

IMPACT REPORT

Q1

2023

Abler Nordic

STORIES FROM THE FIELD

GROWING RESILIENCE THROUGH MEDICAL INSURANCE



HIGHLIGHTS 1Q 2023

Abler Nordic has, as of the first quarter of 2023 (1Q 2023), made direct investments in a total of 29 Financial Service Providers (FSPs) in Sub-Saharan Africa, South Asia, and Southeast Asia. Our current portfolio consists of 19 active investments. In total, Abler Nordic has USD 345 million in aggregated commitments.

GROWTH STEADILY RETURNING

This quarter we are seeing growth rebounding with 14 out of our 19 portfolio companies growing their customer numbers and total assets under management, indicating an increased demand for responsible financial services. Staff numbers are also increasing steadily for many companies, which may correlate to confidence that the growth is here to stay.

OUR CUSTOMERS' VOICES

– 60 DECIBELS MICROFINANCE INDEX 2023

In 2022 Abler Nordic was a founding partner in the very first [60 Decibels Microfinance Index](#), and we are happy to report that we will be continuing our partnership in 2023! This year we're supporting 6 of our portfolio companies across Sub-Saharan Africa and Asia to participate in the global index, with the aim to provide a critical mass of comparable impact outcomes data. In 2022 nearly 18,000 microfinance clients participated, and this year will be even bigger!

“Hearing directly what low-income customers say about their lives—at scale— is the cornerstone of understanding the impact Abler Nordic creates on the ground through our investments. It's also crucial for the financial inclusion sector as a whole to be able to benchmark and clarify the outcomes of different approaches and products. We are thrilled to be participating in this year's 60 Decibels Index with even more of our portfolio companies and are really looking forward to diving into the findings,” said Lone Søndergaard, Abler Nordic's Senior Investment and Impact Manager.

In the second half of 2023 we'll be sharing insights from the global index and our participating portfolio companies. We're excited, stay tuned!

*Preparing Chapatti, Rajasthan, India.
Source: Getty Images*



ABLER NORDIC

Abler Nordic's vision is to contribute to a more inclusive, just and environmentally sustainable society. Our mission is building sustainable financial institutions that enable low-income households in developing countries to create a better future.

Being a public-private-partnership, our investors include the Norwegian and Danish governmental funds for developing countries (Norfund and IFU) and private institutional investors including DNB Livsforsikring, Ferd, KLP, Lauritzen Fonden, PBU, Storebrand, TD Veen and Koldingvej 2, Billund A/S.

We invest equity or debt to support and build up financial service providers (FSPs) in developing countries in Sub-Saharan Africa, South Asia, and Southeast Asia. We target good social and sustainable financial results.

Our investment philosophy is based on active and long-term partnerships. We take board positions and work actively to support growth and professionalization. Furthermore, our Technical Assistance (TA), funded by the Norwegian development agency Norad, supports projects to build institutional and human capacity at the investees.

*Excluding COVID-19 commitments, Abler Nordic has USD ~345 million in aggregated commitments.

GROWING RESILIENCE THROUGH MEDICAL INSURANCE



Product development snapshot



THE CHALLENGE

“I got dengue 5 years ago and my husband had to pay for the medical expenses by borrowing money from his friends,” explains Sunanda, customer of Svasti Microfinance who provide financial services to women living in slum communities in urban and semi-urban areas in India.

Healthcare in slum communities is extremely complex, driven by poverty, environmental challenges and poor access to formal health infrastructure. Sunanda is one of the many Indians working in the informal sector who are particularly vulnerable to the financial burden of health shocks, as historically the cost of medical insurance has been high—and the benefits limited.

THE IDEA

Svasti has recently partnered with insurance providers to design affordable and responsible family medical insurance with high benefits that can be added on to a group loan. Svasti’s customers sit at the bottom of the income pyramid, and the Company increasingly saw the significant financial strain that followed health shocks in the family, which in turn increases the default risk due to loss of income, hospitalisation expenses and other overheads.

“While other Microfinance Companies and Banks offer a similar medical insurance product to their customers, Svasti’s offering stands out because our medical insurance provides three times the benefit that is provided by other competitors. This results in a substantially higher pay-out to our customers at the time of claim settlement, thereby giving them significantly superior protection to deal with medical emergencies,” explains Arunkumar Padmanabhan, CEO

and Co-founder of Svasti. “Svasti has worked hard with our insurance partners to structure this unique product offering to our customers.”

As of April 2023, around 190,000 women have taken out health insurance with Joint Liability Group Loans out of which 1,500 have benefitted through claims.

“We are very proud to have supported Svasti in developing this

highly beneficial medical insurance. The product as it stands today has gone through several iterations before reaching its current design, taking into the account the various pain points faced by our customers when they or their family members have to be hospitalized and its impact on their earning capacity or loss of savings. We are seeing excellent traction now and have several customers vouching for its benefits,” says Smriti Chandra, Investment Director at Abler Nordic.

Sunanda—whose husband had struggled to pay her medical expenses during her bout of Dengue—opted for medical insurance as part of her group loan. “We were informed by our relationship manager about the health insurance and its benefits when we applied for a group loan last year. I recalled how our finances were disrupted because of my dengue treatment & hospitalisation and decided to take the health insurance immediately,” explains Sunanda.

