

# ANNUAL REPORT

2016



Clients,  
Innovation  
& Expansion

advans<sup>™</sup>   
Growing together

# The Advans Group in brief

The Advans Group is active in ten countries in Africa and Asia: Cambodia, Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Ghana, Myanmar, Nigeria, Pakistan, Tanzania and Tunisia.

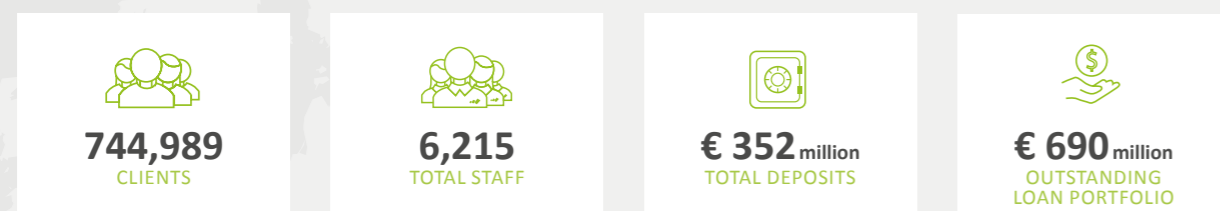
## Vision

To build a model group of financial institutions which contribute to strengthening local businesses, creating and sustaining jobs and improving clients' living standards, in order to foster private sector-led economic and social development in Africa, the Middle East and Asia.

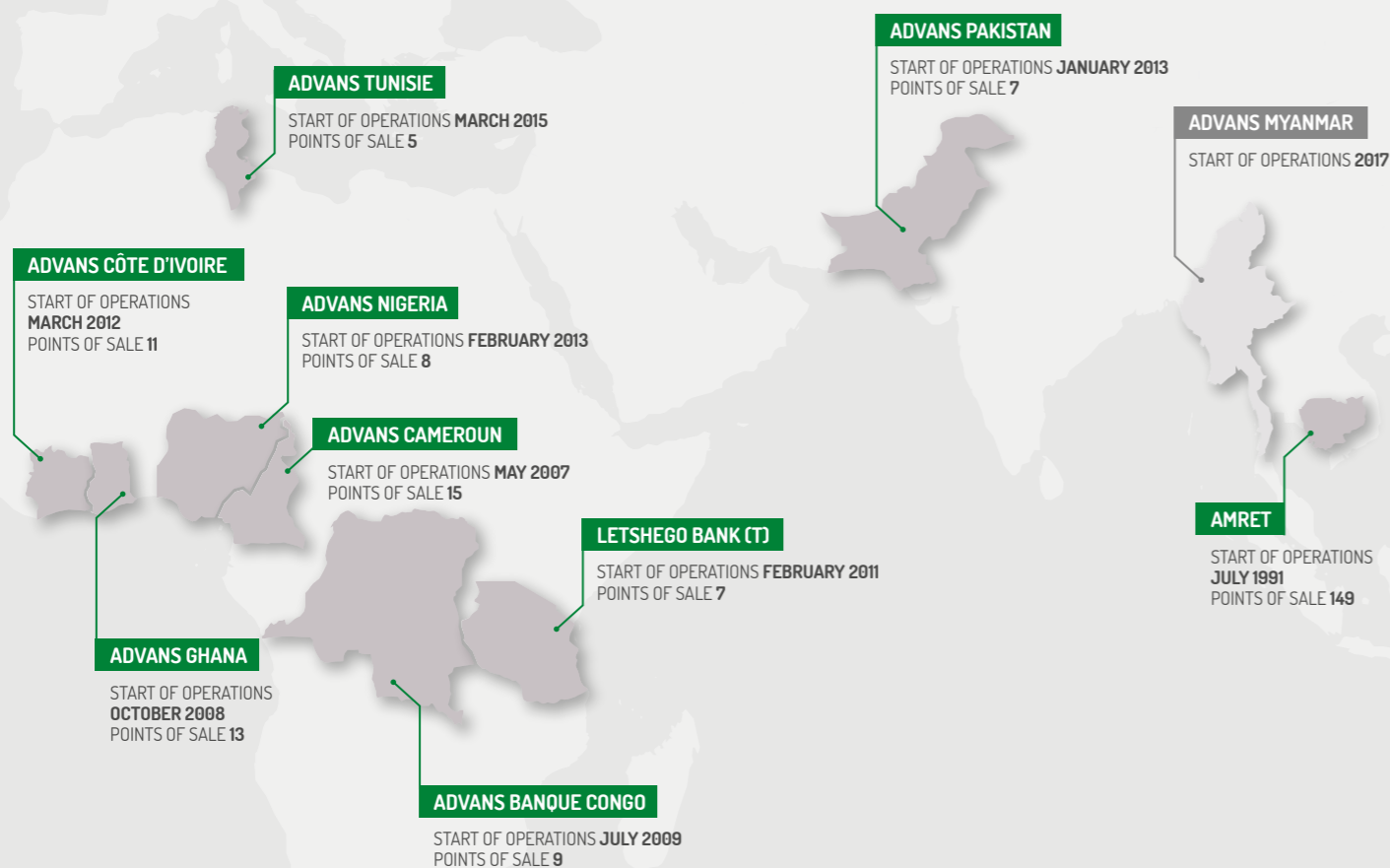
## Mission

Respond to the need for financial services of Micro, Small and Medium-sized Enterprises (MSMEs) and other populations who have ill-adapted, limited or no access to formal financial services through providing tailored financial services in a sustainable and responsible manner.

## Key figures 2016\*



\*AS AT 31 DECEMBER 2016



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## Letter from the Chairman of the Board of Directors

A strengthened organisation for future growth



2016 marked a significant milestone for the Advans Group with the completion of the buyout of Advans International, the group's technical partner, in a transaction designed to ensure the long-term value creation of the group. In capitalising on the experience and know-how developed over the last ten years and throughout the network, Advans International will ensure that the affiliates of the Advans Group continue to extend their footprints, innovate and employ the best practices and methods in the sector. Following this key milestone the Board has focused on adapting the group's governance structure to the post-buyout requirements and ensuring a sound transition process. The Board has done this by implementing shareholder corporate governance recommendations. This has included a board self evaluation, followed by a board retreat for all members, aimed at further improving board effectiveness and cohesion, as well as the strengthening of board composition and structure, and the shaping of the top management team. This process started immediately after the buyout was completed in mid 2016 and good progress was made over the year.

As Advans matures into a well-established international microfinance network, it is refining its strategy and practices to ensure that it remains a responsible and relevant player, offering financial services in line with the changing needs of clients. In several of our countries of operation, Advans has faced or is facing a number of challenges in terms of regulatory requirements and macroeconomic difficulties. This was especially the case in two of our countries in 2016, with the depreciation of the naira having a negative effect on both Advans' and clients' activities in Nigeria, and political difficulties affecting operations and capacity to raise debt in DRC. Despite these kinds of challenges, our network has continued to grow organically, with clients still in need of accessible financial services and affiliates striving to increase their outreach and productivity. Advans has also built up strong risk and liquidity management procedures and affiliates have therefore been able to weather external shocks in a robust manner and remain focused on their clients.

Going forward Advans is looking to diversify the profiles of its Board members to add extra value at supervisory level, by aiming to recruit professionals with extensive experience in the banking sector. The implementation of the Employee Share Ownership Programme (ESOP) in 2017 will also reinforce the alignment of staff and investor interests. Staff will have the possibility to participate in the shareholding of Advans SA, through the newly-created Advans Invest, and to benefit from incentive schemes based on the performance of the group as a whole. 2017 will also see the transfer of responsibilities at top management level, with the retirement of the Group CEO and founder, Claude Falgon, in June and the handover to Steven Duchatelle, currently Deputy CEO. The Board, on which Claude will continue to sit as a member, will accompany and support the new management team in this transition. This handover will mark the end of the post-integration process of Advans International; we believe that, moving ahead with a reinforced structure and governance practices, the Advans Group has all it needs to become a model international group for financial inclusion.

On behalf of the Board of Directors I would like to thank the Advans management team for their hard work on the buyout process, their handling of network challenges, and their focus on developing new products and services for clients and on building the capacity of staff. I would also like to thank all group staff who work every day to put Advans' mission into practice, as well as our shareholders for their ongoing support. Collectively, we can work to ensure that Advans services boost clients' business activities and improve their living conditions, with long-term impact in our markets.

### Matthias Adler

Chairman of the Board of Directors

“ As Advans matures into a well-established international microfinance network, it is refining its strategy and practices to ensure that it remains a responsible and relevant player, offering financial services in line with the changing needs of clients. ”

As a group with over ten years of experience, diverse and skilled human resources, a large client base and a growing footprint in both Africa and Asia, Advans is building up both financial and social value. Advans SA now has over EUR 120m in assets and the group has over EUR 690m in loans, with a PAR 30 of just 1.47% and over half of borrowers on their third cycle or more. 57% of the group's 745,000 clients are in rural areas, with 30% of them aged 18-30 and 69% of borrowers and 54% of depositors being women. So as to establish itself as an all-in-one financial partner, Advans offers clients complete packages of loans, deposits and other financial services to fit their diverse professional and personal needs. Advans is especially focused on SME financing. SMEs play a key role in the development of our target economies, and have a high potential to create wealth and employment, in line with our mission and social goals. Personal finance products to help clients acquire key assets for their family, especially education and housing, and protect themselves against external shocks through access to emergency loans, are currently being designed, piloted and implemented in the network. Advans affiliates are also looking to expand and adapt their services to underserved rural populations, especially farmers in or outside of value chains. In order to provide services to these clients in a cost-efficient manner Advans is employing a multi-channel strategy, using alternative delivery channels, including digital financial services, to provide proximity and convenience. The group is therefore creating both financial and social impact, in line with Advans', mission and with the expectations of its shareholders, staff and clients.



## Board of Directors & Committees

Advans SA's Board of Directors is primarily responsible for the overall management of Advans SA in accordance with its articles of association and Luxembourg law. It is made up of qualified senior professionals with extensive experience and in-depth knowledge of financial services.

As at 31 December 2016, its members were the following:



Matthias Adler



Claude Falgon



Maria Largey



Gail Buyske



Eelko Bronkhorst

### Audit and Risk Committee

The Audit and Risk Committee plays a fundamental role in (i) monitoring financial information, (ii) supervising the internal control and risk management system of the Advans Group, and ensuring its effectiveness. The Finance and Group Audit and Risk departments report directly to the Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee was chaired by Gail Buyske as at 31 December 2016.

### HR and Governance Committee

The HR & Governance Committee supports the Board of Directors in exercising its corporate governance functions, notably through: i) ensuring the board's effectiveness and development by reviewing and making recommendations on its composition, and ii) ensuring the group's adhesion to good corporate governance by reviewing and making

recommendations on the situation in all group companies. It also supports the board in its HR functions, through: i) proposing candidates for senior management positions to the Board of Directors, and ii) reviewing and proposing appropriate compensation packages. The HR & Governance Committee was chaired by Maria Largey as at 31 December 2016.

### Social Performance

Advans has nominated a Social Performance Management (SPM) Champion who is responsible for supervising the integration of social performance practices within the group. The SPM Champion is responsible for building awareness amongst Board Members of the importance of SPM and giving feedback on the group's social performance. Maria Largey was Advans' SPM Champion as at 31 December 2016.

## Letter from the CEO

### Scaling up operations with clients at the centre



With the continuing expansion of the microfinance and banking sectors and increased competition in the countries in which we operate, the Advans Group is looking to set itself apart as the preferred banking partner for MSMEs and low-income clients. To achieve this objective the group is focusing on consolidating its current network and experiences, as well as on launching new products and services, technologies and methods of organisation so as to increase outreach and impact on financial inclusion in our target countries.

2016 saw several developments for the Advans Group, with the completion of the integration of Advans International into the group in June and Advans Myanmar, our tenth affiliate and ninth greenfield, obtaining its temporary licence to operate in October. The affiliate will disburse its first loans to clients in April 2017. Strong growth was seen especially in Advans Côte d'Ivoire, with over 70% volume increase for both lending and savings collection, and in our youngest affiliate, Advans Tunisie, which grew its loan portfolio by 150%. Both these affiliates also extended their geographical footprint, with

Advans Côte d'Ivoire going from 7 to 11 branches, and Advans Tunisie opening two new branches outside of Tunis. Our Cambodian affiliate, Amret, maintained a high level of performance in a market which is increasingly mature and competitive, its dedication to serving clients responsibly was confirmed when it obtained SMART campaign certification in June. The MFI also continued to deploy mobile financial services, with the full roll out of its mobile teller service and development of money transfer and e-wallet mechanisms.

