H1 2022 results presentation

ASA International Group plc | 20 September 2022

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ASA INTERNATIONAL

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Highlights – H1 2022

Substantial improvement in profits

Clients[1]	+1%
Branches[1]	+4%
Pre-tax profits[1]	+86%
Net profit[1]	+311%
OLP[1, 2]	-6%
PAR>30 dpd[3]	5.1%
ECL expenses	USD 1.9m
Cash	USD 91m

Despite intentional decreasing operations in India, **client growth excluding India increased** by 6%.

Net profit increased substantially from USD 1.4 million in H1 2021 to USD 13.1 million in H1 2022.

High OLP growth in **Pakistan, the Philippines and Ghana**, though tempered by significant currency depreciation in these markets. **OLP excluding India increased** by 12% in constant currency.

PAR>30 remained broadly **stable**.

ECL charged into the Income Statement **significantly reduced** to USD 1.9 million (H1 2021: USD 22.1m and FY 2021: USD 37.5m).

The Group remains well capitalised.

Notes: (1) YTD percentage change; (2) Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, excludes interest receivable, unamortized loan processing fees, and deducts modification losses and ECL provisions from Gross OLP; (3) PAR>30 is the percentage of on-book OLP that has one or more instalment of repayment of principal past due for more than 30 days and less than 365 days, divided by the Gross OLP.

Overview key financial metrics

	USDm	H1 2022	FY 2021	H1 2021	FY 2020	YoY % change	YTD % change	YTD % change cc[5]
KPIs	Number of Clients (millions)	2.4	2.4	2.5	2.4	-4%	1%	
	Number of Branches	2,129	2,044	2,036	1,965	5%	4%	
	Average Gross OLP / client (USD)	166	181	182	187	-9%	-8%	1%
	PAR>30dpd [1]	5.1%	5.2%	12.3%	13.1%			
	Cost / Income (TTM) [2]	66%	77%	85%	98%			
	RoAA (TTM) [2]	4.6%	1.1%	0.5%	-0.2%			
	RoAE (TTM) [2]	25.5%	6.0%	2.8%	-1.3%			
Income Statement	Profit before tax	23.8	25.7	7.5	2.6	217%	86%	91%
	Net profit	13.1	6.4	1.4	-1.4	807%	311%	352%
Balance sheet	OLP [3]	378.4	403.7	415.0	415.3	-9%	-6%	4%
	Gross OLP	399.0	430.7	456.9	445.3	-13%	-7%	2%
	Total Assets	546.1	562.6	585.3	579.3	-7%	-3%	
	Client Deposits [4]	86.3	87.8	86.9	80.2	-1%	-2%	
	Interest bearing debt [4]	299.7	314.4	334.6	337.6	-10%	-5%	
	Total Equity	100.5	103.4	105.0	107.1	-4%	-3%	

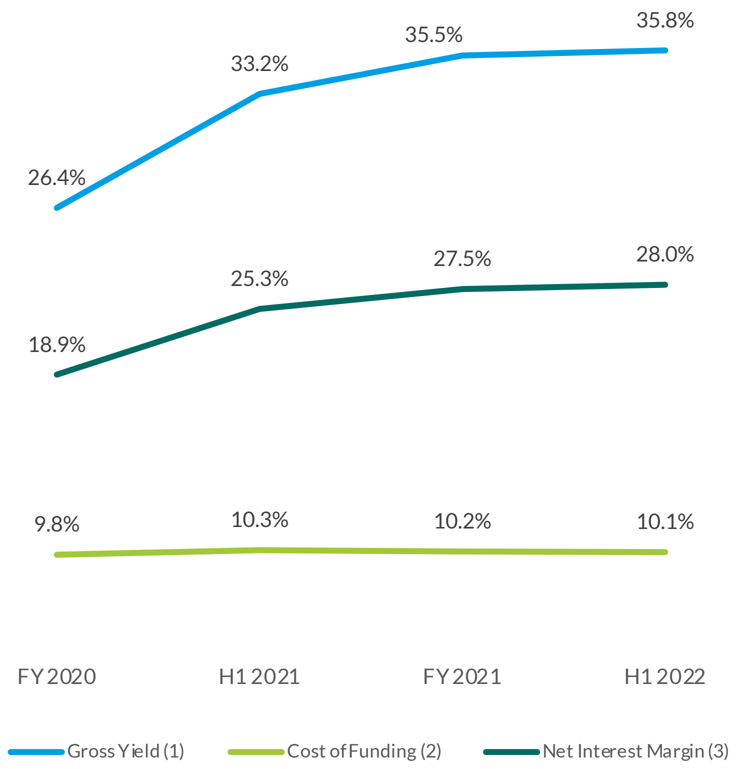
Notes: (1) PAR>30 is the percentage of on-book OLP that has one or more instalment of repayment of principal past due for more than 30 days and less than 365 days, divided by the Gross OLP; (2) TTM refers to trailing twelve months; (3) Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, excludes interest receivable, unamortized loan processing fees, and deducts modification losses and ECL provisions from Gross OLP; (4) Excludes interest payable; (5) Constant currency ('CC') implies conversion of local currency results to USD with the exchange rate from the beginning of the period.

