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23 SEPTEMBER 2019

ASA International Group plc reports interim results for the half-year ended 30 June 2019

Solid operational progress continues in line with expectations

ASA International Group plc (LSE: ASAI), one of the world's largest international microfinance institutions, today announces its half year results for the six-month period from 1 January to 30 June 2019.

Key performance indicators

(In USD millions)	H12019 (UNAUDITED)	FY2018 (UNAUDITED)	H12018 (UNAUDITED)	YoY	YTD	YoY % Change (constant currency)
Number of clients	2.3	2.2	2.0	*15%*	*6%*	
Number of branches	1,812	1,665	1,557	*16%*	*9%*	
Net profit	16.1	24.5	8.5	*89%*		*109%*
Normalised net profit [(1)]	16.1	32.4	16.4	*-2%*		*8%*
Outstanding Loan Portfolio ("OLP") [(2)]	419.5	378.5	347.4	*21%*	*11%*	*29%*
PAR > 30 days[(3)]	*1.0%*	*0.6%*	*0.4%*			

(1) Adjusted for one-off items. For 2018, these mainly relate to IPO costs.

(2) Includes off-book Business Correspondence loans and excludes interest receivable and the unamortized loan processing fee

(3) PAR>30 is the percentage of OLP that has one or more instalment of repayment of principal past due for more than 30 days divided by the total outstanding gross loan portfolio.

Highlights

- Trading and outlook are broadly in line with expectations
- OLP/client averaged USD 181, up by 5% YoY despite substantial currency depreciation in Pakistan and Ghana (OLP/client up 12% in constant currency YoY)
- South Asian operations delivered better than expected operating and financial performance despite the continued weakening of the PKR vis-á-vis USD as well as slowdown of growth in Sri Lanka
- Financial performance in West Africa and South East Asia was below expectations mainly due to worse than expected depreciation of GHS and slower than expected growth in Nigeria and the Philippines
- East Africa delivered higher than expected operating and financial performance in both local currency and USD, reaffirming our confidence in this region as a major future profit generator for the Group
- Investments in IT infrastructure continued, supporting the rollout of our proprietary ASA Microfinance Banking System (AMBS), and is expected to be completed by year-end 2019, in preparation for the gradual introduction of digital financial services across our branch network
- Operations in Zambia started in January 2019, in line with our strategy to explore opportunities for expansion in other Asian and African countries over time

Dirk Brouwer, Chief Executive Officer of ASA International, commented:

"In the first half of 2019, we maintained our positive operating and financial performance. With the exception of a slower growth rate in West Africa, primarily due to customary seasonality effects, we have continued to see strong branch, client and loan portfolio growth across most of our markets. In particular, East Africa continues to perform well with higher than expected operational and earnings growth."

"As expected, currency movements continue to have an impact on our USD performance, however, we remain focused on our long-term growth strategy by growing our loan portfolio, expanding our geographical footprint, aligning growth in assets and liabilities, as well as enhancing our digital platform. As a result, we look forward to continued growth with confidence."

Audio webcast and conference call

Management will be hosting a live audio webcast and conference call today at 13:30 (BST).

To access the audio webcast, please use the following link: https://brrmedia.news/ffzu3

To dial into the conference call, please use the details below:

Location	Phone Number
United Kingdom, Local	+44 (0)330 336 9411
Netherlands, Amsterdam	+31 (0)20 703 8261
India, Mumbai	+91 (0)22 6001 6430
Singapore, Singapore	+65 6320 9075
United States, Denver	+1 720-543-0302

Confirmation Code: 5580238

Interim Financial Statements for the period ended 30 June 2019 will be available on: https://www.asa-international.com/investors/results-reports-presentations/

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About ASA International

ASA International is one of the world's largest international microfinance institutions, with a strong and well-established commitment to improving financial inclusion and enabling socioeconomic progress. The company does this by providing small, responsible loans to low-income, financially underserved entrepreneurs and business owners, most of whom are women, across its operations in South Asia, South East Asia, West and East Africa.

CHIEF EXECUTIVE OFFICER'S REVIEW:

I am pleased to report overall solid operational performance during the first half of 2019, with growth in branches, clients and our loan portfolio broadly in line with previous guidance. USD earnings are somewhat behind expectations, which is partly due to larger than expected currency headwinds affecting two of our largest markets, Ghana and Pakistan.