Facts - Svasti Microfinance

| | |
|---|--|
| Country of Operation | India |
| Year Established | 2008 |
| Regulation | Non-Banking Finance Company–Microfinance Institute |
| Mission | To help transform the lives of 10 million women by 2030. |
| Clients | 53.850 |
| Staff | 1.742 |
| Investment: | Abler Nordic first invested equity in 2018 |
| Board seat | Yes |
| Commitment to Client Protection | Yes |
| External Verification of Client Protection and Social Performance | Yes |

Stories of impact

VANDANA RAJESH BHAVE, MEDICAL INSURANCE GIVES FINANCIAL SUPPORT

I work as a domestic helper and my husband has a house renovation business. We live in a joint family of 6 people and have been taking loans from Svasti for 2 years.

I was diagnosed with kidney stones in 2015 and my hospital bill added up to be ₹ 25,000 (~300 USD), at that time. We financed the expense by borrowing money from our relatives and paying that was a big-time struggle for us.

Vandana Rajesh Bhav, Svasti Customer.



At that time, we were not aware of what medical insurance is and never knew our medical expenses could be covered through insurance. But when my neighbour—who is also a Svasti customer—told me about the medical insurance, I insisted on adding it when our second cycle of loan was approved.

A couple of months ago, my husband got into an accident and was hospitalized. Our bill came out to be ₹ 80,000 (~950 USD), I called our relationship manager immediately after my husband’s discharge to claim the Insurance. He guided us to complete the claim process and soon my account was credited for ₹ 33,000 (~400 USD)

It was an immense load off our shoulders, and we will now always take medical insurance cover to act as a financial support to our family during financial crises.

People like me are not aware of health insurance benefits and often look at it as an additional expense. But as my experience taught me, it is a financial support and I will keep encouraging others to take medical insurance.

■ “People like me are not aware of health insurance benefits and often look at it as an additional expense. But as my experience taught me, it is a financial support”

*Vandana Rajesh Bhav,
Svasti customer*

CONTRIBUTION TO THE SDGS

NO POVERTY

Financial Inclusion means having access to basic financial services such as credit, savings, remittances, payment services and insurance. In 2022 Abler Nordic co-financed a global [60 Decibels study](#) of 18,000 microfinance customers, with four of Abler Nordic's portfolio companies participating. 58% of respondents were accessing a loan for the first time and 58% said they could not easily find a good alternative to their microfinance institution.

Credit adapted to clients' needs empowers people to break the vicious circle of poverty through microentrepreneurship. Savings and insurance further reduce vulnerability to fluctuations in income or economic shocks. 74% of respondents in the study say they use their loans for a new or existing business. Of these, 58% say their business income has increased, and 26% say it has 'very much increased'.

Our investees continue to experience stable and solid growth in the number of borrowers. Today, Abler Nordic's 19 direct investees reach a total of 9.6 million borrowers. Nine investees offer savings products and reach a total of 4.2 million depositors. Since inception, Abler Nordic has cumulatively supported 12.3 million borrowers.

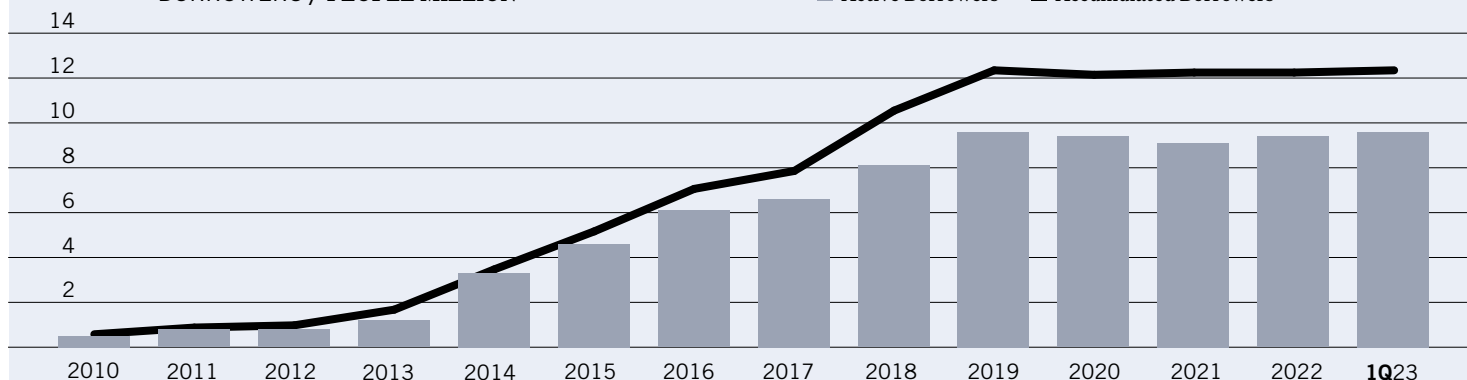


9.6
million
borrowers
reached.



