Press release

ASA International Group plc reports H1 2020 results

Amsterdam, 14 October 2020 - ASA International, ("ASA International", the "Company" or the "Group"), 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 2020 and provides an update on the impact of COVID-19 on its business.

Key performance indicators

(UNAUDITED) (Amounts In USD millions)	H1 2020	FY 2019	H1 2019	YoY	YTD	YoY % Change (constant currency)
Number of clients (m)	2.3	2.5	2.3	*1%*	*-8%*	
Number of branches	1,956	1,895	1,812	*8%*	*3%*	
Net loss/profit	-1.5	34.5	16.1	*-109%*		*-105%*
Outstanding Loan Portfolio ("OLP") (1)	388.6	467.4	419.5	*-7%*	*-17%*	*-1%*
PAR > 30 days(2)	*3.6%*	*1.5%*	*1.0%*			

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

(2) 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.

H1 2020 Highlights

- The Company's operational and financial performance was substantially affected by the unexpected, sudden emergence of COVID-19 and the associated disruption across all our operating countries with a net loss of USD 1.5m in H1 2020 compared to a net profit of USD 16.1m in H1 2019.
- The reduction in profitability was primarily caused by (i) a modification loss of USD 13.3m on interest income due to the effective extension of the term of the Company's loans to clients during the lockdown period and the moratorium on payments granted to selective clients immediately after the end of the lockdowns, which meant that part of the recognition and payment of interest income scheduled for H1 moved to H2, and (ii) a USD 8.3m provision for expected credit losses in H1 2020 compared to USD 1.2m in H1 2019.

- Immediate health impact on our staff and clients remained relatively low with no deaths amongst our approximately 12.5K employees and 15 deaths amongst our 2.3 million clients due to COVID-19.
- Following the end of the lockdowns in our operating countries, the Group granted many clients a temporary moratorium of the payment of one or more loan instalments (which, in effect extends the loan for the period of moratorium), which peaked at USD 16.9m in June with 485K clients benefiting from the moratorium.
- PAR>30 increased to 3.6% (excluding loan instalments under moratorium) by the end of June.
- As of 30 June 2020, the Group had approximately USD 110m of unrestricted cash and cash equivalents, and the funding pipeline exceeded more than USD 200m.

September 2020 Trading Update

- Collection efficiency continues to increase in almost all operating countries with 8 out of 13 countries achieving collections in the mid to high nineties.
- Disbursements increased as well, which resulted in a gradual growth of the loan portfolio during the second half of 2020, from a gross OLP amount of USD 399.7m by 30 June 2020 to USD 422.3m as of 30 September 2020.
- Since the start of the COVID-19 crisis, the Group granted many clients a temporary moratorium of loan repayments for an aggregate amount of USD 45.9m as of 30 September 2020, which is concentrated in four countries: India (32% of the total), the Philippines (34%), Kenya (10%) and Uganda (10%).
- As of 30 September, PAR>30 increased to 6.4%, excluding loan instalments under moratorium.
- The Group's liquidity remained strong throughout the COVID-19 crisis with unrestricted cash and cash equivalents increasing from USD 90m as of 30 March 2020 to approximately USD 105m as of 30 September 2020.
- As of 30 September 2020, the Group has a pipeline of wholesale loans exceeding 185m from a large variety of local and international lenders.
- In anticipation of potential covenant breaches with PAR>30 possibly exceeding 5% throughout the remainder of 2020, the Group secured waivers, no action or comfort letters from almost all its major lenders.

Outlook

The Company is positive about the expected operational and financial performance of the Group for the second half of the year. We have seen ongoing improvement of the business environment for our clients, which resulted in increased demand for loans, increased collection rates, reduced demand for moratoriums, and lower loan loss provisions. Unless the disruption to our clients' businesses caused by COVID-19 increases, it is expected that the Company's operational and financial performance will gradually normalize to more customary levels in terms of profitability and return on assets/equity during the second half of the year. Subject to COVID-19 related developments and any associated business disruptions, net profits are expected to be approximately USD 10m for the full year 2020.

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

"Considering the challenging operating circumstances in the first half of 2020, we are pleased with the performance of the Group. From the start of the crisis we were determined to stay close to our clients and support them throughout these difficult times which prevented many of our clients from doing their regular daily business. Early on we decided to grant a payment holiday to our clients for the lockdown period in each of our operating countries, which in effect extended the term of each outstanding loan. We also granted selected clients a temporary extension on the payment of loan instalments for a period after the end of the nationwide lockdowns.