Regional Performance

East Africa performed particularly well again during the period, with strong growth across metrics in all four markets, outperforming our expectations. Zambia also made a good start to the year by opening six branches and gaining more than 3,000 clients during its first six months of operation.

Operational performance in West Africa, South Asia and South East Asia was broadly in line with expectations with variations at individual country level. In India, we have taken active steps to respond to signals that the North Eastern Indian market is at risk of overleveraging. Whilst we are growing, our loan officers are motivated not to overleverage their clients and very much focus on a high portfolio quality.

In Sri Lanka, the previously reported nationwide deterioration of credit discipline due to the debt relief programme, political activism and aggressive lending practices by unregulated lenders has been further aggravated by the Easter Sunday bombings, which has led to a substantial increase in overdue payments. As a result, management has been strongly focused on client retention, ensuring we lend to high quality customers and tightening cost control. Sri Lanka accounts for only 2.4% of our loan portfolio.

Investment in operations

Our major investment in IT, which has involved almost doubling the size of the department over the last year, is starting to pay off. We expect to complete the roll-out of our proprietary real-time ASA Microfinance Banking System (AMBS) in all subsidiaries before the end of the year. This will provide us with the infrastructure to gradually roll out digital financial services to our clients, such as doorstep banking, digital disbursements and collections. Concurrently, we are further strengthening the cybersecurity of our systems.

Regulation

We are pleased to have received the approval from the Nigerian Central Bank for ASHA Microfinance Bank to absorb our microfinance operations held by our Nigerian NGO. This will substantially improve the capital efficiency of our operations in Nigeria. In addition, we believe that we are inching towards receiving preliminary approval from the State Bank of Pakistan for transforming our non-deposit taking lending company into a nationwide microfinance bank, which will give us the ability to attract savings from our lending clients as well as the public.

Dividend

In accordance with our existing 30% dividend pay-out ratio, no interim dividend will be paid. The 2019 dividend will be paid following next year's AGM.

GROUP FINANCIAL PERFORMANCE

(UNAUDITED) (In USD thousands)	H12019	FY2018	H12018	YoY	YTD	YoY % Change (constant currency)
Net profit	16,133	24,454	8,519	*89%*		*109%*
Normalised net profit [1]	16,133	32,352	16,443	*-2%*		8%
Cost/income ratio [1]	*61%*	*55%*	*54%*			
Return on average assets (TTM) [1]	*6.7%*	*7.3%*	*8.1%*			
Return on average equity (TTM) [1]	*36.0%*	*37.7%*	*39.0%*			
Earnings growth (TTM) [1]	*-2%*	*20%*	*28%*			
OLP [2]	419,493	378,468	347,420	*21%*	*11%*	*29%*
Total assets	517,884	473,055	441,487	*17%*	*9%*	
Client deposits [3]	69,395	63,944	55,949	*24%*	*9%*	
Interest-bearing debt [3]	298,093	277,137	275,842	*8%*	*8%*	
Share capital and reserves	92,943	88,548	84,872	*10%*	*5%*	
Number of clients	2,313,305	2,174,116	2,012,546	*15%*	*6%*	
Number of branches	1,812	1,665	1,557	*16%*	*9%*	
Average outstanding loan per client (USD)	181	174	173	*5%*	*4%*	*12%*
PAR > 30 days	*1.0%*	*0.6%*	*0.4%*			
Client deposits as % of loan portfolio	*17%*	*17%*	*16%*			

Regional performance

South Asia

(UNAUDITED) (In USD thousands)	H12019	FY2018	H12018	YoY	YTD	YoY % Change (constant currency)
Net profit	7,493	14,872	7,763	*-3%*		*11%*
Normalised net profit (1)	7,493	15,200	7,763	*-3%*		*11%*
Cost/income ratio (1)	*49%*	*45%*	*43%*			
Return on average assets (TTM) (1)	*6.5%*	*7.1%*	*7.3%*			
Return on average equity (TTM) (1)	*33.2%*	*35.3%*	*36.8%*			
Earnings growth (TTM) (1)	*-3%*	*27%*	*21%*			
OLP (2)	234,869	211,470	204,719	*15%*	*11%*	*26%*
Total assets	238,720	213,570	217,898	*10%*	*12%*	
Client deposits (3)	1,198	73	83	*1343%*	*1541%*	
Interest-bearing debt (3)	174,728	156,707	166,501	*5%*	*11%*	
Share capital and reserves	48,972	47,314	41,047	*19%*	*4%*	
Number of clients	1,135,004	1,053,889	1,003,383	*13%*	*8%*	
Number of branches	699	638	601	*16%*	*10%*	
Average outstanding loan per client (USD)	209	202	205	*2%*	*3%*	*11%*
PAR > 30 days	*1.1%*	*0.8%*	*0.7%*			
Client deposits as % of loan portfolio	*1%*	*0%*	*0%*			

