2.6.2 Business combinations from January 1, 2010

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

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

If the Group raises its share in an entity over which it already exercises exclusive control, the difference between the price paid for the additional stake and the share acquired in the net assets 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.

2.7 INTANGIBLE ASSETS

Intangible assets acquired separately are recognised at purchase cost.

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

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

2.8 TANGIBLE ASSETS

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

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

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

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

Amortization duration	
Softwares	3 /5 years
Computers	3 /4 years
Office furnitures and equipment	5 / 10 years
Fixtures / layouts	3 /9 years
Vehicles	4 / 5 years

2.9 CURRENT AND DEFERRED TAX

Tax assets and liabilities (IAS 12) for the current and the previous financial years are determined on the basis of the amount the company can reasonably expect to pay or recover. The tax rates and rules used to calculate this amount are those in force at the date of closure, 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 the tax base. Deferred tax liabilities are recognised for all taxable timing differences.

Deferred taxes are assessed according to 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 headings "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 rates
France	33,33%
Madagascar	20%
Senegal	30%
China	17%
Nigeria	30%
Mali	30%
Tunisia	25%
Zimbabwe	26%
Burkina Faso	28%
United Kingdom	19%
Democratic Republic of Congo	35%

Microcred Ivory Coast is not subject to corporation tax due to its microfinance activity.

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

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

2.10 LOANS GRANTED TO CUSTOMERS

Loans to customers recorded on the balance sheet include the outstanding capital at year-end, plus interest, as well as those accrued and outstanding at that date. In accordance with IAS 39, loans to customers are initially recognised at fair value that reflects the net cash initially disbursed. Loans granted to customers and accrued interests are presented in the balance sheet under the item "Loans and Receivables".

Loans and receivables are assessed at depreciated cost using the effective interest rate (EIR). The EIR is the rate of future cash flows at the initial fair value of the loan.

Credit risk is the risk of impairment of the institutions' receivables, existing or incurred as a result of commitments. It reflects the downgrading of the credit quality, which can lead to the default of the debtors. The assessment of the default probability and of the expected recovery in case of default is the key measure of credit quality.

Overall, the credit risk hedging is based on the probability of loan recovery at various stages of the recovery procedure. Credit risk related impairments are calculated on customers with one unpaid instalment at least. Having one unpaid instalment is the generating event for loan impairment charges, within the meaning of IAS 39.

The risk cost includes the allowances and reversals for loan impairment and claims on customers, payment losses and recoveries on depreciated receivables.

2.11 FEES FROM SERVICES

Revenues and expenditures derived from the provision of services are recorded in profit or loss according to the type of service provided:

- fees and commissions which are an integral part of the yield of a financial instrument are recognized as a yield adjustment and integrated into the effective interest rate of this instrument;
- if the result of a transaction involving the provision of services can be reliably estimated, the yield of the commissions charged for it are recognized under "commissions" by reference to the stage of completion of the transaction at the date of closing:

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

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

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

2.12 CUSTOMER RECEIVABLES

Receivables are recorded at their nominal value. Indications of a loss in value are recorded as a loss at Group Level the Group can determine whether or not there is a loss in value by analysing the credit history and financial situation of the debtor and on the basis of experience.

2.13 DEBTS TO FINANCIAL INSTITUTIONS AND CUSTOMER DEPOSITS

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

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

2.14 CASH AND CASH EQUIVALENT

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

2.15 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.

2.16 PROVISIONS

Microcred 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.

2.17 CURRENT LIABILITIES/NON-CURRENT LIABILITIES

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

2.18 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.

2.19 STAFF BENEFITS

Group staff benefits fall into four categories:

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

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

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

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

Post-employment benefits
In France, this category refers in particular to supplemental retirement pension schemes and one-time retirement bonuses. The method used to calculate them is called Projected Benefit Obligation (PBO): it consists in calculating the actuarial value of the benefits due to each employee upon retirement, and spreading this amount over the career of the employee. As of December 2017, Microcred S.A.S, Microcred Mali and Microcred Services recorded provisions for post-employment benefits for EUR 157 K.

2.20 DE-RECOGNITION OF FINANCIAL ASSETS OR LIABILITIES

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

2.21 CASH FLOW STATEMENT

The statement of cash flows is presented using the model of the indirect method. Investing activities represent cash flows for the acquisition and sale of financial assets; financial assets held to maturity and fixed assets (tangible and intangible). Financing activities result from operations affecting the financial structure of the equity.

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

2.22 MINORITY INTEREST BUY-OUT OBLIGATIONS

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

In accordance with IAS 32, these buy-out agreements representing a put option given to minority interests imply that the said minority interests must be recorded as debt, not equity.

Buy-out agreements made before Microcred implemented the IFRS 3R and IAS 27R (January 1, 2010) remain recorded using the partial goodwill method, which is accepted by the AMF (French Financial Markets Authority). Subsequent changes in the value of the commitments are recognised through goodwill adjustments.