Our clients have shown strong resilience in rebuilding their businesses and adjust to the new operating circumstances. This ability to recover from adverse circumstances together with our support in providing more time for clients to settle their loans, have enabled our clients to increase their earnings capacity and gradually repay in full the loans granted by the Group.

We are grateful for the solid and consistent financial support we are receiving from almost all our lenders. Once the business environment has further stabilized, we will use these funds for accelerating the growth of our branch network, client base and loan portfolio in existing and new countries. At the start of 2020, we planned to further evaluate the entry of several new markets and due to COVID-19, we postponed these evaluations. Looking towards 2021, I expect we should be able to pick up these plans again and continue to explore opportunities in countries in Asia and Africa."

CHIEF EXECUTIVE OFFICER'S REVIEW

Business Review H1 2020

The first half year of 2020 probably has been the most challenging six months in the Company's history with lockdowns instituted in all our operating countries around the world in less than two weeks.

As result of the disruption to our clients' businesses, we focused more on collection of outstanding installments than disbursement of fresh loans during the first 6-8 weeks after the end of the lockdowns in order to re-assess the earning capacity of each of our clients. This resulted in a gradual reduction of the outstanding loan portfolio from USD 467.4 million by year-end 2019 to USD 388.6 million as of 30 June 2020. As of July 2020, the Group has started to increase its new loan disbursements across all markets, which lead to renewed growth of the Group's loan portfolio.

We have seen positive developments on the regulatory front with (i) ASA Pakistan securing an in-principle approval from the Central Bank to transform into a microfinance bank, (ii) ASA Myanmar receiving approval for taking voluntary savings from clients and (iii) completing the merger of the activities of ASIEA NGO into ASHA Microfinance Bank, our nationwide microfinance bank in Nigeria on 1 April 2020.

Despite the COVID-19 crisis, staff satisfaction remained high with hardly any staff drop-outs during the lockdown period. Most of our approximately 12,500 staff started working at ASA International immediately after university graduation and with many pursuing careers within the Company.

The competitive environment did not change much during the first half of the year as result of the crisis. Competition remains highest in India and the Philippines where our strongest competitors are three microfinance institutions which also follow the ASA model of microfinance as taught to them by ASA NGO Bangladesh more than 15 years ago. In most other markets, we face less competition of traditional microfinance institutions. As of now, we have experienced limited competition of digital lenders in any of our markets, as the loans and services offered are not particularly targeted to our client base as of yet. Digital lenders are often perceived by our clients as lenders of last resort who employ aggressive debt collectors, charge high interest rates and have little or no connection to the local communities. With our proprietary, real-time banking system, AMBS, we are well-positioned to offer our clients digital financial services, which we expect to be gradually introduced in our operating countries.

During H1 2020, we maintained a minimum foreign currency mismatch, and benefited from the shorter duration of our assets vis-à-vis our liabilities, which enabled us to draw some liquidity from the field at the height of the COVID-19 crisis.

Compared to 2018 and 2019, our operating currencies remained relatively stable vis-à-vis the US dollar during H1 2020, with the exception of Pakistan, India, Nigeria and Zambia which have seen significant depreciation of their currencies.

Modification loss

The modification loss of USD 13.3m on interest income and interest receivable relates to the effective extension of the term of the Company's loans to clients during lockdowns and individual moratoria granted after the lockdowns. We have estimated the modification loss through performing sample testing of borrowers across each country and extrapolating the difference across the remainder of the population. As such there is a degree of estimation uncertainty in the recording of income as the sample selected may not be indicative of the untested population. We have further explained the modification loss in note 2.3.2 of the interim condensed financial statements.

