H1 2024 Results Presentation

ASA International Group plc

27 September 2024

Karin Kersten
Chief Executive Officer

Tanwir Rahman
Chief Financial Officer

Karin Kersten

CEO

Our vision, mission and values statement

ASA International is one of the worlds' largest *international* microfinance institutions providing socially responsible financial services to low-income, primarily female entrepreneurs across Asia and Africa

Our Vision	Just and financially inclusive societies.
Our Purpose	To reduce poverty and enable female empowerment.
Our Mission	Enhance socio-economic progress of low-income entrepreneurs by increasing financial inclusion.

Our Values

PROFESSIONALISM

INTEGRITY

TEAMWORK

ASA International snapshot

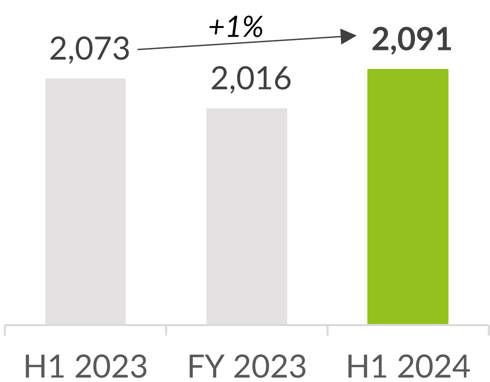
13	2,091	13.4k	2.4m	USD 384.6m	2.3%
COUNTRIES	BRANCHES	EMPLOYEES	CLIENTS	OLP(1)	PAR>30(2)

Notes: (1) Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, and loans valued at fair value through profit and loss ("FVTPL"), excludes interest receivable, unamortised loan processing fees, and deducts ECL reserves from Gross OLP; (2) 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.

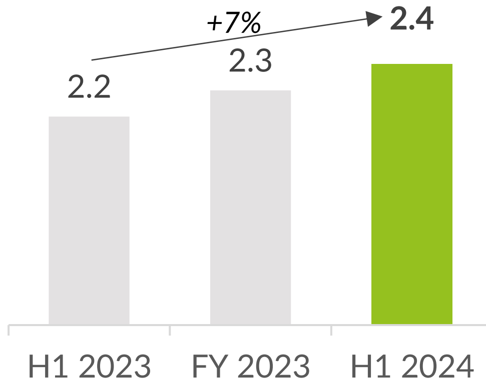
Highlights – H1 2024

Sustained improvement in business and financial performance

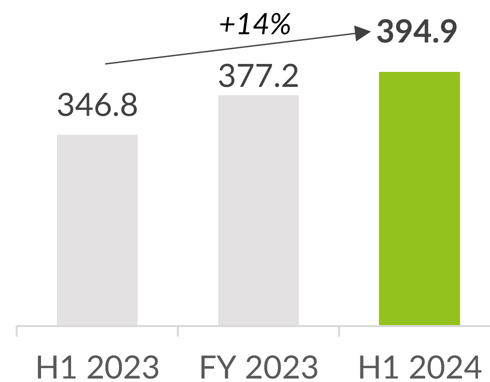
Number of branches



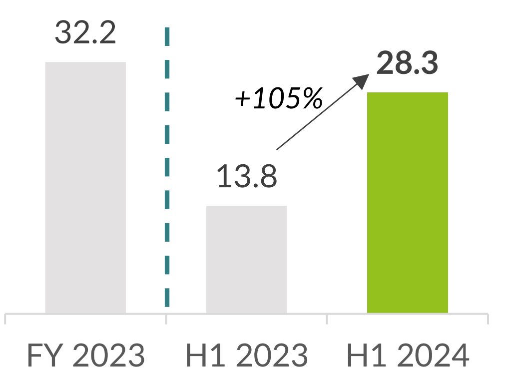
Number of clients (m)



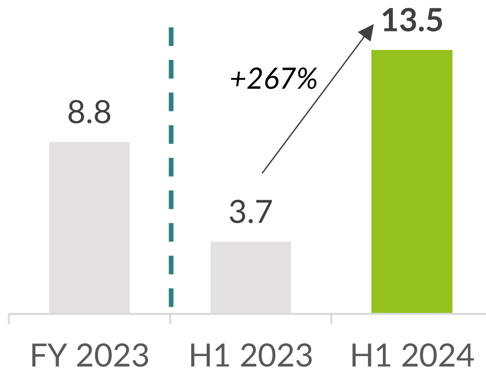
Gross OLP(1) (USDm)



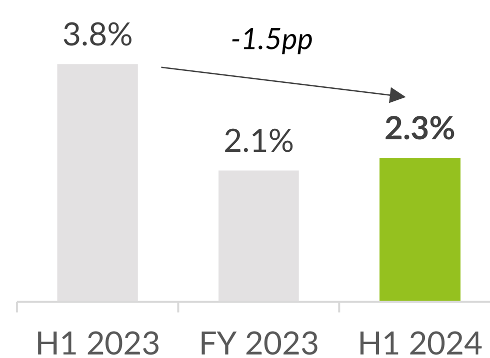
Profit before tax(2) (USDm)



Net profit(2) (USDm)



PAR>30 days(3)