(1) Adjusted for one-off items

(2) Excludes interest receivable and the unamortized loan processing fee

(3) Excludes interest payable

USD reported earnings were negatively affected by the substantial currency depreciation that continued in Pakistan (PKR down 17% against USD) and partly offset by stable currencies in India (INR up 1*%* against USD), and Sri Lanka (LKR up 4% against USD).

- Net profit down 3% YoY (11% up YoY on a constant currency basis)
- OLP up 15% YoY (26% up on a constant currency basis), which is lower than expected due to higher than expected depreciation of PKR relative to the USD
- Number of clients crossed 1.1 million, up 13% YoY
- Number of branches up 16% YoY
- OLP/Client in USD up by 2% YoY (up 11% on a constant currency basis)
- The quality of the loan portfolio declined with PAR>30 increasing from 0.8% to 1.1% YTD
- Cost/Income ratio increased by *626 bps* to 49% YoY due to (i) increased funding costs in Pakistan resulting from higher hedging cost associated with the substantial currency depreciation as well as an increase in benchmark interest rates and (ii) lower than expected operating and financial performance in Sri Lanka in the aftermath of last year's government's debt relief programme and the Easter Sunday bombings this year
- Return on average assets was down *75 bps* to 6.5% YoY due to (i) the higher proportionate growth of the Indian operations, (ii) temporary over-capitalization and excess liquidity in Pakistan related to the

microfinance bank application and (iii) reduced USD profitability in Pakistan due to a combination of increased cost of hedging USD-denominated debt and a substantial increase in the Kibor rate

- Return on average equity down by *353 bps* to 33.2% YoY

India

ASA India continued to expand its operations but at a slower pace than initially planned due to the signals we received that the North Eastern Indian market is at risk of overheating:

- Number of clients up from 545k to 639k (up 17% YoY)
- Number of branches up from 281 to 352 (up 25% YoY), which is expected to fuel continuing high growth in the second-half of 2019
- OLP up from INR 6.5bn (USD 95m) to INR 8.3bn (USD 120m) (up 27% in INR YoY)
- Off-book portfolio up from INR 2.3bn (USD 33.2m) to INR 3.1bn (USD 45.5m) (up 38% in INR)
- OLP/Client up from INR 12.4K (USD 237) to INR 13.2K (USD 261) (up 7% in INR), while PAR>30 remained stable at 0.7%, which is an excellent achievement in this relatively competitive market
- ASA India continues to benefit from its strong business correspondent relationship with IDFC First Bank and the ongoing support of its many local and international lenders

Pakistan

ASA Pakistan continued to expand its operations at a good pace despite the presently difficult economic environment:

- Number of clients up from 387k to 429k (up 11% YoY)
- Number of branches up from 256 to 276 (up 8% YoY)
- OLP up from PKR 8.2bn (USD 67.5m) to PKR 9.8bn (USD 60.2m) (up 19% in PKR YoY)
- OLP/Client up from PKR 21K (USD 175) to PKR 23K (USD 141) (up 8% in PKR YoY)
- PAR>30 increased slightly from 0.3% to 0.6% YTD
- Despite the substantial devaluation of the PKR (down 17% YTD), ASA Pakistan's operating and financial performance in PKR was in line with expectations in terms of interest income and operating expenses, with the exception of funding costs, which increased due to a substantial increase in the KIBOR rate and higher hedging costs

Sri Lanka

Lak Jaya Micro Finance was impacted by the ongoing challenging political and regulatory environment:

- Number of clients up from 70k to 67k (down 5% YoY)
- Number of branches up from 64 to 71 (up 11% YoY)
- OLP up from LKR 1.3bn (USD 8.5m) to LKR 1.6bn (USD 9.1m) (up 19% in LKR YoY)
- OLP/Client up from LKR 20K (USD 123) to LKR 26K (USD 145) (up 31% in LKR YoY)
- PAR>30 materially increased from 4.1% to 10.0% YTD due to eroded clients' repayment habits and discipline
- In addition, the introduction of an interest rate cap of 35% for microfinance companies is expected to reduce the profitability of the business in the short term. However, over time the ability to mobilize substantial savings with the new deposit-taking MFI license is expected to offset this.
- In view of the difficult market circumstances, management is primarily focused on client retention, cost control and improving the portfolio quality at this time

South East Asia

(UNAUDITED) (In USD thousands)	H12019	FY2018	H12018	YoY	YTD	% Change (constant currency)
Net profit	2,279	3,881	1,667	*37%*		*33%*
Normalised net profit [(1)]	2,279	3,881	1,667	*37%*		*33%*
Cost/income ratio [(1)]	*78%*	*75%*	*76%*			
Return on average assets (TTM) [(1)]	*4.5%*	*4.4%*	*4.7%*			
Return on average equity (TTM) [(1)]	*27.7%*	*25.1%*	*25.4%*			
Earnings growth (TTM) [(1)]	*37%*	*11%*	*29%*			
OLP [(2)]	72,986	62,118	54,605	*34%*	*17%*	*34%*
Total assets	111,074	95,015	86,757	*28%*	*17%*	
Client deposits [(3)]	20,496	17,801	16,585	*24%*	*15%*	
Interest-bearing debt [(3)]	64,558	54,306	47,558	*36%*	*19%*	
Share capital and reserves	15,986	15,353	16,411	*-3%*	*4%*	
Number of clients	468,424	442,254	425,735	*10%*	*6%*	
Number of branches	395	369	356	*11%*	*7%*	
Average outstanding loan per client (USD)	157	141	129	*21%*	*11%*	*21%*
PAR > 30 days	*0.9%*	0.5%	0.2%			
Client deposits as % of loan portfolio	*28%*	29%	30%			

[(1)] Adjusted for one-off items

[(2)] Excludes interest receivable and the unamortized loan processing fee

[(3)] Excludes interest payable

Strong operating performance in our Myanmar and Philippines operations, with the latter benefiting from the elimination of the obligation to charge VAT on interest income. Both countries performed in line with net profit expectations

- Net profit up 37% YoY (33% up on a constant currency basis)
- OLP up 34% YoY (34% up on a constant currency basis)
- Number of clients up 10% YoY
- Number of branches up 11% YoY
- OLP/Client in USD up by 21% YoY
- PAR>30 up from 0.5% to 0.9% YTD
- Cost/Income ratio slightly increased to 78%
- Return on average assets is stable at 4.5%
- Return on average equity increased to 27.7%

The Philippines

Pagasa Philippines Finance Company, Inc. (“PPFCI”) continued to gradually expand:

- Number of clients up from 305k to 324k (up 6% YoY)
- Number of branches up from 284 to 307 (up 8% YoY)
- OLP up from PHP 1.9bn (USD 35.6m) to PHP 2.4bn (USD 46.2m) (up 24% in PHP YoY)

- OLP/Client up from PHP 6.3K (USD 117) to PHP 7.3K (USD 143) (up 17*%* in PHP*)*
- PAR>30 increased from 0.4% to 1.1% YTD

Myanmar

ASA Myanmar achieved strong client and branch growth, increasing:

- Number of clients up from 121k to 144k (up 20% YoY)
- Number of branches up from 72 to 88 (up 22% YoY)
- OLP up from MMK 26.7bn (USD 19.0m) to MMK 40.7bn (USD 26.8m) (up 52% in MMK YoY)
- OLP/Client up from MMK 223K (USD 158) to MMK 284K (USD 186) (up 28*%* in MMK YoY)
- PAR>30 improved slightly from 0.6% to 0.5%