ECL provision

During H1 2020 the Company has increased its provision for expected credit losses ("ECL") from USD 4.3m to USD 11.1m for the combined OLP including the off-book BC portfolio. The related ECL expense amounts to USD 8.3m in H1 2020 compared to USD 1.2m in H1 2019. This increase mainly relates to an additional management overlay as part of the ECL policy under IFRS 9 due to the expected impact on our clients of recent government and regulatory actions related to COVID-19, like lockdowns and moratoria. Management has applied its previous experiences from natural calamities and other disruptive events like the Andhra Pradesh crisis and demonetisation in India, as well as the current developments in each of its operating countries, to determine the assumptions for the ECL calculation. Because the removal or relaxation of restrictions in certain countries occurred very recently, and in some countries regional restrictions continue, the impact on borrowers and the selection of the assumptions for the ECL provision include significant uncertainty. As such, the resulting outcome of losses on the loan portfolio may be materially different. Further details on the ECL calculation are provided in note 2.3.1 of the interim condensed financial statements.

Dividend

Due to the COVID-19 impact on the Group's financial and operating performance during H1 2020 and the resulting uncertainty, the Board ultimately decided not to declare a dividend on earnings for the year 2019. The Company plans to reinstate the standard dividend policy of 30% of Group earnings for the year 2020.

Webcast and Conference Call

Management will be hosting an audio webcast and conference call, with Q&A today at 14:00 (BST).

To access the audio webcast, please go to www.asa-international.com or use the following link: https://brrmedia.news/qdw47

In order to ask questions, analysts and investors are invited to submit questions via the webcast or dial into the conference call. Please use the dial-in details below, including the confirmation code:

Location	Phone Number
United Kingdom	+44 (0)330 336 9411
Netherlands	+31 (0)20 703 8261
South Africa	+27 11 844 6118
India	+91 (0)80 7127 9031
Singapore	+65 6320 9075
United States	+1 323-794-2094

Confirmation code: 1817583

2020 Interim Financial Report

Today, we published our Interim Financial Report for the 6 months period ended 30 June 2020 on: www.asa-international.com

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GROUP FINANCIAL PERFORMANCE

(UNAUDITED) (Amounts in USD thousands)	H1 2020	FY 2019	H1 2019	YoY	YTD	YoY % Change (constant currency)
Net loss/profit	-1,487	34,497	16,133	*-109%*		*-105%*
Cost/income ratio	*108%*	*60%*	*61%*			
Return on average assets (TTM)	*-0.5%*	*6.7%*	*6.7%*			
Return on average equity (TTM)	*-2.8%*	*34.5%*	*36.0%*			
Earnings growth (TTM)	*-109%*	*6%*	*-2%*			
OLP (1)	388,649	467,429	419,493	*-7%*	*-17%*	*-1%*
Total assets	530,984	559,958	517,884	*3%*	*-5%*	
Client deposits (2)	74,488	78,080	69,395	*7%*	*-5%*	
Interest-bearing debt (2)	301,094	317,810	298,093	*1%*	*-5%*	
Share capital and reserves	104,131	111,169	92,943	*12%*	*-6%*	
Number of clients	2,331,563	2,534,015	2,313,305	*1%*	*-8%*	
Number of branches	1,956	1,895	1,812	*8%*	*3%*	
Average outstanding loan per client (USD)	167	184	181	*-8%*	*-10%*	*-2%*
PAR > 30 days	*3.6%*	*1.5%*	*1.0%*			
Client deposits as % of loan portfolio	*19%*	*17%*	*17%*			

(1) Includes off-book Business Correspondence loans and Direct Assignment loans and excludes interest receivable and unamortized loan processing fees

(2) Excludes interest payable

Regional performance

South Asia

(UNAUDITED) (Amounts in USD thousands)	H1 2020	FY 2019	H1 2019	YoY	YTD	YoY % Change (constant currency)
Net profit	594	14,098	7,492	*-92%*		*-87%*
Cost/income ratio	*99%*	*50%*	*49%*			
Return on average assets (TTM)	*0.5%*	*6.1%*	*6.5%*			
Return on average equity (TTM)	*2.0%*	*26.6%*	*33.2%*			
Earnings growth (TTM)	*-92%*	*-5%*	*-3%*			
OLP (1)	226,401	254,361	234,869	*-4%*	*-11%*	*7%*
Total assets	229,747	252,034	238,720	*-4%*	*-9%*	
Client deposits (2)	2,363	2,082	1,198	*97%*	*13%*	
Interest-bearing debt (2)	159,136	177,257	174,728	*-9%*	*-10%*	
Share capital and reserves	57,777	58,703	48,972	*18%*	*-2%*	
Number of clients	1,191,888	1,234,638	1,135,004	*5%*	*-3%*	
Number of branches	766	751	699	*10%*	*2%*	
Average outstanding loan per client (USD)	196	208	209	*-6%*	*-5%*	*-14%*
PAR > 30 days	*4.7%*	*2.0%*	*1.1%*			
Client deposits as % of loan portfolio	*1%*	*1%*	*1%*			