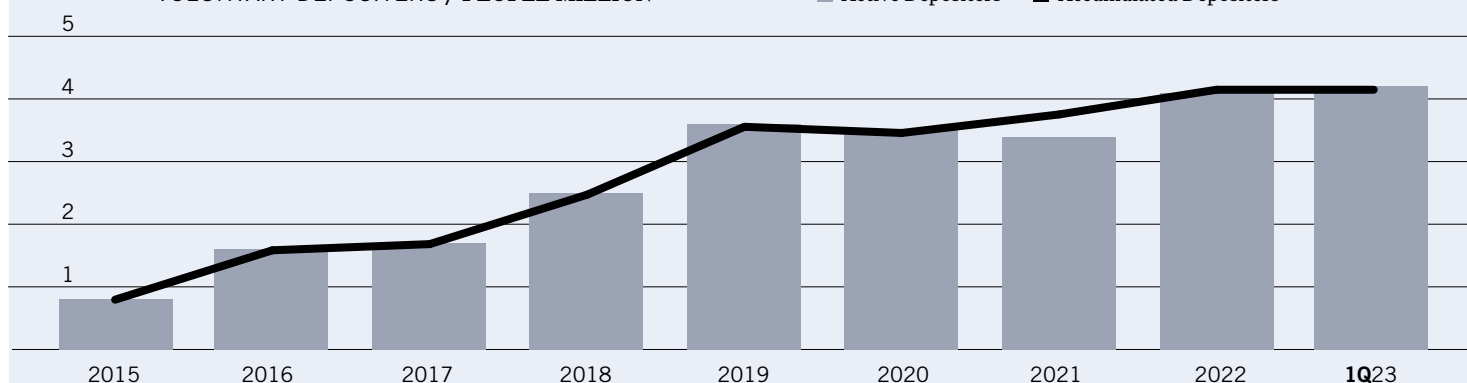
BORROWERS / PEOPLE MILLION

■ Active Borrowers ■ Accumulated Borrowers



VOLUNTARY DEPOSITORS / PEOPLE MILLION

■ Active Depositors ■ Accumulated Depositors



FINANCIAL INCLUSION IS PART OF THE SOLUTION

Between 2011 and 2021, the share of the world's adult population that had access to formal financial services rose from 51% to 76%, however 1.4 billion people remain unbanked (*Global Findex 2021*). Financial inclusion and microfinance are parts of the solution, contributing to UN Sustainable Development Goals (SDG).

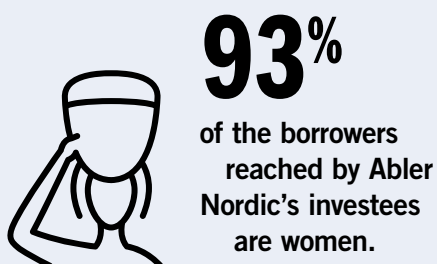


GENDER EQUALITY

The financial empowerment of women is a crucial factor in achieving gender equality and independence.

Today, 93% of the borrowers reached by Abler Nordics's direct investees are women, and 64% of depositors are women. 47% of small and medium-sized enterprise (SME) loans are extended to women.

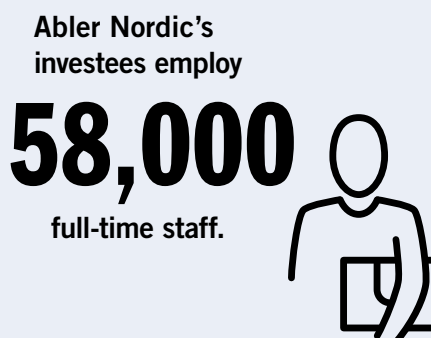
Women often face systemic barriers in accessing traditional, formal financial products. In the 60 Decibels study, 62% of women report that they could not easily find a good alternative to their MFI, compared to 53% of men. The difference is largest in Sub-Saharan Africa; while the global gap between women and men is 9 percentage points, this gap grows to 17 and 22 percentage points, respectively, in East and West Africa.



DECENT WORK AND ECONOMIC GROWTH

We invest in institutions providing access to financial services and microfinance loans - fueling both entrepreneurship and growing existing micro and small businesses. Credit is extended to 8.8 million clients with the specific purpose of supporting income-generating activities, empowering low-income borrowers to create self-employment opportunities.

The institutions in which Abler Nordic invests are important local employers. Abler Nordics's portfolio companies employ 58,213 full-time staff as of this quarter, and 23,858 new jobs have been created at the institutions over the period when Abler Nordic has been invested.



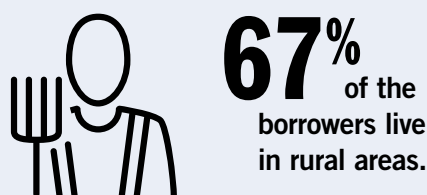
REDUCE INEQUALITY

Empowerment of the so-called "Bottom of Pyramid" population in developing countries, e.g., promoting and supporting self-employment and microentrepreneurship, is pivotal to reducing inequity. Abler Nordics's 19 portfolio companies extend the equivalent of USD 6.5 billion as microfinance loans to support income-generating activities at the Bottom of the Pyramid. The loan sizes range from approximately USD 250 to USD 6,000.

Particularly, women and the rural poor lack access to financial services that could empower them to work their way out of poverty and reduce inequality. We, therefore, track our ability to reach these groups with the investments we make.