Tanwir Rahman

CFO

Gross yield, cost of funding and margin development

GROSS YIELD, COST OF FUNDING AND NET INTEREST MARGIN

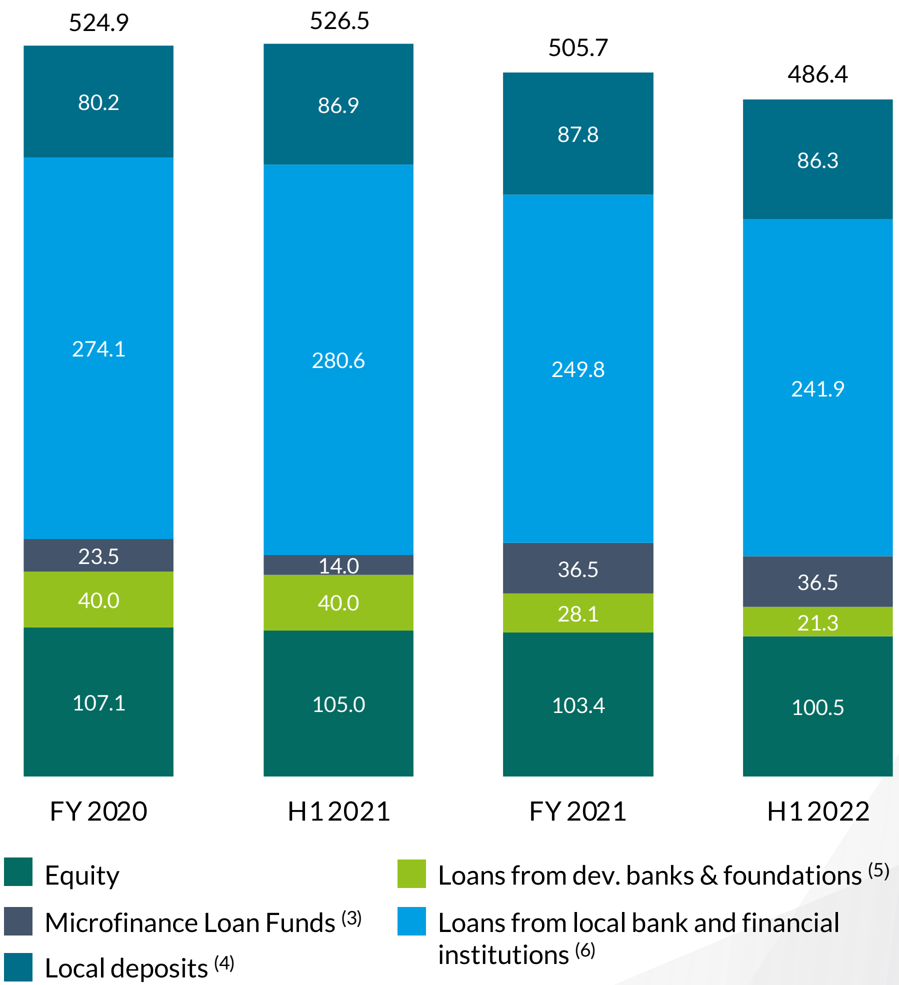


- Net interest margin and gross yield slightly increased as subsidiaries with higher yields increased their OLP as percentage of overall Group.
- Cost of funding remained broadly stable, however, the Company has seen an increase in benchmark interest rates in the latter part of H1 2022.

Notes: (1) Calculated as interest income / average interest earning assets (cash + due from banks + net customer loans); (2) Calculated as interest expense (less lease liabilities) / average interest bearing liabilities (debt + customer deposits); (3) Calculated as net interest income / average interest earning assets.