(1)Includes off-book Business Correspondence loans and Direct Assignment loans and excludes interest receivable and unamortized loan processing fees

(2)Excludes interest payable

Due to the impact of COVID-19 and associated lockdowns in each country, operations were largely disrupted in the South Asia region. A shrinking OLP along with increased provisions for expected losses as well as currency depreciation in Pakistan and India (PKR down 3% and INR down 9% YoY against USD) led to South Asia's USD net profits going down 92% YoY (87% YoY down on a constant currency basis).

- The quality of the loan portfolio declined with PAR>30 increasing from 1.1% to 4.7%
- Cost/Income ratio increased by 5,000 *bps* to 99% due to reduced income caused by the COVI-19 disruptions compared to an increased cost base YoY
- Return on average assets was down 600 *bps* to 0.5% due to lower profits caused by a declining OLP, and increase in expected credit loss expenses
- Return on average equity down by 3,100 *bps* to 2.0%

India

ASAI India grew its operations over the twelve-month period:

- Number of clients up from 639k to 727k (up 14% YoY)
- Number of branches up from 352 to 402 (up 14% YoY)
- OLP up from INR 8.3bn (USD 120m) to INR 8.5bn (USD 113m) (up 3% YoY *in INR*)
- Off-book portfolio grew from INR 3.1bn (USD 45.5m) to INR 4.0bn (USD 53.8m) (up 30% *in INR*). This now includes INR 517.2m (USD 6.9m) of the portfolio transferred under a direct assignment (DA) agreement to State Bank of India
- OLP/Client down from INR 13K to INR 12K (down 9% YoY *in INR*)
- PAR>30 increased from 0.7% to 3.0%
- USD 5.8m in moratoriums granted to 182k clients in June 2020
- ASAI India continues to benefit from its strong business correspondent relationship with IDFC First Bank and the ongoing support of its many international and local lenders, including State Bank of India raising over USD 20m of new funding in H1 2020

Pakistan

ASA Pakistan saw its operations shrink due to COVID-19 impact and the uncertainty caused by the delay in securing the microfinance bank license during the second half of 2019:

- Number of clients declined from 429k to 409k (down 5% YoY)
- Number of branches up from 276 to 293 (up 6% YoY)
- OLP down from PKR 9.8bn (USD 60.2m) to PKR 8.7bn (USD 51.5m) (down 12% in *PKR*), OLP/Client down from PKR 22.7K (USD 141) to PKR 22.2K (USD 132) (down 2% YoY in *PKR)* due to lower disbursements to clients during the period of uncertainty created by COVID-19
- PAR>30 increased from 0.6% to 7.6%
- No moratoriums granted to clients up until the end of September 2020

Sri Lanka

Lak Jaya continued to feel the negative impact of the political activism around the government's debt relief program and the Easter Sunday bombings, and additionally the disruption due to COVID-19:

- Number of clients down from 67k to 56k (down 17% YoY)
- Number of branches maintained at 71
- OLP down from LKR 1.6bn (USD 9.1m) to LKR 1.5bn (USD 7.9m) (down 9% YoY in *LKR*)
- OLP/Client up from LKR 22.6K (USD 145) to LKR 29.1K (USD 156) (up 29% YoY in *LKR*)
- PAR>30 increased from 10.0% to 10.2%
- Up to USD 1.1m in moratoriums granted to 37k clients between March and June 2020
- Management implemented a strategy to focus on cost control and improving the portfolio quality by consolidating some branches and making a larger write-off of its bad loans