“ Strong growth was seen especially in Advans Côte d'Ivoire, with over 70% volume growth for both lending and savings collection and in our youngest affiliate, Advans Tunisie, which grew its loan portfolio by 150%. Both these affiliates also increased their geographical footprint, with Advans Côte d'Ivoire going from 7 to 11 branches, and Advans Tunisie opening two new branches outside of Tunis. ”

For their part, Advans Cameroun and Advans Ghana focused on introducing new products and channels: Advans Cameroun launched third-party agent and mobile banking services while Advans Ghana piloted rural lending and savings collection as well as education finance. The macroeconomic contexts in DRC and Nigeria were more challenging over the period, which affected the operational and financial performances of our affiliates in these countries. Notwithstanding Advans Banque Congo was able to expand its network with two new branches outside of Kinshasa and Advans Nigeria opened a new semi-rural branch and launched a client loyalty programme. Advans Pakistan meanwhile concentrated on the consolidation of its portfolio and implementing effective credit risk management methods and was therefore able to significantly improve its portfolio quality, bringing PAR 30 down to 2.8% at year end. This is a very positive performance considering that the institution is reaching out to small businesses, a new market which is often considered too risky by other microfinance lenders in Pakistan. In terms of financial results, our five most mature affiliates remained sustainable, with Advans Côte d'Ivoire especially generating exceptional financial results.

In terms of expansion, Advans Myanmar, our exciting new venture in Asia, is unique in that it has a regional partnership with Amret, our largest and most mature affiliate and one of the leading MFIs in Cambodia. The Advans Group is leading this greenfield project by seconding the management team and providing technical support from the group, with Amret supplying managers for the development of credit operations and the network. This new launch therefore not only marks the further extension of our network, but also shows how the skills built up in the group can be used to embark on new projects and reach out to new populations.

In 2017 Advans affiliates will pursue the scaling up of their operations, building on both their loan and deposit portfolios and enlarging their client bases. Advans Pakistan and Advans Tunisie will both aim to more than double their lending portfolios, with Advans Pakistan also focusing on improving its savings collection. For our core SME and micro lending products, the group will be introducing overdrafts for SMEs and carrying out a micro credit scoring pilot in Côte d'Ivoire. In Cameroon, Ghana and Côte d'Ivoire, our affiliates are focusing on agricultural and value chain lending and rural finance, with a special focus on cocoa. The year will also see the group's first agricultural finance seminar as well as a market survey on rural finance in Tunisia. Diversification into other credit products, such as education finance, will continue in Cameroon and Ghana, with a possible pilot in Côte d'Ivoire. Client centricity will equally be a key focus during the year, with an emphasis on customer segmentation, customer service and customer feedback in several affiliates. In terms of channels, affiliates are looking to increase proximity and accessibility for clients in a cost-efficient manner: Advans Côte d'Ivoire will launch a field teller service, and low-cost outlets will be multiplied in Cameroon, Ghana and DRC. Several of our sub-Saharan African affiliates are also piloting or scaling up agency banking services, wallet to bank transfers through MNO agents, and self-service mobile banking.

At group level, we continue to provide support to affiliates so as to ensure that they can offer a high quality service to clients and achieve the targets mentioned above. The launch of the Advans Training Centre will enable us to formalise and improve our group training resources, manage our talents and build staff capacity on a variety of fronts including technical, cross-functional, behavioural and managerial skills. Our group departments also have a number of ongoing projects to reinforce our structure and increase our productivity, including improvement of our Core Banking System (IT), the definition of key risk indicators (Audit and Risk), the harmonisation of our brand (Marketing and Communication), a review of our SPM policy and the introduction of consolidated accounts (Finance), to mention a few.

This report will focus on many of our strategic areas for development and is structured around the themes of client centricity, innovation and expansion, and organisation, looking at specific projects and initiatives currently taking place in the group. In building a client-oriented culture, diversifying products and distribution channels, reaching out to new segments and new geographies, as well as strengthening all levels of its organisation, the Advans Group aims to ensure that it can offer stable returns to its shareholders and achieve its mission to contribute to lasting economic and social expansion.

**Claude Falgon**  
CEO Advans Group



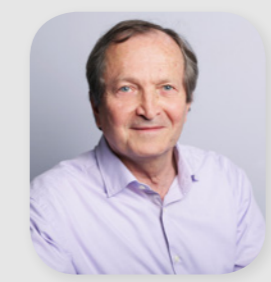
## Executive Committee

The Advans Group supports, oversees and sets standards for the group, by providing guidance, resources and expertise.

In capitalising on the experience and know-how developed over the last ten years, the Advans Group departments ensure that Advans continues to innovate and employ the best practices and methods in the sector. Advans has created strong group departments and business lines to guide and back affiliates' development.



Amanda Hannan  
**DEPUTY CEO**  
INVESTMENT, STRATEGY AND LEGAL



Claude Falgon  
**CHAIRMAN & CEO**



Steven Duchatelle  
**DEPUTY CEO**  
OPERATIONS



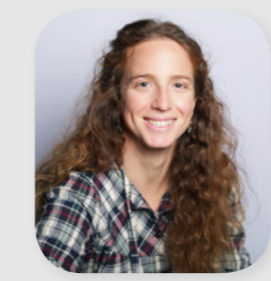
Isabelle Montfort  
**CHIEF FINANCE OFFICER**



Rodolphe Dartigues  
**CHIEF IT OFFICER**



Marie Krugler  
**CHIEF HR OFFICER**



Estelle Darie-Rousseaux  
**HEAD OF FINANCIAL SERVICES AND RURAL OUTREACH**



Olivier Bailly-Béchet  
**HEAD OF CREDIT**



David Paulson  
**HEAD OF RISK**  
**HEAD OF AUDIT**

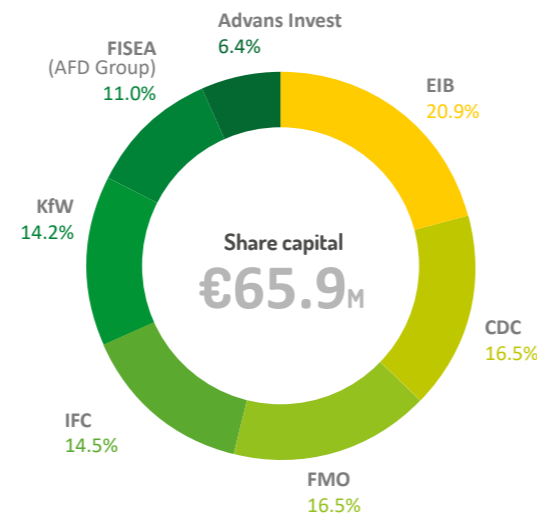
# Our shareholders



Advans Invest was incorporated in Luxembourg in 2016. Its shareholders are the former shareholders of Advans International (formerly Horus Development Finance). Advans Invest will become the staff investment vehicle for Advans International staff, in charge of implementing the employee share ownership plan, aiming to align staff, management and shareholder interests.

Advans SA is a regulated venture capital investment company ("Société d'Investissement en Capital à Risque" or "SICAR"), based in Luxembourg and incorporated in 2005. As such it is licensed and supervised by the CSSF (Commission de Supervision du Secteur Financier - Financial Sector Supervision Commission). As recognition of its commitment to investing in the microfinance sector, Advans SA was the first SICAR to be granted the LuxFLAG Microfinance Label.

As at 31 December 2016, Advans SA's paid up share capital amounted to EUR 65.9 million, split as follows:



The European Investment Bank (EIB), created by the Treaty of Rome in 1958, is the European Union's long-term financing institution. The EIB contributes towards the integration, balanced development and economic and social cohesion of the Member Countries. Outside the Union, the EIB implements the financial components of agreements concluded under European development aid and cooperation policies. The EIB has a longstanding record in microfinance. Since 2000, it has supported MFIs, fund providers and other industry stakeholders in addressing specific market failures and promoting financing solutions for MSMEs and low-income self-employed business people.

As of end December 2016, the EIB had about EUR 964 million in active commitments to about 62 microfinance institutions or intermediaries. Operations are financed from the EIB's own resources or under the European Union's mandates. The EIB's microfinance activities are deployed in three regions: Sub-Saharan African, Caribbean and Pacific countries (ACP region), Mediterranean partner countries, and Europe.



CDC was established in 1948 as the first ever Development Finance Institution (DFI). Wholly-owned by the UK Government, CDC is part of DFID's private-sector strategy to alleviate poverty. Its mission is to support the building of businesses throughout Africa and South Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places.

CDC aims to invest in countries where the private sector is weak and jobs are scarce and in sectors where growth leads to jobs – directly and indirectly– especially manufacturing, agribusiness, infrastructure, financial institutions, construction, health and education. Capital is provided by CDC in all its forms, including equity, debt, mezzanine and guarantees, and this capital is typically used to fund growth. CDC invests directly and through fund managers that are aligned with its aims.



KfW is one of the world's leading promotional banks. With its decades of experience, KfW is committed to improving economic, social and ecological living conditions all around the world on behalf of the Federal Republic of Germany and the federal states. To do this, it supplied funds totalling EUR 80 billion in 2016 alone. The focal points of its work include: promotion of small and medium-sized companies and start-ups, provision of equity capital, programmes for energy-efficient refurbishment of residential buildings, support of measures to protect the environment, educational finance for retail customers, funding programmes for municipalities and regional development banks, export and project finance and the promotion of developing and emerging market countries. In Germany, KfW Group is represented by locations in Frankfurt, Berlin, Bonn and Cologne. Its network includes about 80 offices and representations around the world.



IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. Working with 2,000 businesses worldwide, we use our six decades of experience to create opportunity where it's needed most. In FY-16, its long-term investments in developing countries rose to nearly USD 19 billion, leveraging its capital, expertise and influence to help the private sector end extreme poverty and boost shared prosperity.



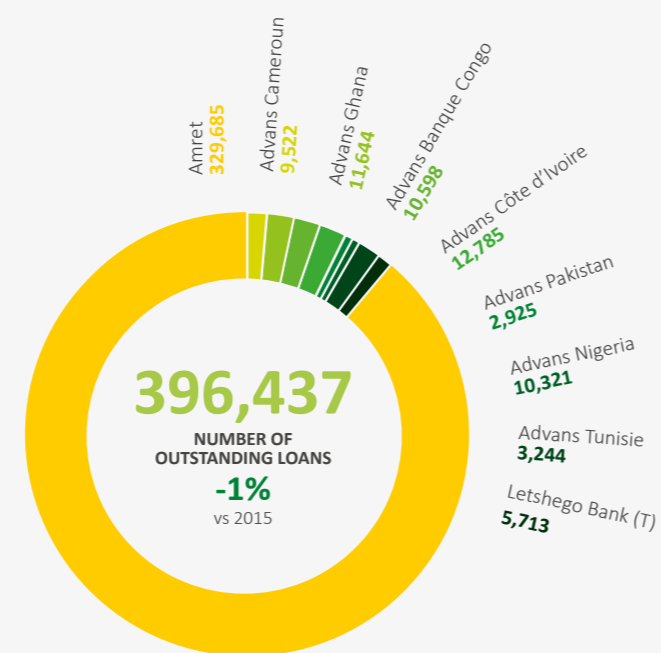
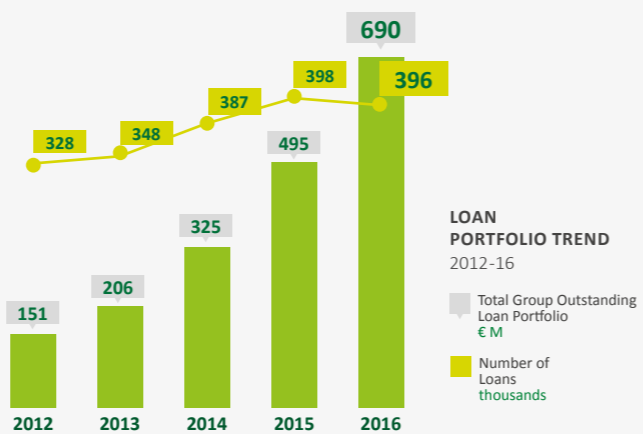
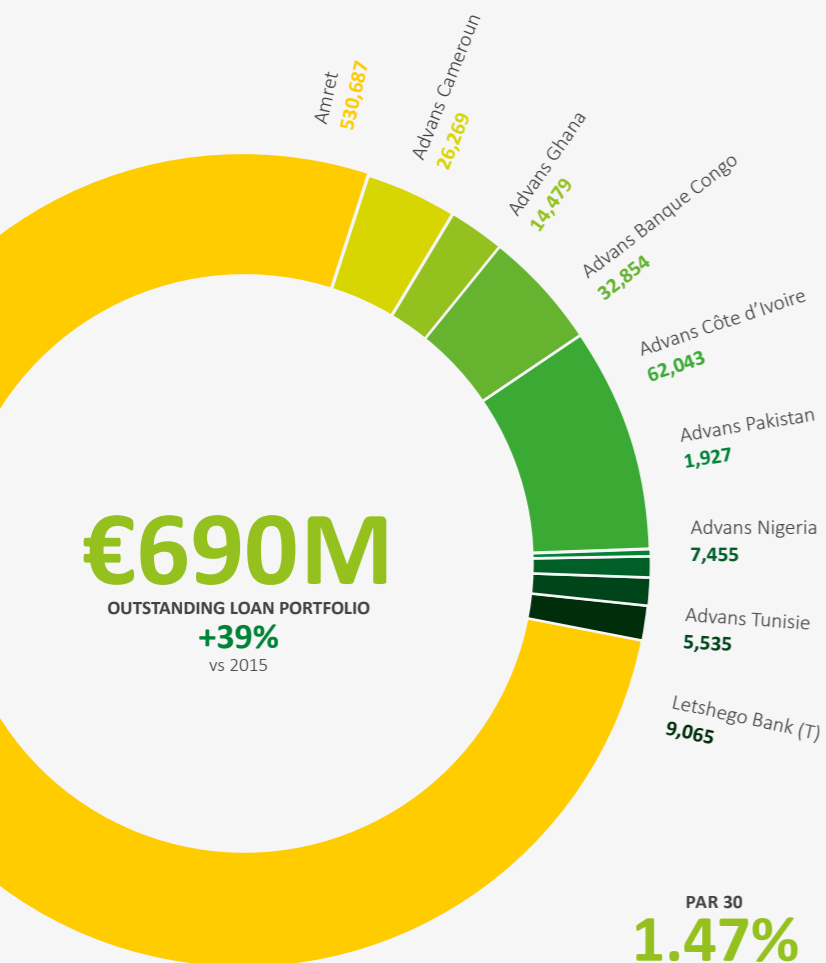
FMO is the Dutch development bank. FMO has invested in the private sector in developing countries and emerging markets for more than 46 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, we invest in the infrastructure, manufacturing and services sectors. FMO has an investment portfolio of EUR 9.8 billion, spanning over 85 countries.