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

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

2.23 FINANCIAL GUARANTEES GRANTED

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

- the amount calculated in accordance with IAS 37 «Provisions, Contingent Liabilities, and Contingent Assets»;
- the amount initially recognised, reduced if necessary by amortisation accounted for under IAS 18 «Revenue».

Funding commitments that are not designated as fair value through profit-and-loss or that are not derivatives within the meaning of IAS 39 are not recorded in the balance sheet. Nevertheless, they are provisioned in accordance with IAS 37. As regards the Group, this primarily includes sureties granted to subsidiaries.

2.24 OTHER RESTATEMENTS

In accordance with the presentation of the income statement as defined by IAS 1, exceptional revenues and expenses have been restated as operating income or expenses.

2.25 EARNINGS PER SHARE

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

2.26 ESTIMATES USED TO PREPARE THE FINANCIAL STATEMENTS

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

This is the case in particular for:

- provisions for risks and liabilities;
- 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 as deferred tax losses if it is likely that the Group will have future taxable profits that could be used to offset these losses. To determine the amount of deferred tax assets that can be recognised, the Management must put forward hypotheses both on the period of consumption of the deferred losses, and on the amount of future taxable profit.

2.27 SEGMENT INFORMATION

The segment assets and liabilities include all components of the Group's consolidated balance sheet. Segment reporting is based on business lines (Microcred's business lines are specific groups of assets and operations, associated with the provision of financial products and 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

	2017	2016
Goodwill at opening	1 534	999
Changes in minority interest	(1 032)	33
Acquisition Microking	0	523
Acquisition DRC	89	
Acquisition FIDES	82	
Goodwill at closing	**693**	**1 554**

The takeover of Oxus RDC has resulted in the recognition of a goodwill of EUR 89 K determined as follows:

DRC	2017
Shareholders' equity at the acquisition date	**(169)**
Share acquired (50%)	(85)
Equity held	4
Goodwill	**89**

The takeover of Fides has resulted in the recognition of a goodwill of EUR 82 K determined as follows:

FIDES	2017
Shareholders' equity at the acquisition date	**166**
Share acquired (100%)	166
TEquity held	248
Goodwill	**82**

The transfer of shares to minority interests can be accompanied by a minority interest buy-out agreement. If so, the commitment is recognised at the date of acquisition at fair value under "Liabilities related to minority put options". The difference between this value and the minority interests eliminated in equity is posted to goodwill.

In accordance with IAS 32, the equity share held by non-controlling interests in the Group's subsidiaries is reclassified from "Minority interests" to "Other non-current liabilities". This financial debt is measured using the method determined upon purchase of the subsidiary's shares. The difference between the discounted financial debt and the initial value of minority interests is posted to "Goodwill" in the consolidated balance sheet.

NOTE 4 - INTANGIBLE ASSETS

GROSS VALUE	Closing 2016	Acquisitions	Disposals	Other changes	Scope entry	Cur. Transl.	Closing 2017
Concessions, licences et autres actifs similaires	2 961	743	0	0	34	(77)	3 662
Droit au bail	569	54					623
Autres immobilisations incorporelles	21	6			3	(2)	28
Immobilisations en cours	94	1			(19)	0	77
Total	**3 646**	**804**	**0**	**0**	**19**	**(79)**	**4 390**

Amortissements	Clôture 2016	Dotations	Cessions/ Mises au rebut	Autres variations	Entrée de périmètre	Effet change	Clôture 2017
Concessions, licences et autres actifs similaires	1 505	468	0		24	(66)	1 932
Droit au bail	16	0					16
Autres immobilisations incorporelles	5	13				(1)	17
Total	**1 526**	**481**	**0**	**0**	**24**	**(67)**	**1 965**

Valeur nette	Clôture 2016	Clôture 2017
Concessions, licences et autres actifs similaires	1 456	1 729
Droit au bail	554	607
Autres immobilisations incorporelles	16	11
Immobilisations en cours	94	77
Total	**2 119**	**2 425**

The increase in intangible assets for 804 EUR is mainly due to Microcred S.A.S (+ EUR 671 K), this increase results from the development of the UnderTree software for EUR 394 K and the developments of Odoo (finance software), Aragon (HR software) and the client software licenses.

The pre-operational costs do not meet IAS 38 requirements. Therefore, they have been restated in the consolidated financial statements.