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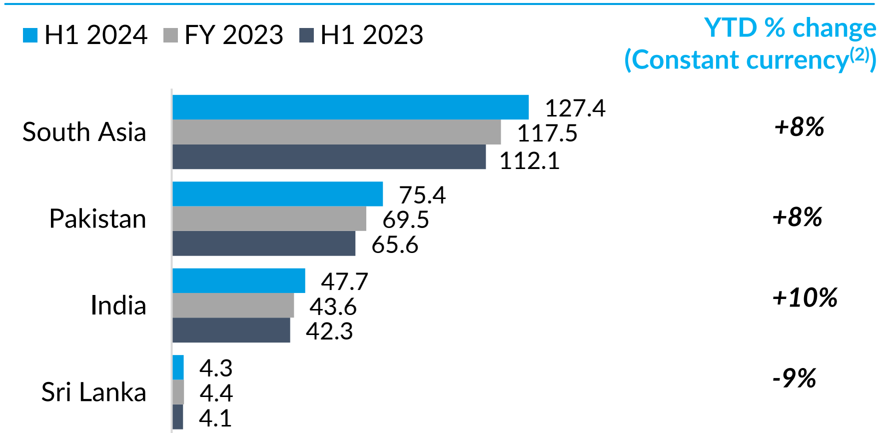
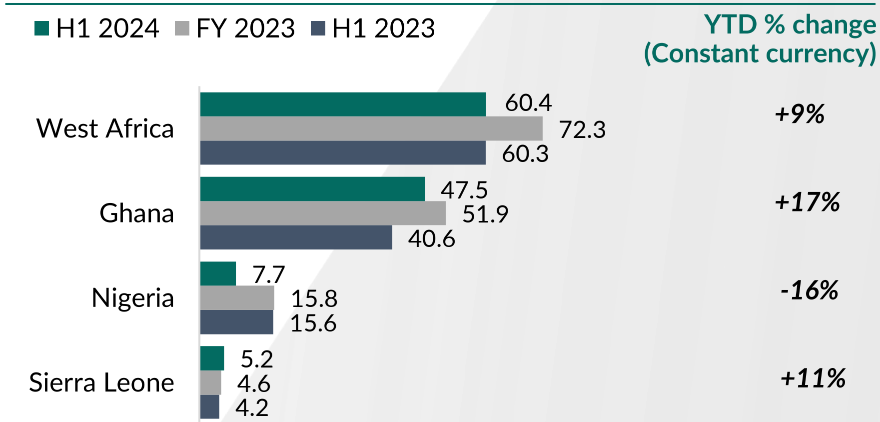
Well diversified portfolio driving OLP growth

East Africa continues to be a key contributor

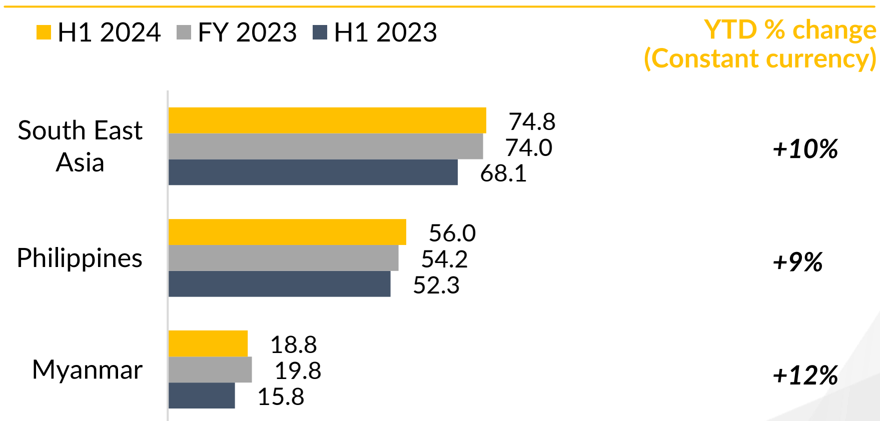
South Asia OLP [1] (USD m)



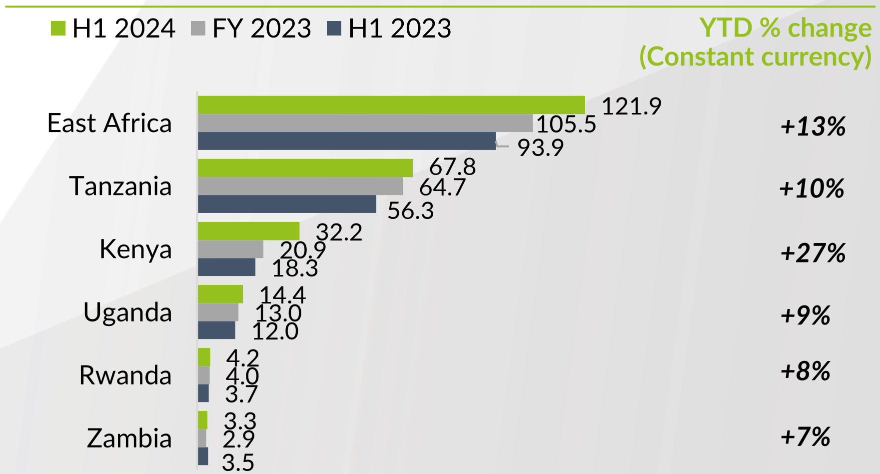
West Africa OLP (USD m)



South East Asia OLP (USD m)



East Africa OLP (USD m)



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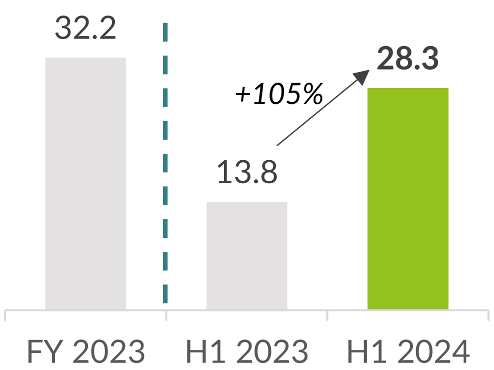
Tanwir Rahman

CFO

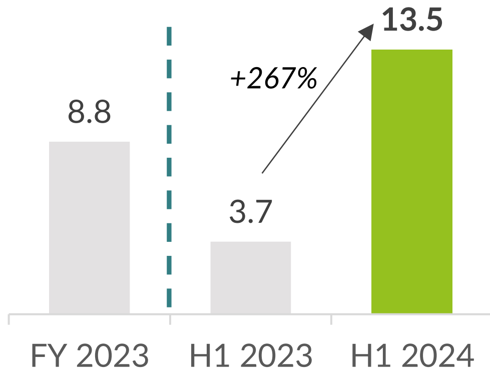
Financial snapshot – H1 2024

Sustained improvement in performance

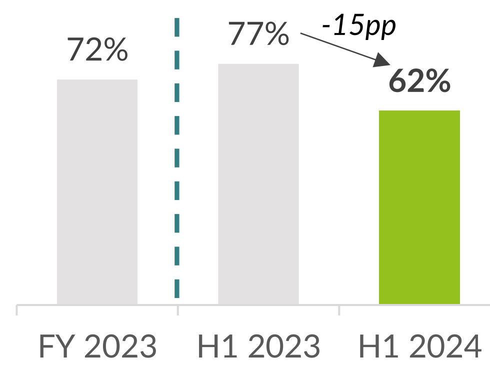
Profit before tax[1] (USDm)