South East Asia

(UNAUDITED) (Amounts in USD thousands)	H1 2020	FY 2019	H1 2019	YoY	YTD	YoY % Change (constant currency)
Net loss/profit	-3,969	5,349	2,279	*-274%*		*-284%*
Cost/income ratio	*464%*	*74%*	*78%*			
Return on average assets (TTM)	*-6.7%*	*4.8%*	*4.5%*			
Return on average equity (TTM)	*-38.3%*	*29.1%*	*27.7%*			
Earnings growth (TTM)	*-274%*	*38%*	*37%*			
OLP [(1)]	68,847	84,205	72,986	*-6%*	*-18%*	*-13%*
Total assets	111,870	125,750	111,074	*1%*	*-11%*	
Client deposits [(2)]	23,726	22,995	20,496	*16%*	*3%*	
Interest-bearing debt [(2)]	59,140	72,419	64,558	*-8%*	*-18%*	
Share capital and reserves	19,964	21,453	15,986	*25%*	*-7%*	
Number of clients	448,707	491,813	468,424	*-4%*	*-9%*	
Number of branches	416	405	395	*5%*	*3%*	
Average outstanding loan per client (USD)	173	173	157	*10%*	*0%*	*-9%*
PAR > 30 days	*1.1%*	*1.0%*	*0.9%*			
Client deposits as % of loan portfolio	*34%*	*27%*	*28%*			

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

[(2)]Excludes interest payable

In South East Asia, client and OLP growth declined in H1 2020 compared to year end 2019 due in large part to disruptions brought on by COVID-19 in especially the Philippines. The extended 10-week lockdown period and the ongoing disruption afterwards in the Philippines led to a reduction in OLP and higher expected credit losses resulting in lower earnings, while Myanmar continued to improve its profitability despite the subsequent decline in clients and OLP as result of COVID-19, supported by a stronger currency (9% up on USD from H1 2019 to H1 2020).

The Philippines

PPFC operations contracted due to impact from COVID-19:

- Number of clients down from 324k to 309k (down 5% YoY)
- Number of branches up from 307 to 323 (up 5% YoY)
- OLP down from PHP 2.4bn (USD 46.2m) to PHP 2.0bn (USD 39.5m) (down 16% YoY in *PHP*)
- OLP/Client up from PHP 7K (USD 143) to PHP 8K (USD 154) (up 5*%* YoY in *PHP)*

- PAR>30 increased from 1.1% to 2.6%
- Up to USD 7.0m in moratoriums granted to 145k clients between March and June 2020

Myanmar

ASA Myanmar saw a decline in clients but marginal growth of its OLP:

- Number of clients down from 144k to 140k (down 3% YoY)
- Number of branches up from 88 to 93 (up 6% YoY)
- OLP down from to MMK 40.7bn (USD 26.8m) to MMK 40.5bn (USD 29.3m) (down 0.5% YoY *in MMK*)
- OLP/Client up from MMK 295K (USD 187) to MMK 297K (USD 215) (up 1*%* YoY *in MMK*)
- PAR>30 decreased from 0.5% to 0.6%
- Up to USD 1.1m in moratoriums granted to 35k clients between March and June 2020

West Africa

(UNAUDITED) (Amounts in USD thousands)	H1 2020	FY 2019	H1 2019	YoY	YTD	YoY % Change (constant currency)
Net profit	5,297	15,935	7,029	*-25%*		*-15%*
Cost/income ratio	*55%*	*45%*	*47%*			
Return on average assets (TTM)	*11.2%*	*17.3%*	*19.4%*			
Return on average equity (TTM)	*28.5%*	*45.7%*	*51.8%*			
Earnings growth (TTM)	*-25%*	*-6%*	*-3%*			
OLP (1)	56,647	77,200	69,754	*-19%*	*-27%*	*-10%*
Total assets	93,962	95,240	84,239	*12%*	*-1%*	
Client deposits (2)	34,809	38,195	35,679	*-2%*	*-9%*	
Interest-bearing debt (2)	11,212	11,919	5,368	*109%*	*-6%*	
Share capital and reserves	37,003	37,452	34,771	*6%*	*-1%*	
Number of clients	389,453	459,022	416,024	*-6%*	*-15%*	
Number of branches	431	423	420	*3%*	*2%*	
Average outstanding loan per client (USD)	155	170	169	*-8%*	*-9%*	*-5%*
PAR > 30 days	*4.0%*	*1.5%*	*1.2%*			
Client deposits as % of loan portfolio	*61%*	*49%*	*51%*			

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

(2)Excludes interest payable

West Africa's operational and financial performance saw a decline due to the impact of COVID-19. Ghana saw a quick recovery of its operations following the end of lockdowns with collections back to pre-COVID levels within 2 weeks, while Nigeria faced a longer recovery from lockdowns due to prior challenging market conditions further impacted by COVID-19, including a depreciation of NGN (7% down against USD in H1 2020). OLP was down 19% YoY (down 10% YoY on a constant currency basis), which was affected by lower disbursements to clients during the period of uncertainty following lockdowns in Nigeria and Ghana.

