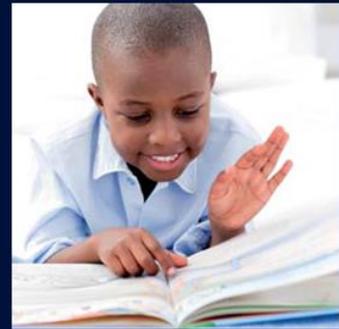


Bayport Management Limited

Social Bond Framework



your future now

BAYPORT
FINANCIAL SERVICES

May 2019

An Introduction to Bayport

Bayport Management Ltd. (“Bayport”) was founded in 2001 with the aim of making a real difference in the lives of their clients in emerging and frontier markets. By offering a wide selection of financial services in markets where access to such services are often limited to large groups of people, Bayport is contributing to financial independence and economic empowerment for both individuals and small companies.

To deliver services suited for a broad client base, Bayport embraces technology, product leadership and innovation. The company offers tailored savings, transacting, insurance and credit solutions to individuals and micro and small-sized enterprises (“MSE”) through an extensive network of branches across Africa and Latin America as well as via online platforms. The company currently operates in Botswana, Colombia, Ghana, Mexico, Mozambique, Tanzania, Uganda and Zambia with a total of 243¹ branch offices in Africa and 77 in Latin America with many branches suited for the delivery of a broader range of financial solutions.²

Bayport’s Vision

Bayport’s vision is to be the most valued financial solutions brand in its chosen markets by providing a broad range of unique and relevant financial solutions tailored to the needs of its clients. To achieve this, Bayport aims to engineer a new reality in financial services provision; and aspires to be recognised for consistently demonstrating the highest standard of care, responsibility and innovation. Bayport aims to be the first choice for the fulfillment of the economically active population’s financial needs – bringing hope, upliftment and financial liberation to the communities that Bayport serves.

The Bayport Way

“There are many things that make Bayport exceptional, but we think the one thing that really sets us apart is The Bayport Way.

The Bayport Way is really our manifesto; it’s the commitment that we make every day to one another and to our clients.

It is the promise we all stand behind – it’s what pulls us together and reminds us that we are all working towards the same thing: That we’re here to help people access financial solutions that they otherwise wouldn’t be able to get; and that these solutions have the power to change their lives.”

¹ Excluding mobile branches

² Bayport also has an associate company in South Africa, where Bayport holds a 49% ownership

Bayport's Products

Bayport's philosophy is to give people the help they need to help themselves. Their products and services are focused on providing clients with the financial ability to change their own lives. Without the services offered by Bayport, many of their clients would not be able to invest in life-changing opportunities such as education, housing, agriculture, healthcare and entrepreneurial businesses. By being an active financial partner in underserved areas, the services offered by Bayport promotes financial independence and economic growth also in the broader community.

Bayport offers a broad range of financial products and services which are focused on two core lending products, namely, (i) At Source lending

being the vast majority of the book and offered in all countries as the primary financial services product, this is an unsecured personal loan granted (with the agreement of and in co-operation with an employer) to an employee, typically a government employee and is collected by way of a deduction At Source; and (ii) Retail loans, being unsecured personal loans originated through agents and Bayport branches and collected via direct debit from the borrower's bank account. Both of these core lending products have top line synergies from ancillary products such as insurance, deposit and transactional products.

Below is a summary of all products that are offered:

Bayport product basket						
Credit	<i>At Source Credit</i>	<i>Unsecured Credit</i>	<i>Small Unsecured Credit</i>	<i>Deposit Collateral Loans</i>	<i>Car Loans</i>	<i>Asset Finance</i>
Savings & deposits	<i>Local Currency Term Deposits</i>	<i>Local Currency Demand Deposits</i>				
Transactions	<i>Current Account</i>	<i>Cards</i>	<i>Airtime Purchases</i>	<i>Money Transfer</i>		
Insurance	<i>Credit Life</i>	<i>Micro Life</i>	<i>Micro General</i>	<i>Funeral</i>	<i>Target Save</i>	<i>Personal Accident</i> <i>Motor</i>

All loans are “self-liquidating loans” in that the client pays a fixed installment for a defined period, amortising the loan to zero over the life of the loan. In addition, loans include a consumer protection policy (Credit Life) as part of the monthly installment that insures the client in case of death, dread disease and partial protection against retrenchment.