Abler Nordic invests where we believe we can achieve the biggest social impact alongside sustainable financial returns. Geographically, 25% of our portfolio is invested in Sub-Saharan Africa, 41% in South Asia, 34% in Southeast Asia.

Since 2008, USD 67.4 million or 33% has been invested in what the SDG's define as Least Developed Countries, specifically in Cambodia, Mali, Myanmar, Rwanda, Senegal, Tanzania and Uganda.





TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Abler Nordics’s portfolio includes several companies with triple bottom line approaches and commitments to sustainable climate solutions. Many of our portfolio companies offer climate-friendly products such as solar lamps, pay-as-you-go energy solutions, water & sanitation solutions, and crop loans for diversification of farming. USD 2.0 billion agri-loans that are specifically adapted to the crop produced or the livestock raised, are extended by Abler Nordics’s companies.

In 2019, we established a Climate Smart Fund (CSF) with support from the Norwegian Ministry of Climate and Environment. Through loans and agricultural training, CSF seeks to make Indonesian smallholder farmers intensify work on their existing farmland instead of further encroaching on rainforests through slash and burn agriculture.



Abler Nordic’s Climate Smart Fund, established in 2019, focuses on reducing de-forestation in Indonesia.



PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

Abler Nordic is a public-private partnership, with an investor split between public and private capital of 40/60 (in Fund IV, our most recent fund). Abler Nordics’s investment philosophy is based on active, long-term partnerships with investees and focused on achieving both social and financial goals. Abler Nordic requires board seats in all equity investments and currently holds 15 board seats.



The Abler Nordic TA Facility has supported 55 capacity-building projects.

Abler Nordic administers a public-funded Technical Assistance (TA) facility, which supports investees to build capacity in areas where they are weak. To date the TA facility has supported 55 capacity-building projects.

Furthermore, Abler Nordics’s public-funded foreign exchange facilities enables local currency funding where hedging conditions otherwise would prohibit such investments. The facility has been instrumental in securing debt and equity investments of ~USD 111.6 million across seven currencies since inception.

Village life on the edge of the forest, Kalimantan, Indonesia.



SOURCE: GETTY IMAGES

SPOTLIGHT ON FINANCIAL MANAGEMENT

Abler Nordic was a founding partner in the 2022 60 Decibels Microfinance Index, a large-scale customer survey driven by over 18,000 end-customer voices from 72 microfinance institutions (MFIs) across the globe. Abler Nordic supported four of our portfolio companies in participating in the index—Juhudi Kilimo in Kenya, Dvara KGFS and Sindhuja in India, and Prasac in Cambodia.

60 Decibels spoke directly to our investees’ end-customers, with 35 questions based on core impact themes. We encourage you to check out the [index and full report](#), but below are some of the key insights from the important theme of ‘financial management’.

IF CLIENTS USE THEIR LOAN FOR A BUSINESS PURPOSE, THEY ARE MORE LIKELY TO SEE BETTER FINANCIAL MANAGEMENT OUTCOMES

MFI clients who use their loan for a business have better outcomes across all four indicators in the 60dB Financial Management dimension: understanding their loan terms and conditions, their ability to manage finances, stress related to finances, and their repayment burden. These business owners’ financial management results are at least 10 percentage points higher across each of these four dimensions, the greatest difference being 16 percentage points. When comparing clients using loans for business purposes to those who are not, they are more likely to say; they understand their loan terms and conditions, have increased their ability to manage their finances, their stress about finances has improved, and their repayments are ‘not a problem’.

CLIENTS OF MFIS THAT PRIMARILY ENGAGE IN GROUP LENDING ARE MORE LIKELY TO SAY THEY UNDERSTAND THEIR LOAN TERMS AND CONDITIONS

While the majority of clients (67%) say they ‘strongly agree’ that they understand their loan terms and conditions, clients of primarily group lending MFIs report they are more likely to understand their loan terms and conditions (72%) com-

pared to individual lending clients (67%). One hypothesis is that clients rely on both the microfinance institution and their groups to understand their loan terms and conditions. It’s also possible that group lending organizations are more likely to require training prior to loan disbursement.



SOURCE: ABLER NORDIC

Sindhuja customer making repayments, Saiyan, India.

WOMEN BORROWERS HAVE TRADITIONALLY DEMONSTRATED HIGHER REPAYMENT RATES COMPARED TO MEN

This is consistent with our data about how women clients perceive their loan repayments: 73% of women borrowers say that their loan repayments are ‘not a problem’ compared to 67% of men. Among all other financial management indicators—loan understanding, stress about finances, and ability to manage finances—women borrowers report similar outcomes to men. Among both men and women borrowers, 22% say their ability to manage their finances ‘very much increased,’ 35% say their stress about finances has decreased because of the MFI loan, and 67% of clients say they understand their loan terms and conditions, with no notable differences between men and women.

60 _ decibels

CLIENT PROTECTION AND SOCIAL PERFORMANCE

MAKING A SOCIAL MISSION A REALITY

Strong commitment to client protection and a willingness to further develop good Social Performance management practices—how an organization works to make their social mission a reality—is a pre-requisite for Abler Nordic’s investment. Our approach is described in [our Social Performance Framework](#), which is based on recognized industry standards.