Ghana

ASA Savings & Loans operations declined due to COVID-19 but managed to recover and achieve good portfolio quality:

- Number of clients down from 152k to 134k (down 12% YoY)
- Number of branches up from 123 to 129 (up 5% YoY)
- OLP down from GHS 206.8m (USD 38.1m) to GHS 190.0 m (USD 32.8m) (down 8*%* YoY in *GHS*)

- OLP/Client down to GHS 1.5k (USD 250) (down 1% YoY in *GHS*)
- PAR>30 increased from 0.2% to 1.2%
- No moratoriums granted to clients in the period

Nigeria

ASHA Nigeria and ASIEA (‘ASA Nigeria’) saw a contraction of operations due to COVID-19:

- Number of clients down from 234k to 225k (down 4% YoY)
- Number of branches maintained at 263
- OLP down from NGN 10.5bn (USD 29.2m) to NGN 8.1bn (USD 21.0m) (down 22% YoY *in NGN*)
- OLP/Client declined from NGN 45k (USD 126) to NGN 41k (USD 105) (down 11% YoY *in NGN*)
- PAR>30 increased from 2.5% to 7.5%
- Up to USD 0.6m in moratoriums granted to 10k clients between March and June 2020

Sierra Leone

ASA Sierra Leone continued to successfully expand with high client and branch growth:

- Number of clients up from 29k to 30k (up 3% YoY)
- Number of branches up from 34 to 39 (up 15% YoY)
- OLP up from SLL 22.2bn (USD 2.5m) to SLL 27.8bn (USD 2.9m) (up 25% YoY *in SLL*)
- OLP/Client up from SLL 746k (USD 86) to SLL 974k (USD 100) (up 31% YoY *in SLL*)
- PAR>30 increased from 1.4% to 8.9%, due to a substantial fraud in in one of its branches combined with the impact of COVID-19 on clients
- Up to USD 31k in moratoriums granted to 1.3k clients between March and June 2020

East Africa

(UNAUDITED) (Amounts in USD thousands)	H1 2020	FY 2019	H1 2019	YoY	YTD	YoY % Change (constant currency)
Net profit	333	6,160	2,527	*-87%*		*-91%*
Cost/income ratio	*97%*	*62%*	*63%*			
Return on average assets (TTM)	*1.2%*	*12.6%*	*11.0%*			
Return on average equity (TTM)	*4.3%*	*51.0%*	*48.3%*			
Earnings growth (TTM)	*-87%*	*69%*	*60%*			
OLP [(1)]	36,753	51,664	40,958	*-10%*	*-29%*	*-10%*
Total assets	55,856	59,356	51,383	*9%*	*-6%*	
Client deposits [(2)]	13,591	14,808	12,022	*13%*	*-8%*	
Interest-bearing debt [(2)]	24,245	25,835	23,201	*5%*	*-6%*	
Share capital and reserves	15,408	15,476	12,080	*28%*	*0%*	
Number of clients	301,515	348,542	293,853	*3%*	*-13%*	
Number of branches	343	316	298	*15%*	*9%*	
Average outstanding loan per client (USD)	131	149	140	*-6%*	*-12%*	*-12%*
PAR > 30 days	*1.9%*	*0.6%*	*0.4%*			
Client deposits as % of loan portfolio	*37%*	*29%*	*29%*			

[(1)]Includes off-book Business Correspondence loans and Direct Assignment loans and excludes interest receivable and the unamortized loan processing fee

[(2)]Excludes interest payable

East Africa saw a decline in operations and profitability attributable to COVID-19 impact on the operating countries though managing to maintain a good-quality loan portfolio.