As indicated in the table below in respect of FY 2018, the average loan values are small for long tenors. This is as a result of very strict affordability rules enforced by Bayport to avoid over-indebtedness by clients. Clients borrow between \$700 and \$4,500 and typically use these funds for poverty alleviation and/or living standard improvements.



Country	Botswana	Colombia	Ghana	Mexico	Mozambique	Tanzania	Uganda	Zambia
Average loan amount advanced (US\$)	4,552	3,878	961	1,656	1,291	1,330	770	2,189
Average loan term at disbursement (months)	68.5	93.2	57.7	42.7	59.5	53.1	55.0	47.01

Use of Bayport Loans

Funds provided by Bayport to the employed family member are used not only by that family member but also other members of the family in the family unit.

Loans provided for education include financial support for school fees, books, stationary, hostel accommodation as well as school uniforms where mandatory and therefore required.

Loans advanced for housing include financial support for buying a plot of land as well as building materials for building a house, home improvements or extensions. In frontier markets, houses are often built over long periods as people do not have access to finance. For this reason, clients will use the first loan from Bayport to buy a plot of land and once the first loan is repaid take a second loan to finance the materials required to build the house. Alternatively, a loan provided for housing will be used to build an additional room onto the existing home or to connect electricity to the house when it becomes available in the area.

Despite the fact that the borrower is employed, a significant amount of the loans provided to

clients are for micro and small-sized enterprises (“MSE”) within the family unit. A teacher, for example, makes an application for a loan from Bayport to buy a sewing machine for a family member to become a seamstress or a tailor and by so doing supplements the family income. Another example is the loan providing the financial support for a family member to buy a motor vehicle or motor bike and provide the means to become a taxi or courier service. Alternatively, the partner or the family could open a restaurant or buy goods that can be sold at the market or as table top shops. These MSEs typically employ between 1 and 5 employees.

In emerging and frontier markets, medical care is made available to clients by the state. The state clinics are however often situated far from peoples’ homes and there are often long waiting periods for medical treatments which involve extended periods away from work. Clients who borrow for medical reasons have medical or dental conditions that require specific treatment sooner than is available by the state. These clients would therefore borrow from Bayport in order to visit a private clinic.

Bayport's Distribution Model

As a part of the *Bayport Way*, and to create “an unconventional, multifaceted distribution capability”, Bayport uses both fixed branch infrastructure and mobile branch networks to distribute financial solutions to its clients making these products easily accessible to those who are in need of them but may not be able to access these products due to geographic location, working hours or transport costs. In addition to this infrastructure, Bayport is developing digital solutions to make access to financial solutions easier using mobile telephones.

The essence of the Bayport physical distribution model is a hub and spoke model.

In every country, the head office will manage and coordinate all sales, credit and collection functions centrally. Supporting the head office is a network of physical branches, strategically located not only in the larger cities/towns of a country but also in the more rural areas. Assigned to some branches are “mobile branches” and assigned to all branches are a certain number of sales agents.

The branch is not only a place for clients to visit and interact/transact with Bayport, but also a base for the sales agents to work from. These agents will then go to the surrounding areas, such as district schools, hospitals, and military bases so that clients are given access to these services at their place of work.

The reasoning behind this is that people often live and/or work far from a bigger town where branches may be located. In order to gain access to financial services, a borrower would need to take time off work, pay for transport to and from the nearest town where a branch may be located. Often the borrower may not have the correct documentation and then they would have to repeat this process on more than one occasion.

To alleviate this burden, Bayport sales agents will go to the place of work and process the documentation where the borrower will have

access to the documentation required for the loan application such as pay slips. In addition, the proof of employment is one of the key credit criteria, and this requirement is facilitated by the agent being at the place of employment.

