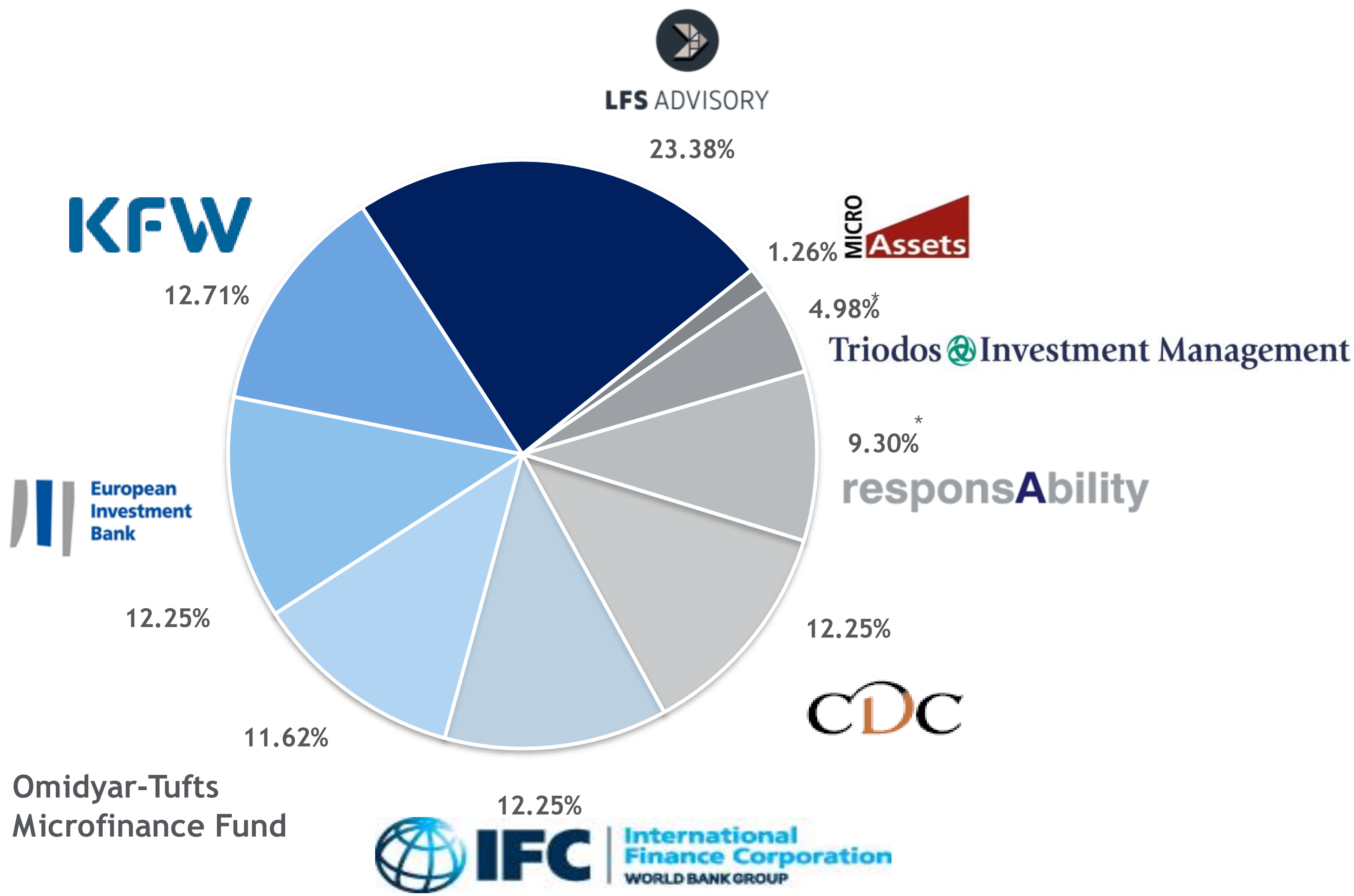
The State of SME Banking in Africa - The case of AccessHolding

always ACCESS*ible*

Who is AccessHolding? Shareholders

Shareholder structure January 2018



(*Note: in this chart, the shareholdings of the two responsAbility and Triodos funds are counted together)

Access today ¦ an overview

12 years of dedicated microfinance history

FOUNDED
2006

TOTAL ASSETS
455m

DEPOSITS COLLECTED
134m

GROWTH CAGR OF ASSETS
23%

BERLIN
HEADQUARTER

152
BRANCHES & OUTLETS WORLDWIDE

5.629
EMPLOYEES

1.000.000+
CUSTOMERS

figures as of 31 December 2017

The Access African outreach

Network Banks currently operated by the Holding

ABL

2009

ABM

2006

ABN

2008

ABR

2013

ABTz

2007

ABZ

2011

African Network Bank KPIs

€ 160 million

Business loan portfolio (to MSMEs)

120 thousand

Number of MSMEs in portfolio

82

Number of branches

98.5%

Share of business loans in total book

€ 17,500

Average loan amount in SME

€ 785

Average loan amount in Micro/Agro

Success Factors in MSME Banking

Holding Model

- Operating a network of microfinance banks with a ”build and maintain” focus bears important advantages in terms of synergies and support.
- Banks in developing markets continue to require strong support provided by central functions for knowledge and cost regression reasons

Regulatory Status

- Most network institutions have full banking or microfinance licenses and are **deposit-taking**.
- In an environment of increasingly regulated markets, this presents a key advantage over new players such as MNOs and Fintechs.

Competitive Position

- Informality of businesses still requires individual assessment and interaction
- Neither large commercial banks nor Fintechs are able to provide adequate financial services to this target group
  ➔ **debt is a particular challenge!**
- Specialization to MSME business needs is needed

Digitization & Physical Infrastructure

- **Business customers will still value personal contact**, especially when digital processes dominate
  - **Branches/physical infrastructure** will still be needed i.e. for initial client visits and recovery. Access benefits from its large branch network and number of field staff.
  - Going forward, 24/7 accessbility through various channels will **complement** (not substitute!) the personal contact.

Some Challenges & Responses in MSME Lending

FX Risk	▪ **Problem I:** Foreign currency-denominated loans, significant income shares in local currency. ▪ **Mitigation:** reduction of foreign currency-denominated loan portfolios ➔ involvement in FX-risk management on customer level ▪ **Problem II:** Volatile FX-markets lead to very high hedging cost ▪ **Mitigation:** Local currency funding facilities take away significant FX-risk (➔EIB funding in Zambia, Rwanda & Tanzania)
Risk Management Systems	▪ **Problem:** Sales-based / growth-based systems often aggravate ops & credit risk when operations contract ➔ Risk controls require enhancement & formalization, especially for larger loans ▪ **Mitigation:** Segregation of duties / reorganization (3 lines of defense), staff training (➔ e.g. EIB TA in Zambia)
Equity	▪ **Problem:** Institutional investors (including IFIs and MIVs) are withdrawing from the sector ▪ **Mitigation:** Identification of new players

always ACCESS*ible*

Access Microfinance Holding AG
Schönhauser Allee 10-11
D-10119 Berlin

Dr Bernd Zattler
Chief Executive Officer
+49 (0) 30 30 87 47 23

Martin Rohler
Senior Investment Officer
+49 (0) 30 30 87 47 24