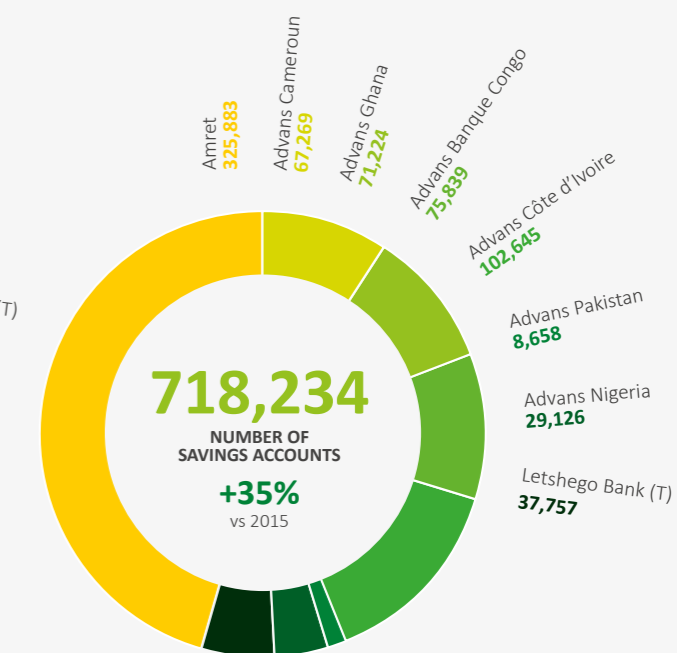
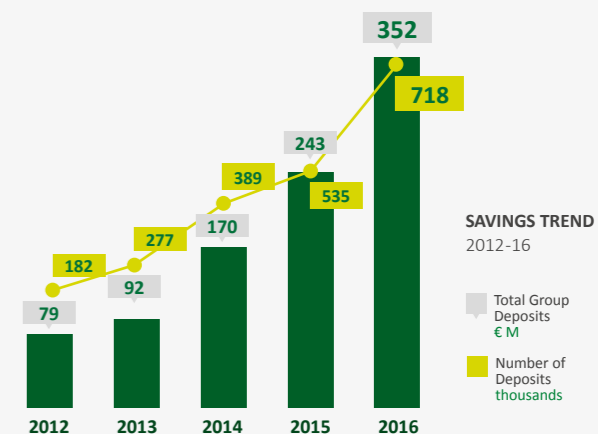
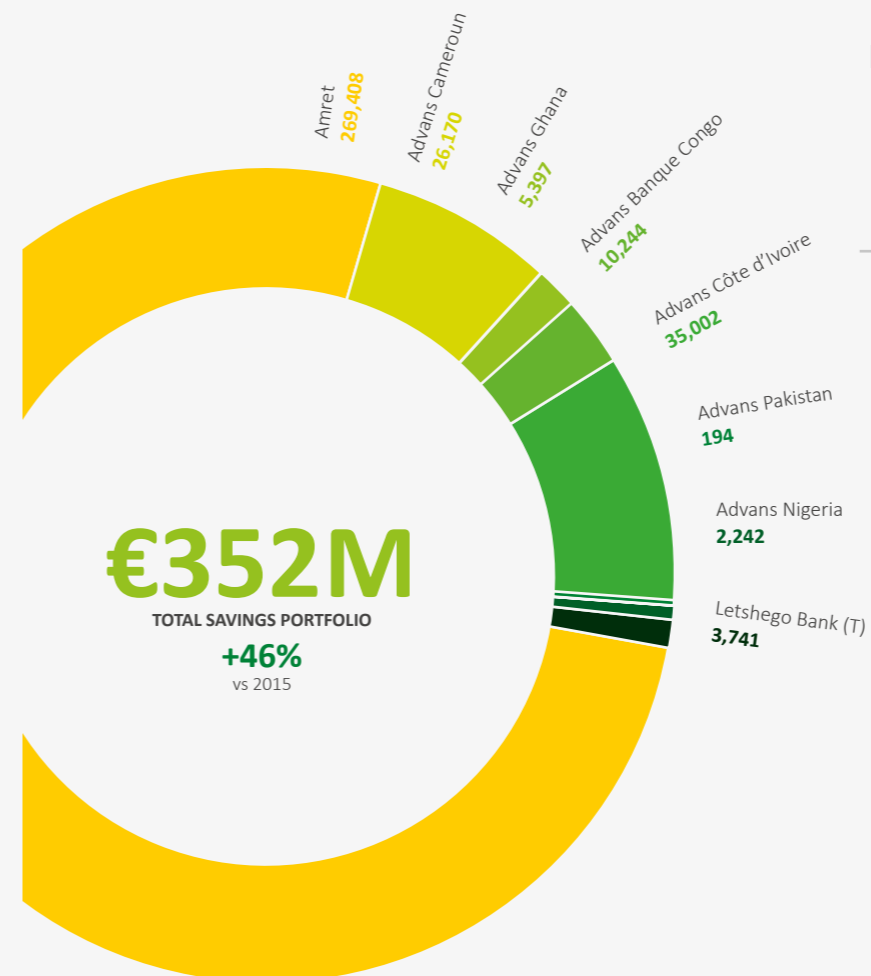
With an investment target of €250m, FISEA is one of the key components of France's initiative to promote growth and jobs in Africa. FISEA makes equity investments in businesses, banks, microfinance institutions and investment funds operating in Sub-Saharan Africa. Owned by the Agence française de développement (AFD) and advised by PROPARGO, FISEA targets vulnerable population groups and regions that are more unstable or emerging from crisis situations, as well as sectors traditionally bypassed by investors. Special attention is paid to the growth of small and medium-sized businesses.

## 2. ADVANS TODAY

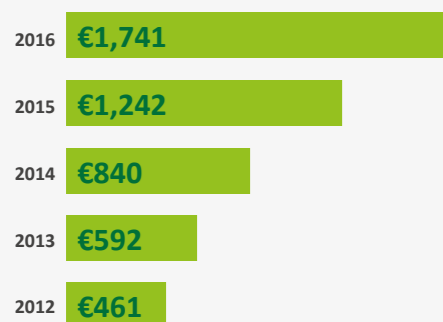
### Lending performance, 2016



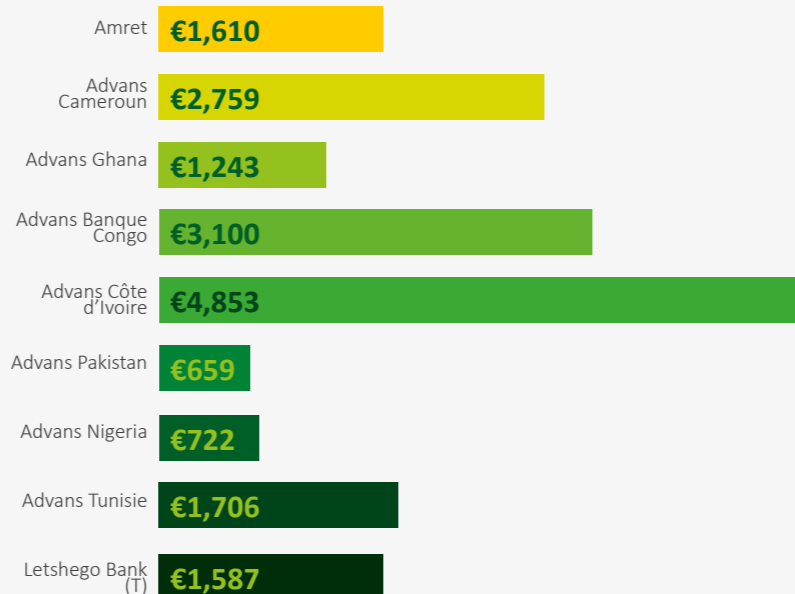
### Savings performance, 2016



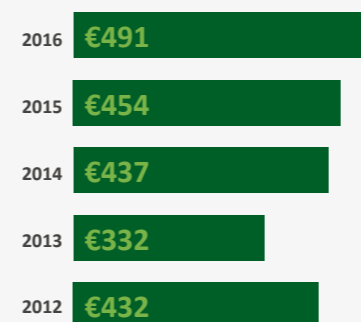
#### Group average loan size 2012-16



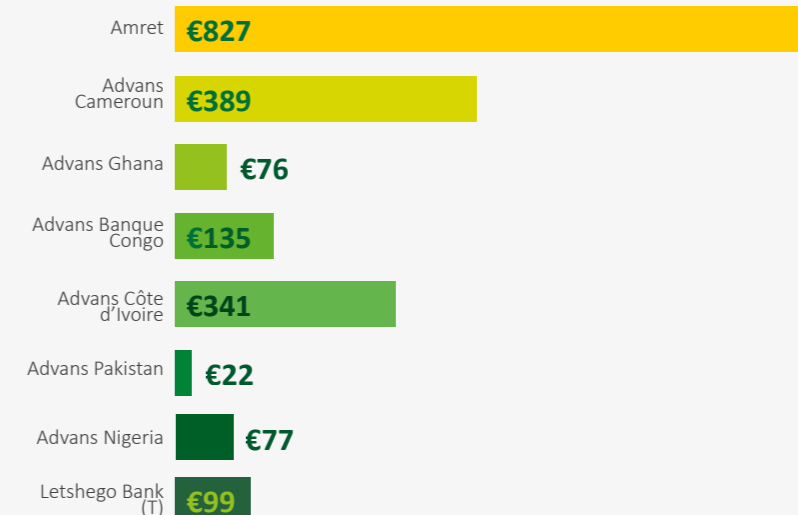
**€1,741**  
AVERAGE LOAN SIZE  
**+40%**  
vs 2015