Typically, Bayport would advertise in advance at a particular place of employment that they will be visiting and advise prospective clients of what is required in terms of documentation to finalise the loan application. The cost of the agents' transport, accommodation (if necessary) and other expenses is borne by the company.

Once the agent is finished at a particular place, they will return to the branch and submit the documentation. Typically, the first level review is performed by the branch manager to ensure that the agent has the correct documentation and that the affordability levels are correct. Once that is completed, the documentation will be couriered, scanned or emailed depending on the country and the branch location, back to the head office where the credit team and quality control team will process and check all documentation before disbursement to client.

As the digital journey gets underway, in certain markets, origination is being done on mobile applications and tablets with the intention to include biometrics, photographs and documents being captured and transferred digitally and in real time. In addition, loan applications and client service can be performed at any of the branches, call centers, by the agents, on the website and/or using USSD (Unstructured Supplementary Service Data).

Due to the low-income status of the typical Bayport borrower, most do not have assets that they can use as security and even though all will have bank accounts, the banks typically will not lend unsecured to these clients. These clients therefore have limited opportunities to access broad based financial services and are often subject to exorbitant bank fees and long waiting periods for loan disbursement (typically weeks).

Responsible Credit

Bayport believes in the positive transformative power of credit, but is also fully aware of how destructive over-indebtedness can be. In addition to complying with local consumer protection legislation and other applicable laws and regulations, Bayport therefore has in place several internal policies to ensure responsible credit practices.

Bayport's strict affordability rules ensure that clients do not take on debt they cannot afford. Agents make sure that clients understand the terms and conditions of their contracts, as well as their rights and responsibilities as a Bayport client.

At point of origination, Bayport asks the client around the use of the loan in order to help advise the client around the best tenor based on their use. Since there is no price discrimination around the use of loan, Bayport relies on and believes that the information provided around the use of the loan is honest and correct.

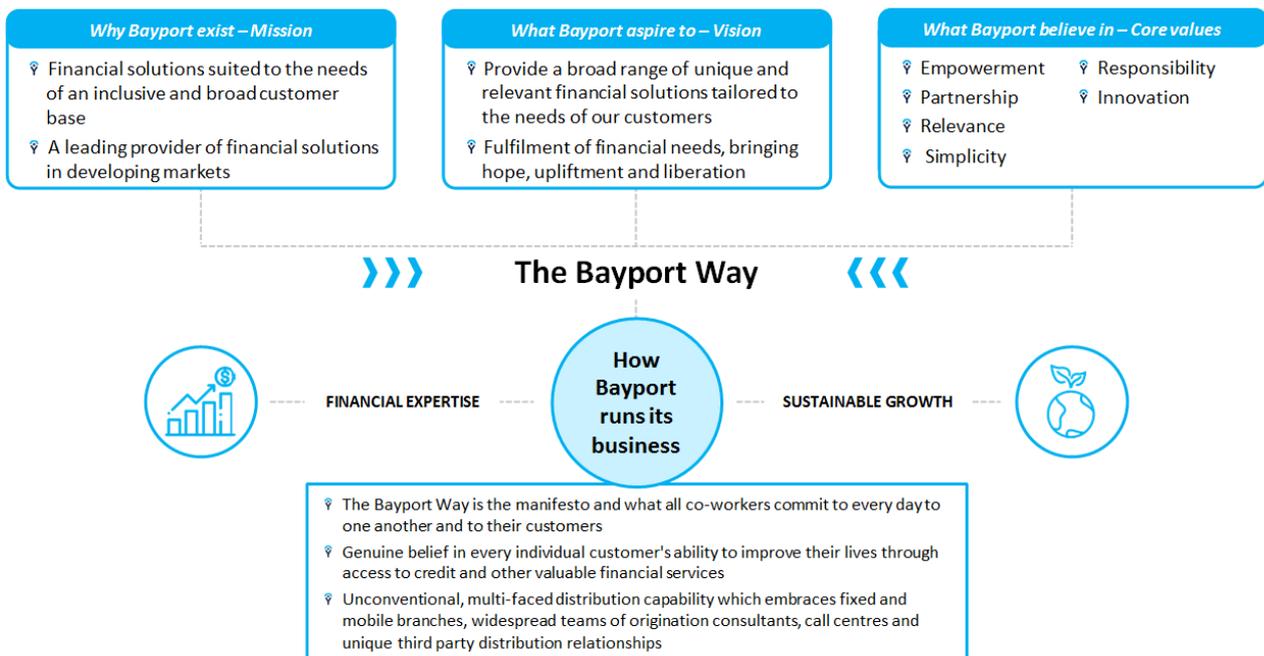
Consumer education and financial literacy are further focus areas in which Bayport provides