NOTE 5 - TANGIBLE ASSETS

GROSS VALUE	Closing 2016	Acquisitions	Disposals	other changes	Scope entry	Cur. Transl	Closing 2017
Terrain	10	96					107
Matériel de bureau et informatique	7 634	1 697	(259)	(1 485)	356	(442)	7 500
Agencements / installations	9 752	2 807	(217)	1 567	604	(792)	13 721
Véhicules	3 311	397	(148)	0	133	(267)	3 427
Avances sur immobilisations	316	(170)		(12)		(4)	87
Immobilisations en cours	102	127		(51)		(7)	172
Total	**21 125**	**4 954**	**(668)**	**19**	**1 094**	**(1 512)**	**25 014**

Amortissements	Clôture 2016	Dotations	Cessions/ Mises au rebut	Autres variations	Entrée de périmètre	Effet change	Clôture 2017
Matériel de bureau et informatique	3 244	1 172	(231)	0	164	(216)	4 132
Agencements / installations	4 649	1 880	(111)	50	121	(383)	6 206
Véhicules	1 570	697	(113)	(50)	78	(147)	2 034
Avances sur immobilisations							
Immobilisations en cours							
Total	**9 462**	**3 750**	**(456)**	**0**	**363**	**(746)**	**12 372**

Valeur nette	Clôture 2016	Clôture 2017
Terrains	10	107
Matériel de bureau et informatique	4 390	3 368
Agencements / installations	5 104	7 515
Véhicules	1 742	1 392
Avances sur immobilisations	316	87
Immobilisations en cours	102	172
Total	**11 664**	**12 641**

The column "scope entry" correspond to the integration of Oxus RDC and Fides Microfinance in the Group scope.

Tangible assets include office equipment, IT equipment, vehicles, fixtures and fittings. All Microcred subsidiaries are tenants and as such have no immovable property. The increase in tangible assets mainly results from the opening of new branches in 2017.

NOTE 6 - FINANCIAL ASSETS

Financial Assets	2016	Increase	Decrease	Scope entry	Cur. Transl	2017
Guarantees and deposits	633	144	(28)	119	(26)	842
Non-consolidated holdings	0		0			0
Total	**633**	**144**	**(28)**	**119**	**(26)**	**842**

"Guarantees and deposits" are mainly security deposits required under lease terms. The increase mainly comes from Microcred S.A.S for its new premises in Paris.

NOTE 7 - DEFERRED TAX

	Icome Statement	Balance sheet
France	(431)	690
Madagascar	96	271
Senegal	303	884
Nigeria	(85)	293
Ivory Cost	0	0
Nanchong	12	2 103
Sichuan	(435)	0
Mali	574	2 131
Tunisia	(49)	436
Zimbabwe	533	3 312
Burkina Faso	352	542
DRC	580	1 349
Baobab CIV	3	3
Baobab Services Madagascar	50	50
Total	**1 502**	**12 063**

In accordance with the IAS 12 «Income Taxes», deferred tax credits have been registered on tax deficits, according to the liability method. The book value of deferred tax assets is reviewed at every closing of accounts.

Deferred tax assets are recognised only to the extent that losses carried forward are likely to be deducted from the expected taxable income.

	DEFERRED TAXES/ LOSSES CARRIED FORWARD
France	607
Senegal	59
Nigeria	153
Nanchong	2 121
Mali	1 743
Tunisia	367
Zimbabwe	3 312
Burkina Faso	477
DRC	1 352
Baobab CIV	3
Baobab Services Madagascar	46
Madagascar	38
Total	**10 278**

Given the nature of the Group's activity, its economic structure and the development prospects on the various markets, Microcred forecasts operational results to carry forward tax losses.

NOTE 8 - LOANS AND CLAIMS ON CUSTOMERS

		OTHER LOANS TO CUSTOMERS	OVERDRAFT ACCOUNTS	TOTAL
2017	Gross value	600 038		600 038
	Provision	(49 054)		(49 054)
	Net value	550 983		550 983
2016	Gross value	448 831		448 831
	Provision	(8 784)		(8 784)
	Net value	440 047		440 047

Microcred has an efficient and proven methodology to manage troubled loans, which is used in all subsidiaries. Thanks to this methodology, PAR has been kept at low levels since the company was founded.

The average provision rate on the outstanding portfolio stands at 8.18% at end of 2017 against 1.96% at the end of 2016. As a result of the works carried out as part of the Group's preparation for the transition to IFRS 9, it has been decided to maintain the balance sheet receivables with a recovery delay of more than 360 days, whereas these had previously been accounted for as losses. In this context, the maintenance of these receivables on the balance sheet, whereas they are almost completely depreciated, results in a strong purely mechanical increase in the provisioning rate and the level of provisions at the end of 2017 compared to 2016.