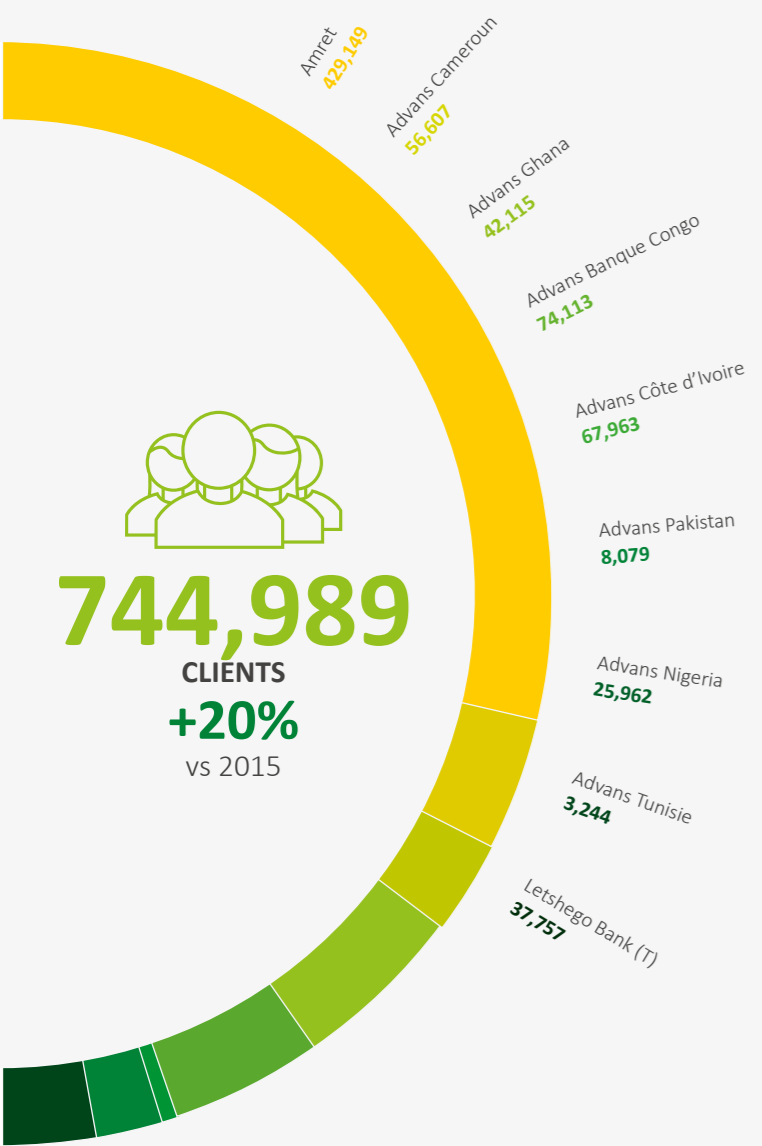
#### Group average Deposit size 2012-16



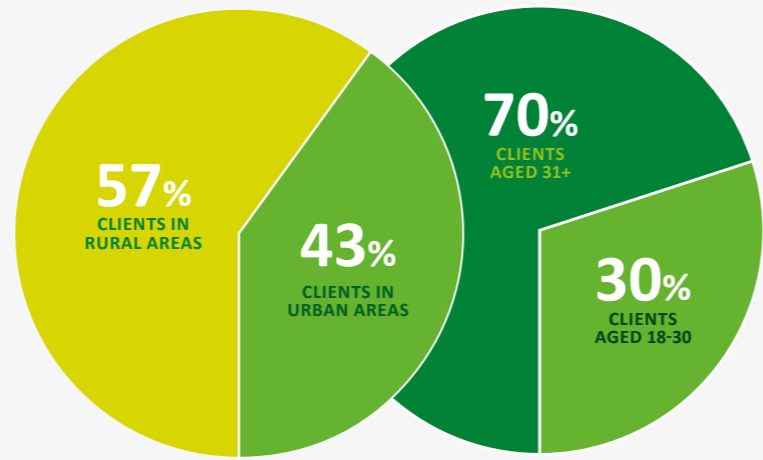
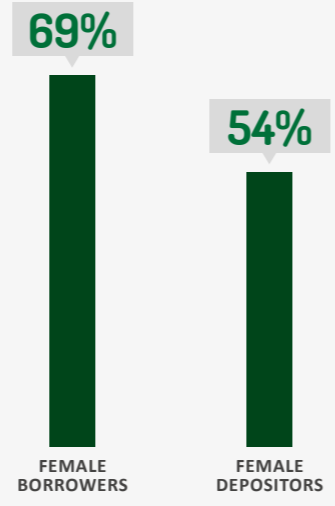
**€491**  
AVERAGE DEPOSIT SIZE  
**+9%**  
vs 2015



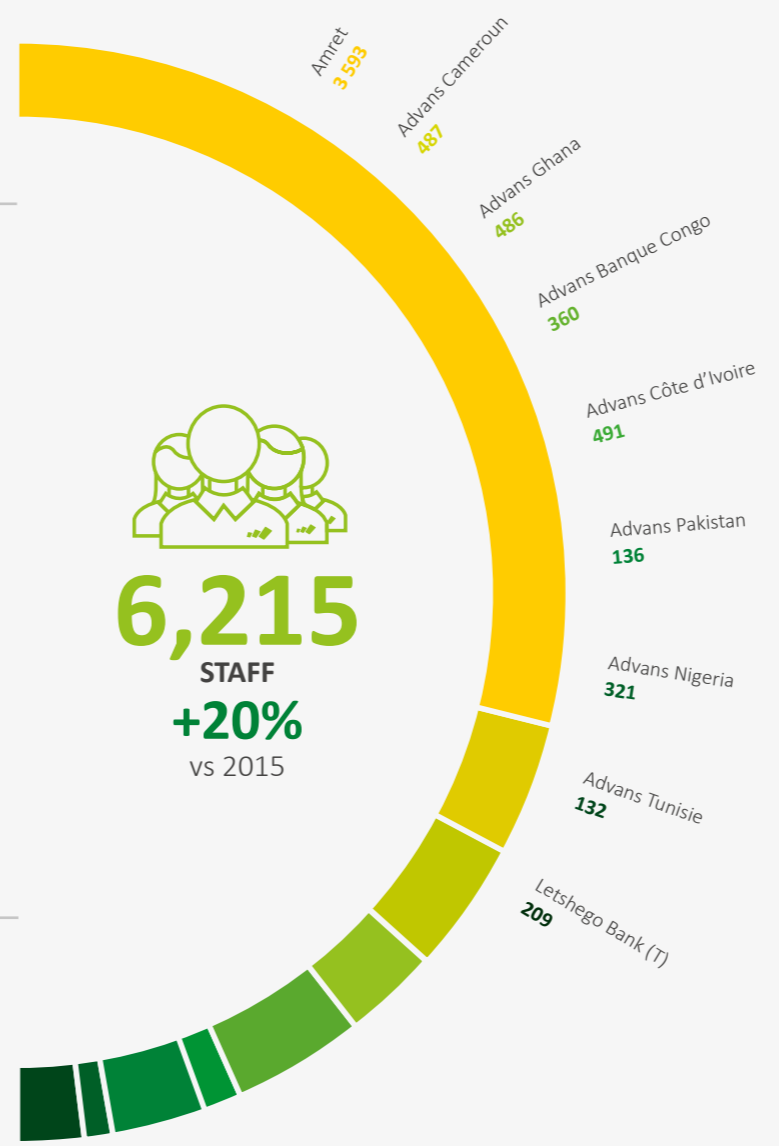
### Client statistics, 2016



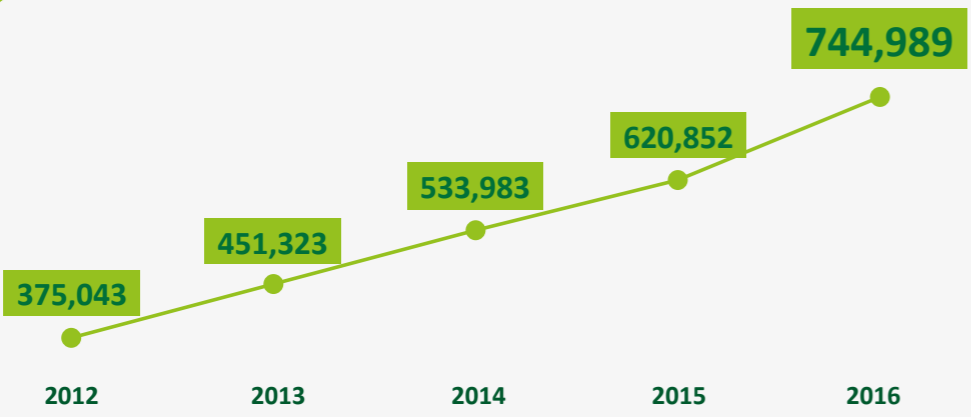
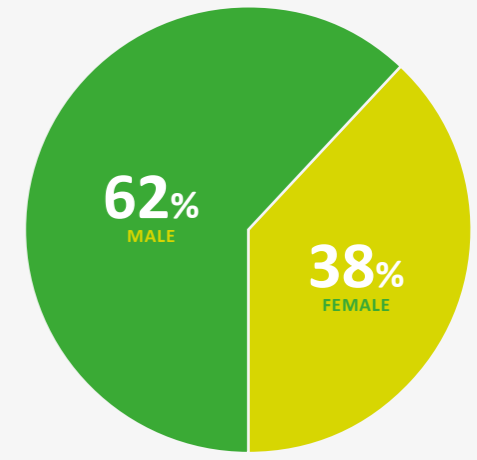
**744,989**  
 CLIENTS  
 +20%  
 vs 2015



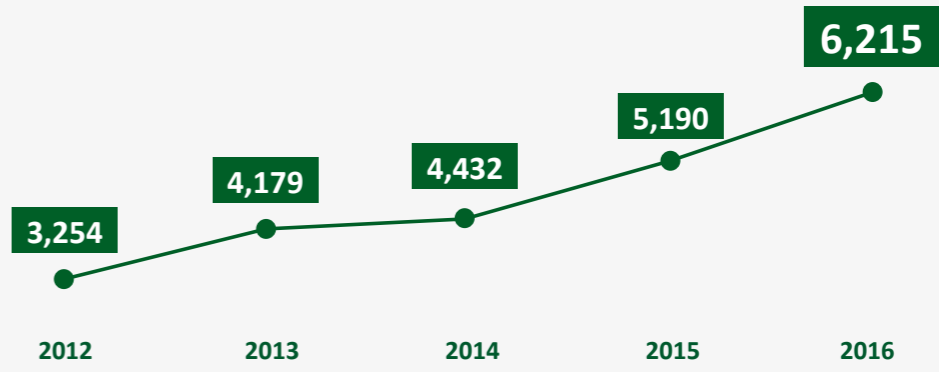
### Staff statistics, 2016



**6,215**  
 STAFF  
 +20%  
 vs 2015



NUMBER OF CLIENTS SERVED  
 2012 - 16




GROUP STAFF  
 2012 - 16




# Key events

(APRIL 2016 – DECEMBER 2016)




**May**

- Launch of the Hero television, radio and billboard campaigns at Advans Cameroun, Advans Ghana and Advans Nigeria.
- Advans Banque Congo inaugurates its second branch outside of Kinshasa, at Tshikapa.




**July**

- Advans Nigeria introduces third party cheques as an additional means of payment for current accounts. Clients can now deposit cheques into their current accounts for outward clearing.
- Advans Côte d'Ivoire makes donations to the maternity unit of the Grand Bassam hospital.



**September**

- On 15 September 2016, Advans Tunisie opens its fifth branch in Kairouan. The branch is the second outside of the capital of Tunis, after the opening of a branch at Sousse in April.
- Advans Côte d'Ivoire pilots its truck loan, a loan with flexible conditions which gives cooperatives the chance to buy new vehicles for the collection of their produce, thanks to the support of key partners (truck manufacturers, insurance companies). Cooperatives can thus reduce their expenses in terms of vehicle leasing and reinvest the left-over funds in the cooperative. Advans CI chose ten cooperatives for the pilot, for a total disbursement of FCFA 222 million (ca. EUR 338k).
- Advans Ghana partners with Suzuki to bring clients the 'Accelerate your life' campaign to enable them to purchase a vehicle through a loan plan.



**November**


- Advans Nigeria opens its eighth branch in Saki town, a semi-rural area of Oyo to provide credit, deposit and financial services to the financially excluded and semi-banked population of Saki.
- Advans Cameroun begins its third party agent (TPA) pilot, with the opening of three TPAs enabling clients to carry out deposits, withdrawals and transfers.

2016 2017



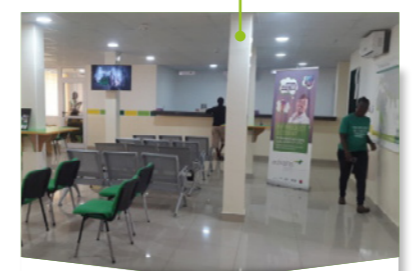
**April**

- On 15 April 2016, Advans Tunisie opens its fourth branch in Sousse. The branch is the first outside of the capital of Tunis, where Advans Tunisie began operations in March 2015.
- Advans Cameroun disburses a loan of FCFA 25 million (ca. EUR 40,000) to Camagrob, a cocoa cooperative made up of around 1,500 cocoa producers based in the Centre region of Cameroun, served by Advans' branch at Yaoundé Madagascar.
- Advans Côte d'Ivoire signs a partnership with the NGO Care International to find adapted solutions for women from underprivileged areas in Abidjan and in rural regions so as to facilitate access to saving, financial education and credit for women.
- Advans Banque Congo conducts an SPI4 Social Audit with support from the FPM.




**June**

- Completion of the buyout of Advans International, with Advans International becoming a fully integrated member of the Advans Group. Advans International continues in its role of overseeing and setting standards for the group, through providing guidance, resources and expertise. A new company, Advans Invest is also created; it will become the staff investment vehicle for Advans International staff, thereby aligning the interests of staff, management and shareholders.
- On 17 June 2016, Amret is awarded Client Protection Certification from the SMART campaign. The certificate confirms Amret's dedication to treating its clients responsibly and protecting them from harm, and its respect of the seven client protection principles.



**August**

- Advans Ghana's Tafo branch is launched in Kumasi.
- Advans Banque Congo opens its new branch in Mbuji-Mayi.



**October**

- Amret's Family + product wins the UN Capital Development Fund (UNCDF) SHIFT Challenge Fund competition. The product enables female urban factory workers to make free transfers to the accounts of their rural family members with the long-term goal of building financial stability for families.
- Advans Ghana takes part in the School Summit programme in collaboration with the Digital Education Group so as to promote its education finance products.
- Advans Myanmar receives its temporary MFI licence.