educational material in each branch, on websites and on other digital platforms.

Bayport's commitment to responsible credit is further highlighted by the endorsement of the Smart Campaign and its Client Protection Principles. The Smart Campaign's Client Protection Principles are aligned with Bayport's own objectives of building strong, lasting relationships with clients, increasing client retention and reducing financial risk. Bayport has not only committed to the Smart Campaign's Client Protection Principles, but two of Bayport's eight countries of operation have already achieved Client Protection Certifications from the Smart Campaign; Bayport Zambia and Bayport Botswana, which was the first micro-lender in Africa and the first ever At Source lender to achieve this distinction.



Bayport's Vision, Mission and Values are mapped below:



In 2017, Bayport Colombia received a GLOBAL IMPACT INVESTING RATINGS SYSTEM (GIIRS) 101 Impact Company Rating. GIIRS Ratings are the gold standard for impact measurement in impact investing. They are rigorous, comprehensive, and comparable ratings of a company or a fund's social and environmental impact.

This rating is broken down further into two sub segments, the Impact Model Rating and the Impact Operations Rating.

The Impact Model Rating recognizes business models that are specifically designed to solve social or environmental problems through company products or services, target clients, value chain, ownership, or operations. The

grading levels are Bronze, Silver, Gold and Platinum over numerous categories. Bayport Colombia received a Gold overall rating as well as a Platinum rating for Client Impact.

The Clients Impact Area evaluates the company's value to their direct clients and the consumers of their products or services and the impact of these products or services to the clients and the extent to which they benefit underserved communities.

Bayport Colombia also achieved the highest possible ***** rating for Governance under the Operations Rating. The Governance Impact area evaluates a company's vision, mission, ethics, accountability and transparency.

Changing Lives

Bayport provides its clients with a chance at a better life by not only focusing on short-term cash flow relief, but by helping them along the road towards sustainable financial wellness. Through unique and tailored financial solutions

and long-term client relationships, Bayport wants its clients to have the ability to shape their own future. To give further insights into the types of financial services the company offers, a selection of client stories are shared below.

Magdalena Lwiza



With an iron will and a burning ambition to succeed, Magdalena Lwiza is a full-time instructor at the Mlingano Agricultural Training Institute in Tanga, Tanzania and local entrepreneur that started her own business. With a loan from Bayport Tanzania, she started a secretarial office in her community with a single computer, printer and photocopier. As the business grew, she employed Mwemezi Ishengoma to run the business so she could continue her own full-time job. When the office started to make a profit she applied for an additional loan from Bayport to purchase another photo copier and a large printer. Magdalena also realized there was a need for cell phone vouchers and started selling them at her office.

Geoffrey Agensi



Like many others in Uganda who teach, Geoffrey Agensi, an educator at Misanvu Demonstration Primary School, in the Masaka District needed a second income to support his wife Rose and their five children. Geoffrey had to find a way to generate a second income that ensured he did not have to give up his career as a primary school teacher and the students that relied on him. With a loan from Bayport Uganda, Geoffrey started a bee-keeping business as a second income which gave him time to be able to teach his classes. He placed the beehives on land belonging to his family in Nyakera Sub-County in the Ntungamo district and his business has thrived ever since.