Strong unchanged funding profile

FUNDING BREAKDOWN(1, 2)



- USD 85 million in fresh debt raised to fund operations in H1 2022 and remains well capitalised with USD 91 million of unrestricted cash (including fixed deposits) as of 30 June 2022.
- Strong funding pipeline of USD 190 million fresh loans, with over 50% having agreed terms and can be accessed in the short to medium term as of 30 June 2022.
- Some subsidiaries, predominantly India, did not fulfil covenant ratios primarily related to portfolio quality amounting to USD 99.8 million as of 30 June 2022.
- Out of the USD 99.8 million, waivers for USD 34.3 million have been subsequently received. The majority of the waivers which are pending relate to ASA India, where a majority of our lenders are local institutions and none of the lenders have initiated any accelerated calls to any of the Group's outstanding obligations.

Notes: (1) Excludes interest payable; (2) Most USD loans from international lenders that are lent onwards to subsidiaries are hedged in local currency; (3) Comprised of Blue Orchard/MIFA, Oikocredit and Symbiotics; (4) Includes security collateral and restricted security deposits; (5) Comprised of OPIC/DFC (2016), BIO (Since 2019) and OeEb; (6) Comprised of term loans from banks and financial institutions at the subsidiary level.

Karin Kersten

Executive Director,

Corporate Development

August 2022 business update
Collection efficiency

- Collection efficiency ('CE') increased or remained broadly stable compared to May in almost all countries.
- CE in India slightly improved to 84%.
- Most clients in India continue to make payments on their loans due. Collection efficiency in India, including regular and overdue collections as well as advance payments, increased to 101% as a percentage of the regular, realisable collections, including advance payments.

COLLECTION EFFICIENCY[1]

Country	Collection efficiency until 31 August 2022					
	Dec/21	Apr/22	May/22	Jun/22	Jul/22	Aug/22
India	74%	83%	83%	85%	86%	84%
Pakistan	99%	100%	100%	100%	100%	99%
Sri Lanka	94%	93%	92%	89%	89%	88%
The Philippines	97%	99%	99%	100%	100%	100%
Myanmar	78%[2]	72%[2]	73%[2]	78%[2]	80%[2]	84%[2]
Ghana	99%	100%	100%	100%	100%	100%
Nigeria	96%	95%	95%	96%	96%	96%
Sierra Leone	92%	94%	96%	96%	96%	94%
Tanzania	100%	100%	100%	100%	100%	100%
Kenya	100%	100%	100%	100%	100%	100%
Uganda	100%	100%	100%	100%	100%	100%
Rwanda	97%	97%	97%	97%	97%	97%
Zambia	99%	98%	98%	98%	98%	98%

Notes: (1) Collection efficiency refers to actual collections from clients divided by realizable collections for the period. It is calculated as follows: the sum of actual regular collections, actual overdue collections and actual advance payments divided by the sum of realizable regular collections, actual overdue collections and actual advance payments. Under this definition collection efficiency cannot exceed 100%; (2) Collections are impacted by the ongoing lockdowns and civil unrest in some areas of our operations.

August 2022 business update (Cont'd)

Loan portfolio quality

- ASA India continues to prioritise the recovery of existing and overdue loans with a responsible amount of disbursement, and the Gross OLP reduced from USD 113m in December 2021 to 66m in August 2022.
- PAR>30 for the Group improved from 7.3% in December 2021 to 6.5% in August 2022.
- Credit exposure of the India off-book BC portfolio of USD 25.8m is capped at 5%. The included off-book DA portfolio of USD 1.1m has no credit exposure.
- Gross OLP and PAR>30 include the off-book BC and DA model in India.