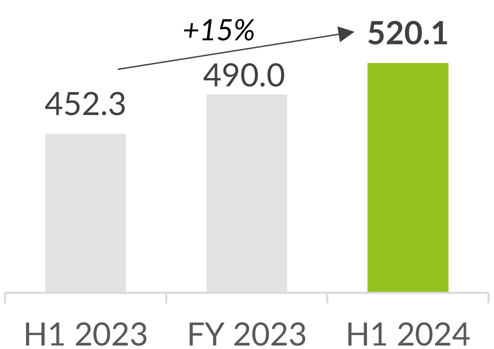
Net profit[1] (USDm)



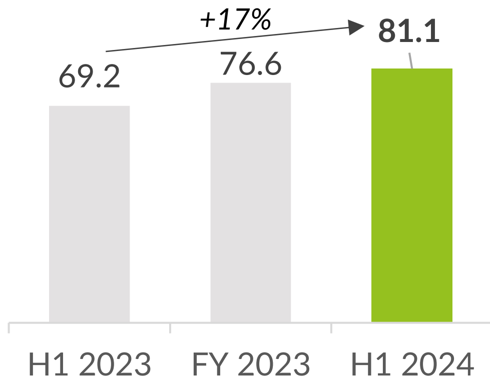
Cost-to-income[2]



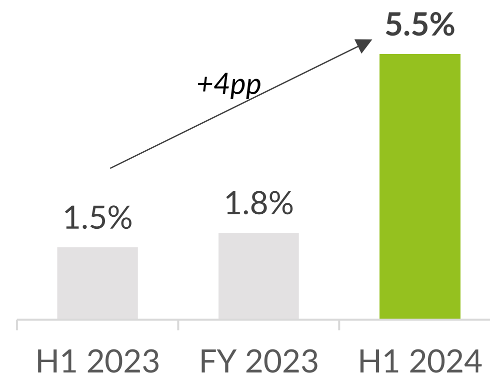
Total assets (USDm)



Total equity (USDm)



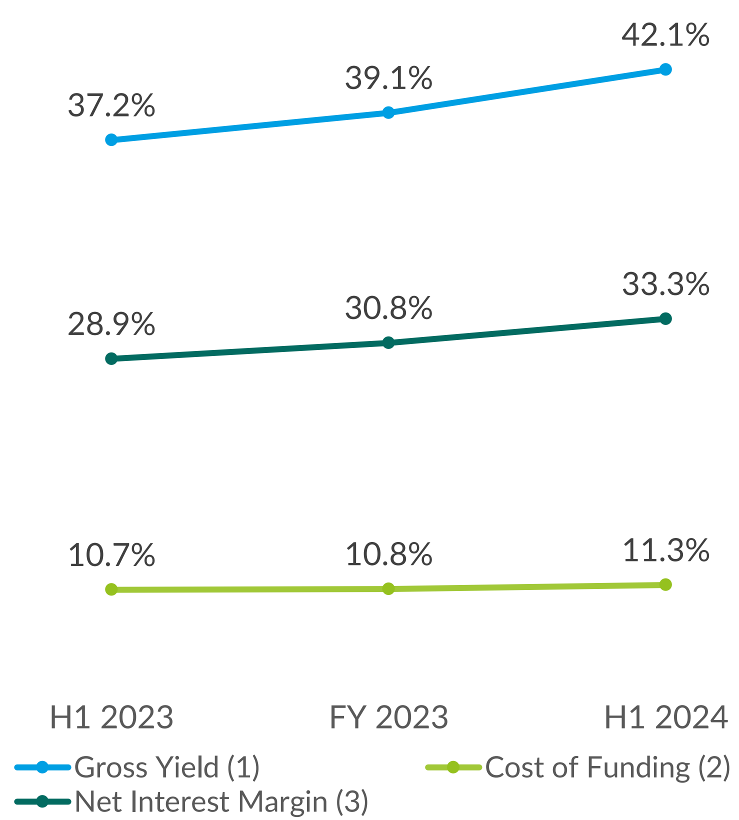
Return-on-average assets[4]



Notes: (1) Profit before tax and net profit for H1 2024 include an IAS 29 hyperinflation adjustments loss of USD 3.5 million, and profit before tax and net profit for H1 2023 excludes hyperinflation adjustments, as hyperinflation accounting was applied for the first time in the FY 2023 consolidated financial statements; (2) Calculated as (personnel expenses + depreciation of property and equipment + amortization of right-of-use assets + other operating expenses) / net operating income; (3) D/E refers to debt-to-equity ratio, which is calculated as interest-bearing debt / total equity; (4) Calculate as net income / average total assets.

Positive yield and NIM trends

GROSS YIELD, COST OF FUNDING, NIM(3)