NOTE 9 - OTHER RECEIVABLES

	2017	2016
Advance payments to suppliers	787	1 276
Trade receivables	56	28
Receivables towards administration	1 629	990
Other receivables	8 495	9 602
Prepaid expenses	2 451	2 292
Total	**13 418**	**14 189**

"Other receivables" include primarily:

- Subsidies to be received for EUR 1,373 K mainly for Microcred S.A.S. Most of these subsidies are aimed at funding the technical assistance provided to subsidiaries by Microcred S.A.S. during their set-up stage.
- Inventories of solar lamps and tablets related to the Group's non-financial activity, Baobab + for EUR 1,081 K
- Staff loans for EUR 238 K
- Miscellaneous receivables

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

NOTE 10 - CASH AND CASH EQUIVALENTS

	2017	2016
Petty cash and demand deposit	35 853	26 282
Short term deposit	5 972	5 170
Total	**41 825**	**31 452**
Overdraft	7 958	3 728
Cash and Cash equivalent	**33 868**	**27 724**

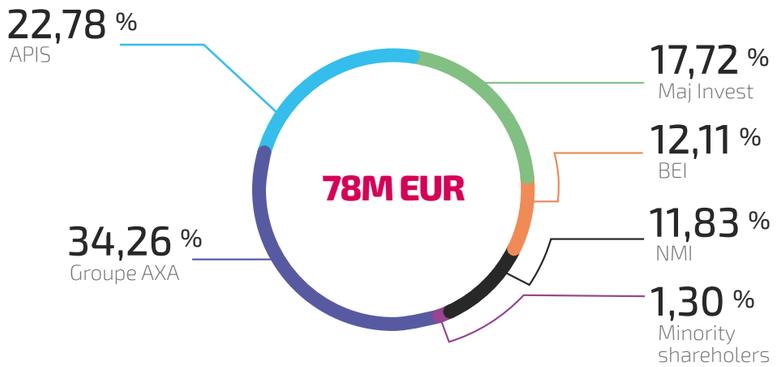
The increase in deposits mainly comes from Microcred Ivory Coast and Microcred Senegal.

The increase in overdrafts is due to an optimization of bank limits.

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 Microcred S.A.S. is EUR 77,799 K. The issue premium amounts to EUR 23,936 K. The share capital breaks down as follows:



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

	2017			2016		
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	11,83%	1 079 884	9 200 612	11,83%
Autres	118 519	1 009 782	1,30%	118 519	1 009 782	1,30%
TOTAL	9 131 305	77 798 719	100%	9 131 305	77 798 719	100%

NOTE 12 - NON-CURRENT LIABILITIES

	2017	2016	VAR
Non current provisions	1 775	366	1 409
Liabilities related put options	8 139	9 174	(1 034)
Long term debts	182 228	121 592	60 636
Accrued interest on long term debts	1 556	315	1 241
Total	**193 699**	**131 447**	**62 251**

Non-current provisions

"Non-current provisions" mainly include an allowance provisioned for post-employment benefits (Microcred S.A.S for EUR 19 K, Microcred Mali for EUR 36 K and Microcred Services for EUR 81 K and Microcred Burkina Faso for EUR 21 K).
Other provisions for risks and expenses amount to EUR 1,599 K, of which EUR 1,114 K are from Microcred Ivory Coast and concern a commercial litigation with Money Express.

Long-term borrowings

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

Long-term borrowings also include debts associated with the issue of put options on minority interest. These debts amount to EUR 8,139 K as of 12/31/17. Put options on minority interests are put-options on shares of a subsidiary to be acquired by the consolidating company to minority shareholders. This entails an obligation for the consolidating company to buy these shares at a pre-set striking price, at a future date (or over a specified period of time) if the minority shareholder exercises the right to sell the assets. This transaction is accounted for as an early acquisition of minority interest. Such agreements are generally made when a new shareholder acquires shares in a subsidiary. The same accounting treatment is used for all kinds of put options (cash or swap).

Change in debt on put options is accounted for by the expiry of certain put options in Microcred Madagascar and the revaluation and updating of the business plan.

The increase of EUR 60,636 K in long-term borrowings is mainly due to:

The loan of EUR 10,000 K taken out by the holding company to fund the acquisitions.
The Borrowings for a total amount of EUR 36,500 K taken out the 3 largest subsidiaries (Senegal, China, Ivory Coast) to support the growth of their portfolio.
Loans amounting to EUR 10,500 K taken out by the young subsidiaries (Zimbabwe, Burkina Faso, RDC, Fides Microfinance Senegal).

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

NOTE 13 - CURRENT LIABILITIES

	2017	2016
Debts to suppliers	3 071	3 356
Other payables/ Current financial liabilities	110 533	87 687
- Bank overdrafts	7 958	3 728
- Short term borrowings	74 172	63 785
- Debts related to put options	0	1 876
- Interest on borrowings	2 669	2 768
- Deferred income	903	1 546
- Other payables	24 830	13 984
State, corporate tax	4 605	2 866
Client deposits	192 509	157 080
Total	**310 717**	**250 990**

The item "Other payables" mainly consists of:

Social payables for EUR 3,829 K
Provision for paid leaves for EUR 1,606 K
Tax payable (excluding corporate taxes) for EUR 3,678 K
Account payable amounting to EUR 13,881 K including mainly a spreading of commissions over the remaining term of loans.

Short-term borrowings have increased by EUR 10,387 K over the group. This increase mainly derives from Microcred Ivory Coast.