LOAN PORTFOLIO QUALITY

Country	Gross OLP (in USDm)			PAR>30			PAR>30 less PAR>180		
	Dec/21	Jun/22	Aug/22	Dec/21	Jun/22	Aug/22	Dec/21	Jun/22	Aug/22
India (total)	113	80	66	*22.9%*	*13.3%*	*20.5%*	*12.4%*	*8.1%*	*16.1%*
Pakistan	79	80	77	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.1%*	*0.2%*
Sri Lanka	8	4	4	*6.0%*	*8.8%*	*12.1%*	*3.6%*	*6.0%*	*8.9%*
The Philippines	47	47	47	*2.5%*	*2.7%*	*2.2%*	*2.3%*	*1.0%*	*0.5%*
Myanmar	20	20	17	*1.1%*	*31.5%*	*30.8%*	*0.6%*	*31.2%*	*12.5%*
Ghana	49	43	34	*0.3%*	*0.3%*	*0.3%*	*0.2%*	*0.2%*	*0.1%*
Nigeria	40	41	41	*4.6%*	*6.0%*	*6.3%*	*2.8%*	*3.7%*	*3.6%*
Sierra Leone	7	6	5	*7.5%*	*10.1%*	*9.9%*	*5.6%*	*4.6%*	*4.3%*
Tanzania	35	42	44	*0.5%*	*0.4%*	*0.4%*	*0.2%*	*0.2%*	*0.2%*
Kenya	17	19	19	*1.0%*	*0.8%*	*0.9%*	*0.5%*	*0.4%*	*0.4%*
Uganda	10	10	10	*3.8%*	*1.5%*	*0.8%*	*3.1%*	*0.1%*	*0.2%*
Rwanda	3	4	4	*4.5%*	*4.6%*	*4.6%*	*2.6%*	*2.8%*	*2.5%*
Zambia	2	3	3	*0.7%*	*2.9%*	*3.4%*	*0.5%*	*2.6%*	*2.6%*
Group	***429***	***399***	***370***	***7.3%***	***5.6%***	***6.5%***	***4.1%***	***3.9%***	***4.2%***

Notes: (1) Gross OLP includes the off-book BC and DA model, excluding interest receivable and before deducting ECL provisions and modification loss; (2) PAR>x is the percentage of outstanding customer loans with at least one instalment payment overdue x days, excluding loans more than 365 days overdue, to Gross OLP including off-book loans. Loans overdue more than 365 days now comprise 2% of the Gross OLP; (3) The table "PAR>30 less PAR>180" shows the percentage of outstanding client loans with a PAR greater than 30 days, less those loans which have been fully provided for.

Regulatory update

Progress to become fully Central Bank regulated institutions, with the capacity to mobilise deposits

India

On 14 March 2022, the RBI announced the new regulation for the microfinance sector in India, applicable to all banks and NBFC-MFIs. Key changes include the removal of the interest rate cap and margin cap, loans shall be collateral-free (also for banks providing microfinance loans), and lenders will be restricted to provide microfinance loans to clients up to a maximum of 50% of the client's household income. As a result, the interest rate has been increased.

Pakistan

On 24 May 2022, ASA Pakistan received the Microfinance Banking license from State Bank of Pakistan. The license is subject to compliance with certain requirements, mainly implementing the new core banking system and meeting statutory capital requirements.

Sri Lanka

On 10 June 2022, the Central Bank of Sri Lanka has withdrawn the maximum interest rate cap on microfinance loans. As a result, Lak Jaya is now charging interest based on expected risk.

Myanmar

On 13 July 2022, the Central Bank of Myanmar ('CBM') suspended interest and principal repayments on foreign loans and directed companies to restructure these loans. This made ASA Myanmar unable to meet its payment obligations to international lenders. On 16 August 2022, CBM announced that they permit certain transactions with approval from the Foreign Currency Supervision Committee ('FCSC'). ASA Myanmar is now seeking approval from the FCSC.

Tanzania and Kenya

ASA Tanzania and ASA Kenya continue to prepare the application for a deposit-taking licence which is expected to be submitted to the central bank in 2022. A deposit-taking license will enable ASA Tanzania and ASA Kenya to reduce the cost of funding in the future.

Strategy 2021 – 2025

Sustainable growth and increased financial inclusion by growing loan portfolio, adding digital financial services and broadening services

Increase financial inclusion	Increase **number** of **branches** and **clients**	Increase **loan volumes** by **product diversification**	Grow revenues from **payments** and **deposits**	**Greenfield** branches in **new countries**
Add digital channel to branch model	Maintain **branch model** and **proven credit methodology**	Maintain **group meetings** and active **field presence**	Introduce a **digital channel** via smartphone and other mobile devices	Enrich the **high touch service**
Broaden products and services	Continue to **grow** the **loan portfolio**	Offer **online loans, payments** and **deposits**	Provide **value added services** (Supplier Market Place, 'SMP') to grow clients' businesses	Attract **new clients**

Note: the shaded columns relate to the digital strategy.