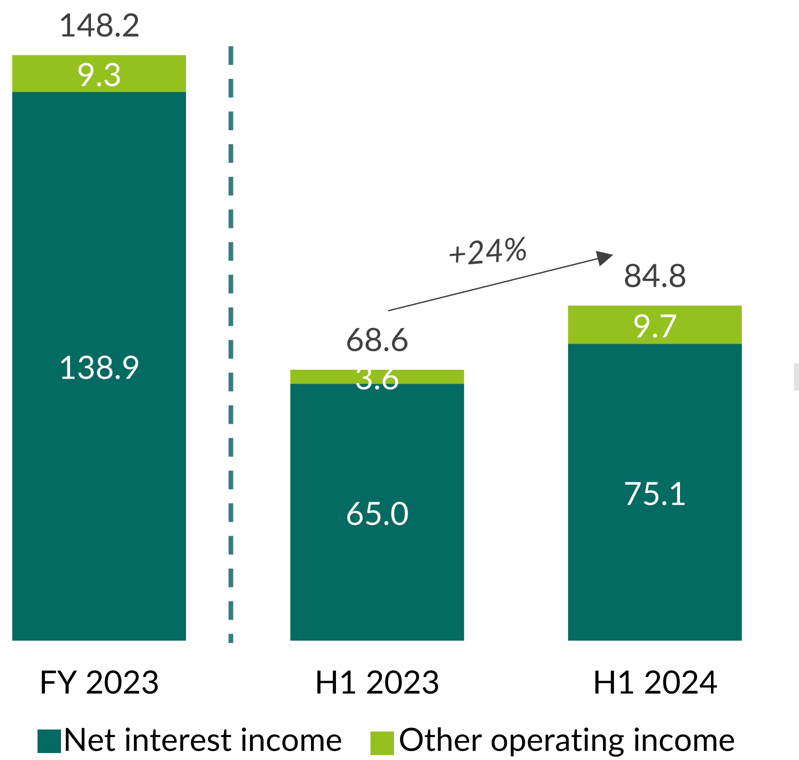


- Gross yield increased to 42.1% in H1 2024 as subsidiaries with higher yields increased their proportion of overall OLP.
- Upward adjustment of interest rates in India and Sri Lanka following the lifting of interest rate caps in 2022 also contributed to improving gross yield.
- Funding rates remained broadly stable compared to FY 2023.
- Accordingly, NIM increased to 33.3% in H1 2024.

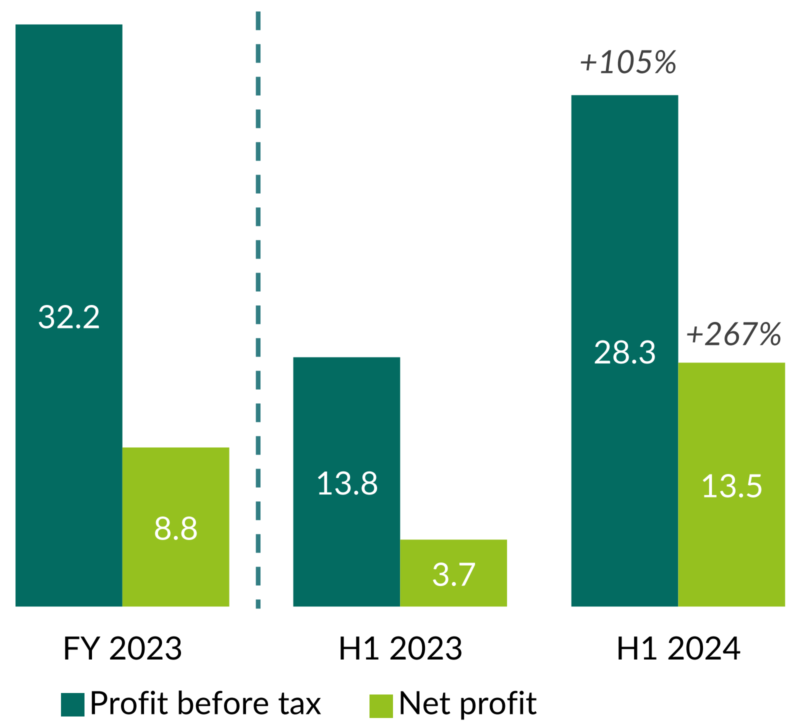
Notes: (1) Calculated as interest income / average interest earning assets (cash + due from banks + net customer loans); (2) Calculated as interest expense (less lease liabilities) / average interest bearing liabilities (debt + customer deposits); (3) NIM means net interest margin, and it is calculated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

Improved income driving enhanced profitability

TOTAL OPERATING INCOME (USDm)



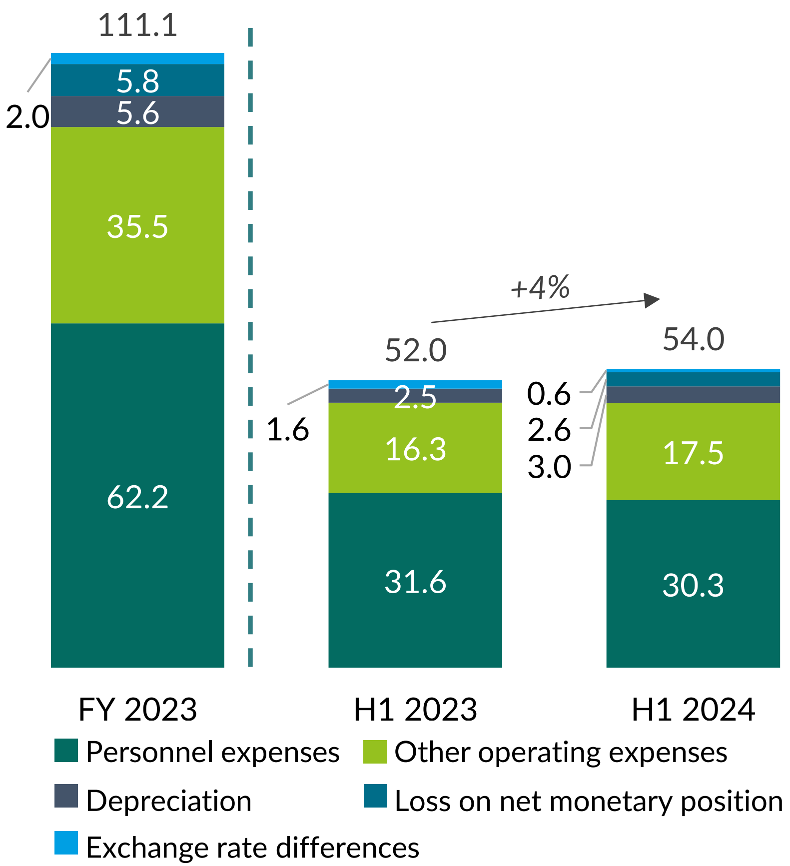
PROFITABILITY (USDm)