In the years since Geoffrey took out his loan with Bayport, he has earned enough money to support his family by selling honey to the community. Not only has Geoffrey built a thriving business with the support of Bayport, he has also passed his knowledge of bee-keeping onto the farmers of his village by creating a Bee-Keepers Association where he provides free training to the farmers to help them improve their honey making process.

Michael Twum Bosompem



With the financial support of Bayport Ghana, Michael Twum Bosompem a Ghanaian teacher living in Akim Oda has greatly improved his life and that of his family. With the first loan from Bayport, he was able to pay for his son's medical bills when he needed an operation. With the second loan, he was able to pay for the school fees for his two sons. With Michael's third loan, he bought a piece of land to grow vegetables and other crops. He also used part of this loan to help bring a cocoa farm, which he had inherited, back to life. With the support of Bayport, Michael's farming activities provided an extra source of income that helps to support his family.

When his mother fell ill, he once again secured a loan from Bayport to pay for her medical bills ensuring that she received the medical attention needed to save her life.

Bayport not only ensured that Michael could pay for the medical bills that his family needed but could also build a thriving business that supports his family and allow Michael to maintain his dedication to teaching. As he was keen on bettering his education, he was granted another loan from Bayport to pay the entry fees to become a distance learner at the University of Cape Coast.

Matilda Oduro



Mrs Matilda Oduro is an informal trader in Techiman, a major commercial town in Ghana and home to one of the largest open-air markets in Africa. She sells African wax prints and Kente, the traditional wear that plays a central role in Ghanaian ceremonies such as festivals, weddings and funerals.

After three decades as a petty trader – she learned from her grandmother – Matilda's business took flight when she entered into a relationship with Bayport in 2013.

She used her first loan to buy inventory and two subsequent loans to further expand her business. Not only does she now lease the building next door to her original shop, Matilda has also completed the house she started building several years ago and she can afford to send her oldest son to university.

In addition to credit, Bayport supplies Matilda with a high-earning savings account that puts her business income to work. Unlike conventional commercial bank savings accounts, Bayport offers field cash collection on these accounts at no cost to clients.

Social Bonds

Bayport is dedicated to providing financial services to underserved people in emerging and frontier markets and they thereby promote financial inclusiveness and economic empowerment in the areas where they operate. To highlight these investments, and to enable further social positive impact, the company has decided to issue Social Bonds and have therefore created this Social Bond Framework.

Social Bond Framework

This Social Bond Framework is aligned with the Social Bond Principles published in 2018 by the International Capital Markets Association and has been prepared in cooperation with DNB. Recognising that the Social Bond market and best practices are still evolving, Bayport will follow market developments and when deemed necessary by the company, make appropriate updates to this Social Bond Framework.

Use of Proceeds

The net proceeds of Bayport’s Social Bonds will be used to finance and refinance assets and projects with social benefits that promote the financial inclusion of citizens and MSE businesses in emerging and frontier markets. Enabling access to financial services is one of the cornerstones in creating economic empowerment and promoting social welfare.

Only such assets and projects that comply with the list of Eligible Assets and Projects below are deemed eligible for Social Bond funding. Funds can be used for the financing of new assets and projects, as well as for the refinancing of investments made within two years preceding the issue date of a Social Bond.

Eligible Assets and Projects

Project category	Project description	Target population	Social objective	SBP aligned category
Financial inclusion	<p>Financing and refinancing of loans for investments in housing, education and healthcare.</p> <p>These activities are further described above under “Use of Bayport Loans”.</p>	<p>Low-income population defined as people earning less than 50% of GNI/capita, calculated as GNI divided by employed labour</p>	<p>Providing low-income and underserved people with the financial ability to access essential services such as housing, education and healthcare to promote socioeconomic advancement and empowerment.</p>	<ul style="list-style-type: none"> • Access to essential services • Socioeconomic advancement and empowerment
Access to financial services	<p>Investments and related expenditures dedicated to providing easy and affordable financial infrastructure, including:</p> <ul style="list-style-type: none"> • Rural branch network • Agents in rural areas • Digital infrastructure 	<p>force in accordance with World Bank calculations, including pensioners.</p>	<p>Enabling easy and affordable access to financial services is fundamental in promoting financial inclusion.</p>	