Progress on digitalisation

DFS app, SMP app and CBS software

Progress

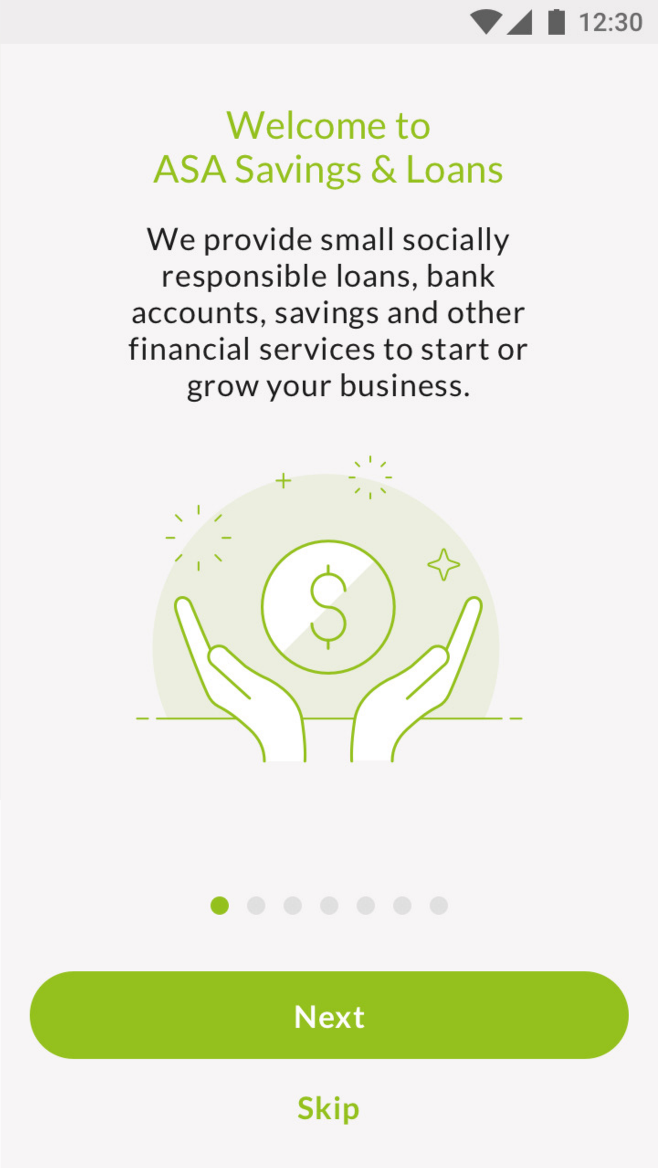
1. **DFS app**
   A digital financial services application with a full financial services experience for smartphone users.

2. **SMP app**
   A digital supplier market place to support clients to grow their businesses, by enhancing the logistics and pricing of their purchases for their shops.

3. **CBS software implementation and customisation**
   Temenos core banking software is being implemented in Ghana and Pakistan.

Timeline

- Implementation of CBS started in 2022 in Ghana and Pakistan.
- The SMP app is expected to be piloted in Ghana before the end of 2022.
- DFS market introduction in Ghana is scheduled in H2 2023, subject to a successful pilot.
- CBS in Pakistan is targeted to go live in H2 2023.



Dirk Brouwer

Co-founder & CEO

Summary and Outlook 2022

Summary

The Company's operational and financial performance continued to improve with OLP growth and high portfolio quality in most markets leading to pre-tax profit increasing from USD 7.5 million in H1 2021 to USD 23.8 million in H1 2022.

Almost all operating countries grew their OLP in constant currency terms, maintain high portfolio quality, and make positive contributions to the Group's profitability with the exception of India, Myanmar and Sri Lanka.

High OLP growth in Pakistan, the Philippines and Ghana, though tempered by significant currency depreciation in these markets (PKR down 16%, PHP down 8% and GHS down 30% against USD in the Period), which contributed to the decrease of Group OLP in USD terms.

As portfolio quality improved or stabilized across most markets, the Company significantly reduced expected credit losses ('ECL') charged into the Income Statement to USD 1.9 million (H1 2021: USD 22.1 million and FY 2021: USD 37.5 million). Provisions for expected credit losses on OLP in the balance sheet, including the off-book BC portfolio and interest receivables, reduced from USD 27.5 million to USD 22.0 million primarily for the write offs in H1 2022.