West Africa

(UNAUDITED) (In USD thousands)	H12019	FY2018	H12018	YoY	YTD	YoY % Change (constant currency)
Net profit	7,029	16,872	6,897	*2%*		*9%*
Normalised net profit (1)	6,674	16,484	6,897	*-3%*		*9%*
Cost/income ratio (1)	*47%*	*38%*	*41%*			
Return on average assets (TTM) (1)	*19.4%*	*20.4%*	*19.4%*			
Return on average equity (TTM) (1)	*51.8%*	*56.6%*	*55.0%*			
Earnings growth (TTM) (1)	*-3%*	*29%*	*25%*			
OLP (2)	69,754	71,840	63,315	*10%*	*-3%*	*19%*
Total assets	84,239	88,359	83,826	*0%*	*-5%*	
Client deposits (3)	35,679	35,958	32,350	*10%*	*-1%*	
Interest-bearing debt (3)	5,368	13,315	13,473	*-60%*	*-60%*	
Share capital and reserves	34,771	32,246	27,958	*24%*	*8%*	
Number of clients	416,024	435,660	389,784	*7%*	*-5%*	
Number of branches	420	414	380	*11%*	*1%*	
Average outstanding loan per client (USD)	169	165	163	*4%*	*2%*	*11%*
PAR > 30 days	1.2%	0.4%	0.1%			
Client deposits as % of loan portfolio	51%	50%	51%			

(1) Adjusted for one-off items

(2) Excludes interest receivable and the unamortized loan processing fee

(3) Excludes interest payable

Higher than expected depreciation of primarily Ghanaian GHS vis-à-vis the USD (12%) in H1 2019, limited further provisioning of deposits held at a Ghanaian bank and somewhat larger than expected seasonality effects led to West Africa's net profit growth being behind expectations.

- Net profit up 2% YoY (9% up on a constant currency basis)

- OLP up 10% YoY (19% up YoY on a constant currency basis), which is lower growth in USD terms than expected due to (i) higher than expected depreciation of this segment's operating currencies relative to the USD in the first half of 2019, and (ii) slower growth of OLP in Nigeria
- Number of clients up by 7% YoY
- Number of branches up 11% YoY
- OLP/Client in USD up by 4% YoY
- PAR>30 increased to 1.2%
- Cost/Income ratio increased from 41% to 47%
- Return on average assets is stable at 19.4% YoY
- Return on average equity down 202 bps to 53.0% YoY

Ghana

ASA Savings & Loans Ltd ("ASA S&L Ghana") continues to expand, while maintaining a high portfolio quality:

- Number of clients up from 139k to 152k (up 10% YoY)
- Number of branches up from 113 to 123 (up 9% YoY)
- OLP up from GHS 165.9m (USD 35m) to GHS 206.8m (USD 38m) (up 25% in GHS YoY)
- OLP/Client up from GHS 1.2k (USD 250) to GHS 1.4K (USD 251) (up 14% in GHS YoY)
- PAR>30 remained low at 0.2%
- Due to turmoil in the finance sector resulting from the shutdown of several financial institutions, ASA S&L Ghana was not allowed by the Central Bank to open as many branches as expected.

Nigeria

ASHA Microfinance Bank Ltd. (ASA Nigeria) and ASIEA's growth was lower than expected, primarily due to relatively weak economic growth:

- Number of clients up from 228k to 235k (up 3% YoY)
- Number of branches up from 239 to 263 (up 10% YoY)
- OLP up from NGN 9.7bn (USD 26.9m) to NGN 10.5bn (USD 29.2m) (up 8% in NGN YoY)
- OLP/Client increased from NGN 42.6K (USD 118) to NGN 45.4K (USD 126) (up 7% YoY)
- PAR>30 increased to 2.5%
- Challenges with staffing due to security concerns slowed planned expansion into the Northern parts of Nigeria

Sierra Leone

ASA Sierra Leone continues to expand in client and branch growth, with expansion in:

- Number of clients up from 23k to 29k (up 29% YoY)
- Number of branches up from 28 to 34 (up 21% YoY)
- OLP up from SLL 13.5bn (USD 1.7m) to SLL 22.2bn (USD 2.5m) (up 65% in SLL YoY)
- OLP/Client up from SLL 598K (USD 76) to SLL 766K (USD 86) (up 28% in SLL YoY)
- PAR>30 increased from 1.1% to 1.4% YTD