Current liabilities also include EUR 192,509 K as customer deposits. The increase is due to the increase in loans. In the majority of subsidiaries, customers must make a deposit in order to obtain a loan.

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 Microcred Group's balance sheet with a maturity of over three months.

Most other assets/liabilities have a maturity of less than three months.

	< 3 months	3 months to 1 year	1 year to 5 years	> 5 years	2017
Cash and cash equivalents	41 825	0	0		41 825
Outstanding loans to clients	141 791	314 724	143 523		600 038
Other receivables	7 565	5 024	830	0	13 418
Total	**191 180**	**319 748**	**144 353**	**0**	**655 281**

	< 3 months	3 months to 1 year	1 year to 5 years	> 5 years	2017
Cash and cash equivalents	131 269	53 886	7 354		192 509
Financial debts	21 943	68 091	177 333	10 659	278 027
Other debts	23 257	7 667	229	953	32 105
Total	**176 469**	**129 644**	**184 916**	**11 611**	**502 641**

NOTE 15 - HEADCOUNT AS OF 12/31/2017

	Commercial Officers	Other Employees	Total 2017	Total 2016
France		66	66	49
Madagascar	250	434	684	753
Senegal	353	551	904	763
Nanchong	140	226	366	373
Sichuan	89	117	206	203
Nigeria	181	227	408	295
Ivoiry Cost	278	348	626	491
Mali	97	152	249	254
China	7		7	8
Tunisia	109	113	222	197
Zimbabwe	68	41	109	120
Burkina Faso	46	49	95	45
DRC	68	110	178	
Total	**1 686**	**2 434**	**4 120**	**3 551**

A fin 2017, le nombre d'employés s'élève à 4 120, contre 3 551 fin 2016.

NOTE 16 - EARNINGS PER SHARE

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

	2017	2016
Net income attributable to ordinary shareholders of the parent company (KEUR)	5 003	825
Weighted average number of ordinary shares outstanding during the year	9 131 305	8 279 063
Total number of shares at the date of closing	9 131 305	9 131 305
Net income / Weighted average number of shares in Euros	**0,55**	**0,10**

NOTE 17 - SEGMENT INFORMATION

Breakdown per activity 2017

ASSETS	2017	Holding	Institutions	Intra-groups
Goodwill	693		693	
Intangible assets	2 425	1 623	802	
Tangible assets	12 641	502	12 139	
Financial assets	842	119	723	
Deferred tax assets	12 063	750	11 313	
Loan (gross outstanding amount)	600 038		600 038	
Provisions on loans	(49 054)		(49 054)	
Loan portfolio (net outstanding amount)	550 983		550 983	
Other receivables	13 418	20 420	9 485	(16 488)
Cash and cash equivalent	41 825	6 152	35 673	
Total assets	**634 892**	**29 566**	**621 813**	**(16 488)**

LIABILITIES	2017	Holding	Institutions	Intra-groups
Shareholders' equity	130 476	9 542	120 934	
Provisions	1 775	260	1 516	
Non-current liabilities	191 923	13 632	178 291	
Current liabilities	310 717	6 133	321 072	(16 488)
Total liabilities	**634 892**	**29 566**	**621 813**	**(16 488)**

KEUR	2017	Holding	Institutions
Net operating income	**105 370**	**6 177**	**99 194**
Net loan revenue	*84 803*	*11*	*84 792*
Interest on loan	102 535	11	102 524
Loan commissions	12 368	0	12 368
Fees, penalties and other loan revenues	6 930	0	6 930
Interest paid and similar expenses	(26 131)	0	(26 131)
Loan impairment provisions and losses on loans	(10 899)	0	(10 899)
Other income	*20 567*	*6 166*	*14 401*
Operating subsidies	4 479	4 270	209
Other revenues	16 088	1 896	14 192
Operating expenses	**(89 943)**	**(19 063)**	**(70 880)**
External expenses	(34 501)	(9 894)	(24 606)
Payroll expenses	(42 586)	(7 853)	(34 733)
Taxes and duties	(4 486)	(664)	(3 822)
Operating allowances	(8 370)	(651)	(7 719)
Operating result	**15 427**	**(12 886)**	**28 313**
Financial result	**(1 074)**	**(423)**	**(651)**
Pre-tax current result	**14 353**	**(13 310)**	**27 663**
Tax expenses	**(4 811)**	**(353)**	**(4 458)**
Intra-groups	**0**	**14 014**	**(14 014)**
Net consolidated result	**9 543**	**351**	**9 191**
Minority interest	4 539	0	4 539
Net result, Group share	**5 003**	**351**	**4 652**