Our Technical Assistance facility, which helps investees build capacity in areas that need strengthening, can support the external evaluation of a portfolio company’s social performance and client protection practices. External evaluation verifies what has been implemented and helps identify areas for further improvement.

CLIENT PROTECTION

Protecting clients is crucial to building a responsible and inclusive financial system. We have committed to the Client Protection Standards (CPS) and are supporting our investees through the process of committing to the CPS. 63% of our portfolio companies hold a valid external verification of social performance management or client protection practices—either a social audit/rating or CPS assessment conducted by an external rating agency.

KEY PERFORMANCE INDICATORS

We track key performance indicators each quarter at investee and portfolio level to give us insight into how much customers are paying, which target group is reached and whether social and financial return is balanced.

The company’s strategic focus, their chosen target group and the country’s general market conditions affects the types of loan given, as well as the average loan size and the financial and operational cost.

Portfolio yield as a percent of gross loan portfolio (GLP), is a proxy for the effective interest rate (EIR) paid by credit clients. EIR differs among target groups, product types and geographies. Prior to investing, we benchmark EIR in the market to ensure interest rates are responsible and continue to monitor closely.

Average loan size and the percentage of group / individual loans

tells us about which target group in each region has been reached.

On the following pages (9, 10 & 11) you’ll find a snapshot of some of our key performance indicators per region.

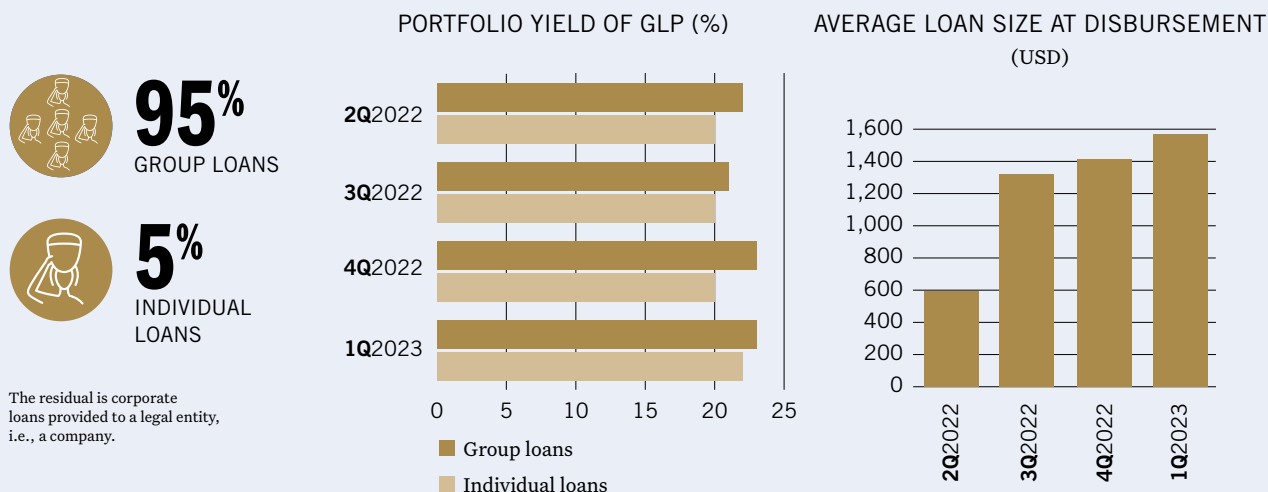
Lotus harvesting, Cambodia.



SOURCE: GETTY IMAGES

SOUTH ASIA

In South Asia, we currently only have investments in India, which is in itself a large and diversified market. The Indian financial inclusion market is highly regulated, and only investees regulated as Small Finance Banks (SFBs) may offer deposit services. The products offered and the methodology used are relatively standardized across the sector. The target group of the traditional microfinance sector is women, and non-collateralized Joint Liability Group loans are the core product. However, the industry is developing rapidly both in terms of digitalizing processes and expanding the product range.



Note 1Q 2023: Portfolio yield, which is a proxy for the effective interest rate paid by credit clients, has increased over in the past couple of quarters. This mainly relates to the general increasing interest rates in the Indian market and new RBI guidelines. Note 2022: The increase in average loans size since 3Q 2022 is caused by Sitara's data having been added from this quarter forward. As an Affordable Housing Finance Company, Sitara provides home loans, primarily for home improvement. The average loan size is USD 6000.

Banana harvest, India.



SOURCE: PEXELS

SOUTHEAST ASIA

We currently hold investments in Cambodia, Indonesia, and Myanmar. The financial inclusion sectors look somewhat different in these three countries. In Cambodia, the target group is typically small and medium-sized enterprises (SME) and credit is offered as individual loans. Therefore, the average loan size is higher, and portfolio yield lower. In Indonesia and Myanmar, the target groups are microentrepreneurs. The average loan size is small, and the portfolio yield, therefore, also higher.