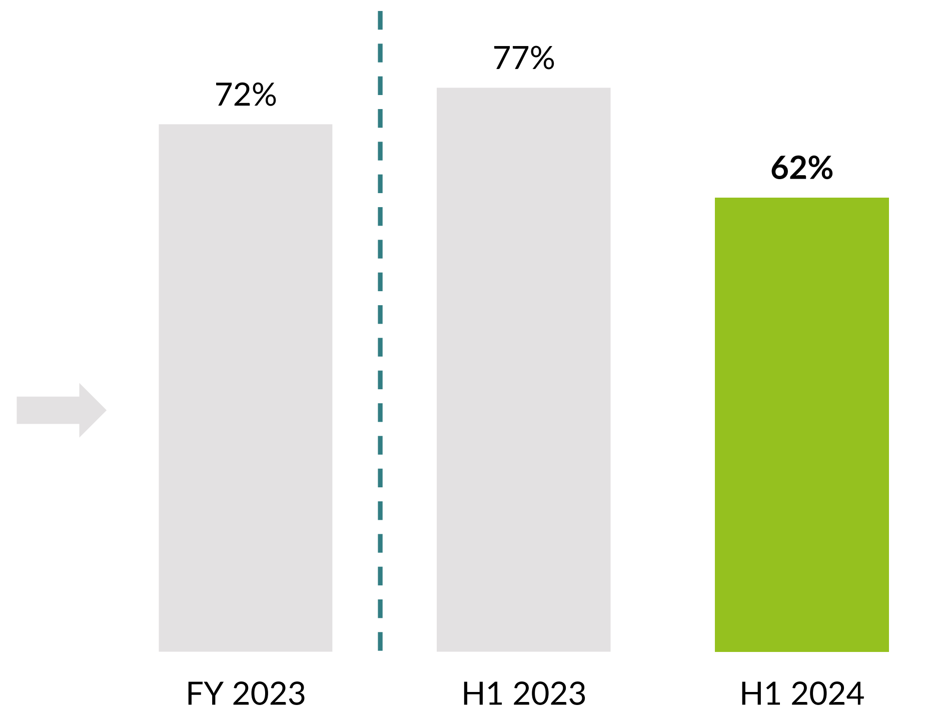
- Total operating income increased primarily due to (i) growth in the on-book loan portfolio especially in high yield countries and (ii) increased service fees on the off-book portfolio. Loan assignment agreement with ASA Myanmar lenders generated an incidental gain of USD 3.0m.
- Effective tax rate improved from 73% in H1 2023 to 52% in H1 2024 due to less provisions for previous years. Effective tax rate was still high due to pending implementation of transfer pricing in four countries and not capitalising tax losses in India and at the holding companies.

Operating expenses development

TOTAL OPERATING EXPENSES (USDm)



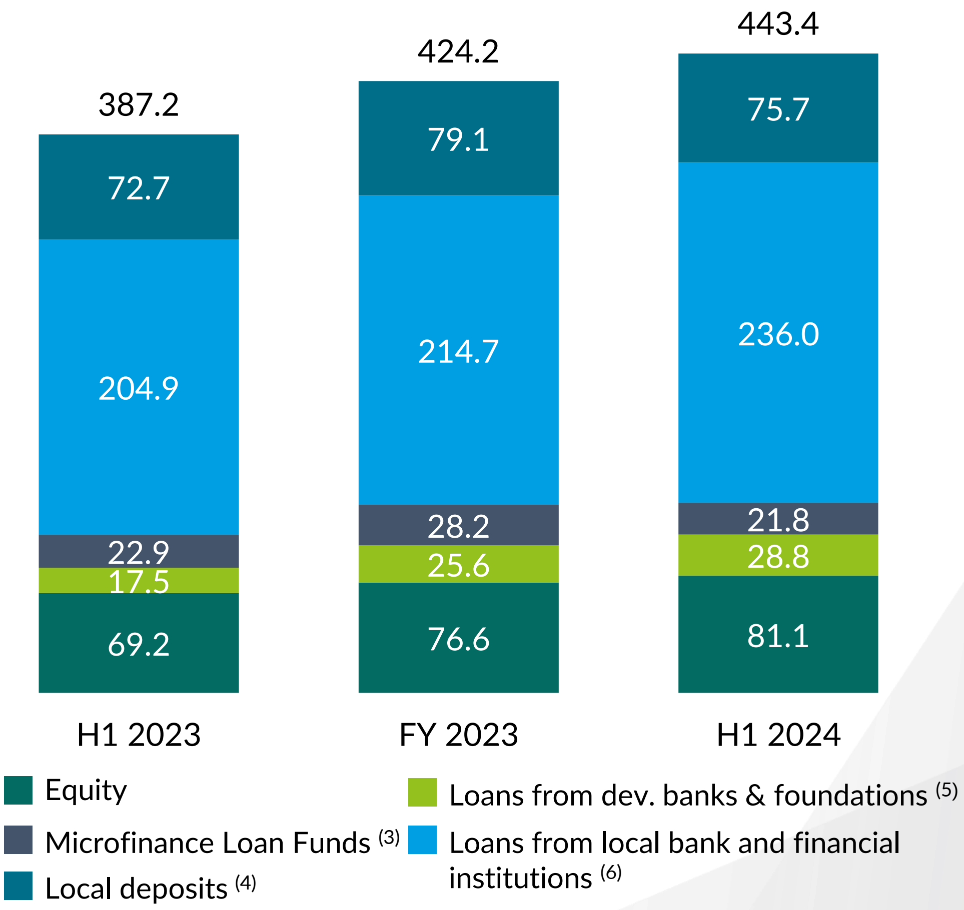
COST-TO-INCOME



- Increase in total operating expenses mainly driven by loss on net monetary position (hyperinflation accounting).
- Personnel and other operating expenses remained stable as growth in branches, staff and inflation was offset by devaluation of local currencies against USD.
- Cost-to-income ratio improved given increased income in H1 2024.

Increased funding with a stable sourcing profile

FUNDING MIX BREAKDOWN[1, 2]



- Total funding increased to USD 443.4m as at 30 June 2024. USD 101m of new debt at broadly similar rates was raised in H1 2024 in line with the overall funding strategy.
- Local deposits have declined YTD in USD terms - this was primarily due to significant currency depreciation in Ghana and Nigeria.
- USD 95.3m of cash at bank and in hand as at 30 June 2024. USD 28.9m is restricted and is not readily available. Remaining USD 66.4m is unrestricted and utilised for operational needs in line with the capital allocation framework.
- Since 2021, a number of loan covenants were breached, primarily related to the portfolio quality in India. As of 30 June 2024, the balance for credit lines with breached covenants and which did not have waivers amounts to USD 37.4m out of which waivers have been subsequently received for USD 12.2m.