**December**

- Amret begins to pilot its Automatic Teller Machines (ATM) with staff before launching to the public.
- The team goes to Myanmar to launch the preparatory phase for Advans' ninth greenfield.

## What our clients & staff say



**Vong Eng**  
Client, Amret

“My name is Vong Eng and I’m 46 years old. I’m married and have a daughter. I have been borrowing with Amret since 1997. I own a business selling groceries and sugarcane water from home and I run it along with

some support from my husband and daughter. My first loan with Amret was a group loan for a small amount (US\$250, ca. EUR 190). At that time, my living conditions were not good. Now I have an individual loan of US\$8,000 (ca. EUR 7,590) for the purpose of home improvement and business enlargement. I like Amret’s individual loan the most because it offers very flexible repayments. I can pay more than scheduled during the season when my income is higher, without any penalties. Amret’s staff are always very welcoming, I often recommend Amret’s services to my neighbours and family! ”



**Yves Bertrand Dissake**  
Client Relationship Officer, Advans Cameroun

“I am currently a Client Relationship Officer specialised in rural and agricultural finance. I spend my time carrying out

prospection activities, following up with clients, organising meetings and generally promoting Advans’ services. I like being in contact with clients, it enables me to meet new people every day and to discover new activities, which helps me to improve my knowledge and gain experience. I was hired in January 2013 as a junior client relationship officer and have specialised in rural finance since 2014, after following an initial training programme. I was promoted to intermediary CRO in April 2016. I have acquired a great deal of professional experience at Advans, especially in terms of the financial analysis of both classic and agricultural activities. I have also trained junior client officers during their inception training on how to conduct loan appraisals for Micro, Very Small and Small Entreprises. ”



**Afshan Shaikh**  
Operations Manager, Advans Pakistan

“My daily tasks include using Credit Bureau reports to perform standard checks on customers and verifying their identity documents. I also manage disbursement

applications and controls for loans. In addition I help to train new branch staff, provide operational support and maintain the vault and teller cash positions within the authorised limits. I started my career at Advans as a Customer Services Officer and was then promoted to my current position. Advans has given me the opportunity to learn, explore and improve my skills. Advans’ slogan is ‘Growing together’ and for me, they have proved that this slogan really means something. I’m really proud to be a part of the Advans Group because everyone here has equal opportunities for growth. ”



**Adeniyi Adijat**  
Client, Advans Nigeria

“I have two shops. I manage one shop with one staff member and another staff member manages the other shop (with three staff). I use both Advans loan products and other financial

services like bank transfers. Advans has really helped a great deal, without them I would not have remained in business. I used to be scared of getting loans from a bank until I met Advans, which is much more open to funding small businesses like mine. I am currently in my eighth cycle. I have grown my business immensely, increased the quantity of goods I buy to meet demand, been able to send my kids to school and embark on personal projects to take care of my needs. The customer experience at Advans is wonderful, staff are friendly and professional, I really appreciate their attitude. I have recommended and referred my friends to Advans because of the good treatment I have received. ”



**Samira Balbouli**  
Client, Advans Tunisie

“I am the manager of a communication agency and I found out about Advans Tunisie through a billboard campaign they had in Tunis. I contacted my local Advans

branch and applied for a loan of TND 10,000 (ca. EUR 4,100). I received my loan very quickly, within 10 days! At Advans Tunisie, I really appreciate the fact that the procedures are very simple and the staff are friendly and transparent. The TND 10,000 that I borrowed at Advans enabled me to hire more staff and refurbish my agency. I’m now thinking of taking out a second loan of TND 20,000 (ca. EUR 8,200) so that I can buy my own digital printer. My experience with Advans Tunisie has enabled me to develop my project and increase my expertise. I would choose Advans again. ”



**Rachelle Odia Ndambi**  
SME Client Relationship Officer, Advans Banque Congo

“My daily work at Advans is as follows: in the morning I contact my current clients on their loan

repayments, then I begin prospecting to find new clients, I visit the clients’ homes and businesses, perform loan appraisals and present them to the Loan Committee. Being in constant contact with clients enables me to have an overall view of their business activities. It also gives me a sense of being useful to my local community, because I am able to help more disadvantaged populations and give them the means to develop their activities. My experience at Advans Banque Congo has enabled me to build on skills and qualities I never thought I had, such as being there for others (clients and colleagues), being professional even in complex situations, setting my own objectives and surpassing them, and being positive from the word go. The most satisfactory part of the job is knowing that you have helped clients to grow their businesses and change their lives for the better. ”



**Nii Lantei Lamptey**  
Client Relationship Officer, Advans Ghana

“On a daily basis, I carry out prospection activities for new clients, follow up on current loan clients, call

clients to remind them of their repayment times and also perform loan recovery activities. In my work, I really appreciate the fact that you can help a client grow their business by providing them with tailor-made financial products to suit their needs. I started by shadowing another loan officer at the Accra Newtown branch then was transferred to take up a portfolio at Darkuman. I have participated in a number of training sessions at Advans Ghana, including inception training, sales training and Loan Committee training. Technically I have gained a good deal of knowledge in analysing businesses in different sectors, from commerce to services. Managing a portfolio has also improved my management skills and interacting with different clients from diverse cultures has developed my cultural skills, now I know how to relate to and communicate with my clients. ”



**Ousmane Bogoubri**  
Client, Advans Côte d’Ivoire

“I have an urban transport company. I discovered Advans Côte d’Ivoire in 2014 when an Advans Client Officer came to meet me at my business. I got my first Advans loan in the same year. Today I am on my fourth loan cycle with a loan of FCFA 150 million (ca. EUR 230,000) and an overdraft. As well as the loan I use my current account frequently, and a savings account which helps me to make the most of my earnings and save for the future. Advans has really helped me to boost my business activities and I really appreciate the trust they have shown me and the warm welcome I get from Advans staff who are always available to listen to clients and who are serious about their work. I also find that many of the services, like being able to check your account balance and operations at a distance, are very useful. I would definitely encourage others to choose Advans! ”

# 3. CLIENT CENTRICITY



## EXAMPLES OF ONGOING CLIENT-CENTRIC PROJECTS IN AFFILIATES:



### ADVANS BANQUE CONGO DIVERSIFIES ITS CLIENT LISTENING POINTS

In order for clients to directly interact with Advans Banque Congo the bank has put a number of different contact points in place, including a call centre, a Facebook page, an SMS contact service, and a dedicated email address. A communication campaign to build clients' awareness of their right to give feedback is also being implemented. In addition, the institution carries out regular satisfaction surveys, focus groups on products and services, and mystery shopper visits. These multiple communication channels ensure that the brand is accessible at all times and that the bank has access to a variety of different types of client feedback. Advans Banque Congo aims to ensure that customers share any experiences with the company first and foremost, so that it can listen and take action to improve its services.



### ADVANS NIGERIA TO LAUNCH A CUSTOMER LOYALTY PROGRAMME

Following a difficult year in 2016 with a challenging macroeconomic environment and increased competition in Oyo state, Advans Nigeria - La Fayette MFB decided to improve its client satisfaction in order to set itself apart on the Nigerian microfinance market. In 2017 the affiliate will therefore launch a Loyalty Programme to reward its most loyal customers, especially those who are frequent users of its services and have a good repayment history. Through introducing a loyalty programme, Advans Nigeria - La Fayette MFB aims to encourage clients to return and benefit from its range of financial solutions, therefore increasing its client retention as well as maximising brand advocacy by creating an Advans Brand Ambassador Club for clients who have reached their tenth loan cycle.

## Putting clients at the centre

In order to stay at the forefront of the microfinance market in the years to come, Advans believes that it is very important to respond to the evolving wants and needs of our target clients. This means ensuring that a client-centric culture is embedded at all levels of our organisation. Amongst other things, this entails strengthening our approach to listening to client feedback, better understanding client expectations and needs through regularly measuring client satisfaction, and tailoring our products and services to the specific needs of each segment.

Advans has identified two key steps in order to put client centrality at the heart of our organisation:

**The first step** involves transforming our corporate culture and behaviour. Our aim is to make the end-client visible at all levels, to highlight the impact of each action or project on our target clients, and to systematically use client feedback to improve our products and services.

**The second step** concerns our organisation. We also plan to ensure that all company policies are customer-oriented or, in other words, organised with clients' interests in mind without compromising the internal rules specific to our business.

**Over the years to come in each affiliate, Advans plans to concentrate on the following client-centric activities:**

### Transforming our managerial culture through:

- Making quality service commitments to clients by developing a Charter of Commitment and ensuring its implementation.
- Defining each staff member's role and mission in the chain of contact between the client and the company and integrating this into Advans job profiles.
- Encouraging and recognising service initiatives: compensation, bonuses and promotions will take into account criteria based on customer satisfaction.

### Instilling a true client culture at all levels of the company via:

- Focusing Executive Committee meetings, department meetings and branch meetings on the client and client-centred topics.
- Organising promotional and awareness activities for staff based on client satisfaction.
- Disseminating best practices through inter-branch and inter-affiliate exchanges, and internal communication at group level.

### Implementing a segmentation approach by:

- Describing the needs and expectations of our clients, segment by segment and in an explicit manner. This will enable us to identify the key points of the customer journey and understand what the drivers for customer satisfaction and loyalty are. This approach will also help us to create and efficiently develop our products and services.
- Reviewing the organisation of our prospection activities and portfolio management functions and making them segment-oriented.
- Adapting our information and reporting systems so we can monitor the performance of each segment.

### Developing a variety of contact points and setting up methods for measuring customer satisfaction via:

- Defining the best contact points for each affiliate and professionalising them with, for example, trained field agents, dedicated call centres, social network pages, suggestion boxes, focus groups etc.
- Measuring customer satisfaction through carrying out satisfaction surveys, focus groups and exit surveys and also developing a satisfaction scale. We need to respond positively to customer feedback and use customer complaints as a way to improve our products and services.
- Ensuring that each type of point of sale (branch, office, counter, self-service, and all other points of contact) uses specifically defined indicators to measure its contribution to customer satisfaction.

## Towards a harmonised client & brand strategy



### Zo Andriamampianina,

Group Marketing Manager at Advans since summer 2016, explains his vision of marketing in the group.

#### What is the role of Group Marketing?

At Advans, the objective of the marketing function is to offer the best possible client experience across our different products, services, social networks, distribution channels and other contact points. The Marketing Department ensures that the brand is attractive, visible, accessible and delivers its promises through continually improving client service, developing tools to increase customer loyalty, building an understanding of the market, and implementing tools to evaluate client satisfaction and changing client needs. The role of Group Marketing is to support product managers and network teams in reaching their objectives through a client-centred approach, to ensure that affiliates are producing professional communication materials with messages which are targeted to each segment.

Group Marketing also needs to accompany affiliates in terms of structuring their Marketing departments according to the different levels of marketing activities. This includes differentiating between strategic marketing, which comprises working with top management, marketing expertise that is specific to the marketing department, and operational marketing, which involves collaborating with the different business lines and staff from the network. Finally, in order to better monitor our marketing activities and their cost efficiency we aim to help affiliates to set clear qualitative and quantitative objectives and implement simple tools to analyse the impact of their campaigns.

#### What are the main challenges for Group Marketing in 2017 and what are the expected impacts?

This year there are two major challenges for Group Marketing:

- The first, our client-centric project, is a road-map with seven key steps towards helping each affiliate to become completely client centric. This year we are looking to help affiliates prioritise certain stages of the road-map according to local strategies and priorities. Once these have been established, we provide each affiliate with the support and tools needed to reach their objectives. The client-centric project will be completed by the end of 2018, by which date we aim to be a completely client oriented group, with clients at the centre of our strategy.
- The second, our branding project, will take place in 2017 to refresh our current brand image with a new graphic charter. This project aims to show our evolution and maturity as a group which is looking towards the future after ten years of operations, to harmonise the brand and bring affiliates together around a new brand image, and finally to increase our visibility as an international brand which is adapted to each local market. In 2018 we will therefore complete our client-centric project and the implementation of our new brand identity.

These two projects will enable us to improve our loyalty rate, boost our brand notoriety and therefore increase our outreach and impact in our target areas.

#### What are the main challenges or advantages in developing a centralised marketing strategy for an international group which covers several different country contexts and different target populations?

There are several benefits to having a centralised marketing function and strategy. Having a group marketing function enables us to:

- Capitalise on the sharing of best practices across the group;
- Facilitate scaling up of organisational projects in the network (i.e. call centres, segmentation);
- Create a standard brand image with clear implementation and monitoring procedures for the graphic charter;
- A certain amount of harmonisation of tools and applicable procedures in the definition and implementation of marketing activities, which enables us to create reliable benchmarks for affiliates; and
- Finally, a potential mutualisation and optimisation of marketing costs, through sharing creative materials for example.

However, as an international and multicultural group, it is a case of finding a balance between the strict application of group rules and the autonomy necessary for the different local entities so that they can efficiently adapt the global marketing strategy to suit their needs.



