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MICROFINANCE WEEK 2017

European Microfinance Platform
Panel: Scaling Up African MFIs

BNP PARIBAS

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Scaling Up African MFIs

Why is this question relevant for BNP Paribas?

- Current Portfolio is split between Asia, Latin American, Africa and Europe
- Mostly via direct funding to MFIs
- African footprint limited when compared to Asia or Latin America

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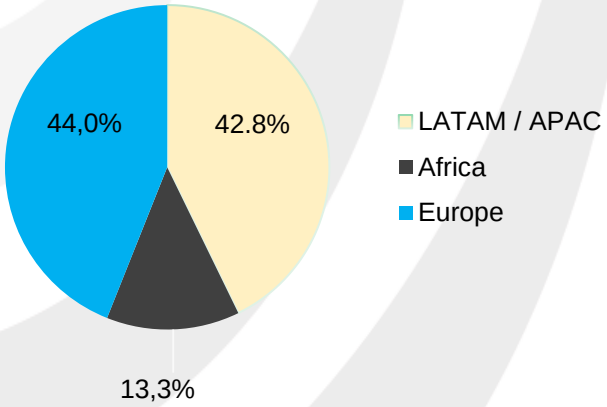
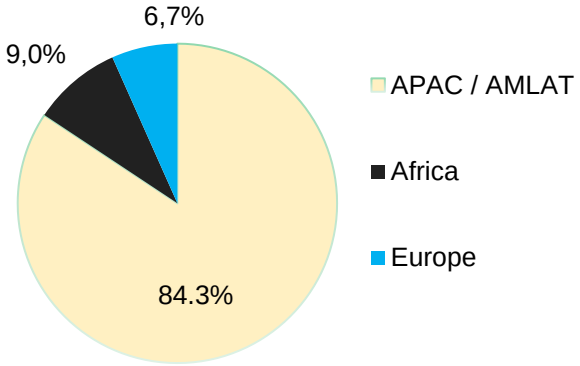
What percentage of our portfolio is represented by Africa?



- Authorizations in Africa represent about 13% of global credit portfolio, and 14% of its impacted borrowers
- 28% of authorizations in emerging countries
- Total of 28M€ as at end-march 2017
- 10 MFIs refinanced by the end of year 2017

Who are the beneficiaries?

- As microborrowers receive lower average loans size in Asia and Latin America, our lending in emerging countries has a strong impact and appears essential to meet our goal of reaching 350 000 microborrowers by 2018.
- The average loan size of our African partners is 1400€



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Reasons behind under representation of the African continent in our portfolio

- Identical risk approach drives investment in MFIs with larger balance sheets and lower average loan size (ie in Asia or Latin America)
  - Larger institutions means larger tickets
  - Lower average loan size means more beneficiaries

- Internal bias:
  - Number of beneficiaries impacted as the key performance indicator of BNPP microfinance activity

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Reasons behind under representation of the African continent in our portfolio

- Smaller scale eligible MFIs in Africa when compared to other continents
  - Larger African institutions have been able to collect deposits and are less reliant from external funding
  - Difficulties to reach rural beneficiaries (lack of infrastructures, mobile banking not at full potential in West Africa)
  - Trend to favor individual lending versus group lending (size and profitability limiting factors)
  - More supportive (and more capable) regulatory bodies since a limited time (usually around 2010)
  - Specificities of MFI networks building up greenfield institutions (longer ramping up time)
  - Self sustainable MFIs targeting "safer" urban customers with higher loan amounts to overcome high expenses structure

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Underlying questions

- Adapt the perimeter of inclusive finance to include new key players in Africa?
  - Cross over entities between MFIs and mesofinance / SME banks
  - Technology / third party service providers
- More synergies with local banks?
- How to drive down costs (funding & operational expenses)?
- How to embark new technology to the operating model?