Kenya

ASA Kenya decreased its operations:

- Number of clients down from 83k to 78k (down 7% YoY)
- Number of branches up from 81 to 99 (up 22% YoY)
- OLP down from KES 1.4bn (USD 14.0m) to KES 1.2bn (USD 11.6m) (down 14% YoY in KES)
- OLP/Client declined from KES 18K (USD 169) to KES 17K (USD 159) (down 3% YoY in KES)
- PAR>30 increased from 1.0% to 2.5%
- Up to USD 4.1m in moratoriums granted to 20k clients between March and June 2020

Tanzania

ASA Tanzania managed to expand its operations:

- Number of clients up from 102k to 104k (up 2% YoY)
- Number of branches up from 98 to 112 (up 14% YoY)
- OLP down from TZS 36.1bn (USD 15.7m) to TZS 32.8bn (USD 14.1m) (down 9% YoY in TZS)
- OLP/Client down from TZS 415k (USD 155) to TZS 340k (USD 147) (down 18% YoY in TZS)
- PAR>30 increased from 0.1% to 2.0%
- Up to USD 267k in moratoriums granted to up to 5k clients between March and June 2020

Uganda

ASA Uganda saw a reduction in operations in 2020 but growth overall YoY in terms of branches and clients while maintaining a high-quality loan portfolio:

- Number of clients up from 87k to 96k (up 10% YoY)
- Number of branches up from 83 to 96 (up 16% YoY)
- OLP down from UGX 31.4bn (USD 8.5m) to UGX 30.5bn (USD 8.2m) (down 3% YoY in *UGX)*
- OLP/Client down from UGX 395K (USD 97) to UGX 351K (USD 94) (down 11% YoY in UGX), which is expected to remain lower than in Kenya and Tanzania due to generally lower income levels in Uganda
- PAR>30 increased slightly from 0.1% to 0.4%
- Up to USD 1.8m in moratoriums granted between March and June 2020 to up to 75k clients

Rwanda

ASA Rwanda increased its operations YoY:

- Number of clients up from 18k to 20k (up 11% YoY)
- Number of branches maintained at 30
- OLP up from RWF 2.2bn (USD 2.4m) to RWF 2.6bn (USD 2.6m) (up 22% YoY in *RWF*)
- OLP/Client up from RWF 128K (USD 134) to RWF 135K (USD 142) (up 6% YoY in RWF)
- PAR>30 increased from 0.6% to 1.5%
- Up to USD 393k in moratoriums granted to 7.8k clients between March and June 2020

Zambia

ASA Zambia managed to keep expanding its operations in H1 2020:

- Number of clients reached 3k
- Number of branches maintained at 6
- Realized OLP of ZMW 3.6m (USD 197k)

- OLP/Client reached ZMW 1.3k (USD 70)
- PAR>30 increased to 22.6%, primarily due to a substantial fraud in one of its branches
- No moratoriums granted to clients during the period

Regulatory Environment

ASA International operates in a wide range of jurisdictions each with their own regulatory regimes applicable to microfinance institutions. At this time, the Company continues to pursue deposit-taking licenses in countries such as Pakistan and Tanzania.

Lockdowns in Pakistan, Ghana, Kenya, Nigeria, Myanmar, Rwanda, Sri Lanka, Sierra Leone, Tanzania and the Philippines have ended or relaxed, which enabled the Group to re-open branches and resume field activities prior to the end of H1 2020. India started collections after the end of the lockdown, but clients could request a moratorium instituted by the Government of India until 30 August 2020 and Uganda only fully resumed operations by mid-June. Up to 30 September, collection efficiency across the Group continued to strengthen with eight out of thirteen countries reporting collections in the mid to high nineties.

Key Events

Pakistan

- On 3 January 2020 ASA Pakistan received a no-objection certificate ("NOC") by the State Bank of Pakistan for transforming ASA Pakistan (non-deposit taking) into ASA Microfinance Bank (MFB), subject to meeting certain requirements set by the central bank. It is the expectation that the license will be granted during the second half of 2020.

Sri Lanka

- The market in Sri Lanka faced three major challenges in the past two years: (i) following the introduction of a debt relief program for microfinance loans in drought affected districts of Sri Lanka in 2018, the repayment discipline of clients across the country was eroded, which after-effects still persisted in 2019, (ii) the Easter Sunday bomb attack and the knock on effect on the economy, and (iii) the spread of COVID-19. The microfinance sector has not yet fully recovered from these shocks.
- In addition, due to overall interest rate cuts by the government in the financial sector following the economic downturn due to COVID-19, there is concern that the interest rate cap of 35% introduced last year may be further reduced.
- In April 2019, Lak Jaya received the deposit-taking license under the Microfinance Act.