# 4. INNOVATION & EXPANSION

## Value chain financing: Advans & cocoa

Rural expansion is one of the key strategic goals for the Advans Group.

Once Advans greenfield affiliates have built a sound base in urban centres, they focus on scaling up their activities and increasing their outreach in semi-rural and rural areas where there is high potential for growth and impact, especially in the agricultural sector. In the countries where Advans works in Sub-Saharan Africa for example, agriculture contributes to around 20-23% of the GDP and counts for 30-50% of employment. In order to serve clients in these areas in a sustainable and responsible manner, Advans aims to: i) develop tailored credit and deposit products for farmers and other clients in their value chains, together with suitable risk mitigation methodology; ii) provide tailored deposit products, insurance and training for rural families; and iii) introduce innovative, appropriate delivery channels to serve rural clients in remote areas. In Côte d'Ivoire for example, Advans has put this strategy into practice through piloting and rolling out a value chain finance mechanism for cocoa farmers. This successful project has now been extended to include other services (digital payments and mobile banking, savings products etc.), and the group is now looking at how to use the expertise gained to finance cocoa and other value chains in other Advans markets, notably Cameroun and Ghana. By 2019, we hope to serve over 70,000 cocoa farmers in these three markets.

### Cocoa in Côte d'Ivoire

More than 600,000 small cocoa farmers grow cocoa in Côte d'Ivoire and contribute to 15 % of the GDP, producing more than 36% of global cocoa produce. Indirectly, around 6 million people live off the revenues generated by cocoa growing activities in the country. However, while global consumption of cocoa increased considerably between 1980 and 2010, Ivoirian cocoa production has not grown in line with the market, largely because the yield is far below its potential. This under-performance is generally linked to the lack of use of fertilisers and phytosanitary products, mainly because cocoa farmers do not have access to financial services which would enable them to invest in these inputs. Financial Service Providers (FSPs) have often overlooked this segment because it is seen as costly and too risky to serve: cocoa villages are often found in remote regions with little infrastructure in terms of transport and communication, over 50% of farmers are illiterate and their income is concentrated over a few months in the year.

Despite these challenges, the cocoa value chain in Côte d'Ivoire is well structured, with a large number of well-established and well-organised cooperatives with competent human resources, carrying out both commercial activities and training and lobbying. Several cooperatives are also certified and the price of cocoa per kilogram in Côte d'Ivoire is fixed over each season. The number of input suppliers and exporters in the sector is limited, which means the market is stable and facilitates commercial relations. Finally, the cocoa sector is seen as a strategic area for development by the government and other country partners.



In 2012, Advans Côte d'Ivoire therefore decided to take the opportunity to become the preferred financial partner for cocoa farmers in the country, aiming to help them increase their yield by offering a specially-designed financial mechanism to enable farmers buy inputs.

### The advantages of Advans Côte d'Ivoire's cocoa value chain financing scheme

The financing mechanism put in place enables Advans to serve cocoa producers in a responsible and sustainable manner:

- Cooperatives, input providers and buyers are actively involved, which reduces the cost of information and transactions.
- A dedicated cocoa team has been created: Advans Cocoa Client Officers have experience in the cocoa sector, their role is to support cooperatives and evaluate their financing needs, and train both farmers and cooperatives on good financial management.
- Loans are disbursed as input packages which are of certified quality, and suppliers deliver training on the application of inputs directly to farmers.
- The credit evaluation process is conducted from February to March so that deliveries of inputs can be made in time for the beginning of the spraying season.
- Advans Côte d'Ivoire is currently looking to introduce new alternative distribution channels and data capture systems in order to improve its service and increase productivity.



### THE BASIC VALUE CHAIN MECHANISM USED IN ADVANS CÔTE D'IVOIRE

- 1 Advans Côte d'Ivoire and / or exporters identify the cooperatives which are eligible for financing.
- 2 Cooperatives select eligible farmers and collect the deposits for the guarantee.
- 3 Advans collects and evaluates the loan applications and defines the level of financing for each cooperative.
- 4 Advans pays directly the input supplier for the correct amount of input credits.

- 5 The input suppliers deliver the products to the cooperatives. Farmers receive training from the suppliers on the correct application of products and best farming practices.
- 6 Cooperatives are trained by Advans Côte d'Ivoire on good credit management and are given a special credit management kit to help them follow up with farmers on repayments.
- 7 Cooperatives collect the cocoa and then deliver it to exporters.
- 8 Exporters deduct a fixed amount per kilo of cocoa to reimburse the cooperatives' loans with Advans Côte d'Ivoire.

### Diversification of Advans Côte d'Ivoire's offer for cocoa farmers

**2014:** Farmers are given the option to save during the cropping season for family and farming expenses during the low season. This also enables farmers to save for the guarantee deposit for their next loan. Dedicated training sessions are delivered to farmers on the benefits of saving.

**2015:** Loans are offered directly to cooperatives, without sharing the risks with exporters.

**2016:**

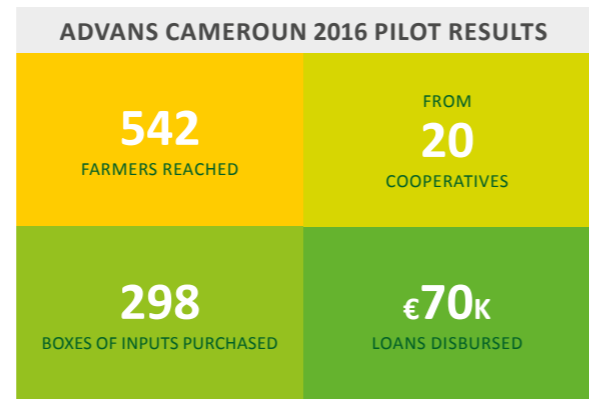
- Savings from farmers are linked to a new mobile solution, in partnership with mobile operator MTN and with the support of the Consultative Group to Assist the Poor (CGAP). The new solution enables cooperatives and their sector representatives to pay some of the producers' salary into an Advans Côte d'Ivoire account. This also enables farmers to make transfers from their Advans accounts to MTN wallets, and gives farmers access to their money at local MTN agents.

- Advans Côte d'Ivoire pilots truck loans for cooperatives, enabling them to purchase new vehicles to collect produce during the harvesting period.

**2017:** Advans Côte d'Ivoire will look to further diversify its products for cocoa farmers, notably with the introduction of school loans.

### Replicating the cocoa financing scheme in Cameroon and Ghana

In Cameroon, a case-by-case methodology, with limited group sizes



In Cameroon, the cocoa sector is organised differently to that in Côte d'Ivoire. The market is completely liberalised with a high number of small producers. Cooperatives are few and far between and those that exist have limited organisational structures and financial capacities while certification initiatives are at an early stage of development. What's more, exporters are rarely interested in financing schemes.

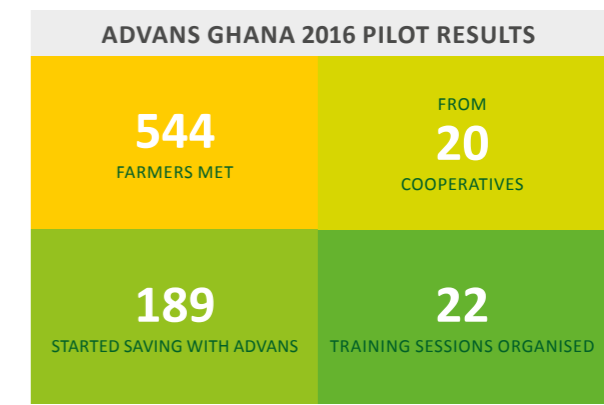
To overcome these organisational issues, Advans Cameroun has created an evaluation tool in order to identify between two possible approaches to financing:

- If cooperatives have a good level of organisation according to the evaluation, Advans chooses an approach where the loan is delivered at cooperative level, similar to the mechanism used in Côte d'Ivoire.
- If however cooperatives are not seen to be well enough organised to manage the loans of their individual members Advans opts for a small group approach, with a limited number of producers forming a group in order to obtain the credit.

In both scenarios, Advans Cameroun works in partnership with input suppliers so as to share the risk involved, buy in bulk quantities, deliver inputs directly and provide input application training to farmers. Advans also offers cooperatives short time credit options to enable them to finance their short-term activities during the cocoa buying season (buying directly from farmers, transportation of produce, etc.).

In Ghana, starting with savings rather than lending

In Ghana, the cocoa value chain is highly regulated and also benefits from a fixed price on cocoa, but there are several differences with the sector in Côte d'Ivoire. Firstly, there is a lack of well-organised cooperatives, and, although a number are certified, very few have a commercial role so the kind of financing mechanism used in Côte d'Ivoire would be impossible. Secondly, the Ghana Cocoa Board, a public organisation, distributes some cocoa inputs free of charge each year, and licensed buying companies buy cocoa directly from producers, so exporters are not directly linked to farmers and therefore have little interest in a financing scheme. Finally, the macroeconomic context in the country remains challenging, the Ghana cedi fluctuates regularly and refinancing costs are very high for FSPs.



Due to these diverse challenges, Advans Ghana decided to build up a relationship with cocoa producers in the first instance through savings collection, offering products tailored to their needs like individual and group savings plans for school fees and input buying. In terms of savings plans for inputs, cocoa producers can benefit from preferential interest rates on their savings, enabling them to save a larger amount, as well as from lower prices for inputs due to the fact that Advans Ghana negotiates a bulk price. Advans Ghana enables clients to make secure weekly deposits directly to their Advans accounts on the field through their mobile field tellers with a mobile solution. The MFI is also working on the integration of mobile wallets so as to offer farmers even more flexible access to their savings.

The pilot will enable Advans Ghana to:

- Test the organisational capacity of the farmer groups;
- Evaluate farmers' enthusiasm and commitment towards saving for a common goal;
- Better understand the different types of producers in the groups and assess their possible financing needs for the future.



## Diversifying our loan products to respond to clients' personal needs

As part of its strategy to diversify its credit offer to better respond to clients' needs, the Advans Group has chosen two key areas to focus on in the next few years: education and housing.



Advans sees education as one of the main contributors to economic and social development and housing as very important to guaranteeing decent living conditions. Both these areas are important to ensuring a better quality of life for MSMEs and their families, as well as other low-income populations in our countries of operation.

### Why focus on education and housing?

Education is widely considered as a human right, and ensuring inclusive and quality education for all is one of the 17 UN sustainable development goals. However, there is a huge gap between the financial needs and the actual amount invested in education each year (an estimated gap of USD 30 billion worldwide).

On the housing side, 1.6 billion people worldwide live in substandard houses and this number is expected to double by 2030, due to the growth of urban populations in developing countries. States have difficulty in matching the high demand for affordable social housing. The private sector thus needs to play a role but faces several challenges including a lack of formal proof of land ownership/guarantees, lack of available medium and long-term capital, difficulty combining a profitable loan and affordable long-term interest rates, and difficulties creating adequate mechanisms between public support (subsidies) and private financing.

### A group approach to product design, piloting and roll out



As an integrated group, Advans aims to share know how between affiliates and build up a group model of best practices which can be used throughout the network. This group approach will be used for both education and housing financing products, with the group Credit Unit creating the model through the different projects in the group, focusing on improving and refining services as they are tested, piloted and rolled out.

The progressive approach to education finance described below ensures that the group makes the most of the experiences of each education finance pilot. The expertise built up in the group Credit Unit with the help of external Technical Assistance (TA) providers and in each affiliate will enable Advans develop a viable model for education finance. In terms of housing, the group will use Amret's know-how and adapt its strategy according to local contexts: even though all countries face similar challenges, solutions may vary from one country to another depending on regulation, players in the sector, cultural habits in terms of housing, etc. The group and several Advans' affiliates are currently involved in discussing potential partnerships with organisations in the housing or construction sector (e.g., cement providers in Cameroon and Nigeria). Another option would be to build our own experience internally with external technical assistance from experts in the field, as for education finance.

In taking a gradual and progressive approach to the launch of these products, Advans aims to find the right education and housing financial solutions for clients in its countries of operation and therefore play a part in bridging the financing gap for both these areas.