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.

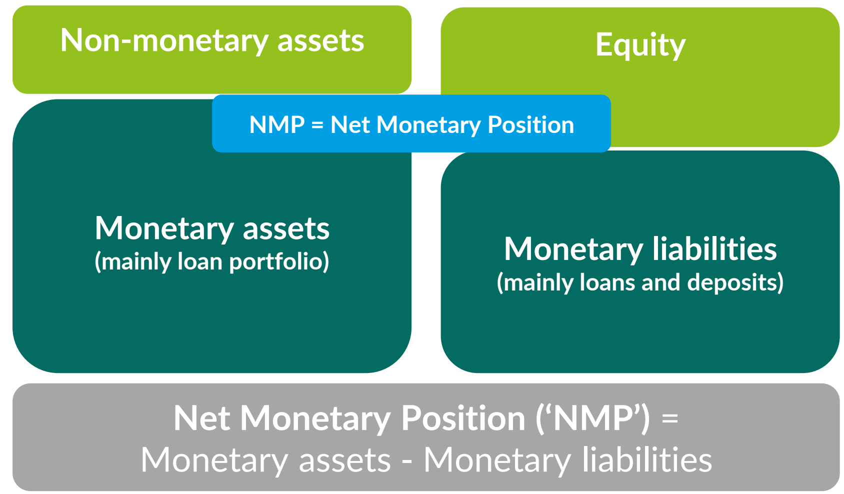
Hyperinflation accounting (IAS 29) update

Applies to Ghana and Sierra Leone. Nigeria and Pakistan on the watchlist

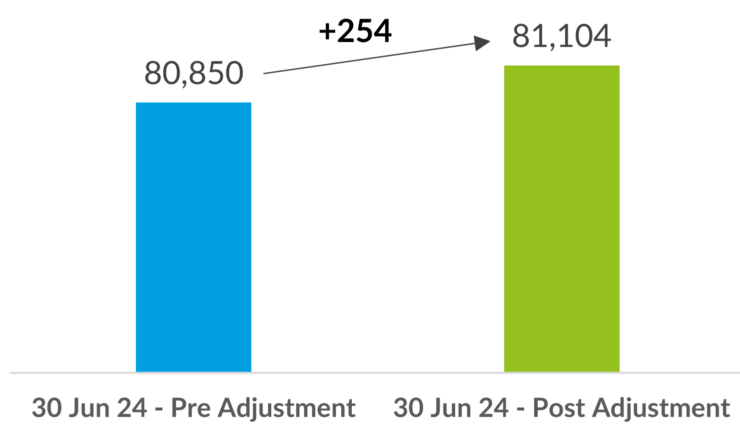
Background and context

- IAS 29 *"Financial Reporting in Hyperinflationary Economies"* applicable to operating entities which have a three-year cumulative inflation exceeding 100% in the period 2022-2024 – currently Ghana (114%) and Sierra Leone (126%). Nigeria (96%) and Pakistan (81%) are on the watchlist
- Balance sheet and P&L are adjusted to reflect the current purchasing power at the reporting date - these are non-cash adjustments.
- Continue to balance monetary assets and liabilities in operating entities by upstreaming dividend to reduce the impact of hyperinflation accounting.

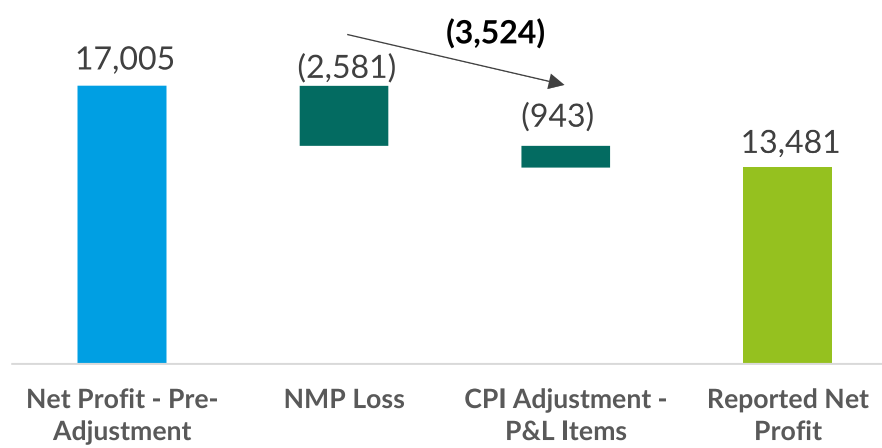
Net Monetary Position ('NMP')



Minor positive impact on equity (USDk)



Negative P&L impact in H1 2024 (USDk)



Karin Kersten

CEO

Performance driven approach

Role model approach

- Recruits of new leaders with more related business experiences and knowledges for few countries.
- Facilitation of discussions among the country leaders to address their challenges and share effective approaches to foster their collaborations and drive business growth.

Vision and strategy

- Just and financially inclusive societies.
- Increase in financial inclusion, addition of digital channel and digitization of internal processes, and offer of digital products and services.

Driving Performance

Measure

- Targeted performance indicators for each country, where main indicators are Outstanding loan portfolio (OLP), Gross OLP per client, PAR>30, Net interest margin, and Cost-to-income ratio.
- Quarterly business performance challenges meeting to review the actual performance against the targeted performance per country.

Governance and structure

- Clear organogram with single ultimate responsibility per Executive Committee area across geographies.
- Empowered committees, e.g. Asset-Liability Committee, and Leadership Team meetings.