Breakdown per activity 2016

ASSETS	2016	Holding	Institutions	Intra-groups
Goodwill	1 554		1 554	
Intangible assets	2 119	1 309	809	
Tangible assets	11 664	485	11 180	
Financial assets	633	139	495	
Deferred tax assets	10 389	1 128	9 261	
Loan (gross outstanding amount)	448 831		448 831	
Provisions on loans	(8 784)		(8 784)	
Loan portfolio (net outstanding amount)	440 047		440 047	
Other receivables	14 189	17 404	9 634	(12 849)
Cash and cash equivalent	31 452	4 317	27 135	
Total assets	**512 048**	**24 781**	**500 116**	**(12 849)**

LIABILITIES	2016	Holding	Institutions	Intra-groups
Shareholders' equity	129 612	17 063	112 549	
Provisions	366	232	135	
Non-current liabilities	131 080	3 700	127 380	
Current liabilities	250 990	3 786	260 052	(12 849)
Total liabilities	**512 048**	**24 781**	**500 116**	**(12 849)**

KEUR	2016	Holding	Institutions
Net operating income	**73 826**	**5 181**	**68 645**
Net loan revenue	*60 140*		*60 140*
Interest on loan	77 214		77 214
Loan commissions	8 475		8 475
Fees, penalties and other loan revenues	4 698		4 698
Interest paid and similar expenses	(19 439)		(19 439)
Loan impairment provisions and losses on loans	(10 808)		(10 808)
Other income	*13 686*	*5 181*	*8 505*
Operating subsidies	5 690	4 909	781
Other revenues	7 997	272	7 725
Operating expenses	**(67 519)**	**(14 696)**	**(52 823)**
External expenses	(27 113)	(7 465)	(19 647)
Payroll expenses	(33 729)	(6 343)	(27 385)
Taxes and duties	(3 325)	(360)	(2 965)
Operating allowances	(3 354)	(529)	(2 825)
Operating result	**6 307**	**(9 515)**	**15 822**
Financial result	**(1 675)**	**(758)**	**(917)**
Pre-tax current result	**4 632**	**(10 273)**	**14 906**
Tax expenses	**(1 221)**	**576**	**(1 798)**
Intra-groups		**8 689**	**(8 689)**
Net consolidated result	**3 411**	**(1 008)**	**4 419**
Minority interest	2 586		2 586
Net result, Group share	**825**	**(1 008)**	**1 833**

Geographical breakdown 2017

ASSETS	2017	France	Afrique	Asie	Intra-groups
Assets	693		16	677	
Intangible assets	2 425	1 616	777	32	
Tangibles assets	12 641	165	12 295	181	
Financial assets	842	91	751	0	
Deferrend tax assets	12 063	690	9 271	2 103	
Loan (gross outstanding amount)	600 038		427 211	172 827	
Provisions on loans	(49 054)		(36 437)	(12 618)	
Loan portfolio (net outstanding amount)	550 983		390 775	160 209	
Other receivables	13 418	19 987	7 317	2 602	(16 488)
Cash and cash equivalent	41 825	5 644	34 538	1 643	
Total assets	**634 892**	**28 192**	**455 740**	**167 447**	**(16 488)**

LIABILITIES	2017	France	Afrique	Asie	Intra-groups
Shareholders' equity	130 476	9 673	43 103	77 700	
Provisions	1 775	178	1 597	0	
Non-current liabilities	191 923	13 632	124 368	53 923	
Current liabilities	310 717	4 710	286 672	35 823	(16 488)
Total liabilities	**634 892**	**28 192**	**455 740**	**167 447**	**(16 488)**

KEUR	2017	France	Afrique	Asie
Net operating income	**105 370**	**4 790**	**76 936**	**23 644**
Net loan revenue	*84 803*	*11*	*61 521*	*23 272*
Interest on loan	102 535	11	75 114	27 410
Loan commissions	12 368	0	10 265	2 103
Fees, penalties and other loan revenues	6 930	0	6 685	245
Interest paid and similar expenses	(26 131)	0	(19 956)	(6 175)
Loan impairment provisions and losses on loans	(10 899)	0	(10 587)	(311)
Other income	*20 567*	*4 779*	*15 415*	*373*
Operating subsidies	4 479	4 270	209	0
Other revenues	16 088	510	15 206	373
Operating expenses	**(89 943)**	**(15 368)**	**(60 468)**	**(14 106)**
External expenses	(34 501)	(8 345)	(21 916)	(4 240)
Payroll expenses	(42 586)	(6 088)	(27 047)	(9 451)
Taxes and duties	(4 486)	(427)	(3 882)	(177)
Operating allowances	(8 370)	(508)	(7 623)	(239)
Operating result	**15 427**	**(10 578)**	**16 468**	**9 538**
Financial result	**(1 074)**	**(425)**	**(1 723)**	**1 074**
Pre-tax current result	**14 354**	**(11 003)**	**14 745**	**10 612**
Tax expenses	**(4 811)**	**(361)**	**(1 103)**	**(3 347)**
Intra-groups		**11 841**	**(9 234)**	**(2 607)**
Net consolidated result	**9 543**	**477**	**4 408**	**4 658**
Minority interest	4 539	0	3 193	1 346
Net result, Group share	**5 004**	**477**	**1 215**	**3 311**