Outlook 2022

Based on the positive developments during the first half of 2022, it is expected that the Group's operating performance in terms of OLP growth and portfolio quality will continue to improve. However, the impact of inflation and related FX movements are expected to continue to dampen the financial performance in USD terms in the second half of 2022.

Dividend

After careful consideration, the Board has decided to not declare a dividend in 2022, however, the Company expects to return to its pre-Covid 30% dividend policy in 2023, assuming the operating and financial performance continues to improve.

Creating hope.
Changing fortunes.

Appendix

South Asia

Clients	Branches	OLP
-3%	+1%	-17%

- **ASA Pakistan** continued to grow its business with the number of clients up by 12%, number of branches up by 6% and OLP grew by 17% by the end of H1 2022. PAR>30 remained at a stable level of 0.2%.
- **ASA India** operated in a challenging environment. Disbursements of new loans declined with the focus on recovery of loans. Reduced loan disbursements and significant write-offs led to on-book and off-book OLP decreasing by 24% from INR 7.2bn (USD 96.9m) in December 2021 to INR 5.5bn (USD 69.5m) in June 2022.
  - Number of clients was down by 17%.
  - With moratoriums being offered to clients and significant write-offs, PAR>30 reduced to 14.0%.
  - The moratorium period ended in June 2022. No further moratoriums were granted to clients.
- **Lak Jaya** (Sri Lanka): number of clients decreased by 12%, OLP decreased by 18%, number of branches was unchanged, and PAR>30 increased to 8.8%.

Note: Regional OLP growth rate is in YTD USD and country OLP and Gross OLP/client growth rate is in YTD LCY.

South East Asia

Clients
+4%

Branches
+5%

OLP
-3%

- **Pagasa Philippines'** number of clients was up by 8% with its loan portfolio increasing by 10%. PAR>30 increased to 2.7%.
- **ASA Myanmar** struggled to increase collection efficiency to satisfactory levels following the military's takeover of the Government, leading to nation-wide protests and lockdowns.
  - The number of clients in Myanmar decreased by 8% and its loan portfolio decreased by 13%. PAR>30 increased to 31.5%.

Note: Regional OLP growth rate is in YTD USD and country OLP and Gross OLP/client growth rate is in YTD LCY.

West Africa

Clients
-4%

Branches
+0.5%

OLP
-7%

- **ASA Savings & Loans (Ghana)** client numbers increased by 5% , OLP increased by 14% and Gross OLP/Client increased by 9%. PAR>30 remained at 0.3%.
- **ASA Nigeria** client numbers decreased by 7% and OLP increased by 3%. Gross OLP/Client increased by 12% and PAR>30 increased to 6.0% due to the increased Gross OLP/Client.
- **ASA Sierra Leone** client numbers were down by 15%, although number of branches increased by 5%. OLP decreased slightly by 1% and Gross OLP/Client increased by 18%.
  - PAR>30 deteriorated to 10.1% due to the increased OLP/Client. Management is working on improving PAR>30.

Note: Regional OLP growth rate is in YTD USD and country OLP and Gross OLP/client growth rate is in YTD LCY.

East Africa

Clients	Branches	OLP
+14%	+13%	+21%

- **ASA Tanzania** also expanded its operation as number of clients increased by 16% and branches by 22%. OLP increased by 25% and Gross OLP/Client increased by 7%. PAR>30 improved to 0.4%.
- **ASA Kenya** expanded its operations as number of clients increased by 13% and branches by 8%. OLP increased by 23%. Gross OLP/Client increased by 7%. PAR>30 further improved from 1.1% at year-end 2021 to 0.8%.
- **ASA Uganda's** number of clients increased by 14% and number of branches by 6%. OLP increased by 24% and Gross OLP/Client slightly decreased by 0.1%. PAR>30 significantly improved from 3.8% at year-end 2021 to 1.5%.
- **ASA Rwanda's** number of clients grown by 3% and branches remained stable. OLP increased by 12% and Gross OLP/Client increased by 8%. PAR>30 slightly increased to 4.6%
- **ASA Zambia** increased its number of clients, branches, loan portfolio and Gross OLP/Client. PAR>30 increased to 2.9%.

Note: Regional OLP growth rate is in YTD USD and country OLP and Gross OLP/client growth rate is in YTD LCY.

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