Growth strategy progress

Substantial progress already being made with more to come

	H1 2024 progress	H2 2024 and beyond priorities
Increase financial inclusion	• OLP[1] grew from USD 369.2m to USD 384.6m in H1 2024. • Number of clients increased to 2.4m in H1 2024. • Average Gross OLP/client increased to USD 166. • Voluntary savings to OLP remains stable at 2.9%.	• Drive operational growth in existing markets. • Grow OLP and number of clients. • Further enhance average Gross OLP per client.
Add digital channel and digitize internal processes	• Borrowers per loan officer remained broadly stable at 283. • Pakistan Core Banking System migration completed. • Ongoing preparatory work for additional roll outs in Ghana and Tanzania.	• Progress Ghana and Tanzania Core Banking System roll out preparations for 2025 implementation. • Further improve operational efficiency by increasing borrowers per loan officer.
Offer digital products and services	• Number of customers onboarded and placing their online orders through the Supplier Market Place increased from c. 3k to 7k in H1 2024. • Ongoing discussions for obtaining Microfinance Banking licenses in Tanzania and Kenya.	• Start taking deposits from clients in Pakistan. • Launch DFS app that enables digital loans, payments and savings. • Progress with obtaining Microfinance banking licences in Tanzania and Kenya.

Note: (1) Outstanding loan portfolio ('OLP') includes off-book Business Correspondence ('BC') loans and Direct Assignment loans, and loans valued at fair value through profit and loss ("FVTPL"), excludes interest receivable, unamortised loan processing fees, and deducts ECL reserves from Gross OLP.

Digital transformation update

Building on the success in Pakistan to deliver Ghana and Tanzania roll outs

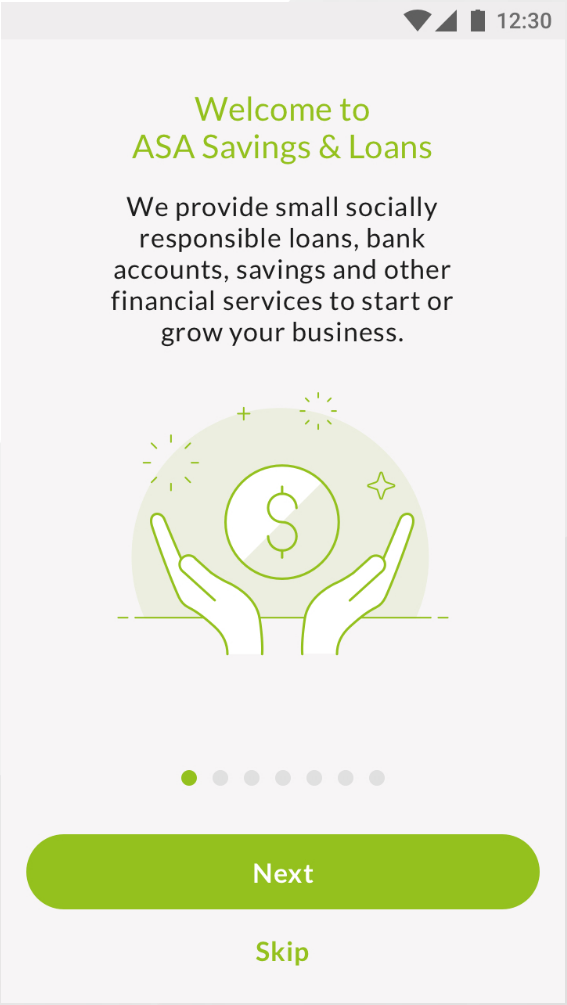
Pakistan – Core Banking System

- Migration of more than 600,000 clients in Pakistan from its incumbent loan system to the Temenos Transact Core Banking System successfully completed in Q1 2024.
- Positions ASA Pakistan to be able to soon commence taking deposits and grow its client base beyond its core group of customers.

Ghana and Tanzania Rollouts

- Team now diligently working on the next crucial stage of the digital transformation journey - rolling out the Core Banking System in both Ghana and Tanzania.
- Both rollouts scheduled for 2025 affecting more than 500,00 clients in both countries.
- Ongoing discussions with the regulators regarding cloud approach vs. local infrastructure – planning already taking into account both outcomes.

Sample Digital Financial Services App



Key highlights and outlook

- **Strong operational performance** delivered in H1 2024.
- **OLP increased** year-on-year by 15%.
- Significantly **improved profitability** with net profit increasing by 267%.
- **High portfolio quality** was maintained alongside OLP growth.
- Total **funding increased** to USD 443.4m.
- Total assets **surpassed the USD 500m** mark.
- Outlook for the remainder of 2024 remains positive - **improved business performance expected** with continued high demand for loans from clients – expect to **exceed** current market consensus.
- **Inflation and hyperinflation** accounting continue to affect financial performance.
- Board continues to monitor the **resumption of the dividend** policy - following FY24 results.


CREATING HOPE.
CHANGING FORTUNES.
ASA
INTERNATIONAL

Group performance

(UNAUDITED) (USD thousands unless otherwise stated)	H1 24	FY 23	H1 23	FY 22	YTD Change	YTD Change (CC)	YoY Change
Profit before tax[(1)]	28,348	32,195	13,815	46,281	76%	94%	105%
Net profit[(1)]	13,481	8,757	3,676	17,887	208%	252%	267%
Cost/income ratio	62%	72%	77%	68%			
Return on average assets (TTM)[(2)]	5.5%	1.8%	1.5%	3.4%			
Return on average equity (TTM)[(2)]	35.9%	10.5%	8.7%	18.5%			
Earnings growth (TTM)[(2)]	267%	-51%	-72%	181%			
OLP	384,568	369,215	334,400	351,151	4%	10%	15%
Gross OLP	394,939	377,219	346,804	367,535	5%	11%	14%
Total assets	520,060	490,027	452,332	489,752	6%		15%
Client deposits [(3)]	75,707	79,073	72,718	84,111	-4%		4%
Interest-bearing debt [(3)]	286,542	268,464	245,314	257,466	7%		17%
Share capital and reserves	81,104	76,611	69,249	89,661	6%		17%

Notes: (1) Profit before tax and net profit for H1 2024 include an IAS 29 hyperinflation adjustments loss of USD 3.5 million, and profit before tax and net profit for H1 2023 excludes hyperinflation adjustments, as hyperinflation accounting was applied for the first time in the FY 2023 consolidated financial statements. YTD percentage change is based on annualising H1 2024 profit before tax and net profit; (2) TTM refers to the previous 12 months; (3) Excludes interest payable.