Project category	Project description	Target population	Social objective	SBP aligned category
Corporate social investment	Investments in Innovation Africa, a non-profit organization with the mission of bringing water, solar and agricultural technologies to African villages.	Low-income population defined as people earning less than 50% of GNI/capita, calculated as GNI divided by employed labour force in accordance with World Bank calculations, including pensioners.	Initiatives to further promote financial and social inclusiveness of underserved and vulnerable populations in emerging and frontier markets.	<ul style="list-style-type: none"> • Access to essential services • Socioeconomic advancement and empowerment
Employment generation through MSE financing and microfinance	<p>Financing and refinancing of loans to micro and small -sized enterprises.</p> <p>Financing will not be made into business activities within controversial weapons, small arms, fossil fuel exploration and distribution, tobacco, conflict minerals, alcohol, gambling or adult entertainment. Bayport will further ensure that lending will not lead to child labour, forced labour or unsafe working conditions.</p>	Businesses with less than 5 full-time employees at the time of signing loan agreement run by low-income population defined as people earning less than 50% of GNI/capita, calculated as GNI divided by employed labour force in accordance with World Bank calculations.	Giving entrepreneurs and small enterprises access to funding to enable them to expand their businesses and generate employment in their local areas.	<ul style="list-style-type: none"> • Employment generation • Socioeconomic advancement and empowerment

Process for Project Evaluation and Selection

Bayport will identify a Pool of Eligible Assets and Projects, including loans and other investments and related expenditures, that meet the Eligibility Criteria defined in the Use of Proceeds section.

All loans provided by Bayport are screened through an internal credit approval process to ensure that loans are consistently granted to the people and businesses that have the capacity to repay them and who need them the most. This process takes place at country level and is handled by the quality control team in the credit department of each country. Only such loans that have been approved through this internal credit approval process are available for inclusion in the

Pool of Eligible Assets and Projects. The list of Eligibility Criteria has been developed by the credit department and the capital markets department at group level. Loans that are compliant with these Eligibility Criteria will be tagged in the loan book system for each country and thereby included in the Pool of Eligible Assets and Projects. The credit department in each respective country will be responsible for the tagging process.

An overview of the Pool of Eligible Assets and Projects will be kept by the group credit risk department and decisions for inclusion or exclusion will be documented and filed.

Management of Proceeds

The capital markets department of Bayport will ensure that the Pool of Eligible Assets and Projects at all times exceeds the total amount of social bonds outstanding. Should an asset or project no longer qualify as eligible during the life of the bond, and when deemed necessary by the company, the asset or project may be replaced by another asset or project that meets the definitions set out in this Social Bond framework.

Allocation of net proceeds from issued Social Bonds will be tracked by the credit department at group level.

Net proceeds from Social Bonds awaiting allocation to eligible assets and projects will be managed and invested according to the overall liquidity management policy of Bayport.

Reporting

To enable investors and other stakeholders to follow the development of Bayport's Social Bond issuance and of the assets and projects being funded by social bonds, an investor letter will be made available on the company's website. The investor letter will be published annually as long as there are social bonds outstanding and will include the following elements.

- Total amount of net proceeds allocated to eligible assets and projects
- Overview of potentially unallocated proceeds
- The number and the total volume of loans provided in each country, divided into the following loan categories: Education, Health and Emergency, Housing, Other and MSE financing
- The share of net proceeds used for new financing versus refinancing
- Examples of assets or projects that have been funded by Social Bonds

External Review

Bayport has obtained a second opinion from Sustainalytics to confirm the transparency of this Social Bond Framework and its alignment with the ICMA Social Bond Principles 2018.

Sustainalytics will also perform an annual review throughout the life of the Social Bond(s). The second opinion as well as the annual reviews will be made available at Bayport's website together with this Social Bond Framework.