East Africa

(UNAUDITED) (In USD thousands)	H12019	FY2018	H12018	YoY	YTD	YoY % Change (constant currency)
Net profit	2,527	3,647	1,583	*60%*		*60%*
Normalised net profit (1)	2,527	3,647	1,583	*60%*		*60%*
Cost/income ratio (1)	*63%*	*64%*	*64%*			
Return on average assets (TTM) (1)	*11.0%*	*11.5%*	*8.5%*			
Return on average equity (TTM) (1)	*48.3%*	*47.9%*	*33.7%*			
Earnings growth (TTM) (1)	*60%*	*262%*	*274%*			
OLP (2)	40,958	33,040	24,781	*65%*	*24%*	*66%*
Total assets	51,383	38,556	32,278	*59%*	*33%*	
Client deposits (3)	12,022	10,153	7,364	*63%*	*18%*	
Interest-bearing debt (3)	23,201	17,190	15,251	*52%*	*35%*	
Share capital and reserves	12,080	8,687	6,922	*75%*	*39%*	
Number of clients	293,853	242,313	193,644	*52%*	*21%*	
Number of branches	298	244	220	*35%*	*22%*	
Average outstanding loan per client (USD)	140	137	129	*8%*	*2%*	*9%*
PAR > 30 days	0.44%	0.40%	0.40%			
Client deposits as % of loan portfolio	*29%*	31%	30%			

(1) Adjusted for one-off items

(2) Excludes interest receivable and the unamortized loan processing fee

(3) Excludes interest payable

East Africa's net profit was higher than expected with significantly higher return on assets while maintaining a high-quality loan portfolio with PAR>30 Stable at 0.4%.

- Net profit up 60% YoY (61% up YoY on a constant currency basis)
- OLP increased by 65% YoY (66% on a constant currency basis), due to the continued expansion of operations in all countries across the segment
- Number of clients up 52% YoY
- Number of branches up 35% YoY
- OLP/Client up in USD by 8% YoY
- PAR>30 stable at 0.4%
- Cost/Income ratio improved by 63 bps to 63% YoY
- Return on average assets up 247 bps to 11.0% YoY
- Return on average equity up 1,471 bps to 48.4% YoY

Kenya

ASA Kenya substantially increased its operations, while improving the quality of the portfolio:

- Number of clients up from 58k to 84k (up 44% YoY)
- Number of branches up from 62 to 81 (up 31% YoY)
- OLP up from KES 0.9bn (USD 9.2m) to KES 1.4bn (USD 14.0m) (up 55% in KES YoY)
- OLP/Client increased from KES 15.9K (USD 158) to KES 17.3K (USD 169) (up 8% in KES YoY)
- PAR>30 deteriorated slightly from 0.7% to 1.0% YTD

Tanzania

ASA Tanzania is performing as expected with high branch, client and OLP growth while improving the quality of the loan portfolio:

- Number of clients up from 66k to 102k (up 53% YoY)
- Number of branches up from 72 to 98 (up 36% YoY)
- OLP up from TZS 21.2bn (USD 9.3m) to TZS 36.1bn (USD 15.7m) (up 70% in TZS YoY)
- OLP/Client averaged TZS 357K (USD 155) up from TZS 321k (USD 141) (up 11% in TZS YoY)
- PAR>30 improved from 0.2% to 0.1%
- ASA Tanzania's operations are expected to stay on a high growth path

Uganda

ASA Uganda's growth has been gradual in terms of branches, clients and OLP combined with a stable quality of the loan portfolio:

- Number of clients up from 60k to 87k (up 45% YoY)
- Number of branches up from 68 to 83 (up 22% YoY)
- OLP up from UGX 19.6bn (USD 5.0m) to UGX 31.4bn (USD 8.5m) (up 60% in *UGX YoY)*
- OLP/Client up from UGX 328K (USD 85) to UGX 359K (USD 97) (up 15% in *UGX YoY*), and are expected to remain lower than in Kenya and Tanzania due to generally lower income levels in Uganda
- PAR>30 remained stable at 0.1%

Rwanda

ASA Rwanda successfully increased its operations:

- Number of clients up from 9k to 18k (up 102% YoY)
- Number of branches up from 18 to 30 (up 67% YoY)
- OLP up from RWF 1.bn (USD 1.3m) to RWF 2.2bn (USD 2.4m) (up 89% in *RWF YoY*)
- OLP/Client down from RWF 123K (USD 143) to RWF 122K (USD 134) (down 6*% YoY*)
- PAR>30 improved from 0.7% to 0.6%
- The market environment in Rwanda remains favourable with limited competition
- ASA Rwanda continues to expand and is in line to cross break-even in 2019, three years after inception