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Geographical breakdown 2016

ASSETS	2016	France	Afrique	Asie	Intra-groups
Assets	1 554		1 554		
Intangible assets	2 119	1 297	816	6	
Tangibles assets	11 664	204	11 245	215	
Financial assets	633	112	521		
Deferrend tax assets	10 389	1 121	6 589	2 679	
Loan (gross outstanding amount)	448 831		296 072	152 759	
Provisions on loans	(8 784)		(3 761)	(5 023)	
Loan portfolio (net outstanding amount)	440 047		292 311	147 736	
Other receivables	14 189	17 103	7 556	2 379	(12 849)
Cash and cash equivalent	31 452	4 152	25 648	1 652	
Total assets	**512 048**	**23 990**	**346 240**	**154 667**	**(12 849)**

LIABILITIES	2016	France	Afrique	Asie	Intra-groups
Shareholders' equity	129 612	17 068	33 642	78 902	
Provisions	366	184	182		
Non-current liabilities	131 080	3 700	86 805	40 575	
Current liabilities	250 990	3 038	225 611	35 190	(12 849)
Total liabilities	**512 048**	**23 990**	**346 240**	**154 667**	**(12 849)**

KEUR	2016	France	Afrique	Asie
Net operating income	**73 826**	**4 718**	**52 279**	**16 830**
Net loan revenue	*60 140*		*43793*	*16 347*
Interest on loan	77 214		52 729	24 485
Loan commissions	8 475		6 072	2 403
Fees, penalties and other loan revenues	4 698		4 380	318
Interest paid and similar expenses	(19 439)		(13 787)	(5 653)
Loan impairment provisions and losses on loans	(10 808)		(5 603)	(5 205)
Other income	*13 686*	*4 718*	*8 487*	*482*
Operating subsidies	5 690	4 909	383	398
Other revenues	7 997	(191)	8 103	85
Operating expenses	**(67 519)**	**(12 706)**	**(42 301)**	**(12 512)**
External expenses	(27 113)	(6 651)	(16 854)	(3 608)
Payroll expenses	(33 729)	(5 270)	(20 368)	(8 090)
Taxes and duties	(3 325)	(320)	(2 426)	(579)
Operating allowances	(3 354)	(466)	(2 653)	(235)
Operating result	**6 307**	**(7 989)**	**9 978**	**4 318**
Financial result	**(1 675)**	**(760)**	**(420)**	**(494)**
Pre-tax current result	**4 632**	**(8 749)**	**9 557**	**3 824**
Tax expenses	**(1 221)**	**639**	**(1 363)**	**(498)**
Intra-groups		**7 188**	**(5 127)**	**(1 991)**
Net consolidated result	**3 411**	**(992)**	**3 067**	**1 336**
Minority interest	2 586		2 240	347
Net result, Group share	**825**	**(992)**	**827**	**989**

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 loan activity:

Revenues	2017	2016
Intérêts on loan portfolio	**102 535**	**77 214**
Madagascar	17 963	13 628
Senegal	17 271	13 055
China	27 410	24 485
Nigeria	5 340	3 380
Ivory Cost	21 369	15 106
Mali	5 607	5 200
Tunisia	3 319	1 928
Zimbabwe	1 567	378
Burkina Faso	962	54
DRC	1 716	
Microcred SA	11	
Commissions on loans	**12 368**	**8 475**
Madagascar	1 498	811
Senegal	4 143	3 092
China	2 103	2 403
Nigeria	1 039	828
Ivory Cost	859	354
Mali	1 592	671
Tunisia	562	230
Zimbabwe	311	65
Burkina Faso	130	22
DRC	131	
Fees, penalties / other income	**6 930**	**4 698**
Madagascar	473	366
Senegal	1 788	1 346
China	245	318
Nigeria	121	76
Ivory Cost	3 265	2 129
Mali	451	435
Tunisia	74	23
Zimbabwe	72	5
Burkina Faso	60	0
DRC	382	
Total	**121 833**	**90 387**

The main trends of the loan activity are as follows:
revenue growth in most of the subsidiaries 35% increase, i.e. EUR 31,446 K of the revenues derived from the loan activity for the Group. Microcred Madagascar's contribution to the revenue amounts to EUR 5,129 K and Microcred Senegal EUR 5,709 K. Microcred Côte d'Ivoire's contribution to the income amounts to EUR 7,904 K, a net increase of 45%. It should also be noted that the growth of Microcred Nigeria is 52% for an amount of EUR 2,216 K

Subsidies

KEUR	2017	2016
Subsidies	4 479	5 690

Other revenues include operating subsidies received mainly by the holding company and granted by donors to fund the technical assistance provided by the Holding to subsidiaries.

