



Dutch Good Growth Fund

Notice proposed transaction 20171123 AccessHolding Africa Risk Facility

Date of Publication: 23 November 2017

Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

Views

Parties can express their views on the proposed transaction to the Fund Manager by contacting dggf@nl.pwc.com within 30 days after the publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these Parties concluding on the expressed views by these Parties.

Description (English)

Part of DGGF

Financing Local SMEs

Name Financial Institution (FI)

The proposed investment entails a facility referred to as 'AccessHolding Africa Risk Facility' (AHARF), which is designed to provide local currency financing to three bank affiliates of the AccessHolding network:

- AB Microfinance Bank Nigeria ("ABN");
- AB Bank Rwanda ("ABR");
- AB Bank Zambia ("ABZ")

Domicile FI

ABN is domiciled in Nigeria, ABR in Rwanda and ABZ in Zambia.

Nature of the activities of the FI

AccessHolding (AH) is a German based network of 10 microfinance banks across Africa, Eastern Europe, Central Asia and South America. AH was set up in 2006 to operate and scale greenfield banks in developing countries, focusing on the micro and lower SME segment. The facility will support the network's affiliates in Nigeria, Rwanda and Zambia, which stand out as having most acute funding needs.



AB Microfinance Bank Nigeria was established in 2008, it serves around 38,000 clients through 20 branches. AB Bank Zambia was established in 2011, serving 15,000 clients by the end of last year. Its branches are currently concentrated around the Lusaka area, but plans to widen its outreach. AB Bank Rwanda, is the youngest of the three and only started operations 4 years ago. It has around 4,000 clients which it served through 5 branches. For all three institutions SMEs compose a significant part of the portfolio (over 50%) and are an important segment for further growth. All banks offer credit and deposit services to their clients. Related to their years in business, the affiliates are in various stages of expanding their product offering to include mobile banking and overdrafts.

Size of proposed investment

DGGF will provide a facility that consists of local currency senior- and subordinated debt. The facility can reach up to EUR 10m, to be drawn down in two tranches by the three affiliates.

Intended transaction date

The Fund Manager aims to close the agreement with ABN, ABZ and ABR in the last quarter of 2017.

Expected financial results

A positive financial return on the investment is expected.

Expected impact

The SMEs targeted by this facility tend to fall in the gap between where MFIs and commercial banks operate. The AccessBank affiliates aim to fill this gap by providing SMEs with adequate financing instruments. DGGF's risk facility comes in at a moment when these affiliates are ready to further scale their SME portfolio but temporarily do not have access to sufficient funding due to adverse macroeconomic conditions or a limited track record of the institution. By supporting them in this particular time, DGGF plays an important bridging role. Next to being provided in local currency, the DGGF loans are structured with an innovative mechanism which further limits the effects of exchange rate volatility for the institutions.

By financing approximately 400 SMEs and prioritizing the production sector, the DGGF investment is expected to contribute to job creation and revenue growth of SMEs. It is expected that by further scaling their SME operations and weathering the adversities of the market, the AccessBank affiliates will generate demonstration effects and contribute to spreading best practices in SME lending.



ESG compliance

All three affiliates will update their ESG policy and monitoring system to bring it in line with the DGGF ICSR policy. In addition, they will adopt the DGGF exclusion list and set up a complaints mechanism. The institutions will further make sure that their teams' knowledge on ESG is further increased through specialized training.

Tax compliance

ABN, ABR and ABZ are regulated, fully licensed Banks, domiciled in Nigeria, Rwanda and Zambia respectively and all subject to the statutory tax rates. The affiliates will lend to SMEs located in the country where the respective banks are domiciled, and are in principle subject to the statutory tax rates. ABN, ABZ and ABR are not making use of artificial constructions to lower their taxation or the taxation of the SMEs which they finance and DGGF's investment conditions focus on ascertaining this. The three affiliates require SMEs that it finances to comply with local laws and regulations, among others those in respect of tax. DGGF will actively monitor whether ABN, ABZ and ABR meet their ongoing tax obligations and act in accordance with the DGGF tax criteria.