Zambia

ASA Zambia successfully commenced its operations:

- Number of clients reached 3k
- 6 branches were opened during H1 2019
- OLP grew to ZMW 4.6m (USD 361k)
- OLP/Client averaged ZMW 1.4k (USD 111)

Regulatory Environment

ASA International operates in a wide range of jurisdictions each with their own regulatory regimes applicable to microfinance institutions. The Company strives to upgrade the licenses of its non-deposit taking MFIs to deposit-taking MFIs or microfinance banks over time, and/or merging any of its non-regulated operations into regulated operations, where possible and if considered appropriate.

Key Events

Pakistan

- In 2018, ASA Pakistan submitted its updated application for transforming its non-deposit taking microfinance company into a microfinance bank, which is now under review by the State Bank of Pakistan (SBP). ASA Pakistan hopes to obtain a NOC (No Objection Clause) from SBP during the second half of 2019. We received positive signals from SBP that the approval process is on track.

Sri Lanka

- In April 2019, the government of Sri Lanka introduced an interest rate cap of 35% per annum on microfinance loans disbursed by licensed microfinance companies.

Philippines

- Pagasa Philippines received a finance company license in November 2018. As a result, there is no longer a requirement to charge VAT on interest income but only the lower GRT (Gross Receipt Tax). As a result, PPFCI should be able to realise a 5% higher return on gross interest income over time.

Myanmar

- In June, the government announced an upcoming reduction in the interest rate cap from 30% to 28%, but with the optionality to charge up to 2% of other fees. In addition, the mandatory minimum interest rate on deposits would also be reduced from 15% to 14% per annum. This will come into effect in October 2019.

Nigeria

- Post 30 June 2019 ASHA Microfinance Bank Ltd. received approval by the Central Bank of Nigeria to absorb the microfinance activities of ASIEA NGO. The Company is now preparing to actively merge ASHA Microfinance Bank and ASIEA NGO.

Tanzania

- ASA Tanzania is reviewing the possibility to upgrade its license to a deposit-taking microfinance institution following the adoption of the New microfinance Act which comes into effect in December 2019.

Key events after 30 June 2019

- In September 2019 ASAI India received a further capital injection of USD 5.3 million to expand its operations.

Regulatory Capital

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 30 June 2019, the Group and its subsidiaries were in full compliance with minimum regulatory capital requirements.

Asset/Liability and Risk Management

ASA International has strict policies and procedures for the management of its assets and liabilities as well as various non-operational risks to ensure that:

- The average tenor of loans to customers is substantially shorter than the average tenor of debt provided by third party banks and other third-party lenders to the Group and any of its subsidiaries
- Foreign exchange losses are minimized by having all loans to any of the Group's operating subsidiaries denominated or properly hedged in the local operating currency and all loans to any of the Group's subsidiaries denominated in local currency are hedged in US dollars
- Foreign translation losses affecting the Group's balance sheet are minimised by preventing over-capitalisation of any of the Group's subsidiaries by distributing dividends and/or repaying capital as soon as reasonably possible

Nevertheless, the Group will always be exposed to currency movements in both (i) the profit & loss statement, which will affect the translation into USD of local currencies of its local operating subsidiaries and (ii) the balance sheet, due to gradual erosion of capital of each of its operating subsidiaries translated in USD, in case the US dollar strengthens against the currency of any of its operating subsidiaries.

Funding

The funding profile of the Group has not materially changed during the first half of 2019:

In USD millions

	30 June 19	**31 Dec 18**	**30 June 18**
Local Deposits	69.4	64.0	56.4
Loans from Financial Institutions	243.1	221.2	215.0
Microfinance Loan Funds	15.0	17.8	21.2
Loans from Dev. Banks & Foundations	40.0	40.0	40.0
Equity	92.9	88.4	84.9
Total Funding	**460.4**	**431.4**	**417.4**

The Group maintains a favourable maturity profile with the average tenor of all funding from third parties being substantially longer than the average tenor at issuance of loans to customers which ranges from 6-12 months.