### Education finance in three Sub-Saharan African affiliates

#### EDUCATION FINANCE AT ADVANS CAMEROUN AT END 2016

SCHOOLS	
75 SCHOOLS SERVED	€449k OUTSTANDING PORTFOLIO
€95k TOTAL SAVINGS	45,000 PUPILS/STUDENTS ENROLLED IN SCHOOLS SERVED

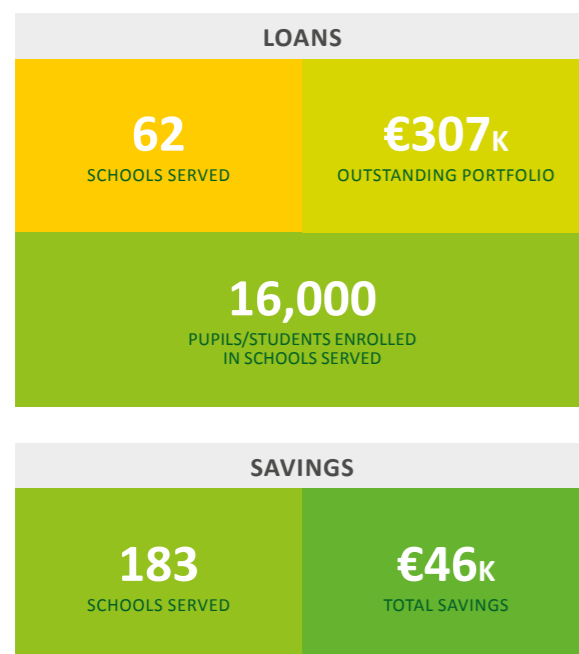
FAMILIES	
222 FAMILIES SERVED	
€100k OUTSTANDING LOAN PORTFOLIO	€111k TOTAL SAVINGS

In 2015, Advans Cameroun and REFFA (Regional Education Finance Fund for Africa) formed a partnership to launch education finance at Advans Cameroun. The project aimed to better structure and adapt Advans Cameroun's existing credit offer, methodology and commercial approach to suit the needs of the different players involved in the education sector (schools and parents). The group Credit Unit was involved in the project from the beginning of the process in order to capitalise on the know-how gained during the pilot and provide support on product design and implementation. The products created in the first stage were as follows:

- Investment loans for schools to allow them to improve their infrastructure or increase resources ( a credit with longer maturity, flexible repayment depending on school seasonality and the business cycle); and
- Loans to parents for school fees.

During the initial pilot, Advans Cameroun discovered that schools were also in need of funds to pay teachers' salaries in the low season. The MFI therefore launched short term and bullet loans in 2016 with the support of the group Credit Unit, as well as savings products for schools and families.

**EDUCATION FINANCE AT ADVANS GHANA AT END 2016 (PILOT STARTED IN AUGUST 2016)**



Following the introduction of education finance in Cameroon, the group was able to transfer the lessons learnt to Ghana, where Advans Ghana formed a similar partnership with REFFA in 2016. Advans Ghana's team were able to see education finance in the field through a knowledge sharing mission in Cameroon. Taking into account group experience Advans Ghana adapted its approach to the pilot through:

- Covering a wider scope in the market survey to take into account:
  - i) More actors in the educational value chain (teachers, educational resources suppliers etc.); and
  - ii) A larger geographical area (Accra and other urban and rural areas covered by Advans).
- Focusing not only on lending products but also on specific savings offers associated with education (savings plans).
- Putting more emphasis on training of the sales force on the specificities of education finance products.
- Optimising its commercial approach to increase the number of clients reached in the project.

This enabled the MFI to have a more efficient product implementation and launch and reach out to a wider number of clients more quickly. The pilot in Ghana is ongoing in 2017.

The group and Advans Côte d'Ivoire are currently in discussions to expand the education finance programme to Côte d'Ivoire in partnership with REFFA. As in Cameroon and Ghana, the group will closely work with the affiliate on the project, so as to ensure the sharing of best practices and improvement of the group model on education finance. If the project is successfully launched successfully improvements to the group methodology put in place in Advans Côte d'Ivoire will include:

- Selecting a new TA provider, with more experience on innovative education finance products and an adapted commercial approach, as well as ensuring that the financing has a positive impact on the quality of education;
- Improving the design of the different project stages in order to better fit with the seasonality of the educational sector and optimise the probability of a successful launch; and
- Better integrating the project into the affiliate's organisational structure, and identifying synergies with other key projects. The design of a digital loan product to help cocoa producers to pay school fees for their children.

**AMRET'S EXPERIENCE IN HOUSING FINANCE: ACHIEVEMENTS AND DEVELOPMENTS FOR THE FUTURE**

Amret is the first Advans affiliate to offer housing finance products. The MFI has successfully offered a Home Improvement Loan (HIL) since 2008, dedicated to refurbishing clients' existing houses (painting, new windows, etc.). In 2016, 23,469 loans were disbursed for a total of EUR 84 million, with an average loan size of EUR 2,300. HIL amounts start from EUR 95 and go up to EUR 14,200, with a duration of 3-48 months. However, a market study revealed that the product was not fully covering clients' housing needs, as some clients were diverting the funds for the construction of a new house.

To respond to this client need, Amret decided to pilot an additional housing product in the second quarter of 2016 with the support of the group Credit Unit. Market studies were carried out which enabled Amret to refine its understanding of clients' expectations, the way they build and buy their homes, the most popular times of the year for housing projects, the cultural constraints on these projects, etc. After this initial research and development phase, a new product, the Small Housing Loan (SHL), was introduced for a 6-month pilot test. It was designed for clients who need to build or buy a new house for themselves or their family (excludes land acquisition in order to avoid speculation or build-to-rent properties). The financing amounts are higher than the HIL up to EUR 19,000, the duration is also longer (up to 60 months), and there is a possibility to disburse the loan in several instalments, according to the pace of construction.

The pilot was a success: 269 loans disbursed for a total of EUR 1.5 million with an average loan size of EUR 4,700. During the pilot Amret made a few changes to the product, ready for its launch across the network from November 2016. The pilot also showed that: i) the SHL attracts a new type of client: 63% of SHL loans were disbursed to new clients who did not have previous experience with MFIs or banks; and ii) the respect of traditional housing construction methods and of cultural differences is important to ensuring the product is a success.

## Advans development in South East Asia A NEW GREENFIELD IN MYANMAR

In 2017, the Advans Group will open its ninth greenfield affiliate and tenth institution: Advans Myanmar. Advans Myanmar was incorporated in 2015 and received its licence to operate in October 2016.

The MFI was founded by Advans SA, Norwegian development bank Norfund, and Amret. Advans SA is majority shareholder, holding 50% of the share capital, with Norfund holding 40% and Amret holding 10%. Advans' tenth institution is unique in that it will have regional partnership with Amret, the largest MFI in the Advans Group and one of the leading MFIs in Cambodia. The Advans Group will provide technical assistance to the new greenfield, with Amret providing managers for the development of the network and credit operations.

Myanmar has a population of around 54 million, with 66% of inhabitants living in rural areas, and in 2016 real GDP growth was 7% (World Bank Data). In terms of financial inclusion, the 2014 Global FINDEX Report found that only 23% of adults in Myanmar declared to have an account at a formal institution with only 17% of women and 16% of the poorest people having an account. The Microfinance Law of 2011 has boosted the expansion of microfinance services in the country, with several new local and foreign players investing in the Myanmar microfinance sector since then.

As of February 2017, the microfinance sector in Myanmar comprised 162 MFIs serving 2 million clients, for a total loan portfolio of circa EUR 300 million. The sector has been growing strongly, with an annual growth of the total loan portfolio of 72% between February 2016 and February 2017.

Advans Myanmar's head office will be located in Mandalay, the country's second-largest city, from which the affiliate will be expanding its operations in the Dry Zone starting in the region of Mandalay and subsequently branching out to the region of Sagaing. Advans Myanmar will open its first branch in the township of Amarapura, 11km south of the city of Mandalay, in April 2017.

The Small Group Loan, Advans Myanmar's first loan product, will be targeted at micro traders and salaried workers who have small business activities such as stalls selling groceries, fish or fruit, tea and refreshments as well as small-scale production of traditional fabrics made from cotton and silk. In light of the large unmet demand for financial services in rural areas, the MFI will also launch Amret's successful village banking business model in the more rural zones of the Mandalay region.

In providing simple and effective lending solutions to clients with little or no access to formal lending services, Advans Myanmar aims to accelerate financial inclusion in its areas of operation and have a positive impact on long term economic and social development in Myanmar.



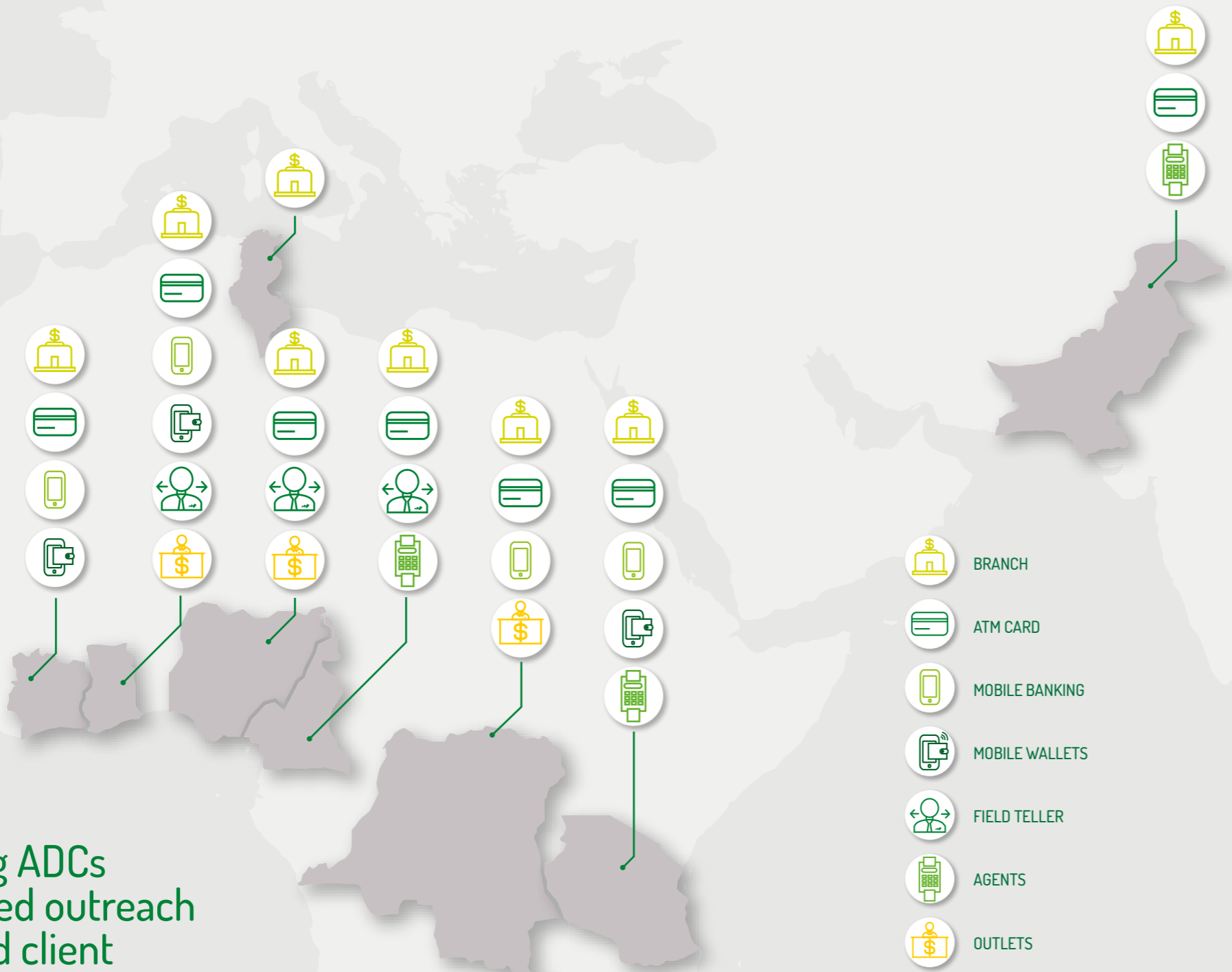









## Introducing ADCs for increased outreach & improved client experience

Advans Group considers that Alternative Delivery Channels (ADCs) are key for extension to new zones and to reach out to new clients but also to offer our existing clientele more convenience and increase client satisfaction and retention.

Advans has therefore been implementing several Alternative Delivery Channels in all its countries of operation, including cash cards, field tellers equipped with mobile phone solutions, outlets, Mobile Wallet integration, Agents and self-service mobile banking. In order to offer efficient services, Advans looks to partner with different networks and structures when launching new ADCs, both in terms of its technical and commercial approach. This includes most

notably Mobile Network Operators, but also networks like cooperatives, petrol stations, post offices, supermarkets, and other banks, as well as various technical providers. Advans aims to adapt its delivery approach through building up a deep understanding of each segment's needs and the barriers that have previously prevented populations from gaining access to banking services. The ADC strategy is therefore based on identifying the best suited channel for each geographical zone and for each client segment, which is in line with our focus on client centric financial services. The map shows the current ADCs present in Advans' countries of operation.



-  BRANCH
-  ATM CARD
-  MOBILE BANKING
-  MOBILE WALLETS
-  FIELD TELLER
-  AGENTS
-  OUTLETS



**Lucien N'Goran Koffi**  
A cocoa farmer who benefited from Advans Côte d'Ivoire's branchless banking project

“With my Advans Account, my money is better kept, I don't spend money impulsively because I don't have all the cash on me, I manage better.”