Myanmar

- ASA Myanmar secured the approval of the Central Bank of Myanmar for taking deposits in January of 2020.

- The Central Bank of Myanmar cut the maximum lending rate on microfinance loans from 30% to 28% per annum.

Nigeria

- The Central Bank approved the merger between ASHA Nigeria and ASIEA, which was completed by 1 April 2020.

Tanzania

- ASA Tanzania submitted application for non-deposit taking microfinance institution under the new Microfinance Act.

Key events after 30 June 2020

- On 9 July 2020, State Bank of Pakistan granted extension of the NOC to ASA Pakistan up to 31 December 2020.
- On 20 July 2020, ASA Tanzania submitted the application to carry on business as non-deposit taking MFI to the Bank of Tanzania.

Regulatory Capital

Many of the Group's operating subsidiaries are regulated and subject to minimum regulatory capital requirements. As of 30 June 2020, 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 duly 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 remain exposed to currency movements in both (i) the profit & loss statement, which will be affected by the translation of profits in local currencies into USD, and (ii) the balance sheet, due to the erosion of capital of each of its operating subsidiaries in local currency when 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 2020:

In USD millions

	30 Jun 20	**31 Dec 19**	**30 Jun 19**
Local Deposits	74.5	78.0	69.4
Loans from Financial Institutions	232.8	260.6	243.1
Microfinance Loan Funds	28.3	27.2	15.0
Loans from Dev. Banks & Foundations	40.0	30.0	40.0
Equity	104.1	111.2	92.9
Total Funding	**479.7**	**507.0**	**460.4**

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.

Some subsidiaries did not fulfil some of the ratios as required in contracts for credit lines amounting to 54.2 million. Due to these breaches of covenant clauses, the lenders are contractually entitled to request for immediate repayment of the outstanding loan amounts. The Group already received waivers against all breaches except for USD 15.2 million from its lenders. The balance is presented as on demand as at 30 June 2020. The lenders have not requested any early repayment of the loan as of date.

In view of potential temporary portfolio quality covenant breaches from increased overdue by some of the Company's operating subsidiaries due to the disruption caused by COVID-19, the Company secured temporary waivers, no action and/or comfort letters from almost all its major lenders for the remainder of 2020.

Key events after 30 June 2020

- ASA International Holding signed a loan facility agreement for USD 10 million with Citibank N.A., Jersey on 2 October 2020. The term of the loan is three years.

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.

The effect of this is that (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	*H12020*	FY2019	*H12019*	*Δ H12019 – H12020*	*Δ FY2019 – H12020*
Pakistan (PKR)	168.0	154.8	163.1	(3%)	(9%)
India (INR)	75.3	71.3	69.0	(9%)	(6%)
Sri Lanka (LKR)	186.4	181.4	176.5	(6%)	(3%)
The Philippines (PHP)	49.8	50.7	51.2	3%	2%
Myanmar (MMK)	1382.2	1487.0	1516.8	9%	7%
Nigeria (NGN)	387.7	362.5	360.0	(8%)	(7%)
Ghana (GHS)	5.8	5.7	5.4	(7%)	(2%)
Sierra Leone (SLL)	9748.9	9782.7	8925.0	(9%)	0%
Kenya (KES)	106.6	101.4	102.3	(4%)	(5%)
Uganda (UGX)	3733.5	3665.4	3693.3	(1%)	(2%)
Tanzania (TZS)	2316.7	2298.0	2299.3	(1%)	(1%)
Rwanda (RWF)	954.2	943.2	911.0	(5%)	(1%)
Zambia (ZMW)	18.2	14.1	12.8	(41%)	(29%)

During H1 2020, the US dollar particularly strengthened against PKR +9%, INR +6% and NGN +7% as a result of the impact of COVID-19 on the individual countries' and global economy. This had an additional negative impact on the USD earnings contribution of these subsidiaries to the Group and also contributed to an increase in foreign exchange translation losses, particularly due to ASA Pakistan's continued relatively high capital base related to its planned transformation into a microfinance bank. The total contribution to the foreign exchange translation loss reserve during H1 2020 amounted to USD 4.9m of which USD 2.1m related to the depreciation of the PKR and USD 1.6m to depreciation of the INR.

Forward Looking Statement and Disclaimers

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