NOTE 19 - LOAN LOSS/LOAN IMPAIRMENT PROVISIONS

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

KEUR	2017	2016
Madagascar	**(1 582)**	**(809)**
Senegal	**(1 579)**	**(1 416)**
China	**(311)**	**(5 205)**
Nigeria	**(288)**	**(90)**
Ivory Cost	**(5 007)**	**(2 108)**
Mali	**(1 909)**	**(768)**
Tunisia	**(443)**	**(252)**
Zimbabwe	**470**	**(161)**
Burkina Faso	**(66)**	
DRC	**(183)**	
Total	**(10 899)**	**(10 808)**

Loan loss and impairment provisions amount to EUR 10,899 K for the year, and are mainly attributable to the operational subsidiaries in Mali, Senegal, Ivory Coast and Madagascar.

NOTE 20 - OPERATING EXPENSES

KEUR	2017	2016
External expenses	**(38 987)**	**(30 437)**
Purchases and external expenses	(34 501)	(27 113)
Tax, duties and similar expenses	(4 486)	(3 325)
Payroll costs	**(42 586)**	**(33 729)**
Operating expenses	**(8 370)**	**(3 354)**
Provision expenses on depreciation of fixed assets	(4 229)	(2 937)
Provisions on fixed assets		
Provisions on current assets	(1 818)	(155)
Provisions for risk and liabilities	(2 221)	(130)
Provision for pensions	(102)	(131)
Total operating expenses	**(89 943)**	**(67 519)**

In 2017, operating expenses have increased by + 31%, following the business growth. These expenses break down as follows:

- EUR 42,586 K in personnel expenses, + 25% vs. 2016, in line with the staff increase (+ 16%); they are allocated as follows: 58% in Africa, 22% in China and 20% in the holding company. Africa has represented the highest growth in these expenses (+ 28% vs. + 17% in China)
- Purchases and external expenses have increased by + 27%. This item includes:
    - Mission expenses, to ensure the proper development of the entities (participation in the board meetings, control of the information systems, etc.) and to allow the search for new investors for Microcred group.
    - Rental of branch premises and related expenses represent a total cost of EUR 7,338 K over one year. These expenses have increased by + 27% vs. 2016 due to the opening of new entities in Madagascar, Ivory Coast, RDC and a full year of expenses in the Zimbabwe subsidiary.
    - IT expenses mainly related to the maintenance of the current IT tool and the development of the loan management software.
- Provisions for current assets include a provision amounting to 1.6 MEUR in Ivory Coast relating the bad debt impairment.

NOTE 21 - FINANCIAL RESULT

In 2017, the financial results break down as follows:

KEUR	2017	2016
Financial revenue	**2 563**	**1 361**
Exhange gains	1 382	281
Net profit on disposal of marketable securities	127	469
Reversals of provisions on securities		
Other financial revenues	1 054	610
Financial expenses	**(3 637)**	**(3 035)**
Exchange loss	(1 418)	(1 834)
Provisions on investments and other financial assets	1	
Other financial expenses	(2 219)	(1 201)
Total	**(1 074)**	**(1 675)**

NOTE 22 - RECONCILIATION BETWEEN NOMINAL AND EFFECTIVE TAX RATES

Tax expenses are the total of tax payables and deferred tax. For the financial year ending on December 31, 201, the reconciliation between tax expenses and the product of accounting profit multiplied by French tax rate is as follows:

The nominal tax rate is the standard rate applicable to taxable profits in France at December 31, 2017, i.e. 33.33%.

	2017	2016
Profit before Tax	**14 354**	**4 631**
Theorectical amout of corporate tax	(4 785)	(1 544)
Tax effect :		
Tax rate differential in foreign subsidiaries	2 678	1 034
Postings created manually not liable for tax		
Impact of previous deficits carried forward		
Impact of tax adjustments	(1 203)	
Other restatements	(1 501)	(712)
Actual tax expense	**(6 312)**	**(4 052)**
Deferred tax expense	**1 502**	**2 831**

NOTE 23 - OFF-BALANCE SHEET COMMITMENTS

There are no significant off-balance sheet commitments at the year end.

NOTE 24 - FEES PAID TO STATUTORY AUDITORS

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

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

KEUR	2017	2016
Audit of Microcred S.A.S	**60**	**56**
Fees paid to statutory auditors	60	34
Other fees	0	22
Audit of subsidiaries	**313**	**272**
Fees paid to statutory auditors	297	258
Other fees	16	14
Total	**373**	**328**

Microcred S.A.S. and its subsidiaries work on a systematic basis with internationally reputed audit groups, when such groups exist in the countries of operation. Auditors are also selected on their expertise in the field of financial inclusion.

NOTE 25 - SIGNIFICANT POST-CLOSING EVENTS

The share capital of the company has been opened, under an association plan, to some employees of the company on April 30, 2018

Notes

Notes

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