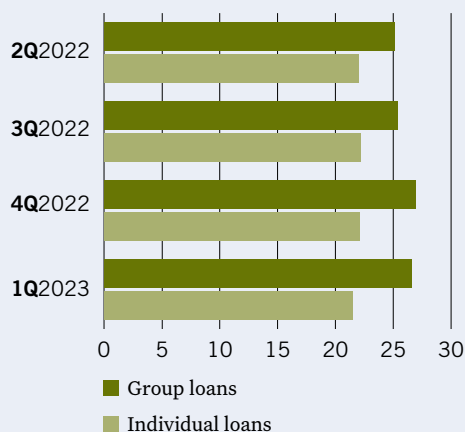
46%
GROUP LOANS



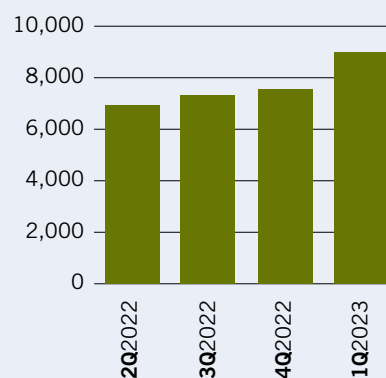
53%
INDIVIDUAL LOANS

The residual is corporate loans provided to a legal entity, i.e., a company.

PORTFOLIO YIELD OF GLP (%)



AVERAGE LOAN SIZE AT DISBURSEMENT (USD)



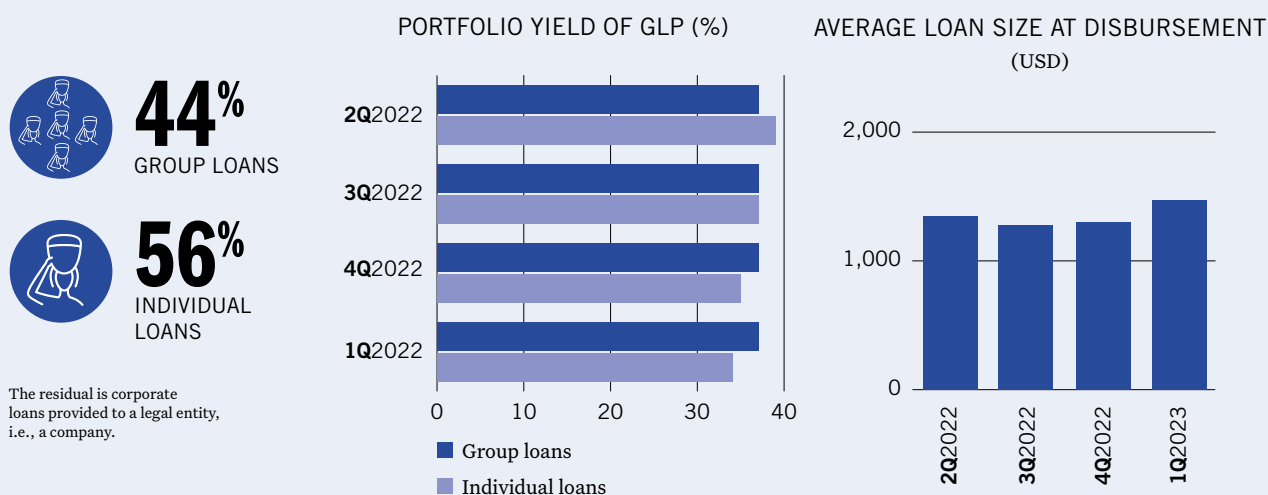
Handicrafts, Java, Indonesia.



SOURCE: GETTY IMAGES

SUB-SAHARAN AFRICA

We currently hold investments in Kenya, Uganda, Senegal and in a holding company with subsidiaries in 10 African countries. The financial inclusion sector in Africa offers both individual and group loans. To mitigate risks, financial service providers (FSPs) usually require customers with no credit history to provide small savings as cash collateral prior to receiving a loan. Average loan sizes and portfolio yield depend on the products offered.



Note 1Q 2023: Baobab Group is not included in the graph depicting portfolio yield. Baobab has ten subsidiaries in Sub-Saharan Africa and China. Portfolio yield matches product types and market terms in the country of operation.

Collecting shellfish, Senegal.



SOURCE: GETTY IMAGES

PORTFOLIO QUALITY AND RISK OF OVERINDEBTEDNESS

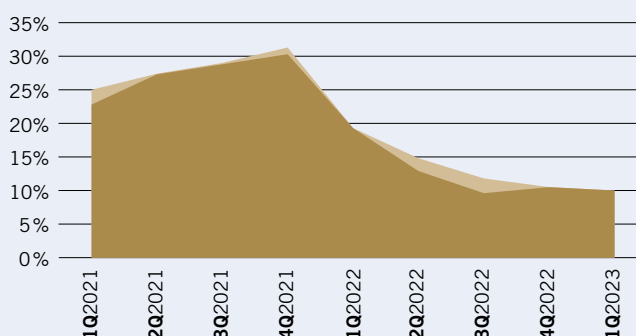
Portfolio at risk (PAR) measures whether customer loans have been repaid on time. When loans are not repaid on time it is because customers are unable to pay—this could be because they do not have the capacity and are over-indebted or, in some instances, unwillingness to repay.