SOME FIGURES TO SHOW THE IMPACT OF ADCS IN 2016:

**AMRET**  
**18%**  
of new clients came through the field teller service

**ADVANS NIGERIA**  
**17%**  
of new clients came through their mobile teller service

**ADVANS CI**  
**34%**  
of new clients came through the Branchless banking project (Cocoa farmers)

**ADVANS BANQUE CONGO**  
**24 POINTS OF SALE**  
in Kinshasa alone with its outlets and mini-tills

**ADVANS GHANA**  
**41%**  
of transactions were conducted through ADCs

## The Advans Training Centre: building staff capacity in line with growth

The Advans Training Centre (ATC) was created and launched in 2016, after an initial assessment of all training courses, programmes and training teams in the group.

Up until now Advans has been successful at transferring skills to young, talented resources. The vast majority of Advans' local managers often have their first professional experience with Advans and have progressed through the ranks via internal promotion, with learning on the job, coaching and technical assistance provided by experts in the form of remote or on-site technical support. Training in the group was managed locally by each affiliate and essentially focused on commercial goals and product knowledge.

However, as the Advans Group and affiliates grow, challenges become more numerous and complicated and technical expertise and managerial experience become essential to ensure the sustainability of Advans institutions. On-the-job training does not necessarily provide the skills needed to deal with more complex issues. Reinforcing the abilities of staff through the provision of consistent training on technical, managerial and transversal skills in order to accompany middle and senior managers when they take on new roles has become crucial for the group.

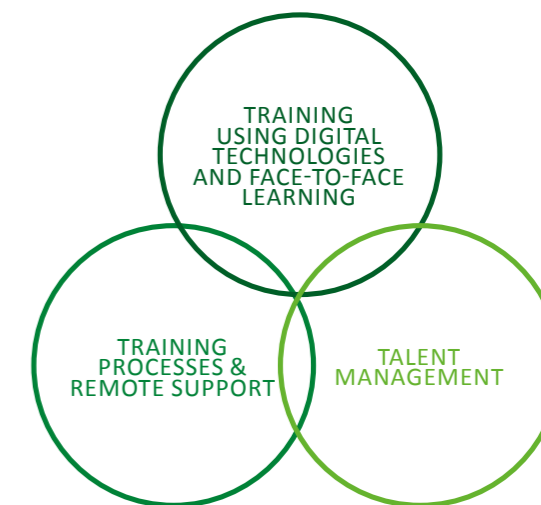
This, above all else, is the rationale of the Training Centre: it aims to set the Advans Group apart so that we can better serve our target clients by developing our talents, anticipating and developing the skills we need to help us grow and facilitating change and innovation in our ways of working. Ultimately, the Advans Training Centre is a long-term project, and we hope it will progress over a number of years as the Advans Group continues to develop and expand, ensuring coherence throughout the Advans network through a unique company culture and shared knowledge.

### The organisation of the training centre

The courses offered by the Advans Training Centre cover technical, cross-functional, behavioural, and managerial skills. The ATC does not currently have any physical premises: the team consists of a Group Training and Talent Development Officer, who is responsible for overall coordination of the creation of modules, for developing made-to-measure learning and development solutions, and for designing core processes in terms of capacity building management. Subject Matter Experts, from the group as well as from affiliates, are responsible for designing module content, with the support and advice of the Group Training and Talent Development Officer. Project Directors, from the group or from affiliates define the pedagogical objectives of each training module, and validate the key stages of the production process.

### First developments and challenges

#### CURRENT ATC SCOPE



#### PROFESSIONALISING ADVANS TRAINING UNITS:

Professionalising training at Advans and reinforcing trainers' capacities is a clear prerequisite to pushing forward Advans learning and development goals so that all affiliates can deliver group training confidently and professionally. In 2016, the ATC designed a 'training of trainers' (TOT) training kit to ensure that all Advans trainers receive adequate guidance on training and coaching methods, pedagogical techniques and learning facilitation. In 2017, the ATC will roll out the TOT kit across affiliates, with participants earning a certificate rewarding their level of expertise and a summary of areas they need to improve on.

#### BUILDING A GROUP TALENT MANAGEMENT POLICY:

Advans has a number of young and talented local managers. The ATC will define a group talent management policy to build on the capacities of senior managers in the network. This includes designing specific training sessions to improve general knowledge and managerial abilities of gifted staff.

## A training centre to benefit all affiliates



### Sreng Teang,

Head of Learning and Development at Amret, gives us his vision of the Advans Training Centre

#### What is your role at Amret and how have you been involved in the Advans Training Centre?

As a Head of Learning and Development, I am responsible for developing the annual training plan and budget and ensuring that it responds to Amret's needs and overall strategy. I focus on ensuring the quality of training and coaching programmes for newly-recruited or promoted staff to ensure that they have the correct training and skills to perform their duties at Amret. One of my responsibilities is also monitoring and enhancing the training curriculum, looking to diversify training programmes, anticipating new skills needed and setting benchmarks and indicators for training at Amret. Finally, I am also in charge of building the learning and coaching culture in the organisation, which includes introducing a coaching programme, video conference learning, and developing a Learning Management System. In 2016, I had the opportunity to work closely with the Advans Training Centre where I contributed to the design of the TOT level 1 & 2 course materials and other reference documents.

#### How do you think the Advans Training Centre will help to improve training & capacity in the Advans Group?

I think that the ATC will bring plenty of benefits for all the staff in the Advans Group, in the following ways in particular:

- It is a centre and source of best practices and expertise which can be beneficial for all affiliates, especially affiliates which are newly-established or looking to put benchmarks in place, improve their operational management, branch management, products and services, risk management or other expertise.
- It will be a standard collection of training programmes for all group staff to acquire new skills and then apply them in a real working context in their countries of operation.
- It will be the backbone of skills and development for the group: whenever new skills and development are needed the ATC will be able to provide support to affiliates.

#### What does the training centre need to succeed?

From my point of view, the ATC needs the following to succeed:

- The ATC should have a good course management system and digital-based learning modules which can be shared with the whole of the Advans Group;
- Training courses/programmes for specific target groups of staff should be regularly updated to make sure the skills and knowledge from the ATC apply at the local country level. The ATC also needs to facilitate and coordinate the customisation of modules to suit the local context of each affiliate in order to fill the skills gap and respond to real needs;
- All Advans affiliates need to contribute, share and develop best practices and send material to enrich the different programmes; and
- It needs to be a vehicle for reinforcing and disseminating group corporate culture.

#### What expertise can Amret bring to the ATC?

Amret has been operating for more than 20 years and has therefore built up a certain expertise in terms of learning and development. I hope that we can contribute in terms of sharing our resources, which include people, knowledge, experience and documents such as policies and procedures and other necessary tools. Furthermore, we hope that we will be able to successfully launch video conference learning and a Learning Management System in 2017-2018, then we will be able to share this know-how with the Advans Training Centre at the same time.

#### What do you think are the benefits of digital learning resources?

Digital learning is especially beneficial in terms of time and convenience; staff can go at their own pace and become self-directed learners. It is also cost effective and efficient since staff can learn wherever they are working; there are no time distractions in terms of travelling or attending class training. Lastly, it enables a company to develop a learning culture, with everyone having the opportunity to learn and acquire new skills through digital learning resources. The organisation can then establish a full range of skilled human resources in order to support growth, which also gives it a competitive advantage on the market.

## Developing a strong risk management function

Since the creation of a dedicated Risk Unit at group level in 2015, the scope of the risk function at both group and affiliate level has continued to grow.

#### Reinforcing risk governance

An important part of the evolution of risk management within the Advans Group is the strengthening of risk governance at all levels of organisation. To strengthen risk management at group level, the Management Risk Committee (MRC) was created in 2016 and meets regularly to discuss risk management issues of affiliates and the group. In parallel, Board-level risk committees have been implemented in all affiliates, either as stand-alone committees or as an expansion of the existing audit committee. These committees are, in turn, supported by affiliate management risk committees that address asset and liability management, credit risk, and operational risk.

#### New resources for the group Risk Unit

Risk management at the Advans Group-level has evolved in the past couple of years with the hiring of new staff and a broadening of the unit's range of activities. In 2016 the Risk Unit at the group level appointed a Risk Officer who will work full time on risk management. This new organisation enables us to better analyse affiliate risk data and provide additional support to affiliates. We are currently working on an operational risk management training module for affiliates to be launched in 2017 as part of the Advans Training Centre. Additionally, the Risk Unit has collaborated with the MRC and the Audit and Risk Committee of Advans SA's Board of Directors on the identification and reporting of key risk indicators for Advans SA-level risks.

#### Structuring and developing affiliate risk departments

Meanwhile, Risk Departments at Advans affiliates continue to mature along with the affiliates themselves. Early in the life of an affiliate, the Risk Department focuses specifically on credit and operational risk, with the head of the department playing a significant role in the execution of departmental activities. As the affiliate matures, the Risk Department evolves and adds both new areas of activity and extra staff in order to keep up with the expansion of operations. Risk staff therefore become more specialised and the Head of Risk takes on a higher-level role. Finally, in a very mature affiliate, the Head of Risk becomes the Chief Risk Officer, and takes on the additional role of overseeing financial risk, currently managed by the affiliate's finance team with support from the Group Finance Department, and strategic risk, led by the affiliate's CEO and governance structure.

As the department structure has evolved, so too have the activities. Using operational risk as an example, each affiliate risk department is developing key risk indicators, maintaining and improving risk mapping, implementing a robust operational risk incident reporting process, and reinforcing and monitoring supervisory controls.

Throughout this ongoing evolution, the objective of the risk function remains the same: as the second line of defence, the department facilitates and monitors the implementation of effective risk management practices by frontline staff (the first line of defence), helps risk owners, management and the board define acceptable risk exposure, and reports risk information throughout the affiliate.



# 6. FINANCIAL STATEMENTS

## Key figures

**€120.5**million  
TOTAL ASSETS

**€115.9**million  
SHAREHOLDERS'  
EQUITY

**€18.4**million  
NET INCOME

Advans SA's financial performance reflects that of an equity investment company gradually building up its portfolio of start-up microbanks and MFIs:

In Euros

<b>INCOME</b> statement for the nine months ended 31 December 2016	December 2016	March 2016
Interest income	111,647	701
Dividend income	11,801	1,373,534
Other operating income	372,051	235,762
Net changes in fair value on financial fixed assets	20,011,030	13,485,674
<b>Total net income</b>	<b>20,506,529</b>	<b>15,095,671</b>
<b>EXPENSES</b>		
Operating expenses	1,828,188	2,013,320
Interest payable and charges	212,450	927,230
Taxes	31,846	25,641
<b>Total expenses</b>	<b>2,072,484</b>	<b>2,966,191</b>
<b>NET PROFIT</b>	<b>18,434,045</b>	<b>12,129,480</b>

In Euros

<b>BALANCE SHEET</b> for the nine months ended 31 December 2016	December 2016	March 2016
<b>Fixed Assets</b>		
Shares in affiliated undertakings	112,894,618	82,178,783
<b>Total fixed assets</b>	<b>112,894,618</b>	<b>82,178,783</b>
<b>Current assets</b>		
Amounts owed by affiliated undertakings becoming due and payable within one year	5,078,432	1,411,999
Other receivables becoming due and payable within one year	304,434	173,504
Cash at bank	2,197,313	4,080,825
<b>Total current assets</b>	<b>7,580,179</b>	<b>5,666,328</b>
<b>Total assets</b>	<b>120,474,797</b>	<b>87,845,111</b>
<b>LIABILITIES</b>		
Tax becoming due and payable within one year	60,170	69,900
Amounts owed to credit institutions	4,517,213	-
Other creditors becoming due and payable within one year	9,630	6,420
<b>Total Liabilities</b>	<b>4,587,013</b>	<b>76,320</b>
<b>Net assets</b>	<b>115,887,784</b>	<b>87,768,791</b>
<b>EQUITY</b>		
Paid-up share capital	65,914,000	56,600,000
Share premium account	512,949	142,000
Retained earnings	31,026,790	18,897,311
Profit/(loss) for the financial year	18,434,045	12,129,480
<b>Total shareholders' equity</b>	<b>115,887,784</b>	<b>87,768,791</b>



Growing together

## OUR COMMITMENT

Within our mission, we have defined five specific social goals to ensure that we serve clients in a responsible manner



### Have a positive impact on clients' revenues and savings

through supporting their activities and building their financial stability



### Reach out to underserved populations

with appropriate products and channels



### Provide clients with quality services

in a transparent, respectful and conscientious manner



### Create a fair, healthy and dynamic working environment

for our staff



### Be accountable and build awareness of social and environmental issues

amongst employees and clients

We believe that in striving to achieve these goals, our activities will generate a positive impact on economic and social development in our countries of operation.

#### Advans SA SICAR

Centre Etoile  
11/13 Boulevard de la Foire  
L-1528 Luxembourg - Luxembourg  
[contact@advansgroup.com](mailto:contact@advansgroup.com)

#### Advans International

39, rue La Fayette  
75009 Paris - France  
Phone: (+33) 1 53 32 75 75  
[contact@advansgroup.com](mailto:contact@advansgroup.com)



[www.advansgroup.com](http://www.advansgroup.com)