The Group and its subsidiaries have existing credit relationships with more than 50 lenders throughout the world, which has provided reliable access to competitively-priced funding for the growth of its loan portfolio.

Impact of foreign exchange rates

As a USD reporting company with operations in thirteen different currencies, currency movements can have a major effect on the Group's USD financial performance and reporting.

During the first half of 2019, the US dollar strengthened more than expected, particularly vis-à-vis a number of South Asia and West African currencies where the Group has major operations. The effect of this is (i) existing and future local currency earnings translate into less US dollar earnings, and (ii) local currency capital of any of the operating subsidiaries will translate into less US dollar capital.

Countries	*H12019*	*FY2018*	*H12018*	*Δ H12018 – H12019*	*Δ FY2018 – H12019*
Pakistan (PKR)	163.1	139.4	121.7	*-34%*	*-17%*
India (INR)	69.0	69.5	68.4	*-1%*	*1%*
Sri Lanka (LKR)	176.5	183.0	158.3	*-11%*	*4%*
The Philippines (PHP)	51.2	52.5	53.3	*4%*	*2%*
Myanmar (MMK)	1516.8	1543.8	1411.4	*-7%*	*1%*
Nigeria (NGN)	360.0	364.3	360.0	*0%*	*1%*
Ghana (GHS)	5.4	4.9	4.8	*-13%*	*-12%*
Sierra Leone (SLL)	8925.0	8616.8	7877.5	*-13%*	*-4%*
Kenya (KES)	102.3	101.8	100.9	*-1%*	*0%*
Uganda (UGX)	3693.3	3715.6	3878.3	*5%*	*1%*
Tanzania (TZS)	2299.3	2298.3	2276.9	*-1%*	*0%*
Rwanda (RWF)	911.0	883.0	859.0	*-6%*	*-3%*
Zambia (ZMW)	12.8	12.0	10.0	*-29%*	*-7%*

The currency depreciation of, in particular, PKR and GHS were substantially higher than expected which had an adverse impact on the US dollar net profit growth of these affected subsidiaries.

It also led to an increase in foreign exchange translation losses due to ASA Pakistan's relatively high capital base related to its microfinance bank license application. The total contribution to the foreign exchange loss reserve during the first half of 2019 amounted to USD 4.6m of which USD 3.7m related to the depreciation of the PKR and USD 1.7m to the depreciation of GHS.

Impact of implementing IFRS 16 for leases

IFRS 16 supersedes IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019. ASA International and its component entities have rental lease agreements for 14 group and country head offices as well as for its 1,812 branches. The branch offices are usually simple residential apartments.

The Group has adopted and implemented IFRS 16 as at 1 January 2019 using the modified retrospective method, under which the cumulative effect of initial application is recognised in the retained earnings. Accordingly, comparative information presented for 2018 has not been restated- i.e. it is presented, as previously reported, in line with IAS 17.

The Group applied the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

ASA International recognised a lease liability as at 1 January 2019, measured at the present value of the remaining lease payments and discounted at the incremental borrowing rate per country. A right-of-use asset was also recognised at 1 January 2019 measured at an amount equal to the lease liability which is adjusted for any prepaid or accrued lease payments relating to the leases at that date. There was no impact on retained earnings from the implementation of IFRS 16.

The impact of implementing IFRS 16 is summarised as follows:

	IAS 17	IFRS 16	IFRS 16
	31.12.2018	Impact	01.01.2019
Statement of Financial Position	**USD**	**USD**	**USD**
Assets			
Right-of-use assets	-	5,553,290	5,553,290
Prepayments	1,773,170	(1,773,170)	-
Total Assets	**1,773,170**	**3,780,120**	**5,553,290**
Liabilities			
Lease liabilities	-	3,723,124	3,723,124
Prepayments owing	-	56,996	56,996
Total Liabilities	**-**	**3,780,120**	**3,780,120**

	IAS 17	IFRS 16
	30 June 2019	30 June 2019
Statement of Profit or Loss	**USD**	**USD**
Rent expense	1,968,636	-
Depreciation of Right-of-use assets for existing contracts	-	1,839,536
Total operating expenses	**1,968,636**	**1,839,536**
Interest expense of lease liability for existing contracts	-	179,631
Deferred tax impact	-	(164,476)
Total	**1,968,636**	**1,854,691**

Forward Looking Statement and Disclaimers

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