- **PAR 30** shows loans where the customer is more than 30 days behind on payments
- **Write-off** shows how much of the loan the financial institution expects not to recover

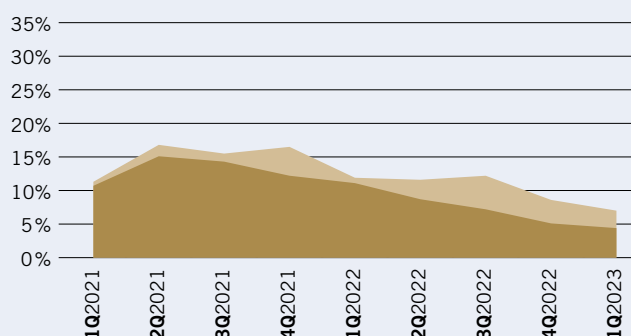
Average PAR levels differ by market and type of loan (group/individual). We monitor developments in PAR 30 and write-offs at both investee and portfolio level.

SOUTH ASIA

INDIVIDUAL LOANS ■ PAR >30 ■ WRITE-OFFS

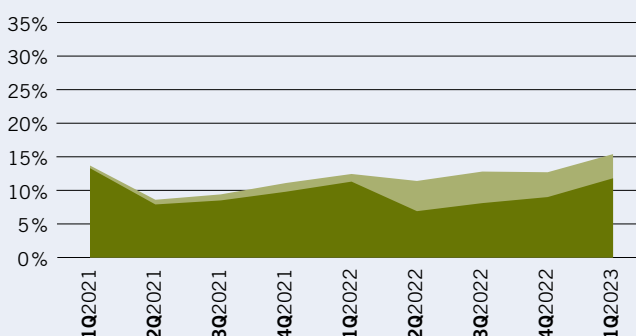


GROUP LOANS ■ PAR >30 ■ WRITE-OFFS

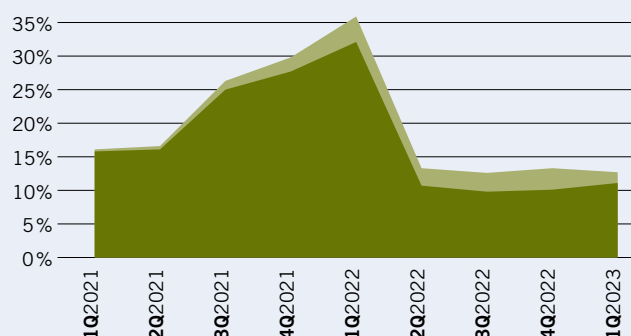


SOUTHEAST ASIA

INDIVIDUAL LOANS ■ PAR >30 ■ WRITE-OFFS

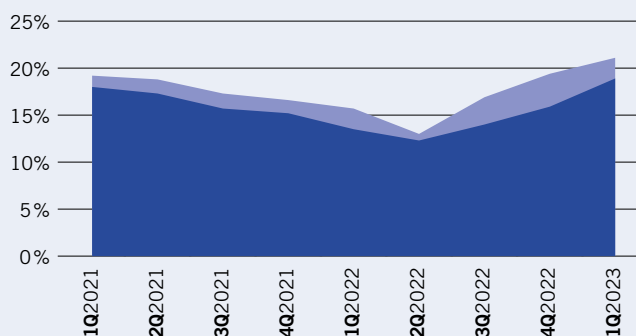


GROUP LOANS ■ PAR >30 ■ WRITE-OFFS

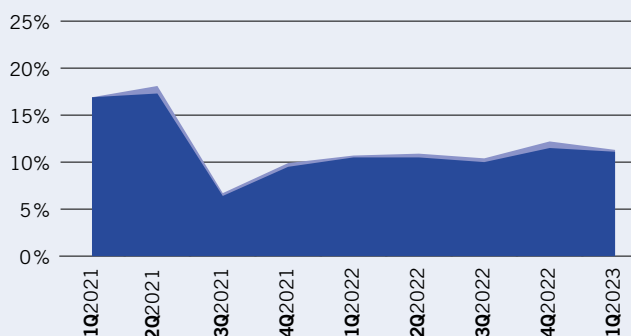


SUB-SAHARAN AFRICA

INDIVIDUAL LOANS ■ PAR >30 ■ WRITE-OFFS



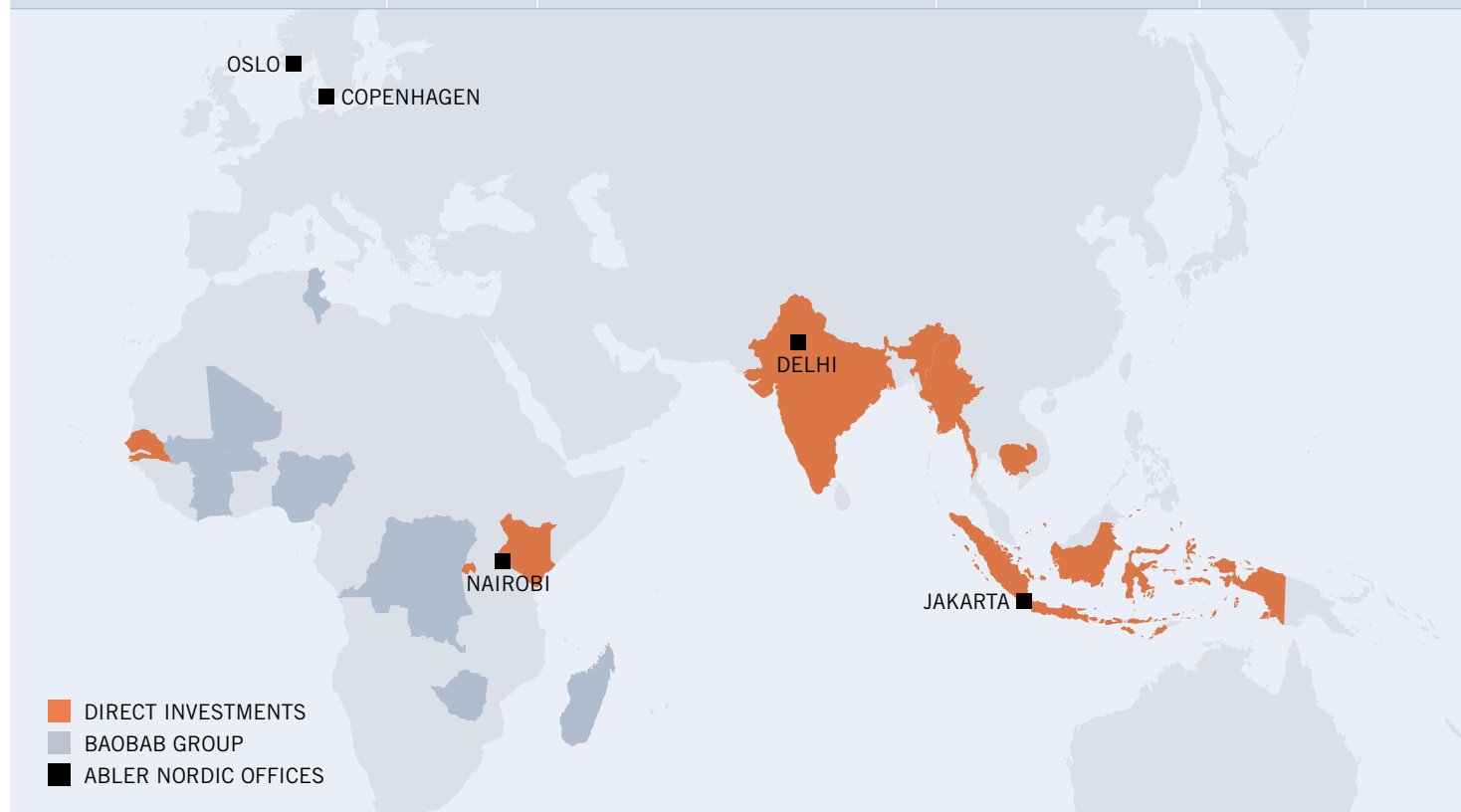
GROUP LOANS ■ PAR >30 ■ WRITE-OFFS



Note 1Q 2023: PAR30 has increased in South-East Asia both for individual loans and group loans. This is mainly caused by reported increase in PAR in Myanmar, where clients are heavily impacted by the situation in the country. PAR30 for individual loans in Sub-Saharan Africa also increased, this is mainly caused by one investee experiencing challenges in their business model.

ABLER NORDIC PORTFOLIO 1Q 2023

| COMPANY NAME | COUNTRY | CATEGORY OF INSTITUTION | OUTREACH ACTIVE BORROWERS ('000) | INVESTMENT INSTRUMENT | BOARD SEATS |