Group performance (cont'd)

(UNAUDITED) (USD thousands unless otherwise stated)	H1 24	FY 23	H1 23	FY 22	YTD Change	YTD Change (CC)	YoY Change
Number of clients	2,375,114	2,330,498	2,224,542	2,299,558	2%		7%
Number of branches	2,091	2,016	2,073	2,028	4%		1%
Average Gross OLP per client (USD)	166	162	156	160	3%	9%	7%
PAR > 30 days	2.3%	2.1%	3.8%	5.9%			
Client deposits as % of loan portfolio	20%	21%	22%	24%			
Debt-to-equity ratio	3.5	3.5	3.5	2.9			

Intra-group cash flows

Continuous cash flows back to the holding companies

HOLDING COMPANIES

ASA International N.V.
ASA International Holding

- *Equity*
- *Shareholder loans*

Operating Entities

- *Dividends up-streamed*
- *Franchise, management and other service fees*
- *Interest and loan repayments*

- Holding companies provide capital to operating entities and supplement funding with shareholder loans when local or international funding is insufficient or expensive.
- Active dividend and transfer pricing policy to reduce FX exposure and fund the holding entities while maintaining an adequate regulatory capital ratio at the operating entities.
- Ghana, Nigeria, Pakistan, Myanmar and India require prior regulatory approval on dividend and franchise fees which can delay the payments. Only Pakistan is currently experiencing long delays. Regulators in the other eight operating entities do not require prior approval.

South Asia

Clients	Branches	OLP
+1%	-1%	+8%

- **ASA Pakistan** continued to grow its business with the number of clients increased by 0.5% to 618k, and the number of branches remained at 345. OLP increased from USD 69.5m to USD 75.5m (up 8% on a constant currency basis). PAR>30 increased from 0.3% at year-end 2023 to 0.6% at the end of June 2024.
- ASA Pakistan received the Microfinance Banking ('MFB') licence from the State Bank of Pakistan ('SBP') on 24 May 2022.
- **ASA India** continued to intentionally shrink its on-book OLP as it focused on the recovery of overdue loans, leading the on-book OLP to decrease from USD 5m to USD 3m (down 45% on a constant currency basis). PAR>30 increased to 53.0% by 30 June 2024.
- ASA India's number of clients increased by 5% to 193k in H1 2024 and the number of branches was down by 2% to 176, with its portfolio (on-book and off-book) increasing to USD 47.7m. The off-book portfolio in India increased to USD 44.8m (up 17% on a constant currency basis).
- **Lak Jaya**, the Group's operating subsidiary in Sri Lanka, has seen its number of clients decreased to 42k with its number of branches remained at 64 by 30 June 2024. OLP decreased from USD 4.4m to USD 4.3m (down 9% on a constant currency basis). PAR>30 increased to 5.6% by the end of June 2024.

Note: Regional OLP growth rate is in YTD USD.

South East Asia

Clients
+6%

Branches
+7%

OLP
+1%

- **Pagasa Philippines'** number of clients increased by 6% to 352k by 30 June 2024 and the number of branches increased by 30 to 400 with its loan portfolio also increasing from USD 54.2m at year-end 2023 to USD 56.0m at the end of June 2024 (up 9% on a constant currency basis). PAR>30 increased from 3.8% to 4.6%.

- **ASA Myanmar's** number of clients increased by 7% to 119k and the number of branches increased to 89 by 30 June 2024 with its loan portfolio slightly decreasing from USD 19.8m to USD 18.8m (up 12% on a constant currency basis). PAR>30 slightly increased to 0.3%.

Note: Regional OLP growth rate is in YTD USD.

West Africa

Clients
-12%

Branches
+2%

OLP
-16%

- **ASA Savings & Loans'** client numbers decreased 5% to 192k serviced from 150 branches, up by 7 compared to the year-end of 2023. OLP decreased from USD 51.9m to USD 47.5m (up 17% on a constant currency basis). PAR>30 slightly increased from 0.1% to 0.2%.

- **ASA Nigeria's** client numbers reduced by 21% to 146k serviced from 263 branches, and OLP decreased from USD 15.8m at year-end 2023 to USD 7.7m at 30 June 2024 (down 16% on a constant currency basis). PAR>30 improved from 12.1% to 9.0%.

- **ASA Sierra Leone** has seen a decrease in its number of clients from 39k to 37k, serviced from 48 branches. OLP increased from USD 4.6m to USD 5.2m (up 11% on a constant currency basis). PAR>30 increased from 4.6% to 5.7%.

Note: Regional OLP growth rate is in YTD USD.

East Africa

Clients	Branches	OLP
+9%	+8%	+16%

- **ASA Tanzania** expanded its operation as the number of clients increased from 248k to 258k serviced from 211 branches, up by 9. OLP increased from USD 64.7m to USD 67.8m (up 10% on a constant currency basis). PAR>30 increased from 0.9% to 1.3%.
- **ASA Kenya's** number of clients increased from 205k to 238k serviced from 145 branches, up by 13. OLP increased from USD 20.9m to USD 32.2m (up 27% on a constant currency basis). PAR>30 improved from 0.3% to 0.2%.
- **ASA Uganda's** number of clients increased from 121k to 131k serviced from 125 branches, up by 5. OLP increased from USD 13.0m to USD 14.4m (up 9% on a constant currency basis) and PAR>30 improved to 0.5%.
- **ASA Rwanda's** number of clients increased from 20.8k to 21.0k serviced from 37 branches. OLP increased from USD 4.0m to USD 4.2m (up 8% on a constant currency basis) and PAR>30 remained stable at 6.9%.
- **ASA Zambia** expanded its operations, with its number of clients increased from 25k to 27k serviced from 38 branches, up by 7. OLP increased from USD 2.9m to USD 3.3m (up 7% on a constant currency basis). PAR>30 increased from 2.6% at the end of 2023 to 3.2% at the end of June 2024.

Note: Regional OLP growth rate is in YTD USD.

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