|---------------------------------|-----------|------------------------------------|----------------------------------|-----------------------|-------------|
| Sindhuja Microcredit | India | NBFC-MFI | 260 | Equity | Yes |
| Dvara KGFS | India | NBFC | 515 | Equity | Yes |
| Light Microfinance | India | NBFC-MFI | 390 | Equity | Yes |
| Satin Creditcare Network | India | NBFC-MFI | 2,683 | Equity | Yes |
| North East Small Finance Bank | India | Small Finance Bank | 403 | Equity | Yes |
| Sub-K IMPACT Solutions | India | BC-Company | 251 | Equity | Yes |
| Svasti Microfinance | India | NBFC-MFI | 399 | Equity | Yes |
| Utkarsh Small Finance Bank | India | Small Finance Bank | 2,491 | Equity | Yes |
| Sitara | India | Affordable Housing Finance Company | 17 | Equity | Yes |
| Proximity Finance | Myanmar | Non-Deposit-Taking MFI | 199 | Equity | Yes |
| PT Bina Artha Ventura | Indonesia | Non-Deposit-Taking MFI | 467 | Debt | No |
| Sathapana Bank | Cambodia | Bank | 117 | Debt | No |
| PRASAC Microfinance Institution | Cambodia | Deposit-Taking MFI | 515 | Debt | No |
| LOLC Cambodia | Cambodia | Deposit-Taking MFI | 343 | Debt | No |
| Juhudi Kilimo | Kenya | Non-Deposit-Taking MFI | 60 | Equity | No |
| Kenya Microfinance Bank | Kenya | Microfinance Bank | 277 | Equity | Yes |
| Tugende | Uganda | Leasing | 17 | Debt | No |
| Baobab Senegal | Senegal | Deposit-Taking MFI | Included in Baobab Holding* | Equity | Yes |
| Baobab Group | Global | Holding Company | 222 | Equity | Yes |



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